



**No Night Flights**

**NNF16**

**Responses to the ExA's  
Second Written Questions  
for Deadline 6**

May 2019

**Application by RiverOak Strategic Partners to upgrade and reopen Manston Airport**  
**The Examining Authority's second written questions and requests for information**  
**(ExQ2)**

**Issued on 5 April 2019**

CA.2.33	The Applicant All Parties	<p><b>Compelling Case in the Public Interest</b></p> <p>Section 122 of Planning Act 2008 requires that the Secretary of State must be satisfied that there is a compelling case in the public interest for the Compulsory Acquisition.</p> <p><b>The Applicant and all parties are reminded that the ExA considers that responses to other questions and submissions to, and arising from, Issue Specific Hearings, particularly those on need and on socio-economic issues are pertinent to this statutory requirement.</b></p>
<b>HE.2</b>	<b>Historic environment</b>	
HE.2.2	The Applicant	<p><b>Noise and heritage assets</b></p> <p>The ES Vol 1, Chapter 9 [APP-033], 9.6.21 states that the assessment considered the effect of noise on heritage assets in line with Historic England's Aviation Noise Metric Study.</p> <ol style="list-style-type: none"> <li><b>i. Provide a copy of the Aviation Noise Metric Study.</b></li> <li><b>ii. Provide further information with regards to the 'scoping out' of heritage assets within Ramsgate.</b></li> <li><b>iii. Confirm (or otherwise) that the assessment using the Noise Metric Study was applied using the current situation, i.e. a baseline assessment was done assuming no aviation noise for comparison with the 'with aviation' scenario.</b></li> </ol> <p>NNF has commented on this in NNF01 section C and in NNF14 and NNF09</p>



Nd.2	Need
ND.2.1	<p data-bbox="276 293 531 331">The Applicant</p> <p data-bbox="547 293 711 331"><b>Forecasts</b></p> <p data-bbox="547 344 1485 521">While accepting that there may be no standard methodology for forecasting air freight, in the Need and Operations Hearing (21/03/19) it was accepted that the Azimuth report [APP-085] did not account for viability and that the forecasts contained within the ES were indicative.</p> <p data-bbox="547 539 1453 611"><b>Given the above, are the Azimuth forecasts effectively therefore an assessment of potential, or a wish list?</b></p> <p data-bbox="547 629 1485 840">No Night Flights (NNF) submitted for D3 three critiques of Dr Dixon's Azimuth forecasts – NNF06, NNF07 and NNF08. Each of these documents is fact-based and highlights significant flaws in Dr Dixon's work and in her overall approach to this work. We note that RSP has chosen not to comment on any of these critiques.</p> <p data-bbox="547 857 1477 929">NNF then submitted a further critique to D4 – NNF13. We also submitted our responses to the ExA's First Written Questions.</p> <p data-bbox="547 947 1485 1019">In addition, NNF submitted to D3 its previous factual review of the UK air cargo sector, "No Room for late Arrivals" (NNF02).</p> <p data-bbox="547 1037 1485 1137">It is NNF's consistent case that the Azimuth forecasts are, like the Wiggins airport acquisition strategy developed by Dr Dixon and Mr Freudmann, "merely vapour".</p> <p data-bbox="547 1155 1294 1193">In replies to the ExA, Dr Dixon made it clear that:</p> <ul data-bbox="595 1211 1485 2051" style="list-style-type: none"> <li>• She did not consider the issue of viability in her reports</li> <li>• Her reports were not a business plan</li> <li>• She looked at existing air freight volumes for markets such as perishables and then guessed a percentage of that trade that might be displaced to a new airport at Manston</li> <li>• The new markets she was considering were those served by ecommerce airlines</li> <li>• Some of the business she was forecasting for Manston would be coming from existing UK air freight flows as some markets, in her view, were not being served efficiently</li> <li>• That her estimate of the percentage of movement of air freight via trucks that might be displaced to dedicated freighters into Manston was based on looking at one day's traffic for trucks with airline codes moving between LHRW and an EU airport</li> <li>• Her "forecasts" were not built around market research with existing airlines. Instead her forecasts reflected her view of markets at a macro level and her view as to where there might be opportunities</li> <li>• There was nothing before the ExA that demonstrated that what she said in her reports would happen in terms of ATM numbers would actually be viable</li> </ul>

		<ul style="list-style-type: none"> <li>• She had assumed in her work that the future airport operator would “adopt the right level of pricing”.</li> </ul> <p>Dr Dixon said that she had very limited experience in air freight forecasting in South East England.</p> <p>Chris Cain said that RSP was trying to understand new markets and that it was not yet known how the “new integrators” would operate across the UK. He said that “no-one in the industry is arguing that these guys are coming”.</p> <p>Phil Rose for NNF submitted a critique of the most recent Northpoint report for D5.</p> <p>Given Dr Dixon’s lack of air freight forecasting experience; the lack of any evidence that there is “pent up demand” in the UK dedicated air freight market; the lack of any evidence that the market <u>would</u> switch to Manston; and her failure to take pricing into account when forecasting demand, it is clear that the ExA can place no reliance on her conclusions. Her work is indeed a “wish list”.</p> <p>Dr Dixon was not rescued by Mr Cain’s interjections at the hearing in March. Mr Cain submitted a paucity of evidence to support his broad assertions. He made it clear that he was talking predominantly about a future market, a market whose future shape in the UK was not yet known.</p> <p>The Northpoint report repeats the mistakes made in the Azimuth reports. In particular, the core model in the Northpoint report doesn’t examine ATMs; it doesn’t examine the dedicated freight market in isolation - instead lumping together bellyhold, express and dedicated freight; and it doesn’t examine price.</p> <p>The Azimuth reports and the late addition of the Northpoint report in no way make a compelling case in the public interest for the CPO of SHP’s land.</p>
ND.2.9	The Applicant	<p><b>Forecasts</b></p> <p>The chart set above paragraph 8 in the Northpoint report [REP4-031] appears to show a levelling out in 2017.</p> <p><b>Is this more symptomatic of the overall period since 2000 as opposed to a longer trend from 2014 going upwards?</b></p> <p>The chart referred to in the Northpoint report is in tonnage and not dedicated freight ATMs. The Northpoint report misses the point altogether – dedicated freight ATMs have halved in the UK in recent years. The DCO is about dedicated freight ATMs, not about freight tonnage.</p> <p>NNF has produced substantial evidence to the Examination of the trends in UK air freight since the turn of the century. This can be found in brief at paras 153-168 and 240-243 in NNF02. The graph at para 182 shows freighter ATMs 1990-2011.</p> <p>A fuller and more up-to-date setting out of this evidence is in</p>

		<p>NNF06 – NNF’s detailed critique of the first volume of Dr Dixon’s Azimuth reports.</p> <p>It is clear from the evidence we have submitted that, as the DfT said in its 2017 UK Aviation Forecasts “At the airport level the number of freighter movements has been volatile with some evidence of overall national decline in recent decades.” The current number of UK dedicated freight ATMs is less than half what it was in 2000. The longer term trend is clearly down, with fewer UK dedicated freight ATMs and a smaller % of UK air freight carried in dedicated ATMs.</p>
ND.2.11	The Applicant	<p><b>Forecasts</b></p> <p>At the Need and Operations Hearing (21/03/19) it was stated that the forecasts contained within the Azimuth report [APP-085] were indicative.</p> <ol style="list-style-type: none"> <li><b>Provide more information on such forecasts and their indicative nature.</b></li> <li><b>If indicative, what is rationale of using named carriers in developing the forecasts?</b></li> <li><b>How certain are you that the indicative volumes and aircraft types would be likely to fulfil such forecasts?</b></li> <li><b>Do the forecasts provide a realistic indication in your view; have the forecasts been subject to sensitivity testing/analysis?</b></li> </ol> <p>Dr Dixon said that the “indicative” airlines used in the ES were there simply to provide a “reasonable assumption” for the ES. A “reasonable assumption” is clearly a long way away from being an evidence-based forecast. We will return to this below.</p> <p>Dr Dixon said that her forecasts were based on her assessment of macro market opportunities. She then “guessed” at the % volume of those opportunities that might translate into freight tonnage that could be handled through Manston. She then used the “indicative” airlines that shaped the environmental impact assessment in the ES to arrive at a view of average tonnage per ATM and thus to arrive at her ATM numbers.</p> <p>It is clear from Dr Dixon’s responses that her forecasts are a guess, based upon a guess, based upon a guess, based upon desk research as to possible sources of demand for air freight. Dr Dixon did not claim that these guesstimates were backed up by clear indications of interest from relevant cargo operators saying that they are ready to use Manston.</p> <p>NNF has provided a detailed critique of the evidence base (such as it is) and forecasts set out in Dr Dixon’s Azimuth II and III in NNF07 and NNF08. We identify worrying issues with her methodology; the unrepresentative interviewee base; her reliance on global rather than UK trends and her apparent</p>

		<p>search for different sources to support her preferred estimate of future market growth. We summarise some of these issues in NNF13.</p> <p>The ExA has made it clear that, in all its considerations, it must bear in mind the overarching need for RSP to make a compelling case in the public interest for its proposal. To do that, RSP needs to persuade the ExA that there is indeed a need for a new dedicated cargo airport at the toe of England and that RSP's plans for such an airport are viable. The four Azimuth reports entirely fail to make the case for such an airport and their author does not pretend that she has assessed the proposal's viability.</p>
ND.2.12	The Applicant	<p><b>Forecasts - Integrator</b></p> <p>At the Need and Operations Hearing (21/03/19) it was stated that the integrator indicated in the forecasts would be a new integrator, as opposed to attracting an existing integrator from an existing airport. Mention was made of Amazon Air and Alibaba.</p> <p>The ExA notes the evidence in this regard of York Aviation on behalf of Stone Hill Park Ltd, who state that Amazon has an embryonic operation in the UK with a leased Boeing 737 freighter operating to East Midlands Airport and is opening a 500,000 sq.ft. warehouse and sorting centre adjacent to this Airport, and that Alibaba has committed to establishing its main European hub at Liege Airport [Written Summary of Stone Hill Park Ltd's Oral Submissions put at the Need and Operations Issue Specific Hearing Held on 21 March 2019, submitted at DL5 reference not yet assigned].</p> <ul style="list-style-type: none"> <li>i. <b>Outline any discussions you have had with new integrators and quantify the likelihood of such operators coming to the Airport in the second year of operation, with reference to their expansion or growth in similar markets to the UK.</b></li> <li>ii. <b>Would such integrators not be predisposed to a more centrally located airport where the whole of England could be reached more easily?</b></li> </ul> <p>Given Mr Cain's clear evidence at the ISH – Need that the "new integrator" market is a future market, a market whose future shape in the UK is not yet known, and that "no-one in the industry is arguing that these guys are coming", NNF awaits RSP's answer to these questions with interest.</p>
ND.2.13	The Applicant	<p><b>Forecasts – Integrator</b></p> <p>At the Need and Operations Hearing (21/03/19) it was stated that the new integrator would be different to old integrators and would not be reliant on night time flights. In this regard the ExA notes the evidence provided by Altitude Aviation [Written summary of Stone Hill Park Ltd's oral submissions put at the need and operations Issue Specific Hearing held on</p>

		<p>21 March 2019, submitted at DL5, reference not yet assigned] which provides a table which lists all flights for the first three Amazon Air aircraft registrations (as listed alphabetically) for the week 15-21 March 2019 in the USA. This table shows a large number of night flights.</p> <ul style="list-style-type: none"> <li>i. <b>How would such an integrator dovetail with the proposed night flight ban at Manston?</b></li> <li>ii. <b>Provide examples of existing flight schedules from new integrators where they exist to demonstrate likely flight times (in terms of times of day).</b></li> </ul> <p>RSP sought to make much of this “new” market and yet has provided little or no evidence about it. RSP has produced no evidence that new integrators would commit to using a daytime airport at Manston that has a ban on scheduled night flights.</p> <p>In addition, RSP has not tackled the extent to which this “new” integrator market is simply displacement from current integrators to new integrators like Amazon and Alibaba. For years Amazon has used FedEx, DHL and UPS to help Amazon get goods ordered from its website to the customer. A percentage of those flights will now be handled by Amazon’s own freighter fleet. This is very much a change in who handles part of a logistics chain rather than the creation of an entire new market. Interestingly, in response to Amazon’s new cargo fleet, FedEx Corp. is introducing a new late-night shipping option for retailers who want to speedily send orders directly to online customers. FedEx Corp. says that about 50% of online orders are placed after 4pm. FedEx will collect as late as 2am. It is clear that night flights are still an integral part of the FedEx delivery chain.</p>
ND.2.15	The Applicant	<p><b>Forecasts</b></p> <p>Various evidence [including but not limited to APP-085, REP3-195] refers to freight forecasts provided by Boeing and Airbus.</p> <ul style="list-style-type: none"> <li>i. <b>What is the purpose of such forecasts – why do Boeing and Airbus produce such forecasts?</b></li> <li>ii. <b>Have they been historically correct?</b></li> <li>iii. <b>Boeing predict highest Europe rises in freight between the continent and South America and East/South Asia. Would such markets be best suited by bellyhold from hub airports to by pure freighters?</b></li> <li>iv. <b>Do the reports state or infer that pure freight is increasing at the same rate or higher than bellyhold?</b></li> </ul> <p>NNF has consistently criticised Dr Dixon for relying in her Azimuth reports on global forecasts made by aircraft manufacturers as her source of information about future</p>

		<p>market demand in the UK. NNF set out detailed evidence on this subject in NNF06 at page 44 to 45 and NNF08 at paras 54 to 63. As we demonstrate in NNF06, these forecasts have not reflected what has happened in the UK market. The UK dedicated cargo market has not seen, as Dr Dixon reports that Boeing is saying, "an air cargo market recovery that began in 2014". In 2014, CAA data records 56,356 dedicated cargo ATMs in the UK. In 2017 that figure fell to 52,330 dedicated cargo ATMs, a fall of 7%. This is not a recovery. This demonstrates clearly that the Boeing assessment of what has happened in the global market since 2014 is not an accurate reflection of what happened in the UK market since 2014.</p> <p>Furthermore, Boeing said in its 2016-2017 World Air Cargo Forecast that: "World air cargo traffic has averaged 5.0 percent growth per year since 1985". In fact, cargo traffic in the UK has remained flat since 2000.</p> <p>NNF has set out similar criticisms of the Airbus forecasts. Put simply, global forecasts in tonnage or freight tonne kilometres cannot be taken as a proxy for the number of dedicated freight ATMs that can be expected in the UK market.</p>
ND.2.34	The Applicant	<p><b>Business model</b></p> <p>The Applicant's "Written Summary of Case put Orally – Need and Operation Hearing" [submitted at DL5, ref not yet assigned] document provides a commentary note on the summary business model. It states that a cargo operation at Manston will be accessing demand that is either diverted elsewhere or not functioning due to the severe capacity constraints in the South East of England. This, it is stated, "exists at a general non-specific level and an idiosyncratic level pertinent to Manston itself" and that consequently Manston as a cargo operation will be, "within reason, a price-setter rather than a taker"</p> <ol style="list-style-type: none"> <li>i. <b>In an aviation and geographical context, what characteristics are peculiar to Manston over other UK airports?</b></li> <li>ii. <b>Define 'idiosyncratic' in this context</b></li> <li>iii. <b>In the event of such 'severe capacity constraints', why would demand not overspill to other UK airports outside of the South East, such as East Midlands, Birmingham or Doncaster Finningley?</b></li> <li>iv. <b>Given this, and the availability of road freight, how much of a 'price setter' could Manston be?</b></li> </ol> <p>RSP ignores the reality that, when Manston Airport was first placed in the hands of Mr Freudmann (whilst he was MD at Wiggins) the UK air freight market handled twice as many dedicated cargo ATMs as it handles today. In a market twice the size of today's, Mr Freudmann and his team failed to</p>

		<p>persuade enough cargo operators that they should fly dedicated cargo in/out of Manston. It is RSP's case that the dedicated freight capacity constraints that it says it has identified in the South East of England existed during the period that Manston was open. Despite this, only an average of 511 cargo ATMs a year used Manston. RSP has produced no evidence to suggest that the much smaller and more competitive market today would commit to using Manston in a way that it did not in the past.</p> <p>RSP likes to suggest that this past failure was because Wiggins and then Infratil did not invest enough in the airport. However, Mr Freudmann and his team at the time announced that the airport would handle 200,000-250,000 tonnes of cargo on the back of the investments in infrastructure made by Wiggins. Given this infrastructure capacity, at an average of just one to two cargo ATMs a day, the airport was clearly never close to operating at its built capacity.</p> <p>NNF looks forward to seeing evidence that supports the view that cargo operators would pay a premium to operate out of Manston (we assume this is what RSP means by "price setter") and/or detailed evidence that a development that RSP says will cost over £306m could operate viably by charging prices in line with the current UK air freight market.</p> <p>The UK's biggest airport for dedicated cargo, East Midlands, reported revenue in 2014-15 of £59.4m. It also reported 4.6m passengers that year with revenue per passenger of £12.10. This suggests that the airport's revenue from passengers was just under £55.7m (4.6m pax at £12.10 each). If that is the case then just £3.74m of that year's revenue came from freight and/or other services. East Midlands handled almost 300,000 tonnes of freight and around 22,000 cargo ATMs to earn that revenue of less than £4m.</p> <p>Previously, without the additional debt-servicing costs implicit in RSP's plans, Manston cost several million a year to run when it handled around 500 cargo ATMs. It is our view that, without substantial passenger income, a dedicated cargo airport at Manston will simply never make enough money to cover its costs.</p>
<b>Ns.2</b>	<b>Noise and vibration</b>	
Ns.2.3	The Applicant	<p><b>Air Traffic Movements</b></p> <p>The revision of the Noise Mitigation Plan submitted at D5 [REP5-index number to be allocated] states:</p> <p><i>"1.7 The airport will be subject to an annual quota during between the Night Time Period hours of 2300 and 0700 of <b>3028</b><sup>1</sup>. Each landing and take-off at the airport during the Night Time Period that time period is to count towards this</i></p>

<sup>1</sup> ExA emphasis



		<p><i>annual quota. An aircraft is deemed to have taken off or landed during the time period if the time recorded by the appropriate ATC control unit as 'airborne' or 'landed' respectively falls within it;</i></p> <p><b>At p.80 of the updated Register of Environmental Actions and Commitments (tracked changes), RSP says that "The airport will be subject to an annual quota during the Night Time Period of 3028. <b>East</b> take-off or landing at the airport during the Night Time period is to count towards this annual quota."</b> [emphasis added]</p> <p><b>Please could the ExA ask the Applicant to confirm whether this is a typo and whether "east" should read "each"?</b></p> <p><i>1.8 Emergency flights and flights operated by relief organisations for humanitarian reasons will not count towards the quota set in paragraph 1.7, or the cap set in paragraph 1.9, and will not be subject to the restrictions in paragraph 1.4.</i></p> <p><i>1.9 The airport will be subject to a total annual air transport movement limit of <b>26,468</b>.</i></p> <p><i>1.10 The airport will be subject to a total annual General Aviation movement limit of <b>38,000</b>."</i></p> <p>ES Chapter 12 states [APP-034]:</p> <p><i>"Aircraft Noise (aircraft air and airside ground noise including mobile and static sources of noise)</i></p> <p><i>12.7.38 The assessment of aircraft noise is presented for both Year 2 and Year 20 using the forecast aircraft movements as shown in Appendix 3.3. Year 2 is considered the 'opening year' and Year 20 is considered the 'worst-case' year in terms of noise.</i></p> <p><i>12.7.39 The forecast assumes that total aircraft traffic will grow from approximately 33 Air Transport Movements<sup>8</sup> (ATMs) for a typical busy day in Year 2 to <b>79 ATMs per typical busy 24-hour day<sup>2</sup></b> in Year 20. There will also be an average of approximately <b>16 non-ATMs per 24-hour day in all years including general aviation</b> and training flights.</i></p> <p><i>12.7.40 During the daytime period (between 07:00 to 23:00) the Proposed Development is forecast to handle approximately <b>72 aircraft movements during a typical busy day and during the night-time period (between 23:00 and 07:00) it is forecast to handle an average of seven aircraft movements on a typical busy night.</b></i></p> <p><i>12.7.41 At its forecast capacity, the Proposed Development will have a total of 19 freight stands and four passenger stands. The freight stands will be constructed at the north of the site and at the existing terminal building and therefore passenger stands will be constructed on the north-east of the</i></p>
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<sup>2</sup> ExA emphasis



		<p>site around a new passenger terminal.</p> <p>12.7.45 The assessment of aircraft noise presents the combined noise effects of airside ground noise and aircraft air noise for the Proposed Development, including:</p> <ul style="list-style-type: none"> <li>• Aircraft air noise - the noise as aircraft depart from and arrive at the Proposed Development; and</li> <li>• Airside ground noise - the noise from aircraft and associate airport activities, including aircraft taxiing and manoeuvring on the ground, static and moving airfield plant.</li> </ul> <p>12.7.46 Generally, aircraft air noise is the dominant source of noise, except in areas in close proximity to the airfield but away from the runway (i.e. Spitfire Way).</p> <p>An Air Transport Movement (ATM) includes all landings and take-offs of commercial flights related to the transport of passengers and freight. All non-commercial aircraft movements which land or take-off from the airport are considered 'non-ATMs'."</p> <p><b>Has the Applicant modelled the worst case scenario in its ES [APP-034] as contained in the NMP submitted at D5 ie:</b></p> <ul style="list-style-type: none"> <li>• <b>Quota Count night flights/year;</b></li> <li>• <b>26,486 daytime ATMS/year; and</b></li> <li>• <b>38,000 General Aviation movements/year?</b></li> </ul> <p>Using RSP's own numbers in its ES, RSP modelled a maximum of 28,835 ATMs (79 ATMs per 24 hour period including seven night flights on average a night) plus 5,840 non ATMs (16 per 24 hour period x 365). In the NMP RSP is suggesting 26,486 ATMs plus 38,000 ATMs. This is considerably more ATMs than are in the ES. It is unclear whether the seven "late arrivals" or early departures expected per night in RSP's latest guess are included in this total.</p> <p>In addition, there is the change in the expected fleet mix revealed by RSP at the ISH in March 2019. This change replaces a significant number of turbo prop ATMs with larger and noisier aircraft. We say more about that below. This change is not captured in the ES.</p> <p>It is clear that RSP's ES does not model the worst case scenario. It understates the number of ATMs by almost 30,000. It does not reflect the fleet that RSP is now suggesting might be typical – about 25% of the fleet has been changed.</p>
Ns.2.4	The Applicant	<p>Noise insulation and its effectiveness at mitigating the adverse psychological and physiological health outcomes associated with aviation noise</p> <p>The Applicant states in its response to ExA FWQ Ns.1.5.</p>

		<p>[REP3-195] on noise insulation and countering health effects of noise:</p> <p>"Only limited direct evidence is available of the effect of noise insulation on reducing adverse health outcomes associated with aviation noise, as this has been little studied."</p> <p>Given the above statement would the applicant agree that a balanced and proportionate approach would be to reduce the SOAEL for:</p> <ul style="list-style-type: none"> <li>• Day (0700 – 2300) LAeq,16hr (free-field);</li> <li>• Night (2300-0700) LAeq,8hr (free-field); and</li> <li>• Night (2300 – 0700) LASmax (outside) for more than 18 nightly events?</li> </ul> <p>In NNF14 at paras 11 to 13, NNF quoted from the WHO's 2018 report [previously submitted for D3]: "For average noise exposure, the GDG [Guideline Development Group] strongly recommends reducing noise levels produced by aircraft below 45 dB Lden, as aircraft noise above this level is associated with adverse health effects." and "For night noise exposure, the GDG strongly recommends reducing noise levels produced by aircraft during night time below 40 dB Lnight, as aircraft noise above this level is associated with adverse effects on sleep."</p> <p>NNF09, submitted for D3, deals more fully with the noise impact of RSP's proposal and the unsatisfactory nature of both RSP's theoretical prediction of the noise its operations will produce and its assessment of the impact of airport noise on people and on the district. At para 91 of NNF09, we continue the WHO 2018 quote above : "To reduce health effects, the GDG strongly recommends that policy-makers implement suitable measures to reduce noise exposure from aircraft in the population exposed to levels above the guideline values for average and night noise exposure. For specific interventions the GDG recommends implementing suitable changes in infrastructure." And "The GDG acknowledged that <b>the guideline recommendation for Lnight [i.e. 40 dB Lnight] may not be fully protective of health</b>, as it implies that around 11% (95% CI: 4.72–17.81) of the population may be characterized as highly sleep-disturbed at the recommended Lnight level. This is higher than the 3% absolute risk considered for setting the guideline level." [our bold]</p> <p>The WHO reports sleep disturbance at noise events measuring 45dB LAmax and under. The WHO concludes that the guidelines for maximum noise at night should therefore "be based on a combination of values of 30dBLAeq,8hr and 45dB LAmax." RSP ignores these guidelines.</p> <p>RSP's proposed noise levels would have a significant adverse effect on a significant part of the local population. RSP ignores the fact that 40dB Lnight is not fully protective of health. RSP</p>
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		<p>is choosing to ignore the known fact that, when the airport was operational, people were awakened if one flight in excess of 80dB LASmax went over in a night. NNF has found no evidence of any other UK airport relying on Basner's work to suggest that 18 80dB flights a night will not cause any extra awakenings. We set out our deep concerns with RSP's use of Basner in our comments on the revised NMP which we have submitted to D6.</p> <p>CAP 1588, the CAA's February 2018 findings on Aircraft Noise and Annoyance (referred to by the ExA in Ns 2.13 below) says on page 7 that: "the government decided to adopt the risk based approach proposed in their consultation, so that airspace decisions are made in line with the latest evidence and <b>consistent with current guidance from the World Health Organisation.</b>" RSP is not following the Government's line. [our bold]</p> <p>In addition, RSP is now claiming that it will not schedule night flights. This is sleight of hand as RSP then goes on to say that it will schedule flights between 0600 and 0700. This is night.</p> <p>RSP is seeking a Quota Count of 3,028. This far exceeds the QC previously rejected by TDC. From October 2018 the quota count at LHRW is 5150 p.a. (2735 + 2415). This is against an annual movement cap of 480,000 ATMs p.a. The QC is a little over 1% of the movement cap. By contrast, RSP wants a QC of 3028 for 26,468 ATMs – 11.4% of its movement cap. This is excessive.</p> <p>We understand that a QC total and an ATM total are not measuring the same unit. We are simply seeking here to draw a comparison between what LHRW thinks is necessary and the far bigger number that RSP claims will be necessary to enable it to handle "late arrivals" and early departures at a much smaller airport.</p> <p>In all its theoretical assessments of potential future noise impact, RSP makes two consistent mistakes. RSP ignores the fact that it should be using metrics that assess the impact on populations not currently exposed to aviation noise. In addition, RSP has produced measurements of ambient noise that rely on static noise monitors having been located in the gardens of known airport supporters. Mark de Pulford submitted evidence on this for D5 at TR020002-003883. These ambient noise measures drive the later assessment of the scale of the noise impact of the developer's proposals. Para 12.6.25 of TR020002-002408 sets out relevant considerations as to whether there is an adverse effect as a result of the developer's proposals. Those considerations include:</p> <ul style="list-style-type: none"> <li>• The magnitude of the effect</li> <li>• <b>The change in magnitude of the effect</b></li> <li>• The type of effect, including its intermittency</li> <li>• <b>The existing sound environment</b></li> </ul>
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		<ul style="list-style-type: none"> <li>• The effectiveness of mitigation, including BPM (best practicable means)</li> <li>• The duration of effect [our bold].</li> </ul> <p>As RSP says in the same document at 12.7.65 "The magnitude of the impact will depend on the existing ambient noise level resulting from other noise sources in these communities." RSP's assessment of ambient noise was open to significant interference by its supporters. RSP has yet to answer questions as to why it used airport supporters to host its noise monitors.</p> <p>In addition, many of RSP's measurements rely on just one 30 minute recording on one day and one 15 minute recording on one night. These fleeting measures are then used as a proxy for the ambient noise level for an entire district. For example, the area of Beltinge, which stretches from the quiet seashore to the A299 and which includes over 6,500 people was measured at its noisiest location, a thin strip of land between the railway and the A299, for 30 minutes on one day and 15 minutes on one night. The measurement then given as the ambient noise level for that entire land area bears no relation to the noise level typically experienced in this quiet residential area. And it is measurements like this that RSP uses to drive its assessment of the impact of its proposals. This is unsound.</p>
Ns.2.5	The Applicant	<p><b>Tranquil Open Spaces</b></p> <p><b>Can the Applicant provide a map identifying tranquil open spaces under the flightpath swathes?</b></p> <p>It is hard to see how RSP can accurately have assessed the worst case impact of its proposals without having assessed the impact on tranquil spaces under a range of scenarios</p>
Ns.2.7	The Applicant	<p><b>Noise Mitigation Plan submitted at Deadline 5</b></p> <p>The NMP states at paragraphs 1.4-1.6:</p> <p><i>"1.4 An aircraft cannot take-off or be scheduled to land at night between 2300 and 0600</i></p> <p><i>1.5 An aircraft cannot take-off or land between the hours of 2300 and 0700 where: 1.5.1 the operator of that aircraft has not provided (prior to its take-off or prior to its landing time as appropriate) sufficient information to enable the airport operator to verify its noise classification and thereby its quota count; or 1.5.2 the operator claims that the aircraft is an exempt aircraft within paragraph 1.2, but the aircraft is not indicated as such an aircraft in Part 2 of Appendix 1 to this plan.</i></p> <p><i>1.6 Any aircraft which has a quota count of 8 or 16 cannot take-off or land at the airport during the hours of 2300 and 0700."</i></p> <p><b>List all the circumstances under which an aircraft could take off or land between 2300-0600.</b></p>

		<p>Local residents lived with 15 years of commercial operations at Manston during which there were no scheduled night flights. Despite the fact that there were fewer than 2 cargo ATMs a day on average, we did suffer unscheduled night flights. In some cases, it became clear that the aircraft in question was regularly "late" and that it was allowed to land on every occasion that it was "late". When challenged, the airport operator would say that the plane had been scheduled to land at an earlier time, and that the "late" landing was therefore not a scheduled flight. Such a system is too open to manipulation. A frequent occurrence was for a dedicated freighter to depart Africa at a time later than it was scheduled to land at Manston. Therefore it was known before it took off that the plane would land in the night period. Nevertheless, these planes were always allowed to take off late and to land late at Manston. This was how the airport operator was able to welcome a number of night flights whilst saying that they were "unscheduled".</p> <p>We comment in more detail on the NMP in our separate submission.</p>
Ns.2.8	The Applicant	<p><b>Noise Mitigation Plan submitted at Deadline 5</b></p> <p>The NMP states at paragraph 10.1:</p> <p><i>"Training flights</i></p> <p><i>10.1 Other than General Aviation training that is based at Manston Airport, there will be no routine training flights."</i></p> <ul style="list-style-type: none"> <li><b>i. How many "non routine" training flights does the Applicant envisage per year?</b></li> <li><b>ii. Show how were "non routine" training flights included in the noise assessment?</b></li> </ul> <p>RSP's directors and agents have consistently said at consultation events that there would be no training flights should the DCO be awarded. Training flights have a disproportionate impact on the local community as many of these flights practise "touch and go" landings and take offs over and over again for a long period of time. The noise is unrelenting. RSP's case is that the DCO is needed for a cargo airport. There is no case to add training flights to this proposal. This would appear to be an opportunistic add-on in a bid to find additional sources of revenue for RSP's proposal.</p> <p>If the ExA is minded to approve the DCO then we urge the panel to strike out training flights – routine or non-routine. Their negative impact on the local population is unacceptable. When they took place in the past they always attracted a disproportionate number of complaints from residents (this can be seen in the KIACC minutes). If "non-routine" training flights are to be allowed (and we can see absolutely no case for doing so) then RSP should be obliged to set out a clear definition of "routine" and "non-routine" as well as an annual</p>

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Ns.2.9	The Applicant Thanet DC	<p><b>Noise Mitigation Requirement 9 in DCO submitted at Deadline 5</b></p> <p>Requirement 9 currently reads as follows:</p> <p><i>"Noise mitigation 9. The authorised development must be operated in accordance with the noise mitigation plan."</i></p> <p><b>i. Is Thanet DC satisfied with this wording?</b></p> <p><b>ii. If not, would it like to propose alternative wording?</b></p> <p>What security does this offer residents? The NMP is capable of being amended at any time. If RSP is serious about its desire to mitigate the heavy impact of its potential commercial venture on the health, well-being and quality of life of local residents, it will not cavil if required to capture the final agreement in a form that means that it cannot be rewritten as soon as the DCO is awarded.</p>
Ns.2.10	The Applicant Kent CC	<p><b>Noise insulation and ventilation in schools</b></p> <p>The Applicant states at paragraph C 2.14 of the Noise Summary submitted at Deadline 5:</p> <p><i>"The revised Noise Mitigation Plan included an express provision for schools to apply to the Community Consultative Committee for funds from the Community Trust Fund. In addition a schools liaison programme is now included in the Noise Mitigation Plan."</i></p> <p><b>i. Can the Applicant explain why are schools not part of the Applicants' direct insulation and ventilation scheme?</b></p> <p><b>ii. Can Kent CC provide an estimate of the potential costs associated with insulating and ventilating a primary school in Kent?</b></p> <p>We comment on this in our submission on the NMP. The CTF will be cash limited. The CCC is not in a position to oblige the operator to provide more money. The annual amount of money envisaged for the CTF is pitifully small. Local schools would have to compete for a very, very tiny amount of money with no guarantee of receiving anything.</p>
Ns.2.11	The Applicant	<p><b>Traffic Assessment for Deadline 5</b></p> <p>The TA addendum states:</p> <p><i>"5.1.1 An assessment of the revised traffic model has identified a number of road links which could be subject to a greater than 1dB change in noise level as a result of the Proposed Development. This was the screening criterion used for triggering a need to undertake a more detailed noise assessment as set out in our assessment methodology contained in the ES [APP-033,034,035]."</i></p>

		<p>5.1.2 <i>It is therefore concluded that furthermore detailed road traffic noise assessment is required to supplement the ES chapter on noise because of the revised traffic data.</i></p> <p><b>5.1.3 It is expected that revised modelling to confirm the findings of the ES will be submitted at Deadline 6<sup>3</sup>.</b></p> <ul style="list-style-type: none"> <li>• <b>Can the Applicant produce the following cumulative noise contour maps for the assessment of significant effects for operational noise from road traffic (night and day) and air traffic following the new TA modelling at Deadline 6?</b> <ul style="list-style-type: none"> <li>• Aircraft/traffic noise – daytime LAeq,16hr contours - opening year;</li> <li>• Aircraft/Traffic noise – night-time LAeq, 8hr contours - opening year;</li> <li>• Aircraft/Traffic noise – daytime LAeq,16hr contours - year of maximum forecast capacity;</li> <li>• Aircraft/Traffic noise – night-time LAeq,8hr contours - year of maximum forecast capacity;</li> <li>• Aircraft/Traffic noise – night-time LASmax contours – opening year;</li> <li>• Aircraft/Traffic noise – night-time LASmax contours - year of maximum forecast capacity;</li> <li>• Aircraft/Traffic noise – night-time N80 contours – opening year;</li> <li>• Aircraft/Traffic noise – night-time N80 contours - year of maximum forecast capacity;</li> <li>• Aircraft/Traffic noise – day-time N60 contours – opening year; and</li> <li>• Aircraft/Traffic noise – night-time N60 contours - year of maximum forecast capacity.</li> </ul> </li> </ul> <p>Thank you for requesting this. Can the Applicant also be asked to explain why it has steadfastly avoided paying any attention to historical noise contour maps; historical noise monitoring records; and the past experience of residents that one flight a night can and will cause “awakenings”?</p>
Ns.2.12	The Applicant	<p><b>Manston Green Housing Development</b></p> <p>The noise sensitive receptors closest to the airport are identified in Chapter 12 of the ES [APP-034], however, no reference is made to the Manston Green Development. The only reference to Manston Green is within Chapter 18 which refers to cumulative effects which concludes that Manston Green (Site ID143) [APP-035] would be subject to a significant adverse effect from the proposed commercial airport in Year 20.</p> <ul style="list-style-type: none"> <li>i. <b>Provide an estimate of the number of properties in Manston Green that would be potentially significantly affected?</b></li> </ul>

<sup>3</sup> At paragraph 2.13 of its Noise Summary submitted at Deadline 5 that: “The Applicant stated that traffic noise was not included in the model as its contribution to the noise environment at receptors affected by aircraft noise was expected to have a negligible effect.”



	<p>It is specified in para. 18.5.114 of the ES [APP-035] that the consent for Manston Green was consented under the provisions of Local Plan 2006 and therefore assumed existence and operation of the Airport.</p> <p><b>ii. Point to where in Chapter 12 [APP-034] or Chapter 18 [APP-035] it refers to the site constraints and whether the proposed commercial airport would affect the future development of Manston Green?</b></p> <p>In a letter to TDC dated 4th October 2018, Icen Projects, acting for Cogent Land (CL) at Manston Green, says [letter attached at Appendix Two]:</p> <p>"Having assumed the closure of the airport in the long term, CL's Manston Green outline consent has been designed around a certain noise level, with the expectation that there would be no significant noise disturbance and no need therefore for specific noise attenuation/mitigation measures to be designed in. Given that Manston Airport consultation document (2017) prepared by RiverOak Strategic contained no information on noise, it's anticipated that such measures will be required if the airport expansion proposals proceed and <b>the associated costs of these measures will have a material impact on scheme viability.</b>" [our bold]</p> <p>Planning permission for Manston Green was given in 2016; two years after the airport had closed, and before the DCO process began.</p> <p>The location of Manston Green, 1km from the airport, means that the development location for 785 homes is considerably closer to the airport than is Clarendon School. Clarendon School was the site for one of the noise monitors for some years when the airport was operational. NNF has already submitted records from that monitor recording noise levels of over 100dB from aircraft using Manston. It is worth reinforcing the point that the decibel scale is logarithmic, and so noise levels of 100dB are significantly more noisy than, say, noise levels of 80dB or 55dB.</p> <p>In 2009, when the airport was operational, TDC gave planning permission for a two storey dwelling to be built in St Mildred's Road, Ramsgate. St Mildred's Road is in the centre of town towards the harbour and noticeably further from the runway than the Manston Green development will be. A condition was imposed that the St Mildred's developer should first submit for approval a noise attenuation scheme, reflecting the fact that the proposed dwelling would be affected by being in the 57-63dB LAeq 24hours contour for aircraft noise. RSP's theoretical contour maps do not reflect this reality. The developer was asked to provide a scheme that would achieve 20dB of attenuation. The officer's report is attached at the end of this document at Appendix One.</p> <p>Given the very small amount of money that RSP says it will</p>
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		<p>need for noise mitigation and/or for compensation, RSP's proposal clearly has not taken into account the threat to the viability of the development scheme at Manston Green. Realistic costs need to be added to RSP's business plan, as and when that plan finally sees the light of day.</p> <p>As importantly, RSP's theoretical noise contours are at odds with the noise contours produced by TDC and the airport operator when the airport was open. It should be remembered that the airport that produced those contours handled far fewer ATMs than RSP hopes will use a cargo airport at Manston.</p> <p>NNF has significant doubts about the accuracy of RSP's noise contours. They clearly do not reflect reality.</p>
Ns.2.13	The Applicant	<p><b>SOAEL daytime</b></p> <p>The Applicant at paragraph 12.6.64 of the ES [APP-034] states:</p> <p><i>"12.6.64 For the daytime period, a significant adverse effect is determined to occur when average absolute free-field operational noise exposures are greater than 63 dB LAeq,16hr. This has been defined as the SOAEL for daytime aircraft operational noise and is based upon the Aviation Policy Framework (Paragraphs 3.37-3.39), which indicates that above 63 dB LAeq,16hr, airports should provide assistance towards noise insulation at noise-sensitive buildings and residential dwellings."</i></p> <p>The Aviation Policy Framework is dated 2013. Paragraph 3.17 states:</p> <p><i>"We will continue <b>to treat the 57dB LAeq 16 hour contour as the average level of daytime aircraft noise marking the approximate onset of significant community annoyance.</b> However, this does not mean that all people within this contour will experience significant adverse effects from aircraft noise. Nor does it mean that no-one outside of this contour will consider themselves annoyed by aircraft noise."</i></p> <p>The CAA's recent findings on Aircraft Noise and Annoyance (February 2018) makes reference to UK policy in relation to an 'annoyance threshold' and highlights 57dB LAeq (16 hour) as marking the approximate onset of significant community annoyance. 3<sup>rd</sup> paragraph page 6 states:</p> <p><i>"The government published their Response to their Airspace Consultation in 2017 and acknowledged the evidence from the SoNA study, which showed that sensitivity to aircraft noise has increased, with the same percentage of people reporting to be highly annoyed at a level of 54 dB LAeq,16hr as occurred at 57 dB LAeq,16hr in the past."</i></p> <p><b>In the light of these recent studies can the Applicant explain why it is still using daytime SOAEL of 63dB LAeq</b></p>

		<p><b>16hr?</b></p> <p>Please can the ExA draw the Applicant's attention to the recommendations of the WHO 2018 report (we deal with this in NNF14 and in NNF09 pages 23 to 27 and submitted the report itself previously). In the light of the fact that RSP is proposing a new airport, and the fact that the local population is not now subjected to airport noise, there is no justification whatsoever for RSP to be permitted to start a new operation that is predicted to create a noise nuisance at a level that is well above the level recommended by the WHO as being the maximum level advisable for the protection of human health. We are not here in a situation where there is an existing noise nuisance whose impact it is accepted will need to be managed down over time to an acceptable level. RSP wishes to creates a brand new noise nuisance that will ignore the guidelines on aviation noise levels set out by the WHO in the last few months. This is unacceptable. RSP should be obliged to work within the levels of noise recommended by the WHO as being the maximum advisable so that the operation avoids too great an adverse impact on those who will be subjected to the noise created by that operation</p>
Ns.2.14	The Applicant	<p><b>Uncertainty in noise modelling</b></p> <p>The Applicant states in it Noise Summary submitted at Deadline 5 paragraph b 2.9:</p> <p><i>"2.9 The Applicant stated that there was a level of uncertainty associated with any model, as its accuracy is dependent on its parameters. The Applicant confirmed that the Integrated Noise Model (INM) used was a validated noise model."</i></p> <p><b>How is the level of uncertainty quantified i.e.+ or - % or dB,- and expressed in the assessment?</b></p> <p>We also look forward to seeing RSP being challenged as to why it allowed SMAa members to host the noise monitors on which a significant amount of the local assessment of ambient noise depends, and why RSP refuses to address the gap between the known and recorded past noise impact of a much smaller operation at this airport and its current, theoretical, desk-based assessment of what the future noise impact for a much larger operation might be.</p>
Ns.2.15	The Applicant	<p><b>Sensitivity testing</b></p> <p>For the purposes of this proposed development, the Significant Adverse Effect Level (SOAEL) has been set at 63 dB LAeq,16h (Applicants response to FWQs Ns 1.1). Paragraph 12.6.64 of the ES [APP-034] states:</p> <p><i>"For the daytime period, a significant adverse effect is determined to occur when average absolute free-field operational noise exposures are greater than 63 dB LAeq,16hr. This has been defined as the SOAEL for daytime aircraft operational noise and is based upon the Aviation Policy</i></p>

		<p><i>Framework 2013 (Paragraphs 3.37-3.39), which indicates that above 63 dB LAeq,16hr, airports should provide assistance towards noise insulation at noise-sensitive buildings and residential dwellings."</i></p> <p>The Applicant states at paragraph 2.6 of the Noise Summary submitted at Deadline 5:</p> <p><i>"2.6 Following a question from the ExA the Applicant explained that an increase of 0-3dB should be considered negligible in the long term."</i></p> <p><b>Carry out sensitivity testing to be submitted at Deadline 6, to see how many additional properties would be above a:</b></p> <ul style="list-style-type: none"> <li>• Significant Adverse Effect Level (<b>SOAEL</b>) set at 62, 61, 60 dB LAeq,16h;</li> <li>• <b>UAEL</b> of 68, 67, 66 dB LAeq,16hr; and</li> <li>• <b>night time SOAEL</b> of 54, 53,52 dB LAeq,8hr.</li> </ul> <p>Another important question is what would the impact be on RSP's calculations of impact if it is accepted that the ambient noise measures presented by RSP are unsafe? RSP cannot guarantee to the ExA that those measures are truly objective. Given that the assessment of the extent of the noise impact depends in part on the extent of the increase between today's level of noise and the assessed future level, RSP's metrics are doubly flawed. The assessment of today's noise level either cannot be relied upon or is based on fleeting time samples. The theoretical noise contours do not reflect previous past experience. RSP says that "an increase of 0-3dB should be considered negligible in the long term", and yet there is no certainty that an increase in the noise level at a particular location would be between 0-3dB if the start point (the ambient noise level) cannot be relied upon and neither can the end point (RSP's theoretical noise contours).</p>
Ns.2.17	The Applicant	<p><b>Additional awakenings</b></p> <p>The Applicant acknowledges that the Basner 2006 study (Aircraft noise effects on sleep: Application of the results of a large polysomnographic field study. <i>The Journal of the Acoustical Society of America</i> 119, 2772 (2006) was based on residents already exposed to aircraft noise (Noise Summary submission at Deadline 5).</p> <p><i>"The study investigated 61 residents in the vicinity of Cologne / Bonn airport over 9 nights. It is the most comprehensive study on aircraft noise awakenings to date. As acknowledged by Public Health England [paragraphs 4.1.15 of the Draft Statement of Common Ground between the Applicant and Public Health England REP4-008] the data still under-pins the most recent WHO guidelines on sleep disturbance (Environmental Noise Guidelines for the European Region: A Systematic Review on Environmental Noise and Effects on</i></p>

		<p><i>Sleep). Similar studies have not been undertaken for new airports.</i></p> <p>RSP chooses to focus purely on "awakenings". It must be recognised that the WHO 2018 guidelines also considered the research into other impacts of aviation noise such as cardiovascular disease, annoyance, cognitive impairment, hearing impairment and tinnitus, adverse birth outcomes, quality of life, well-being and mental health, metabolic outcomes and a range of impacts on sleep. "Awakening" is just one part of the problem.</p> <p>At page 75, the WHO 2018 Guidelines say: "There is additional uncertainty when characterizing exposure using the acoustical description of aircraft noise by means of Lden or Lnight. Use of these average noise indicators may limit the ability to observe associations between exposure to aircraft noise and some health outcomes (such as awakening reactions); as such, noise indicators based on the number of events (such as the frequency distribution of LA,max) may be better suited."</p> <p><i>Our study of additional awakenings was undertaken in Year 2 and Year 20. In Year 20, the surrounding population <b>will have become habituated</b> to aircraft noise."</i></p> <p>Point to any published evidence which supports their assertion that the "surrounding population <b>will have become habituated</b> to aircraft noise."?</p> <p>This is a quite extraordinary assertion by the Applicant. The Applicant should be directed to produce evidence from the consultative committees of UK airports to support its assertion that the surrounding populations have become habituated to aircraft noise. It is impossible to square this glib assertion with the growing body of evidence that shows that people over time are becoming "annoyed" by lower levels of aircraft noise. We are not becoming "habituated", we are becoming increasingly bothered by aviation noise. It is also impossible to square this assertion with the response of local residents to the proposal to expand Heathrow. Had the local population become habituated to aircraft noise, we would expect to see a much higher level of support for the proposals from residents and far less concern expressed about noise.</p> <p>We look forward to seeing hard evidence on this that reflects a UK reality.</p> <p>The Applicant goes on to say:</p> <p><i>"In Year 20 the number of events was significantly below the threshold for triggering additional awakenings. In Year 2, the forecast aircraft movements are much lower. In Year 2 paragraph 12.7.56 of the ES [APP-033,034,035] stated that "N-above contours demonstrate that residential properties in the vicinity of the Proposed Development will be exposed to up to one aircraft noise event in excess of 80 dB LASmax on an average night ". This is a very low number of noise events.</i></p>
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Ns.2.18	The Applicant	<p><b>Aircraft fleet mix</b></p> <p>The applicant at the Need Hearing on the 21 March 2019 made clear that conventional integrator operations are no longer expected at Manston and that such movements would be made instead by 'New' e-commerce integrators operating a different pattern of flights not requiring night operations.</p> <p>Given that 48% of the movements in Year 20 are shown in the</p>

		<p>ES (Appendix 3.3 [APP-044]) to be by a conventional integrator, of which half were expected to be using quiet ATR-72 turbo-prop aircraft, the substitution of these movements by a 'New' integrator would be expected to use more Boeing B737 types rather than turbo-props.</p> <p>The Applicant stated at the Need Hearing ISH2 that the noise assessments were made on the basis of the specific fleet mix set out in Appendix 3.3. of the ES [APP-044], including by reference to the individual aircraft and their engine types operated by the named airlines in that Appendix.</p> <p><b>Given the likely change in the nature of the operators and the fact that several of the airlines do not operate freighter aircraft of the types specified (see York Aviation 2019 Report para. 3.10), would the Applicant agree (and if not why not) that the fleet mix assessed is almost certain to understate noise exposure relative to what is now proposed?</b></p> <p>The simple answer, as we suspect the ExA has identified, is "yes". RSP has changed the fleet mix, swapping less noisy planes for noisier ones. It has added thousands of GA flights. It has changed the timing of its forecast night flights, with a bunching now at 0600-0700. There is no confidence that the ES measures the "worst case" noise scenario.</p>
Ns.2.19	The Applicant	<p><b>Flightpaths</b></p> <p>The assessment appears to be based on assumptions about flight paths that rely on broader airspace changes to be delivered as part of the Future Airspace Strategy Implementation South (FASI S) Airspace change programme (Government/CAA Airspace Modernisation Strategy), which will require coordination with NATS and other airports.</p> <p>There can be no certainty that the proposed flightpaths which the noise assessment is based on will be deliverable.</p> <p><b>Would the Applicant agree that a worst case assessment would need to be based on flightpaths as previously operated when the airport was open?</b></p> <p>This is NNF's position. In contrast, RSP was always keen to tell residents at consultation that the flight paths could be changed for the better. In truth, the safest worst case is to assume that the flight paths would be what was in the AIPs when the airport was operational – i.e. for the bigger craft a straight line approach to the runway over 10 full miles and a departure path to the west that allowed craft to turn right soon after take-off. The Applicant should also be obliged to model the reality which is that arrivals and departures do not all stick to one pencil thin line on the map – the flight path is much wider than that. RSP needs to produce accurate models of the worst case scenario. These can then be compared to the noise modelling carried out when the airport was operational</p>



Ns.2.20	The Applicant	<p><b>Noise Impact Assessment</b></p> <ul style="list-style-type: none"> <li>i. <b>In the light of the change to the night flights noise policy and the changes to the types of airline expected to operate, does the Applicant agree that there will need to be changes made to assessment of noise effects?</b></li> <li>ii. <b>Does the Applicant agree that the potential effects of this will almost certainly increase the financial liability for compensation and mitigation. Set out the changes and the potential effects?</b></li> </ul> <p>The Applicant needs to provide ambient noise measurements that are not cast into doubt by noise monitors being hosted in the gardens of supporters. It also needs to produce noise assessments based on the fleet mix that it now says is likely; the ATM count that it now says is likely; the allocation across day and night that it now says is likely; the subsequent road traffic volumes that will now be likely; and the actual historical flight paths. If it does not do this, the Applicant's ES simply cannot be taken to assess the worst case and its business plan (should one be produced) will clearly not capture the full cost of the proposed development.</p>
Ns.2.23	The Applicant	<p><b>Noise contours</b></p> <p>The ExA notes the Applicants response in relation to the criteria for community trust fund monies in FWQ NS1.31[REP3-195]. The Applicant states that the extent of <math>L_{ASmax}</math> contours is not part of the assessment of adverse effects.</p> <p><b>Noting this, explain ES Tables 12.12 and 12.13 [APP-034] which uses <math>L_{ASmax}</math> contours as a measure of impact.</b></p> <p>The aircraft noise generated by RSP's proposal will comprise a series of discrete noise events. It will not generate a uniform, average hum of noise. RSP knows this.</p> <p>RSP also knows that it intends large cargo planes to be the core of its business. The noise that a large cargo plane makes as it overflies Ramsgate and the nearby villages is known – NNF has already submitted evidence of noise monitor records. That noise is significant. At 80dB to 100dB it is enough to have an impact on the ability of nearby residents to enjoy their home and to continue normal day-to-day activities such as holding a conversation or watching the television. Communities as far away as Herne Bay have previously complained about the intrusion of aircraft noise into their life from operations at Manston. RSP's proposal seeks to ignore this fact.</p> <p>There is no justification for RSP to limit the spending of CTF monies (limited though they will be) to projects that will benefit only those immediately next to the airport. RSP's</p>

		consistent reliance on LAeq measures demonstrates its desire to take no responsibility for the negative impacts of its proposal on tens of thousands of people. This is unsupportable.
Ns.2.24	The Applicant	<p>Provide a reasoned argument as to whether the Applicant considers that, given that ES Vol 2, Chapter 12 [APP-034], 12.7.70 states that in specified locations:</p> <p>"The effect would be characterised as a perceived change in quality of life for occupants of buildings in these communities"</p> <p>Article 8 of Schedule I to the Human Rights Act 1998 and Article 1 of the First Protocol to that Act are engaged in such locations.</p> <p>There is legal precedent to suggest that Article 8 is engaged in cases in which decisions are being taken that will lead to aviation noise having a negative impact on people and their life (Hatton &amp; others v UK). This places clear responsibility on the Applicant to demonstrate the 'need' for its project, and responsibility on the ExA (and ultimately the Secretary of State for Transport) to show proportionality in any decision that it might make to award a DCO in this case.</p> <p>RSP has failed to provide a robust or even credible case on "need". RSP has not produced a clear assessment of the community benefits that it says would arise from the implementation of its proposal. There is very little evidence before the ExA on possible benefits that it can weigh against the clear harm that will be caused to local people; the local environment; the local economy; and to the wider UK environmental climate if this DCO application were ever to be approved.</p> <p>In addition, RSP has specifically produced no assessment of the benefits that would arise from its suggested night flight regime. The Government's Impact Assessment for Night Flight Restrictions at the Designated Airports, 2017- 2022 [attached at Appendix Three] explicitly recognises the need to do this, mentioning the Hatton judgment on page 20 and saying: "Firstly, previous legal judgments on the night flights regime have also ruled that night flights adversely affect the rights of people living near airports; and that the Government has an obligation to balance the rights of those persons with the economic interests of those operating and benefiting from those flights."</p> <p>NNF has provided evidence that a very similar night flight regime to the one being proposed by RSP was assessed by independent noise consultants for TDC and that the conclusion was that the harm to the community outweighed the possible benefit. There is little before the ExA to enable it to consider whether it could "balance the rights of those persons with the economic interests of those operating and benefiting from those flights". NNF09 sets out the work of Bureau Veritas on</p>



		<p>the previous night flight application. Bureau Veritas said that the population within the 85 dB (A) SEL contour affected by a flight departure to the east over the centre of residential Ramsgate would be "up to 30,903 [people] for the Boeing 747-400". Bureau Veritas concluded that: "the predicted number of people likely to be exposed to significant levels of average night-time noise is not sufficiently justified by the number of passengers and freight activity that are forecast to benefit from the proposals. This is on the basis that the number of people likely to be impacted by night noise at MSE, normalised with respect to the annual passenger throughput, is greater than that at each of the designated London airports."</p> <p>The case remains the same for RSP's current night flight proposals.</p> <p>RSP needs to provide an evidence-based assessment of the extent to which it can demonstrate that its proposal provides benefits that clearly outweigh the harm to local people and to their environment that will be caused by a cargo airport being developed at Manston. The assessment of disadvantages will need to include an assessment of negative impacts on health, well-being, and quality of life; on educational attainment; on the local tourism-dependent economy; on roads; on the natural environment – including the impact of considerable pollution and the increased use of less suitable sites for the thousands of homes that were to be on the old airport site.</p>
<b>Op.1</b>	<b>Operational issues</b>	
OP.2.6	The Applicant	<p>At the Need and Operations Hearing (21/03/19) it was confirmed by the applicant that they have programmed to start the construction of the Airport in 2021, with operations beginning from quarter 1 of 2022, and that circa £180million would be spend on construction in this calendar year. At the Noise hearing (22/03/19) it was confirmed that no construction works would take place at night.</p> <ol style="list-style-type: none"> <li>i. <b>Is the ExA's understanding of this programme correct?</b></li> <li>ii. <b>Comment on how the revised start date of operations affects the provided forecasts contained within the Azimuth Report [APP-085].</b></li> <li>iii. <b>Define the night time period for the proposed construction works restriction.</b></li> <li>iv. <b>Does the period of the night-time restriction include such operations as machinery start up and construction deliveries?</b></li> <li>v. <b>Provide a likely construction programme for 2021, bearing in mind the proposed lack of night works and allowing for operations in 2022.</b></li> </ol>

		<p>NNF was present for these hearings and the ExA's understanding is clearly correct. We urge the ExA to oblige the Applicant to provide a construction programme that is fully costed. The sparse information that the Applicant has produced to date is so thin as to make it impossible for the ExA, or anyone else, to understand and challenge the assumptions that lie behind it.</p> <p>In particular, if RSP's position is that it will complete all these works by the end of 2021, RSP also needs to set out what assumptions it is making as to where it will source construction workers and the impact of this accelerated development programme on its vague assertions about training and employing local people.</p>
OP.2.7	The Applicant	<p><b>Public Safety Zones</b></p> <p>At the need and operations Issue Specific Hearing (21 March 2019) it was confirmed that general aviation movements would be counted in the number of flights required before public safety zones are designated. An indicative drawing has been produced.</p> <ol style="list-style-type: none"> <li>i. <b>Bearing in mind this answer, at what year of operation would you expect PSZ's to be required at Manston?</b></li> <li>ii. <b>Has this been taken account of in the Environmental Statement?</b></li> <li>iii. <b>Has the PSZ drawing taken account of the forecasts, or is it mainly based on the PSZs at other airports?</b></li> </ol> <p>The need for PSZs has emphatically not been taken into account in the ES. RSP has consistently taken the view that PSZs will not be required and/or that they can be provided easily at a later stage and so they do not need to be considered now.</p> <p>We urge the ExA to require RSP to set out the land take that might be needed for appropriate PSZs to be implemented, and also to spell out the implications for those residents living in the outer PSZ zone who might find that any future building development plans will be constrained – DfT Circular 1/2010 says that: "...there is a general presumption against new or replacement development, or changes of use of existing buildings, within Public Safety Zones.". This is an issue that NNF brought to RSP's attention in July 2017 and again since then. NNF made it clear that RSP should consult the public on the implications for local residents of implementing an appropriate PSZ. RSP did not do so.</p> <p>The public has not been consulted on the implications of PSZs for their homes, their all day work places, and for their future building development plans.</p>

SE.1	Socio-economic Effects	
SE.2.1	The Applicant	<p><b>Construction</b></p> <p>At the need and operations Issue Specific Hearing (21 March 2019) it was stated that you would aim to re-open the Airport from quarter 1 of 2022. It was acknowledged that this would necessitate construction during 2021, and that additionally no construction works would take place during the night time.</p> <ul style="list-style-type: none"> <li>i. <b>Would such a programme have any effect on projected construction jobs?</b></li> <li>ii. <b>What percentage of these jobs would be able to be filled by people from the local area, given the timescale and local skill levels?</b></li> <li>iii. <b>Has this construction timetable been factored into the transport assessment?</b></li> </ul> <p>We are pleased to see these questions. We have raised these points in our response to Op 2.6 above.</p>
SE.2.2	The Applicant	<p><b>Employment – Comparators</b></p> <p>Volume 4 of the Azimuth Report [APP-085] uses East Midlands Airport (EMA) as a comparator for direct job levels, with a 2% adjustment used from yr 11.</p> <ul style="list-style-type: none"> <li>i. <b>Do the figures used from EMA include jobs across that airport site, including those based at the Pegasus Business Park?</b></li> </ul> <p>NNF responds to this question at SE 2.3 below</p> <ul style="list-style-type: none"> <li>ii. <b>If so, given evidence that much of the business park constitutes non-airport related development and employment, how useful are such employment figures for comparison purposes?</b></li> <li>iii. <b>Of the employment figures for EMA, what percentage are within the aviation industry?</b></li> <li>iv. <b>Provide justification for the 2% adjustment from year 11. Would the opposite not be true, given economies of scale once operations became established?</b></li> </ul>
SE.2.3	The Applicant	<p><b>Employment – Comparators</b></p> <p>No Night Flights [REP4-056] state that in 2016 EMA had 540 employees, with 55,000 ATMs, but note that the proposal includes 1,024 jobs for 26,468 ATMS in year 20 almost twice the number of jobs for half the number of ATMs.</p> <ul style="list-style-type: none"> <li>i. <b>Are these figures correct?</b></li> <li>ii. <b>If so, justify give the apparent disparity between</b></li> </ul>

		<p><b>the figures shown.</b></p> <p>It is clear from the most recent Annual Report produced for EMA that the NNF representation is correct. On page 92 of the 2017-2018 Annual Report [sent as a separate document], Manchester Airports Group (MAG) reports that the average number of persons (including executive directors) employed by the Group during the year at EMA was 629. In 2018, CAA data records EMA as handling 56,947 ATMs in 2018 of which 22,219 ATMs were cargo flights. Crudely, this equates to 90.5 ATMs per employee, as compared to the Azimuth "forecast" of 25.8 ATMs per person (26,468÷1024). Even if we add 38,000 GA ATMs to the Manston total, the ratio is still 62.9 ATMs per person.</p> <p>RSP's job numbers are clearly overstated.</p>
SE.2.6	The Applicant	<p><b>Employment</b></p> <p>Thanet DC [REP3-010] consider that there remains significant uncertainty about whether the socio-economic benefits from the proposal, in terms of job creation, attract significant weight in support of the proposal and consider that such benefits may have been potentially overstated in the ES. It notes that the figures predicted for year 20 would represent 8.3% of all jobs in Thanet and consider that the magnitude of change for the number of jobs created needs to be reassessed against the total number of jobs in the District to reflect the actual impact on employment, with such an effect potentially not falling within the category of 'major beneficial - significance'</p> <p><b>Provide any evidenced counter arguments to this viewpoint.</b></p> <p>NNF shares TDC's view. NNF has provided evidence on the considerable gap over the years between <b>every</b> jobs forecast made for Manston Airport and the actual number of jobs delivered. NNF has commented on this consistent trend in NNF06, and on the RSP jobs "forecasts" in NNF01, NNF08 and NNF11 (see particularly pages 22 to 34 of NNF11). No reliance can be placed on Dr Dixon's employment creation "forecasts" given that they rest on a fundamentally flawed set of assumptions about the possible future number of ATMs at Manston. Dr Dixon then makes her employment forecasts even less credible by producing a "mash up" of jobs numbers and multipliers using historical Manston employment numbers; numbers from East Midlands; and multipliers from sources such as Stansted, Luton and the ICAO.</p>
SE.2.8	The Applicant	<p><b>Catalytic jobs</b></p> <p>The calculation of catalytic job figures use an ICAO formula, which appears to be a national figure, but is applied at a local level.</p> <p><b>i. Do you consider that the nationally based</b></p>

		<p><b>multipliers used for induced and catalytic job totals are appropriate within the local context of Manston, and if so, why?</b></p> <p><b>ii. If so, how would this affect your predicted job numbers?</b></p> <p>NNF deals with this in NNF11 pages 32 to 34</p>
SE.2.9	The Applicant	<p><b>Displacement</b></p> <p>Your answer to SE1.6 [REP3-195] considered that, as the proposal will currently meet unmet demand rather than displacing existing business from other airports that no account of job transfers or losses from other areas has been incorporated into the assessment.</p> <p>However, the Azimuth report [APP-085] states that consideration of costs of switching airlines/forwarders has been taken into account, which implies that some demand would have been displaced from elsewhere. Furthermore, the answer to SE1.1 states that significant effects on outbound tourism are not anticipated as existing connections, including Gatwick, Heathrow, and London City Airports, Ebbsfleet International for trains to the continent and cross channel ferry via Dover already exist. This also implies that outbound tourism business may be displaced from other existing areas, both within the South East, and within Kent itself.</p> <p><b>Do you maintain the view that the proposal would solely meet unmet demand, and if so, do you have further justification for this viewpoint?</b></p> <p>NNF is struggling with the idea that there is such a thing in this context as "unmet demand". It is RSP's contention that Manston will attract business from operators at other UK airports who want daytime runway capacity but who cannot find it at their existing airport. RSP also contends that it will attract cargo tonnage that is currently being trucked between the UK and Europe for want of runway capacity in the UK. Both these streams of activity and employment exist today. A win for Manston is a loss for another UK airport or for a haulage company (some of which will be UK based) or for the sea or rail crossing at the Channel (with subsequent employment losses on both sides of the Channel).</p> <p>There is zero evidence that RSP is going to conjure up out of the ether cargo business that does not exist in any other form today. The UK market for air freight is static.</p> <p>Mr Cain talked blithely about "new integrators" which he says would create new demand. Dr Dixon talked about 17% of the goods market being managed through online channels and suggested that this would create new demand. Neither of them dealt with the fact that new channels of purchasing do not equate to an increase in cargo ATMs. NNF submitted evidence on this in NNF06 and NNF08.</p>

		<p>Statistics compiled by the Office for National Statistics and by Statista do show a steep increase in the percentage of UK sales made via ecommerce channels between 2000 and 2011. During 2014 to 2017, ecommerce's share of the UK market then stabilised at about 16.5%. However, UK total air freight tonnage in that same period has stagnated at about 2.3m tonnes, and the number of freighter ATMs has fallen dramatically since 2000. There is no evidence that a significant shift to ecommerce since 2000 has led to a subsequent increase in demand for UK air freight or to an increase in UK air freight ATMs.</p> <p>In short, RSP has yet to identify any "unmet demand". The demand that it wishes to capture for a cargo airport at Manston exists today. Any shift of that business to Manston will mean the loss of jobs elsewhere. RS has not set out how it has dealt with this in its jobs creation forecasts, relying instead on airy assertions that it has done so. NNF submits that RSP should be obliged to share the detail of these calculations. Without this information, RSP's claims of net employment creation cannot be assessed.</p>
SE.2.10	The Applicant	<p><b>Displacement</b></p> <p>The case for need is based to a certain extent upon the extent of trucking between the south east and the continent</p> <p><b>Would the proposal result in the loss of existing trucking/logistics employment, either in transit or at the port of Dover?</b></p> <p>It would, and RSP has not calculated the impact of this.</p>
SE.2.12	The Applicant	<p><b>Tourism</b></p> <p>Paragraph 13.8.77 of Chapter 13, Volume 2 of the ES [APP-034] states that Thanet has approximately 3.1 million visitors annually, of which 75% are day visitors, meaning the remaining 775,000 individuals are overnight stay visitors. The ES further notes that anticipated passenger numbers associated with the proposal are around 1.4million in Year 20 and considers that this additional flux of people, if assumed to all be overnight stays results in a net increase of 81.6% compared to current annual tourist visitors, with 25% of visitors as overnight stays providing a potential for net increase of approximately 45.4% (paragraph 13.8.78).</p> <ol style="list-style-type: none"> <li>i. <b>1.4 million passengers per annum equates roughly to around 700,000 passengers each way (if assuming passengers will generally use the same airport for inbound and outbound flights). Do you consider passengers are likely to stay overnight in Thanet before and after their outbound and return flight?</b></li> <li>ii. <b>Would it be fair to assume that many outbound passengers would be resident within the local</b></li> </ol>

		<p><b>area and so would have no need to stay overnight?</b></p> <p><b>iii. Do you consider therefore the figures within the ES are likely to be accurate?</b></p> <p>The figures in the ES ignore the past reality that, when Manston was operational, it was a net exporter of people for trips and overnight stays. Infratil reported that twice as many people took the opportunity to use Manston to enable them to fly to other destinations for business and leisure as took the opportunity to fly into Manston from other areas. On this basis, if we take RSP's pax aspirations as a start point (and they are no more than aspirations as they have no basis in anything that has ever been achieved at Manston in the past) then, on past experience, one third of them would be expected to start their journey elsewhere and to have their outbound journey into Manston. Of these 467,000 "non-local" pax (again, using RSP's numbers here purely for demonstration purposes) there is no evidence whatsoever from RSP that their final destination for business, leisure and local spend would be Thanet or even East Kent. Even if we were to assume optimistically that 25% of them might stay in or visit the district, that would equate to 116,667 visits. This pales into insignificance against the number of existing visitors to Thanet and to the percentage of them that are likely to be persuaded to stay away from Ramsgate alone by virtue of the town and its attractions being under the flight path of a cargo airport operating 24/7.</p> <p>RSP's evidence on likely passenger numbers who might "stick" in Thanet rather than passing straight through is wafer thin.</p>
SE.2.13	The Applicant	<p><b>Tourism</b></p> <p><b>What effect would the acknowledged increase in the absolute noise level and the visibility of planes overflying Ramsgate have on the existing and potential tourism for the town?</b></p> <p>RSP needs to produce clear evidence on this. At the Open Floor hearing in March, we heard evidence from one tourism-dependent business – Albion House – as to the likely loss of business that would result from Ramsgate being under the flightpath day and night of a cargo airport. It is not acceptable for RSP to say that it has taken this into account in the ES. There simply is no evidence that it has done so. RSP needs to present fact-based calculations of the inevitable harm that the noise, air pollution and heavy HGV traffic associated with its proposal would have on the increasingly successful tourist industry in the local area.</p>

SE.2.14	Thanet DC	<p><b>Tourism</b></p> <p>You note in your LIR [REP3-010] that the proposal may adversely affect tourism in Ramsgate.</p> <p><b>Do you consider the proposal would have other effects, positive or negative, on the tourism industry in the wider Thanet area?</b></p> <p>It would have an impact on nearby villages and on local natural areas. It would also have an impact in the Canterbury area. As an example, tourism in Herne Bay is increasing. The town has large areas of quiet open space and tranquillity. When the airport was operational, intermittent overflights by cargo planes would make people who were on the beach, on the Downs or at Reculver look up to see what could be the cause of the noise. Given the typically quiet noise level in these areas, a cargo plane going over has a disproportionate effect and is intrusive. It spoils the peace and quiet that visitors have come to the town to enjoy.</p> <p>In addition, we have provided evidence that people as far west of the airport as Hampton in Herne Bay were woken by night flights into Manston when the airport was operational. This kind of disturbance in this era of readily available online information about tourist destinations would mean that potential visitors would simply choose to stay away in their droves.</p>
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**Appendix One – planning permission approval for St Mildred’s Road, Ramsgate – Ns 2.12**

**F/ TH/ 09/0368**

60 ST. MILDREDS ROAD, RAMSGATE, CT11 0EF

Erection of a detached 2-storey dwelling following demolition of double garage

**RECOMMENDATION:**

**APPROVE subject to the following conditions:**

- 1 The development hereby permitted shall be begun before the expiration of three years from the date of this permission.

**GROUND:**

In accordance with Section 91 of the Town and Country Planning Act 1990 (as amended by Section 51 of the Planning and Compulsory Purchase Act 2004).

- 2 No development shall take place until the applicant, or their agents or successors in title, has secured the implementation of a watching brief to be undertaken by an archaeologist approved in writing by the Local Planning Authority so that the excavation is observed and items of interest and finds are recorded. The watching brief shall be in accordance with a written programme and specification, which has been submitted to and approved in writing by the Local Planning Authority prior to the commencement of the development.

**GROUND:**

To ensure that features of archaeological interest are properly examined and recorded in accordance with PPG16

- 3 The development hereby permitted shall be constructed of materials as stated on drawing no. 1364-006-001.

**GROUND:**

In the interests of visual amenity in accordance with Policy D1 of the Thanet Local Plan.

- 4 The parking layout as shown on approved drawings shall be in place prior to first occupation of the site and thereafter maintained.

**GROUND:**

In the interest of highway safety.

- 5 Prior to the commencement of works, a scheme for protecting the dwellings hereby permitted from external noise from aircraft, which provides a minimum sound attenuation of 20dB coverage over the frequency range 100-3145 Hz, shall be submitted to and approved in writing by the Local Planning Authority, and such

Appendix Two – Letter from Icen Projects re Manston Green – Ns 2.12



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Strategic Planning  
Thanet District Council  
PO Box 9  
Cecil House  
Margate  
Kent  
CT9 1XZ

4<sup>th</sup> October 2018

Dear Sir/Madam,

**Draft Local Plan (Regulation 19) Consultation – Land at Manston Green, Ramsgate**

On behalf of our client, Cogent Land LLP (CL), Icen Projects is writing in response to Thanet District Council's Draft Local Plan consultation exercise. This submission relates to the land known as Manston Green located to the east and west of Haine Road, Ramsgate (the 'Site').

In order to inform this submission, please also find enclosed a copy of the site location plan attached as appendix A1.

**a. The Site**

By way of background, CL were granted outline planning permission on the 'Site', including details of the access, on 13<sup>th</sup> July 2016, for the erection of 785 dwellings, highways infrastructure works (including single carriageway link road), primary school, small scale retail unit, community hall and public open space on the land to the east and west of Haine Road (Manston Green) (LPA ref: OL/TH/14/0050).

The 'Site', which is 46.83ha in size is located approximately 1km to the east of Manston Airport. A copy of the site location plan and approved masterplan for the Manston Green development is attached at Appendix A1 and A2 respectively.

In line with Conditions 1 and 2 of the planning consent a Reserved Matters Application, for Phase 1, is in the process of being prepared to confirm details relating to outstanding matters such as layout, scale, appearance of any buildings to be erected and landscaping. This Reserved Matters Application is to be submitted to Thanet District Council in advance of the outline planning consent expiration date on the 13<sup>th</sup> July 2019.

Under Policy SP13 (Strategic Housing Sites) of the Council's Draft Local Plan, the site has also been allocated as a 'site of strategic importance for delivering the quantity and type and variety of homes required to deliver the Council's preferred strategy'. The site has been included as a strategic housing site within the Draft Local Plan for up to 785 dwellings.

The land is allocated for up to 785 new dwellings at a maximum density of 35 dwellings per hectare net at land known as Manston Green (given that planning permission has been granted on site so this figure has not been included within the Draft Local Plan allocation calculation).

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**Appendix Three – Night flight restrictions at the designated airports 2017-2022 – Impact Assessment – Ns 2.24**

<b>Title:</b> Night Flight Restrictions at the Designated Airports, 2017-2022				<b>Impact Assessment (IA)</b>	
<b>IA No:</b> DFT00370				<b>Date:</b> 12/07/17	
<b>RPC Reference No:</b> RPC17-3554(2)-DFT				<b>Stage:</b> Final	
<b>Lead department or agency:</b> Department for Transport				<b>Source of intervention:</b> Domestic	
<b>Other departments or agencies:</b> NA				<b>Type of measure:</b> Secondary legislation	
				<b>Contact for enquiries:</b> David Hyde, <a href="mailto:night.flights@dft.gsi.gov.uk">night.flights@dft.gsi.gov.uk</a>	
<b>Summary: Intervention and Options</b>				<b>RPC Opinion:</b> fit-for-purpose	
<b>Cost of Preferred (or more likely) Option</b>					
<b>Total Net Present Value</b>	<b>Business Net Present Value</b>	<b>Net cost to business per year (EANDCB in 2014 prices)</b>	<b>One-In, Three-Out</b>	<b>Business Impact Target Status</b>	
£-12.18m	£-10.91m	£2.2m	In scope	Qualifying provision	
<b>What is the problem under consideration? Why is government intervention necessary?</b>					
<p>The biggest issue arising from night flights is the effect of night noise on residents in areas surrounding airports. In particular, the impact this has on the sleeping patterns of individuals. There has been growing evidence on the relationship between exposure to higher levels of aircraft noise at night, sleep disturbance, and adverse health effects. However, there is a need to balance these negative externalities on local residents with the economic benefits that night flights offer to the aviation industry and wider economy, including increased flight choice (allowing passengers to fly when convenient for them and to a wide range of destinations) and next-day deliveries of urgent or perishable products.</p> <p>Currently there is no market process in place to ensure the benefits of night flights are balanced against the local impacts. Without Government intervention, the existing restrictions at Gatwick, Heathrow and Stansted would end in October 2017, and there could be an unlimited amount of flights operating in the night period. In this case, the Government considers that there would be a failure to protect communities from the noise impacts of night flights.</p> <p>While at other airports in the UK night noise is managed locally, usually as agreements between the airport and local authorities, under the existing policy and legal framework the Secretary of State has responsibility for setting night flight restrictions at Heathrow, Gatwick and Stansted. The Government recently consulted on changes to this framework, which could see night flight restrictions set via other processes in the future. The outcome of that consultation is yet to be determined however and there are no alternatives to Government intervention. Therefore there is currently a rationale for the Government to intervene to address the problem under consideration, namely to strike a balance between the local impacts of night flights and the economic benefits they bring. A 'Do Nothing' option is not an appropriate baseline as it is not feasible for the Government to completely remove all regulation on night flights at the designated airports, reasons for this are given at Section 5.2. The impacts of the proposed policy options are therefore compared against a 'do minimum' option based on a continuation of the current regime.</p>					
<b>What are the policy objectives and the intended effects?</b>					
<p>The environmental objective we have set for these airports is to 'limit or reduce the number of people significantly affected by aircraft noise at night, including through encouraging the use of quieter aircraft, while maintaining the existing benefits of night flights'. Rules on the adoption of operating restrictions, such as the night flight regime, require them to be no more restrictive than is needed to achieve the environmental objectives for that airport. These rules however do not specify the exact restrictions that should be in place at an individual airport or airports and this is a domestic policy decision.</p>					









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Passenger numbers  
**58.9m**  
**+6.7%**  
2017: 55.2m

Revenue<sup>1</sup>  
**£818.1m**  
**+10.2%**  
2017: £742.7m

Adjusted EBITDA<sup>\*1</sup>  
**£358.8m**  
**+5.8%**  
2017: £339.2m

Cash generated from operations<sup>1</sup>  
**£328.8m**  
**+3.6%**  
2017: £317.3m

Adjusted<sup>\*1</sup> operating profit  
**£215.4m**  
**+6.2%**  
2017: £202.9m

Result from operations<sup>1</sup>  
**£206.8m**  
**+5.6%**  
2017: £195.8m

#### Notes

- <sup>1</sup> All numbers relate to continuing operations, and 2017 numbers have been restated as explained on pages 78 and 120.  
<sup>\*</sup> As explained in the financial review on page 30.

#### Notes

- <sup>1</sup> All numbers relate to continuing operations, and 2017 numbers have been restated as explained on pages 78 and 120.  
<sup>\*</sup> As explained in the financial review on page 30.



## OUR MISSION

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.

## Operating highlights

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

**745k**  
tonnes of cargo  
shipped

**280+**  
destinations by  
70 airlines

## Financial highlights<sup>1</sup>

Revenue

**£818.1m**

2018	818.1
2017	742.7
2016	715.0

**+£75.4m**  
**+10.2%**

Passenger  
numbers

**58.9m**

2018	58.9
2017	55.2
2016	51.2

**+3.7m**  
**+6.7%**

Adjusted EBITDA\*

**£358.8m**

2018	358.8
2017	339.2
2016	317.7

**+£19.6m**  
**+5.8%**

Cash generated  
from operations

**£328.8m**

2018	328.8
2017	317.3
2016	322.4

**+£11.5m**  
**+3.6%**

Adjusted operating profit\*

**£215.4m**

2018	215.4
2017	202.9
2016	186.9

**+£12.5m**  
**+6.2%**

Result from  
operations

**£206.8m**

2018	206.8
2017	195.8
2016	175.6

**+£11.0m**  
**+5.6%**

Notes

<sup>1</sup> All numbers relate to continuing operations unless stated, and 2017 and 2016 numbers have been restated as explained on pages 78 and 120.

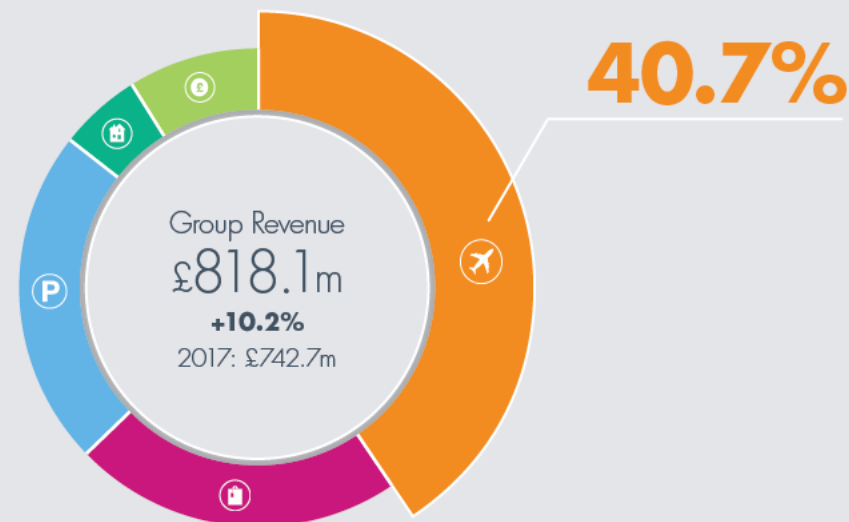
\* As explained in the financial review on page 30.

## At a glance

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

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


	Aviation	£332.7m
	Retail	£181.6m
	Car Parking	£187.2m
	Property	£44.4m
	Other	£72.2m



Our strategic values

## INVESTING


Deliver great service at every touch point

 Read more on pages 22 and 23

Provide modern and customer focused infrastructure

## CONNECTING


Enhance the reputation and profile of MAG

 Read more on pages 24 and 25

Achieve profitable growth in all our businesses

## TRANSFORMING

Focus on operational excellence

 Read more on pages 26 and 27

Energise and unlock the potential of our people

### 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 top four cargo airports in the UK, which handle over £27.5bn and 745,000 tonnes of air cargo to and from the UK every year.

Aviation revenue  
**£332.7m**  
2017: £309.0m

Operational  
**280+**  
More than 70 airlines serving 280+ destinations

### Retail



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

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

Retail revenue  
**£181.6m**  
2017: £163.3m

Operational  
**200+**  
shops, bars and restaurants across our airports

### Car Parking



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

Car Parking revenue  
**£187.2m**  
2017: £163.1m

Operational  
**75,000+**  
parking spaces across all our sites

### 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.

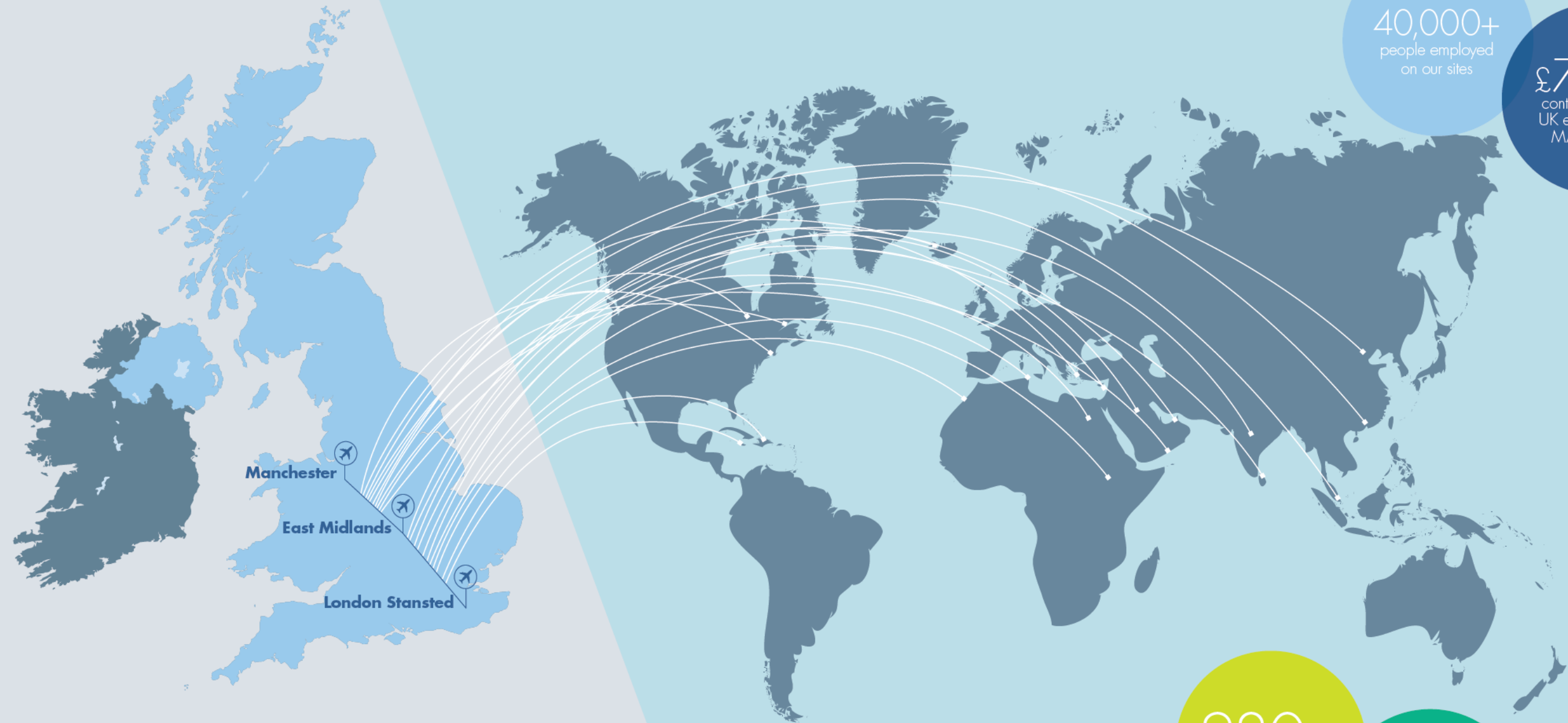
Property revenue  
**£44.4m**  
2017: £42.4m

Operational  
**£526m**  
of investment property assets across all airports

\* Numbers relate to continuing operations unless stated, and 2017 numbers have been restated as explained on pages 78 and 120.



## Global connectivity



40,000+  
people employed  
on our sites

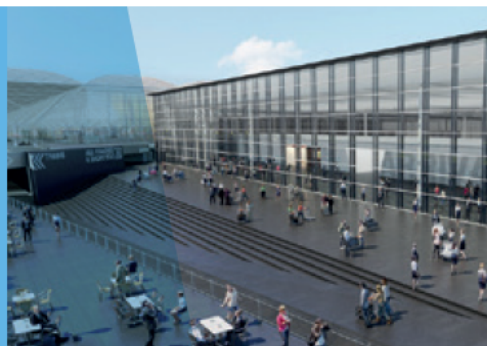
£7.75bn  
contributed to the  
UK economy from  
MAG airports

280+  
destinations

70+  
airlines

### Investing in the future of UK aviation

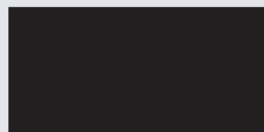
MAG serves almost 59m passengers  
flying through its airports, travelling to  
over 280 destinations through over 70  
different airlines



## Chairman's statement

# This has been a landmark year for MAG

"This year MAG has successfully delivered continued growth in its core business and is focused on preparing itself for the next generation of travel."



**Sir Adrian Montague CBE**  
Chairman, MAG

In the fast-evolving travel industry it is increasingly important for our organisation to be able to act and execute decisively, and it has been our ability to do this that has enabled MAG to deliver sustained growth in a year where there have been many challenges.

In the last 12 months our airports have continued to perform strongly with almost 59m passengers having been through

generating like-for-like revenue and increased profits for the entire year.

Monarch Airlines, which was the largest airline at Manchester, moved into administration. Ryanair, our largest airline partner, also experienced unexpected changes to its schedule across its network. It is the teams at MAG airports who ensured that all passengers' needs were handled with care, and the financial performance of our airports was maintained.

Our focus is to offer our customers a good quality and value service. We believe that by achieving our goal in a sustainable and responsible way we will create long-term value for society and, as a result, for our shareholders.

Striking a balance between delivering a great customer experience whilst continuously seeking to extend and improve our facilities is a challenge for any

non-stop operation. I am pleased to report that through the implementation of meticulous planning, MAG is succeeding in delivering on both counts.

At Manchester Airport the £1 billion Transformation Programme (MAN-TP) is fully underway with approximately £1m currently being spent every day on delivering a vision that will provide this country with a truly world-class gateway that will continue to link the North to key investment and trade opportunities across the globe. The year ahead is set to be a transformational one for London Stansted. The airport's spare runway capacity will enable it to offer its most extensive schedule ever and deliver growth that will comfortably maintain its position as the fastest growing major airport in the otherwise congested London system.

London Stansted now sits at the heart of one of the UK's most affluent and ambitious regions – connected to central London, Cambridge, and the rest of the East of England. We've begun the initial phase of an investment programme that will ultimately deliver enhanced facilities for accelerated long-term growth. Initial phases include new check-in facilities, eight new aircraft stands and an expanded retail footprint. This transformation will mean that we will be equipped to cater for the modern demands of short-haul, long-haul, low-cost and full-service carriers.



The ability to act and execute decisively has enabled MAG to deliver sustained growth in a year where there have been many challenges

It is a combination of all of these factors – the available runway capacity, strength of catchment and upgrading of facilities – that has recently attracted five new airlines to London Stansted to offer passengers an even greater choice of long and short-haul destinations. To enable London Stansted to continue to play a key role in providing aviation capacity in the South East, MAG has this year applied for planning permission to enable London Stansted to make best use of its existing capacity, a move which will deliver economic benefits to the region and wider UK, as well as ease pressure on the London airport system by unlocking additional capacity at a time when other airports are either full or becoming full.

East Midlands Airport, meanwhile, has consolidated its position as the most important airport in the UK for pure cargo flights, acting as a hub for operators like DHL and UPS, and playing a vital role in driving not just the regional economy in the Midlands, but the UK's international trade capability.

The future success of our business is closely tied to the success of the communities in which we operate and we continually strive to maximise the social and economic benefits of our growth whilst minimising the environmental impacts of our operation.

In the past year the local impact of our airports has continued to increase with economic activity worth £7.75bn being generated, a 9% increase year-on-year. In

the last 12 months, 5,000 new jobs were created across our airports and in their supply chains as a result of this growth, including in industries like construction, tourism and transport.

In addition, we have also launched a revolutionary scheme called MAG Connect, a long-term initiative that will take MAG's recruitment drive out of its airports and into nearby areas with high levels of unemployment. This is a significant commitment by the business not only to strengthen further its economic contribution to its neighbouring regions but also to target it to the areas where the greatest benefit will be felt.

This year we sold Bournemouth Airport to RCA, a part of the Rigby Group. I would like to put on the record my thanks to the team at Bournemouth who were part of our company for a long time and we wish RCA every success in their new venture at Bournemouth.

Our dividend policy remains progressive and we aim to deliver sustainable dividends to our shareholders, the majority of which go to local councils in Greater Manchester. During the year, the Group paid dividends of £149.2m, comprising a final dividend for FY2017 of £93.9m and an interim dividend for FY2018 of £55.3m. Total dividends for FY2018, including a final dividend of £110.7m, to be paid in July 2018, are £166.0m, an increase of 17.8% on last year's total.

MAG's successful £300m bond issuance this year, which was three times oversubscribed, demonstrated the confidence of investors in MAG's future growth strategy. MAG will use the proceeds of the bond to fund the capital investment programmes that are underway at Manchester and London Stansted.

As Britain's exit from the European Union approaches in 2019, we continue to work with the Government and the rest of our industry to ensure continuity of Britain's air service arrangements. We welcome the mutual recognition by the UK Government and EU of the importance of aviation, and the commitment on both sides to putting in place a framework that will enable air services to be maintained post-Brexit.

As we look ahead to this year, MAG is a stronger company and one that is set up to compete strongly in a global market. The Board remains confident of the Group's long-term prospects and the positive case for investing in new facilities and infrastructure at our airports.

Finally, I would like to once again thank all of my colleagues on the Board, and more broadly all MAG staff; they work tirelessly to ensure our passengers get the best experience they can when they visit our airports. I am always impressed with the spirit and dynamism they show, which truly reflects MAG's values. Thanks go to each and every one.

\*All numbers relate to continuing operations unless stated.



## Key performance indicators

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 2018	Like for like progress in 2018
<b>Revenue (continuing operations)<sup>1</sup></b>	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	<b>£818.1m</b> 2017: £742.7m	<b>+10.2%</b>
<b>Adjusted EBITDA<sup>1</sup> (continuing operations)</b>	Generate a level of profit that allows re-investment in our infrastructure	We cover the cost of using our assets with income from our operations	<b>£358.5m</b> 2017: £339.2m	<b>+5.8%</b>
<b>Result from operations (continuing operations)<sup>1</sup></b>	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's result. Result presents before impact of significant items	<b>£206.8m</b> 2017: £195.8m	<b>+5.6%</b>
<b>ROCE<sup>2</sup></b>	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	<b>9.2%</b> 2017: 9.1%	<b>+1.1%</b>
<b>Occupancy rates<sup>3</sup></b>	Achieve a high level of occupancy on lettable property	We generate improved revenue by maximising occupancy of our existing property portfolio	<b>92.7%</b> 2017: 92.9%	<b>-0.2%</b>
<b>Investment property value<sup>4</sup></b>	Generate growth in capital value of our property portfolio	We manage our property portfolio to realise maximum value from disposals and re-invest in new developments	<b>£526.1m</b> 2017: £603.3m	<b>-12.8%</b>
<b>Capital investment<sup>1</sup></b>	Provide effective investment in operational assets to improve efficiency and support growth	We invest in opportunities that generate the best shareholder value, and enhance the quality of our airport services	<b>£341.7m</b> 2017: £179.0m	<b>+90.9%</b>
<b>Adjusted cash generated from operations<sup>1</sup></b>	Convert our operating profits into cash	We focus on converting our operating profits into cash to fund further investment and returns to shareholders	<b>£337.4m</b> 2017: £324.4m	<b>+4.0%</b>
<b>Shareholder return<sup>1</sup></b>	Generate growth in distributions for shareholders	We provide returns to reward the shareholders investment	<b>£179.4m</b> 2017: £154.5m	<b>+16.1%</b>
<b>Market share<sup>5</sup></b>	Grow our share of the market	Measures the performance of MAG compared to the UK market	<b>28.4%</b> 2017: 28.1%	<b>+1.1%</b>
<b>Passengers (m)</b>	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	<b>58.9m</b> 2017: 55.2m	<b>+6.7%</b>
<b>Destinations</b>	Provide access to all major global holiday and business destinations	As a premier airport services company we aim to provide access to anywhere in the world from our airports	<b>285</b> 2017: 282	<b>+1.1%</b>
<b>ASQ scores<sup>6</sup></b>	Improve performance for our airports in their respective benchmark groups	We aim to ensure that customer satisfaction levels are at the highest possible standard	<b>3.86</b> 2017: 3.90	<b>-1.0%</b>
<b>Departure punctuality<sup>7</sup></b>	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	<b>75.2%</b> 2017: 76.2%	<b>-1.3%</b>
<b>Carbon Reduction – CO<sub>2</sub> emissions<sup>8</sup></b>	Minimise the environmental impact of our operations	We closely monitor our CO <sub>2</sub> emissions and environmental impact	<b>0.870</b> 2017: 1.022	<b>-14.9%</b>
<b>Number of people within noise footprint (000s)<sup>9,12</sup></b>	Being good neighbours with our communities	Minimising the impact of our operations on the local community	<b>40.4</b> 2017: 37.3	<b>+8.3%</b>
<b>Number of training placements provided<sup>10,12</sup></b>	Supporting work in our communities	Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies	<b>634</b> 2017: 948	<b>-33.1%</b>
<b>Health and Safety RIDDOR – reportable accidents<sup>11,12</sup></b>	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.	<b>10</b> 2017: 8	<b>+25.0%</b>

1 As explained in the financial review on pages 28 to 39.

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.

3 Measured as let space as a percentage of full occupancy space.

4 The decrease in 2018 is because of planned disposals rather than reduced valuations.

5 Market share excludes Heathrow Airport.

6 Airport Service Quality ('ASQ') is the global industry benchmark for measuring passenger satisfaction whilst travelling through the airport – measured out of 5, with 5 being the highest level of satisfaction. The decrease is a result of disruption caused by the investment programmes taking place across our assets with the long-term aim remaining to improve performance in respect of their benchmark groups.

7 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 ATC capacity, and weather related delays. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.

8 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 an intensity measurement against a traffic unit, which is defined by the International Air Transport Organisation (IATA) as equivalent to 1,000 passengers or 100 tonnes of freight.

9 17/18 is the final year of our existing airport noise action plans. In 18/19 we will be bringing forward new noise action plans to ensure noise is minimised, including new operating techniques and the progressive introduction of next generation quieter aircraft.

10 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.

11 The Reporting of Injuries, Disease and Dangerous Occurrence Regulations ('RIDDOR') stipulate the most serious types of incidents, which must be reported to the Health and Safety Executive.

12 Further details available within the Corporate Social Responsibility Report on pages 44 to 51.

\* All numbers relate to continuing operations unless stated.

Chief Executive’s operating review

# Investing in the future of UK aviation

“This year we have delivered on our challenging financial targets and our ambitious plans for the future have begun to take shape at our airports.”

**Charlie Cornish**  
Chief Executive, MAG

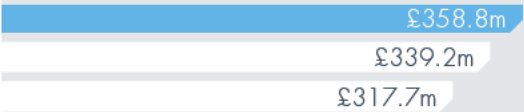
Passenger numbers

Revenue<sup>1</sup>  
**£818.1m** **+10.2%**  
2017: £742.7m



the long-term and steady growth in revenue.  
e aim to deliver sustainable growth across all areas of our business  
ar parking, retail and property.

Adjusted EBITDA<sup>\*,1</sup>  
**£358.8m** **+5.8%**  
2017: £339.2m



ate a level of profit that allows re-investment in our infrastructure.  
e cover the cost of using our assets with income from our operations.

ers relate to continuing operations unless stated, and 2017  
6 numbers have been restated as explained on pages 78 and 120.  
ined in the financial review on page 30.



MAG has delivered its seventh successive year of profitable growth, driven by a 3.7m increase in passenger members and commenced major investments at Manchester and London Stansted

MAG has delivered another year of profitable growth, driven by a 3.7m increase in passenger numbers to nearly 59m, despite the external challenges presented by Monarch entering administration and Ryanair making late winter schedule changes.

A recurrent theme across the year has been the success our airports have demonstrated in extending their route networks, with Manchester and London Stansted both adding an array of important destinations. In June this year, London Stansted welcomed Emirates who started a daily link to Dubai, the first time a Middle Eastern hub carrier has served London Stansted. Primera Air also recently started new transatlantic operations out of the airport, with brand new Airbus A321neo aircraft serving four key North American cities. At Manchester, we have started flights to Muscat with Oman Air and Seattle with Thomas Cook Airlines. Additionally, Ryanair has this year based three additional aircraft at Manchester and added ten extra destinations.

The world class connectivity that our airports are increasingly delivering will play a major role in the UK’s ability to do business and trade post Brexit, as well as offer greater choice to the millions of travellers across our catchment areas.

Financial performance across aviation and non-aviation segments has been strong this year, with aviation income increasing 7.7% to £332.7m, and retail income growing by 11.2% to reach £181.6m. This retail growth has been driven by a range of new shops, bars and restaurants and also the popularity of MAG’s own lounge products, including our new premium lounge brand, 1903, which we introduced into Terminal 3 at Manchester.

After several years of planning, 2017 also saw the start of a £1bn development programme at Manchester and major capacity development programme at London Stansted. In July 2017, I was delighted to welcome the Secretary of State for Transport, the Rt Hon Chris Grayling MP, to Manchester Airport to witness the commencement of our Manchester Airport Transformation Programme (MAN-TP). MAN-TP will give the airport the terminal facilities needed to make best use of its two full-length runways, the only UK airport apart from Heathrow to have such runway capacity.

London Stansted’s Transformation Programme also got underway which will ultimately transform the existing facilities and support long-term growth.

MAG is investing this money to ensure that its airports are ready to deliver the aviation capacity that this country needs in the next 10-15 years, before any new runway is built in the South East. We welcome the Government’s support for airports seeking to make best use of capacity, and we are working with ministers and officials to deliver improved access to our airports.

MAG’s airports continue to be catalysts for the regions in which they operate, generating £7.75bn in economic activity last year. We believe that our operations have a positive effect in the communities surrounding our airports. The economic contribution that a successful and vibrant airport can make is vital for job creation, supply chains, and business opportunities. We are proud that MAG airports are seen by the communities surrounding them as good neighbours and initiatives like MAG Connect, which aims to improve employment opportunities in areas of relatively high unemployment near our airports, will improve these links further and generate yet more value in these communities.



# Chief Executive's operating review continued

Passenger Traffic by Sector (000s)

Group	2018	2017
Domestic	4,422	4,689
International Scheduled	50,843	46,671
Charter	3,585	3,875
Miscellaneous	27	20
Total	58,877	55,255

Passenger Traffic by Airport (000s)

Group	2018	2017
Manchester	27,883	26,203
London Stansted	26,140	24,349
East Midlands	4,854	4,703
Total	58,877	55,255



MAG is investing to ensure that its airports are ready to deliver the aviation capacity that this country needs in the next 10-15 years

## Manchester Airport

Manchester Airport consolidated its place in the European top 20 airports this year, and posted year-on-year passenger growth of 6.5% to serve 27.9m passengers in FY2018, an impressive result given that in the period the airport saw its seventh biggest airline, Monarch, cease trading. I would like to thank the team at Manchester Airport who worked with the Civil Aviation Authority to ensure that the repatriation of the affected passengers went so smoothly.

We saw strong interest from airlines including Jet2.com, Ryanair, TUI, easyJet and Thomas Cook Airlines in taking the Summer 2018 slots previously used by Monarch. Subsequently, Jet2.com have expanded into Terminal 2 in addition to their current Terminal 1 base, to cater for the increased number of passengers they will serve at Manchester this coming year, which marks the 80th anniversary of operations at the airport.

Manchester is unusual in the list of Europe's top 20 airports in that it is not a capital city airport and it is not the home

of a major national flag carrier. The breadth and diversity of Manchester's airlines (more than 70) and destinations (more than 220) are unrivalled in its peer group. Our top five most popular destinations, which include Dubai, Dublin, and Palma Mallorca, demonstrate the variety of passengers that use the airport as their global gateway to the world. This year, the Beijing and Hong Kong routes both saw increased frequencies, while Manchester is now the 6th busiest airport in Europe when it comes to passengers flying to and from the United States.

Most of the airport's long-haul routes are available exclusively from Manchester outside of London, and its role in connecting the Northern Powerhouse to key global markets is significant. All of this is testament to the first class aviation development expertise we have at Manchester, and our relentless focus on attracting airlines to operate new services.

Manchester's Transformation Programme will be a game changer for the airport. In July 2017 we started work, witnessed by

the Secretary of State for Transport and key business and government leaders from across the region. Six months later, we were able to announce the finalisation of steel works for one of the airport's new piers, with work progressing well on the extension of Terminal 2 and new car parks. We have also announced that 150 apprentices will be involved in MAN-TP, among a total workforce of 1,500. 85% of the spend on MAN-TP will be within a 3.5 mile radius of the airport. This will create and sustain employment opportunities in the communities around us and across the North.

MAN-TP will allow the airport to capitalise more fully on its two full length runways. While MAG is investing in the terminal and airfield facilities which will allow full use to be made of the runways, it is essential that the Government commits to the delivery of a high speed rail interchange incorporating High Speed 2 (North-South) and Northern Powerhouse Rail (East-West) at Manchester Airport. Such a facility would allow millions more people from across the North to access Manchester Airport and benefit from its

wide range of global destinations.

The success of Manchester Airport's route development over the past few years has been despite, rather than because of, the Government's tax regime which levies world-record levels of Air Passenger Duty (APD) on departing UK passengers. This level of tax is holding back the development of new long-haul connections and we call on the Government to reduce the UK's APD rates so that they are more in line with the countries that we are competing with for these routes.

## London Stansted Airport

When MAG acquired London Stansted Airport five years ago, it had significant untapped potential. Through our investment in the terminal, the signing of growth deals with airlines and the introduction of new operations with airlines such as Jet2.com, British Airways and Eurowings, the airport now has a much more vibrant range of airlines and destinations on offer.

In June, Emirates launched daily flights to Dubai from London Stansted. This is transformational for the region, in that the East of England now has direct access from London Stansted to a global aviation hub, on one of the world's best airlines.

The route will be welcomed by anyone looking to travel East from London Stansted, particularly businesses from the region looking to do business across Asia.

Primera Air announced routes to New York, Washington DC, Boston and Toronto on brand new innovative Airbus A321neo aircraft, while WOW air announced new links to a raft of US cities via its hub in Reykjavik. Taken together with other new route launches for Summer 2018, including Air Corsica and Wideroe, and further expansion of Ryanair and Jet2.com's offerings, the airport is thriving like never before.

This year, MAG started work on the next phase of its transformation programme. Anyone travelling through the terminal will have noticed the significant works already underway to create new check-in desks, security channels, food and drink outlets as well as significantly more seating. This redevelopment will allow us to then start work on new facilities next to the existing terminal, which will significantly enhance the experience of arriving passengers at London Stansted.

This year London Stansted submitted a planning application to Uttlesford District Council, to raise limits on the number of passengers that the airport is permitted to serve from 35m passengers per year to 43m. Advancements in aircraft technology mean that we will be able to achieve this without increasing the currently permitted number of flights or the agreed noise footprint. Raising London Stansted's 'planning cap' will allow London Stansted to work with airlines to plan for the future with certainty.

Unlocking this further capacity at London Stansted will also create more choice and competition and support 5,000 new jobs at the airport. It is vital for the region that London Stansted is able to build on its momentum. We are guided by a belief that when our airports prosper, the regions and communities in which they operate also prosper and we look forward to continuing to engage in an open and positive manner with the people who live and work close to London Stansted.

"2017 also saw the start of a £1bn development programme at Manchester and a major capacity development programme at London Stansted."

\*Bournemouth Airport passenger figures excluded for the entire year.



Chief Executive’s operating review continued



MAG operates the two largest UK airports with significant runway capacity and Manchester and London Stansted, with the investment MAG is making in them, are set to play a key role in the continued demand for aviation growth in the UK market



Primera Air announced routes to New York, Washington DC, Boston and Toronto on brand new innovative Airbus A321neo aircraft, while WOW air announced new links to a raft of US cities via its hub in Reykjavik. Taken together with other new route launches for Summer 2018, including Air Corsica and Wideroe, and further expansion of Ryanair and Jet2.com’s offerings, the airport is thriving like never before.

East Midlands Airport

East Midlands continues to play a dual role in the thriving ‘Midlands Engine’. By day it is a significant passenger airport with popular connections to holiday destinations and European cities coupled with an important domestic route network. By night, it is the UK’s busiest airport for ‘pure cargo’ aircraft and second only to Heathrow in terms of the total amount of cargo it handles every year. This year, total cargo tonnage rose 9.8% to 358,477 tonnes and passenger numbers also rose, to 4.9m.

As the airport grows, it continues to appeal to major companies attracted to its facilities and location. This year we were delighted to welcome West Atlantic, a major air cargo company, to East Midlands, as well as seeing DHL expand their facilities, and the development of the Segro East Midlands Gateway, a big new rail freight hub just north of the airport, will encourage further synergies and growth.

This year saw a change in leadership at East Midlands as Andy Cliffe departed his role as Managing Director. Andy spent five successful years as MD of East Midlands – and 19 years in various roles at MAG. During his time running East Midlands, Andy was responsible for increasing passenger numbers, transforming the terminal facilities and overseeing an award-winning runway resurfacing programme.

Andy has been succeeded at East Midlands by Karen Smart, an exceptional leader with a strong track record. I would like to take this opportunity to thank Andy for the tremendous work he did at East Midlands and throughout MAG, and to welcome Karen to her new role – we wish her every success.

Bournemouth Airport

In December, MAG sold Bournemouth Airport to RCA, a division of the Rigby Group. Bournemouth Airport and its people were part of our company for a long time and I would like to wish the new owners success as they continue to develop the airport.

MAG Property

In Manchester, the Airport City North development pipeline has been strong. This year saw exchange on four hotels which will deliver 1,171 new rooms within a new £180m hotel district, facilitated by a new £6m foot and cycle bridge for which we have obtained planning permission.

In July 2017, a major deal was completed with TPG and Stoford to acquire 45 acres of prime development land at Airport City Manchester. This deal exceeded the regional record per acre for logistics by a considerable margin and will deliver a further 1m sq ft of logistics space next to Manchester Airport.

At Manchester Airport we let 70,000 sq ft of office space to a growing cluster of tech businesses, including a total of 51,000 sq ft to e-commerce giant The Hut Group. On the freight side, major companies such as XPO Logistics, Newrest and Laing O’Rourke have this year moved to our Manchester World Freight Terminal, and existing occupiers like Jet2 and Select Transport, expanded their presence here.

Elsewhere across our property portfolio, at London Stansted Airport, Hampton by Hilton opened its largest ever property, a new 357-bedroom hotel, creating 100 new jobs. At East Midlands Airport, Heavyweight Air Express agreed a 20,000 sq ft logistics warehouse letting and West Atlantic relocated their operation from Coventry Airport, leasing 43,151 sq ft of hanger space.

MAG USA

Our USA business continues to expand. We now have four of our popular Escape lounges open in America, at Minneapolis-St Paul, Oakland, Bradley and Reno-Tahoe. Our next Lounge opening will be at Greenville-Spartanburg, South Carolina, in Autumn 2018, with an additional combined lounge and car parking concession due to begin trading during 2018 at Ontario International Airport in Los Angeles.

Outlook

MAG operates the two largest UK airports with significant runway capacity and Manchester and London Stansted, are set to play a key role in meeting continued growth in aviation demand in the UK market.

During the year, MAG has once again delivered solid growth and we are confident that we can sustain this into the future.

MAG is also investing in the digital experience that its passengers encounter when using our airports. A dedicated division, MAG-O, will create new products and new platforms that passengers want to use. This will allow us to increasingly differentiate ourselves from other airports in the UK and abroad and drive increased demand and value.

MAG has continued to work with industry partners to help shape the UK Government’s approach to Brexit. We are confident that the UK Government and the EU recognise the need to provide continuity for aviation and the importance of a transitional period after the UK leaves the EU in March 2019. In particular, we welcome the commitment from both sides to putting in place a framework to enable air services to be maintained post Brexit. Maintaining the current liberal regime in the long term, alongside other agreements with other countries, must be a priority of the Government, to help ensure that the recent successful growth of aviation continues into the future.

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

**Charlie Cornish**  
Chief Executive, MAG

4 July 2018

“During the year, MAG has once again delivered solid growth and we are confident that we can sustain this into the future.”

\*Bournemouth Airport passenger figures excluded for the entire year.

Business model

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

WHAT WE DO ►

**Aviation 40.7% of sales**  
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.

**Retail 22.2% of sales**  
We work with a diverse range of brands, both new and established, to help them operate successfully in an airport environment.

**Car parking 22.9% of sales**  
We use a combination of market-leading analytical, ecommerce, marketing and trading expertise to deliver a tried and tested formula for our highly successful airport car parking businesses.

**Property 5.4% of sales**  
We do much more than simply let the space on our airport sites: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

HOW WE CREATE VALUE THROUGH OUR COMPETITIVE ADVANTAGES ►

**Broad catchment**  
More than 70% of the UK's population live within two hours of a 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 incentivised 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

# Our strategy to deliver shareholder returns is working

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

## INVESTING

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

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

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

Deliver great service at every touch point

Provide modern and customer focused infrastructure



## CONNECTING

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

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

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

Enhance the reputation and profile of MAG

Achieve profitable growth in all our businesses



## TRANSFORMING

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

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

Focus on operational excellence

Energise and unlock the potential of our people







# INVESTING

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

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

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

In July 2017, we welcomed the Secretary of State for Transport, the Rt Hon Chris Grayling MP, to Manchester Airport to witness the commencement of our Manchester Airport Transformation Programme (MAN-TP). MAN-TP will give the airport the terminal and airfield facilities needed

to make best use of its two full-length runways, the only UK airport apart from Heathrow to have such runway capacity.

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

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

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

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





# CONNECTING

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

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

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

This process of building relationships with an airline can take months, or even years. Only by investing huge quantities of time nurturing such relationships can many of these new route opportunities be fulfilled. The launch of a new service – the only

part of the process that people get to see – is truly the tip of a very large iceberg.

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

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

Manchester continued to attract a rich mix of airlines, with 40 new services introduced in 2018. New services included:

Muscat with Oman Air; San Francisco with both Virgin and Thomas Cook; Boston with Virgin; Agadir with Air Arabia; and Casablanca with Royal Air Maroc.

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

- i) **Westbound:** a new point in North America – Seattle – offered by Thomas Cook.
- ii) **Eastbound:** the first direct service to India – Mumbai – offered by Jet Airways.
- iii) **Southbound:** – Manchester's first route to Sub-Saharan Africa – Addis Ababa, Africa's main hub – offered by Ethiopian Airways, improving connections to dozens of cities in East, West and Southern Africa.





# TRANSFORMING

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

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

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

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

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

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

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

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



## Financial review

# Increased profitability continues to provide a strong platform for investment in growth.

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

**Neil Thompson**

Chief Financial Officer, MAG

Result from operations  
£206.8m  
+5.6%

**Revenue**

£818.1m

+10.2%

2017: £742.7m

2018	£818.1m
2017	£742.7m
2016	£715.0m

**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 property.

**Adjusted EBITDA\***

£358.8m

+5.8%

2017: £339.2m

2018	£358.8m
2017	£339.2m
2016	£317.7m

**Aim:** Generate a level of profit that supports investment in our infrastructure and returns to our shareholders.

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

\* As explained on page 30.

Numbers relate to continuing operations unless stated, and 2017 and 2016 numbers have been restated as explained on pages 78 and 120.



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.

The Group continues to invest in infrastructure to improve the customer journey and enable future growth in line with our continuing long-term growth strategy including, the formal launch of the £1bn Manchester Airport Transformation Programme in July 2017 and commencement of the first phase of the Stansted Transformation Programme.

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

**Results analysis – headline numbers**

	Year ended 31 March 2018	Year ended 31 March 2017	Variance 2017/18	
			million pax / £m	%
Passenger numbers – continuing operations	58.9	55.2	3.7	6.7%
Revenue – continuing operations	818.1	742.7	75.4	10.2%
Adjusted EBITDA <sup>1</sup> – continuing operations	358.8	339.2	19.6	5.8%
Adjusted operating profit <sup>2</sup> – continuing operations	215.4	202.9	12.5	6.2%
Result from operations – continuing operations	206.8	195.8	11.0	5.6%
Result before taxation – continuing operations	157.9	127.2	30.7	24.1%
Adjusted cash generated from operations <sup>3</sup>	337.4	324.4	13.0	4.0%
Cash generated from operations	328.8	317.3	11.5	3.6%
Capital investment	341.7	179.0	162.7	90.9%
Dividends paid in the year	149.2	124.2	25.0	20.1%
Net debt	(1,326.8)	(1,171.9)	(154.9)	13.2%
Equity shareholders' funds	1,520.6	1,542.0	(21.4)	(1.4%)

**Notes**

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 significant items.

2 Adjusted operating profit is operating profit before significant items.

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

\*As explained on page 30.

Numbers relate to continuing operations unless stated.

Financial review continued

“The Group has continued to drive growth in the year, with all airport divisions having delivered increases in both revenue and Adjusted EBITDA\*.”

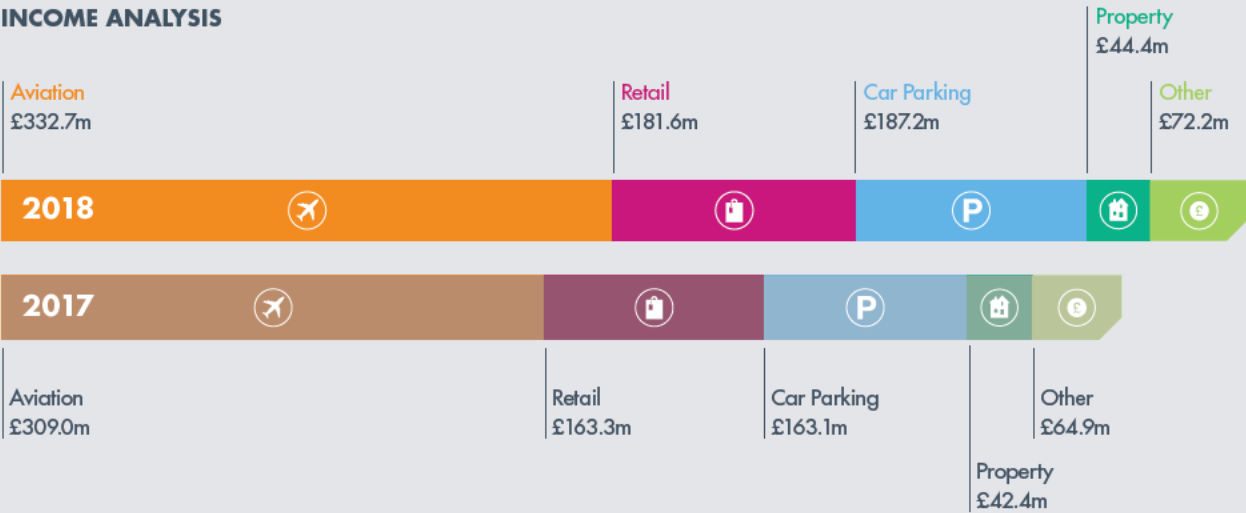


The Group continues to invest in infrastructure with the formal launch of the £1bn Manchester Transformation Programme.

Reconciliation of Adjusted EBITDA to Adjusted operating profit and result from operations (£M)

	2018			2017		
	Before Significant Items	Significant Items	After Significant Items	Before Significant Items	Significant Items	After Significant Items
Adjusted EBITDA	358.8	(8.6)	350.2	339.2	(7.1)	332.1
Depreciation and amortisation	(143.4)	–	(143.4)	(136.3)	–	(136.3)
Adjusted operating profit/result from operations	215.4	(8.6)	206.8	202.9	(7.1)	195.8

INCOME ANALYSIS



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. As such, these measures are important and should be considered alongside the IFRS performance measures. The adjustments from IFRS measures are separately disclosed and are 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 costs associated with significant new systems implementations, and M&A activity, are considered one-off and presented within significant items as adjustments to the IFRS measures of financial performance. Alternative performance measures 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 all airport divisions having delivered results ahead of the prior year performance in both revenue and Adjusted EBITDA\*. This has been driven by a 6.7% increase in passenger numbers, which has translated into revenue growth. The growth in revenue, in addition to targeted and controlled investment in costs to support increased activity, has driven a £19.6m increase in Adjusted EBITDA\* to £358.8m.

The largest increase in passenger numbers has been at our two main airports, Manchester (growth of 6.5% on the prior year) and London Stansted (growth of 7.4% on the prior year), with East Midlands Airports also delivering year-on-year growth. This growth is due to a combination of increased capacity and new destinations, largely driven through low-cost carriers such as Ryanair and easyJet. The introduction of Jet2.com has contributed significantly to growth at London Stansted.

The strong trading result was despite the impact of lost traffic from the collapse of Monarch Airlines, impacting the Group by c£6m in terms of lost profit potential, and unexpected cuts in winter traffic from Ryanair.

New long-haul routes with new and existing carriers have also been added, to increase the breadth of destinations across our airports.

Aviation, retail and car parking revenues have consequently all grown in the year, with the Group’s revenue from continuing operations of £818.1m having increased by 10.2% on the prior year.

Aviation income of £332.7m has grown 7.7% on the prior year, reflecting the mix of traffic and increased low-cost carrier traffic from additional capacity and higher load factors, with the long-term growth strategy also supporting improved commercial performance. Cargo income has seen growth of 5.7% on the prior year to £24.3m, as the Group continues to

grow cargo volumes on both long-haul passenger services and all-cargo services.

Retail income of £181.6m has grown by 11.2% on the prior year, driven by the increase in passenger volumes, and a strong contribution following further investment in the food and beverage offering at London Stansted.

MAG has adopted IFRS 15, the new revenue recognition standard this year, and this report on our performance in 2018 against the comparative period in 2017 is under the new standard. The adoption of the standard has the impact of reducing reported revenue and costs by equal amounts, with nil impact on the result from operations in either year.

Summary of revenue by division (£M)

	Year ended 31 March 2018 (£m)	Year ended 31 March 2017 (£m)	Change (£m)	Change %
Manchester Airport	389.5	361.0	28.5	7.9%
London Stansted Airport	330.4	299.0	31.4	10.5%
East Midlands Airport	66.8	60.4	6.4	10.6%
MAG Property	25.7	21.0	4.7	22.4%
Group, consolidation and other	5.7	1.3	4.4	338.5%
<b>Total revenue – continuing operations</b>	<b>818.1</b>	<b>742.7</b>	<b>75.4</b>	<b>10.2%</b>

Adjusted EBITDA\* by division (£M)

	Year ended 31 March 2018 (£m)	Year ended 31 March 2017 (£m)	Change (£m)	Change %
Manchester Airport	180.9	157.7	23.2	14.7%
London Stansted Airport	151.7	144.3	7.4	5.1%
East Midlands Airport	24.5	22.9	1.6	7.0%
MAG Property	15.9	24.1	(8.2)	(34.0%)
Group, consolidation and other	(14.2)	(9.8)	(4.4)	(44.9%)
<b>Total Adjusted EBITDA – continuing operations</b>	<b>358.8</b>	<b>339.2</b>	<b>19.6</b>	<b>5.8%</b>

\*As explained above.  
All numbers relate to continuing operations unless stated.



# Financial review continued

## Result from operations by division (£m)

	Year ended 31 March 2018 (£m)	Year ended 31 March 2017 (£m)	Change (£m)	Change %
Manchester Airport	106.4	89.9	16.5	18.4%
London Stansted Airport	91.1	85.7	5.4	6.3%
East Midlands Airport	13.1	13.3	(0.2)	(1.5%)
MAG Property	15.9	22.9	(7.0)	(30.6%)
Group, consolidation and other	(19.7)	(16.0)	(3.7)	(23.1%)
<b>Total result from operations - continuing operations</b>	<b>206.8</b>	<b>195.8</b>	<b>11.0</b>	<b>5.6%</b>

### Passenger numbers

58.9m **+6.7%**  
2017: 55.2m

2018	58.9m
2017	55.2m
2016	51.2m

### Adjusted EBITDA\*

£358.8m **+5.8%**  
2017: £339.2m

2018	£358.8m
2017	£339.2m
2016	£317.7m

### Result from operations

£206.8m **+5.6%**  
2017: £195.8m

2018	£206.8m
2017	£195.8m
2016	£175.6m

Car parking continues to grow strongly, with revenues 14.8% higher than the prior year at £187.2m. The increase has been driven by the increased passenger volumes in addition to continued investment in new capacity to support passenger growth and broadening the product mix, with particular focus on Meet & Greet facilities. Continued focus on commercial yield management, and effective management of the customer trend of moving to pre-book channels, have also driven growth.

The result from operations in MAG's Property division has reduced by £7.0m as a consequence of the Group's strategy to realise the value of its residential property portfolio at London Stansted, and the sale of its Bournemouth assets, through managed portfolio disposals. During the year, property development deals producing profit on disposal of £1.3m were completed, in addition to a number of investment property deals, where an additional £4.5m was recorded below Adjusted EBITDA\* within gains and losses on sales and valuation of investment properties.

Other income, which includes utility cost recharges, fees for airline services and aviation fuel sales, grew by £7.3m (11.2%) on the prior year.

Overall costs, excluding significant items, depreciation and profit on disposal of property, plant, equipment and investment properties, have increased by £50.1m (12.2%), largely driven by managed investment in security and customer service to support higher passenger volumes. Cost growth was in line with the business plan and the Group continues to exercise tight underlying cost control, while investing on a targeted basis to support increases in passenger volumes.

Depreciation and amortisation costs relating to continuing operations are £7.1m higher than the prior year at £143.4m, reflecting the continued investment in infrastructure across the Group.

The Group undertook various planned restructuring and organisational development programmes during the year, most notably in relation to the implementation of new back office systems, and the demolition of the West Pier of Terminal 2 of Manchester Airport as part of the Manchester Transformation Programme. These have resulted in a total of £8.6m 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 £206.8m, an increase of £11.0m (5.6%) on the prior year.

## Manchester Airport

Manchester Airport has had another strong year with 27.9m passengers travelling through the airport in the year to 31 March 2018, representing a new record.

This represents an increase in passenger volumes of 6.5% compared to the prior year and is despite the collapse of Monarch Airlines on 2 October 2017, who were the seventh largest carrier at the airport.

This growth has been driven through new long-haul routes such as San Francisco, Muscat and Riyadh as well as increases in capacity, with short-haul carriers expanding the frequency of services and introducing larger aircraft. New short-haul routes include Seville and Granada.

The growth in passenger numbers has translated strongly into growth across the key categories of aviation, retail, and car parking revenues, with total revenue of £389.5m representing an improvement of 7.9% on the prior year. Investment in customer service has been maintained throughout the year and has supported improvements in commercial yield performance.

## Results summary

Manchester Airport	2018	2017	Variance (£m)	Variance %
Passengers (million)	27.9	26.2	1.7	6.5%
Revenue (£m)	389.5	361.0	28.5	7.9%
Adjusted EBITDA (£m)*	180.9	157.7	23.2	14.7%

Passenger income and operating costs (£ per Passenger)	2018	2017	2016
Aviation	6.1	6.1	6.2
Commercial	7.7	7.7	7.7
Operating costs	10.0	10.2	10.3

Adjusted EBITDA\* has increased by £23.2m (14.7%) to £180.9m, which has been driven by strong revenue growth and focused cost management. The result from operations has followed the same trend, increasing by £16.5m (18.4%) compared to the prior year.

The year ended 31 March 2018 was a significant year for the airport's future growth plans, with the formal launch of the Manchester Airport Transformation Programme in July 2017. The Transformation Programme represents a £1bn investment in airport facilities over the next five years. Works will see the significant extension of Terminal two including two new security halls, a new

international departure lounge with around 50 food, beverage and retail outlets, new business lounges with airfield views, new airside piers to provide direct linkage to the terminal, increased car parking capacity and the re-design of the road infrastructure network around the airport. The investment will see benefits to all airport users including passengers and airline partners.

The improvements will be delivered inside the existing footprint of the airport and are consistent with the established Manchester Airport Master Plan. Growth will be phased, incremental and make best use of the existing terminal campus area.

\*As explained on page 30.



# Financial review continued

## London Stansted Airport

London Stansted Airport has experienced continued growth in passenger numbers, with an increase of 7.4% on the prior year to 26.1m passengers.

This growth is due to a combination of growth within the existing low-cost market, primarily through Ryanair, along with the addition of several new carriers such as Atlas Global, Cobalt and British Airways. Jet2.com completed its first full year of operations with over 30 destinations served, contributing 1.1m passengers to the year-on-year growth. Destinations served by the airport continue to increase, with a significant number of new routes launched including Frankfurt, Montego Bay, Copenhagen, Salzburg, Milan and Florence. Following the success in short-haul network growth, Primera Air, Wow and Emirates have announced long-haul programmes commencing in 2018, which will connect passengers to currently unserved North America and Middle East destinations.

The preparation for future growth in capacity to meet passenger demand and improve customer experience is to be

### Results summary

London Stansted Airport	2018	2017	Variance (£m)	Variance %
Passengers (million)	26.1	24.3	1.8	7.4%
Revenue (£m)	330.4	299.0	31.4	10.5%
Adjusted EBITDA (£m)*	151.7	144.3	7.4	5.1%

Passenger income and operating costs (£ per Passenger)	2018	2017	2016
Aviation	5.6	5.4	6.1
Commercial	6.9	6.4	5.9
Operating costs	9.2	8.3	8.6

delivered through the Stansted Transformation Programme. The first investment in a programme across the next five years has commenced with the creation of new seated food and beverage restaurants and convenience stores within the departure lounge as well as new check-in desk and aircraft stands expected to open later in 2018.

In addition, to help meet the growth programme, a planning permission application has been submitted to increase the passenger cap from 35m passengers per year to 43m passengers per year, which leverages capacity from the existing runway infrastructure without incremental aircraft movements over the currently permitted limits.

The growth in passengers, as part of long-term airline agreements, has supported increases in total revenue to £330.4m, up by 10.5% on the prior year, accompanied by strong growth in commercial yields following the expansion of Short-Stay and Meet & Greet car park capacity and improvements across the retail offering. The result of performance in the financial year has led to an Adjusted EBITDA\* position which has increased by £7.4m (5.1%) to £151.7m, with the income growth and operational efficiencies mitigating the investment in costs to support the additional passenger volumes. The result from operations has shown similar growth (6.3%), from £85.7m to £91.1m: an increase of £5.4m.

## 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.

Passenger numbers have increased by 4.3% to 4.9m during the year, reflecting continued growth in the low-cost sector during the summer season, and the non-repeat of the runway closures over seven weekends in 2016. Revenue has increased by 10.6% to £66.8m, with growth in yields across all major revenue streams. Cargo performance in particular remains strong, with a 13% increase in activity from the prior year, reflecting the airport's high-quality freight facilities and central location.

### Results summary

East Midlands Airport	2018	2017	Variance (£m)	Variance %
Passengers (million)	4.9	4.7	0.2	4.3%
Revenue (£m)	66.8	60.4	6.4	10.6%
Adjusted EBITDA (£m)*	24.5	22.9	1.6	7.0%

Passenger income and operating costs (£ per Passenger)	2018	2017	2016
Aviation	4.7	4.3	4.5
Commercial	8.9	8.5	8.3
Operating costs	11.0	9.1	9.1

Car parking yield growth has been achieved through the creation of greater differentiation across the on-site product offering as well as strong customer demand for the hassle-free Meet & Greet service.

Adjusted EBITDA\* has increased by £1.6m (7.0%) to £24.5m, with the income growth being supported by tight cost control to mitigate headwinds created by growth in a number of fixed costs of operation.

## Bournemouth Airport

On 4 December 2017 the Group disposed of its entire shareholding in Bournemouth Airport and its subsidiaries. The funds generated from their sale will be used to fund the Group's investment in its other UK airports. The financial results have been classified as a discontinued operation in the current and prior year results. A loss on disposal of £14.1m has been recognised as a significant item in the consolidated income statement.

### Results summary (discontinued operation)

Bournemouth Airport	2018	2017	Variance (£m)	Variance %
Passengers (million)	0.6	0.7	(0.1)	(3.3%)
Revenue (£m)	10.3	15.8	(5.5)	(34.8%)
Adjusted EBITDA (£m)*	2.9	4.0	(1.1)	(27.5%)

Passenger income and operating costs (£ per Passenger)	2018	2017	2016
Aviation	3.8	4.9	6.4
Commercial	6.0	8.1	8.2
Operating costs	—	14.1	13.8

\* As explained on page 30.

Financial review continued

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 reduced by £7.0m, reflecting the strategy to realise the value of its London Stansted residential portfolio, the sale of Bournemouth Airport property assets, and a lower level of property deals completed compared to the prior year. MAG Property has a solid portfolio of tenants on an investment property portfolio worth £526.1m as at 31 March 2018.

The investment properties are revalued to fair value at each reporting date by independent property valuers. Normalising for the effect of in-year disposals, the £10.0m upward revaluation recognised in the current year represents a 1.9% underlying increase in the value of the portfolio. The programme to dispose of residential properties at London Stansted, which are no longer required to support the airport’s expansion plans, has continued during 2018, generating net proceeds of £37.6m and a gain on disposal of £2.0m.

MAG holds a 50% share in the Airport City development at Manchester Airport, reflected as a balance of £15.7m held as an investment in associate as at 31 March 2018. The increase in the carrying value in the year of £0.7m was driven by the investment in infrastructure on the North site, partially offset by the impact of the sale of land and associated infrastructure on the South site, in excess of book value. The development is expected to deliver returns in the next few years as part of the overall business plan, with a strong pipeline and a number of deals well progressed as at the year end.

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’s initial entry into the market has been deliberately small scale, through winning and developing lounge concessions, with four lounges currently operational and a further two lounges at Ontario International Airport in Los Angeles due to open in 2018, together with a lounge at Greenville Spartanburg Airport. The contract at Ontario

International Airport also offers MAG its first car park concession, which will also open during 2018. During 2018, MAG’s Escape Lounge at Minneapolis-Saint Paul International Airport was nominated for the Best Airport Service/Amenity by USA Today.

Cash flow

Adjusted cash generated from operations\* has increased by £13.0m to £337.4m (4.0%), supporting the Group’s continuing investment in infrastructure and development opportunities. The growth in cash generation of 4.0% is slightly lower than Adjusted EBITDA\* growth of 5.8% due to cash timing, which is expected to unwind positively over the next 12 months, as we bed in the new SAP system.

The Group has also completed a number of property disposals in the year, generating cash proceeds net of selling costs of £48.3m. and an overall profit on disposal of £4.5m. In addition, the disposal of Bournemouth Airport during the year generated cash proceeds net of selling costs of £44.9m.

Financing and 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.

Group cash flow (£m)	2018	2017	Change %
Adjusted cash generated from operations*	337.4	324.4	4.0%
Significant items	(8.6)	(7.1)	21.1%
Cash generated from operations	328.8	317.3	3.6%
Net operating cash from discontinued operation	2.7	3.3	(18.2%)
Interest and tax	(114.7)	(107.8)	6.4%
Net cash used in investing activities	(222.5)	(116.3)	91.3%
Dividends paid	(149.2)	(124.2)	20.1%
Net cash from financing activities	158.2	44.1	258.7%
Net increase in cash and cash equivalents	3.3	16.4	(79.9%)
Net debt	(1,326.8)	(1,171.9)	13.2%

Group net debt has increased by 13.2% as we began the implementation of our key infrastructure investment projects, to £1,326.8m. The Group has significant headroom to support future investment in capital infrastructure and property developments.

Group net interest payable was lower than the prior year at £67.6m due to the capitalisation of £8.9m of borrowing costs relating to capital investment programmes, in line with the Group’s accounting policies.

Underlying net interest payable, at £76.5m, is slightly higher than the prior year, reflecting an increase in total borrowings in order to help fund the transformation programmes. The Group

debt profile is predominantly made up of long-term fixed rate bonds and shareholder loans.

During the year, the Group extended the maturity of its £500m revolving credit and liquidity facilities by a year to June 2022 and subsequently in May 2018 extended the maturity a further year to June 2023. In November the Group successfully issued a third bond of £300m as part of the financing strategy to fund transformation programmes currently underway at both Manchester and London Stansted Airports.

Capital expenditure

The Group has continued to invest in infrastructure, with focused investment across all its airports totalling £341.7m during the year. The Manchester Transformation Programme represented the largest individual project, with construction work commencing during the summer 2017. It has been designed to be both phased and modular to optimise cash requirements and manage financial risk, whilst also ensuring minimal disruption to airport operations, passengers and airlines.

The other major programmes in the year included the initiative to transform the existing terminal building at London Stansted. The investment in both airports will improve the experience for passengers and airlines using the airport, and provide the foundations to unlock significant growth potential.

\* As explained on page 29.



# Financial review continued

## Pensions

The accounting deficit for all Group schemes is calculated by independent scheme actuaries, PwC, 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 53% (2017: 52%) of the net aggregate Group pension scheme deficit.

Summary of changes in aggregate pension scheme deficit	TOTAL (£m)
Deficit as at 31 March 2017	(104.6)
Current and past service cost	(12.4)
Other finance expenses	(2.8)
Contributions	10.7
Actuarial gain	21.8
Deficit as at 31 March 2018	(87.3)

During the year the aggregate of the Group's defined benefit schemes moved from an IAS 19 accounting deficit of £104.6m to £87.3m. The reduction in the deficit reflects positive asset returns over the year, while discount rates on corporate bond yields decreased marginally by 0.05%. Contributions of £10.7m in the year broadly offset the current service cost and administrative expenses of £12.4m. 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 20.5% (2017: 23.7%) 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 £35.4m in the consolidated income statement is higher than the £9.9m charge in the prior year. The prior year's tax charge was significantly impacted by the remeasurement of the deferred tax balances as a result of the enacted change in the future rate of corporation tax to 17%, which resulted in a one-off deferred tax credit of £14.2m.

## Equity shareholders' funds and dividends

Equity shareholders' funds are £1,520.6m as at 31 March 2018 (2017: £1,542.0m). The movement comprises £109.7m profit after tax and significant items, gains on remeasurement of pension liabilities (net of tax) of £18.1m, recorded in equity, and the payment of dividends of £149.2m comprising a £93.9m dividend paid for the year ended 31 March 2017, and an interim dividend for the year ended 31 March 2018 of £55.3m.

The Group has a long-term objective of providing sustainable and growing dividends to shareholders and, in light of the growth achieved, the robust financial position of the Group, and consistent with the Group's strong long-term growth prospects, the directors have proposed a final dividend for the year ended 31 March 2018 of £110.7m, which will be paid to the shareholders shortly after the signing of these financial statements.

This final dividend, together with the £55.3m interim dividend paid in the year, represents a total dividend of £166.0m in relation to 2018 (£140.9m in relation to 2017), representing dividend growth of 17.8%.





## 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.



Brilliant  
at what  
matters

Focusing on everything that  
really matters to  
our customers.

MAG’s Enterprise Risk Management Framework covers the full spectrum of our business 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 ‘2nd Line’ Risk Management function and independently assured by a ‘3rd Line’ Internal Audit function.

MAG’s Enterprise 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. 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 prompt escalation of material risks as they arise. This is achieved through the delivery of an extensive programme of risk review workshops facilitated by our team of risk specialists who support management in identifying and evaluating key risks 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 necessary, the Audit Committee.

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.

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 management teams receive monthly 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 actions.

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.

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 and providing briefings and support to new members of staff, 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.

“MAG’s Enterprise Risk Management Framework covers the full spectrum of our business and operational activities – the framework is embedded in day-to-day operations and is characterised by strong management ownership and engagement.”

Risk management continued

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

Risk	Mitigation strategy	Opportunities
<div>Security breach</div>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Whilst security is paramount, we also want our customers to continue to enjoy a positive experience at our airports.</p> <p>We look for opportunities to enhance the customer experience whilst maintaining the high standards of security our stakeholders expect, in particular working to minimise security queuing times through continuous improvement and innovative approaches to our security processes and facilities.</p>
<div>Material sustained disruption to operations</div>	<p>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.</p> <p>Our insurance programme provides financial protection for a wide range of events and incidents causing operational disruption.</p>	<p>Regular review and testing of our plans enables opportunities for improvements to be identified and implemented on an ongoing basis.</p> <p>Our insurance programme is reviewed annually to ensure it continues to provide the financial protection the Group needs.</p>
<div>Major Health &amp; Safety incident affecting our customers or colleagues</div>	<p>The Health &amp; Safety of our customers, employees and stakeholders is a fundamental priority for us. Robust Health &amp; Safety policies, procedures and processes are in place, and compliance is monitored by our experienced team of Health &amp; Safety specialists who undertake a programme of inspections and audits throughout the year.</p> <p>Health &amp; Safety training is provided to all employees and briefings are provided to contractors and other visitors to our sites to ensure that key Health &amp; Safety risks are understood and effectively managed.</p> <p>Our Health &amp; Safety governance structure is designed to ensure that there is appropriate oversight of our management of Health &amp; Safety risk, and enables material risks to be quickly escalated and addressed.</p>	<p>Continuous improvement of our Health &amp; Safety arrangements is a key focus for each of our operations. This is facilitated by our specialist Health &amp; Safety Teams and underpinned by strong ownership and accountability by our management teams.</p>
<div>Regulatory risk</div>	<p>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.</p>	<p>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 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.</p>

Risk	Mitigation strategy	Opportunities
<div>Brexit</div>	<p>The UK's decision to leave the EU 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 EU.</p> <p>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.</p> <p>MAG will work closely with the aviation industry to ensure that the UK continues to enjoy liberal access to the EU aviation market.</p>	<p>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.</p> <p>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 in the medium and longer term.</p>
<div>Delivering major programmes</div>	<p>MAG has a successful track record of delivering major programmes.</p> <p>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.</p> <p>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.</p>	<p>The design phases of the Stansted Transformation Programme and the transition towards construction of the Manchester Transformation Programme have given us the opportunity to raise the bar even higher for programme management and governance.</p> <p>Opportunities to improve our existing capital delivery processes are being identified and implemented as the programme progresses.</p>
<div>Recruitment, development and retention of talented people</div>	<p>Recruiting and retaining talent is critical to the success of our business, and this has been an area of significant focus in recent years. Our Talent Strategy aims to attract the best available talent in the market and retain our best people through a variety of initiatives including incentive schemes, career development programmes and mentoring to help our employees get the very best out of their career at MAG.</p> <p>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.</p>	<p>Regular employee engagement surveys enable colleagues to identify opportunities to improve the employee experience. MAG is transparent in communicating survey results and proactive in developing initiatives to deliver identified improvements.</p>
<div>Cyber security</div>	<p>The security of our IT systems, and in particular our customer and stakeholder data, is critically important to us. We have a wide range of multi-layered defences within our IT and network 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 network over the past year.</p> <p>We are currently working to ensure that we have appropriate systems and processes in place to ensure our compliance with EU General Data Protection Regulation (GDPR). This represents the biggest change to rules governing data protection for more than 20 years. Our focus has included establishing appropriate governance, awareness and data storage mechanisms to prepare for GDPR which came into effect in May 2018.</p> <p>We also run an education programme for our colleagues to ensure they are aware of cyber risks and how to take action at an individual level.</p> <p>Cyber insurance is in place to provide rapid expert response to IT security breaches and data loss, minimising the impact on our customers, stakeholders and the business.</p>	<p>MAG's Cyber Security Strategy sets out a programme of improvements to our IT systems and infrastructure designed to ensure that the growth of our business is supported and underpinned by a secure and effective IT environment.</p>



Corporate social responsibility

The last year has seen MAG embark on one of the most ambitious periods in its history, beginning more than £1.5bn worth of investments to transform the capacity, capability and customer experience of our business. This growth depends not simply on the scale of our ambition or investment, but also on the ongoing support of our employees and local communities as well.

That's why MAG's CSR strategy focuses on supporting our communities and protecting their environment, providing a wider economic benefit to the areas we serve and working across the business to provide a safe, supportive and fair workplace for all the people and businesses that work with us.

**Our approach to CSR**  
Our airports support a huge variety of jobs and play an important role in both the national and regional economies they serve. MAG's CSR strategy recognises that the nature of our business comes with a duty to act responsibly, work closely with our colleagues and local communities in a way that is fair, safe and sustainable.

To make sure we are able to take into account the views and expectations of people right across both our business and our local communities, each year we commission an independent review of our material issues so we can reflect those that matter most to our communities, colleagues, investors and customers in our plans. You can read more about our materiality process here: [www.magairports.com/responsible-business/csr-reports/](http://www.magairports.com/responsible-business/csr-reports/)

In line with best practice, we publish a full CSR report, modern slavery statement and gender pay gap report, all can be located on our Corporate website [www.magairports.com](http://www.magairports.com)



CSR strategy focuses on supporting our communities and protecting their environment, providing a wider economic benefit to the areas we serve and working across the business to provide a safe, supportive and fair workplace.

### Our CSR objectives

#### Our Business

Working in the spirit of partnership, we will maximise our social and economic contributions in the regions we serve.

#### Our Environment

We will make the best use of natural resources and minimise the environmental impact of our operations.

#### Our Colleagues

Keeping them safe at all times, we will support and develop our people so they consistently deliver high performance.

#### Our Community

By building enduring relationships with our local communities, we will seek to understand the issues that are important to them, and use our combined skills and resources to work together for our mutual benefit.

### Our business impact

The last year has seen MAG experience another year of impressive growth, increasing the number of passengers travelling through our airports by 6.7% from 55.2m to 58.9m, and the tonnage of cargo carried from 697,635 to 745,214, an increase of 7%. This growth underlined the need for us to invest in our business and develop it for the future. As a result, this year our airports have contributed £7.75bn to the UK economy, an increase of 8% on last year.

But as these important changes at MAG come to fruition, we know that the value to the UK will grow alongside them. The Government's aviation strategy notes that "the Secretary of State underlined the importance of aviation to delivering a truly global Britain", and we agree. As we leave the EU, the importance of MAG's role in the economy will increase too.

Manchester Airport is the largest UK airport outside London, the third largest in the UK and vital to the future of the Northern economy. We have recently

surpassed the 28m passenger mark on a rolling 12 month basis, the first time in the airport's history. Ryanair has also committed to a significant investment at Manchester Airport by basing an additional three aircraft at the UK's global gateway in the North, which will also see the airline deliver ten additional destinations. At £1bn, the Manchester Transformation Project is one of the largest private investments in the North. It will revolutionise the way the airport functions and support the region's economic growth for decades to come.



## Corporate social responsibility continued

This year we completed the first major phase of the Manchester Airport transformation project, marking six months of successful development. To mark the occasion, two apprentices who had earlier been recruited to the scheme tightened the final bolt on the steel framework connecting one of the new airport piers to the Terminal two extension for the first time. Manchester's direct economic contribution to the region was £1.6bn, an increase of 29% on last year. This is thanks to our investment projects, as well as new flights to San Francisco, Houston and Boston. The airport now supports 25,000 jobs, an increase of 1,600.

London Stansted is the fastest growing airport serving the capital, with over 10.8m airline seats available across the most extensive summer schedule ever offered at the airport.

**4.9**  
tonnes of confiscated  
items donated to  
Harlow food  
bank



Already, London Stansted is the fourth largest airport in the UK and the key express freight hub for London and the South East. The airport is the largest single site employer in the East of England and contributed £850m to the regional economy last year. Recently, work begun on the second phase of London Stansted's transformation - a five-year construction programme that will see a new dedicated arrivals terminal built to handle increased demand, and allow the airport to make the best use of its existing runway. To support this, London Stansted has applied to increase its passenger cap from

35m to 43m. As the airport's role expands, so too will our commitment to supporting our local area and the contribution we make to the economy.

East Midlands Airport sits at the boundary between Nottingham, Derbyshire and Leicestershire. Whilst its role as an important regional airport is well understood, its role as the UK's largest pure freight hub is less well known. As the economy continues to grow, so does the need for global logistics to satisfy the huge role it plays in its success. Key to this is East Midlands Airport. Logistics giants such as TNT, DHL, FedEx, Amazon and Royal Mail have chosen to locate globally important hubs at this prime location, with UPS also securing planning consent for a substantial new investment.

This year EMA handled 358,477 tons of cargo and 4.9m passengers, an increase of 10% and 3% respectively. This work allowed the airport to support 6,200 jobs and contribute £300m to the economy, an increase of 15%.

### Local employment and education

To grow a business of our size sustainably, we need to ensure we employ and retain talented people who want to develop and grow as the company does. To support this objective, we have programmes aimed at every level and at all ages, designed to help us bring local people into the business, and help them flourish over the long term.

**Airport Academies:** Airport Academies have been developed at Manchester, London Stansted and East Midlands Airports to act as an employment hub between the airports and our business partners. Our academies are open to all, whether they are currently working for us, looking for a new career, or need support to find a job. The Academies provide work experience and CV advice to those who need it, and offer short courses on employment skills to help people into work at our airports who may not have



significant work experience. Last year our Academies helped to support a record 903 local people into jobs at our airports.

**Aerozones:** Our Aerozones provide tailored programmes aimed at a variety of age groups, from primary school through to 18. They are designed to showcase the career opportunities available at our airports and to help prepare young people for the world of work. They are a free resource for schools and colleges and 6,588 young people attended a day at our Aerozones this year. With Manchester's facility planned for later in 2018, we hope to inspire many more young people to consider a career in aviation and STEM (Science, Technology, Engineering and Maths) related subjects next year.

**Educational Partnerships:** Alongside our own on-site facilities, MAG works in partnership with local schools and colleges to provide funding, training and insight into our business, and to support the development of young people's careers. Highlights this year include:

- Pure Innovation: Last year was the third year of our partnership with Pure Innovation, a charity that helps to provide incredible support for people whose disability might otherwise prevent them from gaining the independence and employment they deserve. This is a supported internship programme, where

an employment-based course gives students with additional needs the opportunity to develop employability skills. These skills are matched to job roles within the airport where our interns undertake a rotation of three ten-week work placements, giving them experience in a variety of jobs. MAG and its partners have already seen seven such people gain employment at our airports this year, and we will continue to support Pure Innovation's fantastic work into the future.

- London Stansted Airport College: Our newly developed airport skills college will be opening its doors for the first time in September 2018. The college is a joint partnership with London Stansted and Harlow College, designed to develop a Technical and Professional Skills Centre at the airport for the skills the aviation sector needs. The centre will provide places for up to 550 young people with the skills that employers across all airports need, ensuring that young people in our local communities have the opportunity of the right training and education to begin a career with us.
- Manchester Enterprise Academy: MEA is Manchester Airport's local secondary school, and the airport acts as lead sponsor to support pupils and enrich their learning. Manchester Airport staff act as mentors to students, support interview and work preparedness training, and offer opportunities to shadow MAG employees to support pupils' career development.

Across the Group, MAG has directly supported the education of 30,654 young people this year.

### Responsible supply chain

Small and Medium Sized Enterprises (SMEs) are important to the long-term sustainability of our business and supporting the growth of local SMEs matters to MAG. Last year we were supported by numerous local businesses, and to encourage SME growth and support our supply chain, we also ran

three 'Meet the Buyer' events alongside our business partners at both Manchester and London Stansted Airports. Our event at London Stansted welcomed nearly 300 businesses from across the East of England and London, attracting a record-breaking 46 private and public-sector buyers with a potential to bid for £200m in new sales and contracts. These events act as an exchange for local SMEs and businesses across our airports, and are a valuable event in supporting the local economy. This year these events generated £2.25m for our local supply chains.

### Customer service

The aviation sector is a competitive, customer-focused environment, and at MAG we know that it is important for us to ensure high standards of service for all passengers, regardless of their needs or requirements. We know how important it is to work hard in this area and ensure the experience for all of our passengers is the best it can be, so we're always looking at new ways to make the journey for our passengers smoother, and more comfortable, implementing important improvements through both large and small scale investments.

This year we have launched MAG-O, a dedicated digital business tasked with building stress-free customer-centric, experiences for our customers. The teams, working in collaboration with our airports, are responsible for product management, development and innovation, digital marketing, revenue management and customer insights. The teams have seen some great successes over the past 12 months including the redesign of MAG's airport websites in an effort to improve customer experience further.

By working with partners and stakeholders to devise solutions, and by investing in and implementing breakthrough technology, we are aiming to create a future where our passengers experience the very best in personalised travel when they pass through our airports.

### Our airports and the environment

Managing our impact on the environment is a key focus for our CSR Strategy. MAG has already led UK airports in the drive for carbon neutrality; operating the first airports in the UK to achieve carbon neutrality. This followed over a decade's worth of research, investment and innovation and we are proud to say that all of our airports continue to remain carbon neutral.

All of our airports are accredited to the international environmental management standard ISO 14001, helping us to manage, understand and improve our performance in this area. In addition, London Stansted Airport has become the first UK airport to be accredited to the energy management standard ISO 50001.

### Protecting the environment

Climate change continues to be one of the most pressing issues facing the global community, and it is important that as a sector and as a company that we play our part in mitigating its impacts.

To achieve carbon neutrality, each MAG airport has focussed on reviewing the energy and fuel it uses, cutting waste, retrofitting efficient technologies and becoming smarter about how they operate. At a Group level, MAG purchases all of its electricity from renewable sources through a supply agreement with an independent supplier.

We know too that protecting the environment means more than simply reducing the levels of CO<sub>2</sub> in the atmosphere. The impacts of waste, in particular plastics, are an important challenge for our business.

This year Manchester and London Stansted airports ran a number of environmental events, designed to raise awareness of the impact of plastics and show our staff and customers how they



## Corporate social responsibility continued

could reduce their impacts, from giving away 2,000 reusable cups to reduce the use of single use coffee cups, to recycling old uniforms.

Through our 2016 Sustainable Development Plans, we highlighted our observation that "our supply chain offers further emission reduction opportunities, and that as a significant buyer we can influence our suppliers to reduce their emissions or identify more sustainable options". We committed to undertake an analysis of our supply chain to quantify areas of our indirect emissions and identify suppliers who we can work with. MAG's top 192 suppliers (by value) were asked to provide information about their energy and fuel use, carbon emissions and revenue during the previous reporting year. Overall, information from 132 suppliers representing a spend of £172m was analysed. 14 suppliers account for 75% of our measured Scope 1 and Scope 2 supply chain emissions. Supply chain emissions, measured through the supply chain project, were 6,305 tonnes. Estimated total supply chain emissions are therefore around 75% of MAG's own emissions. The exercise will be repeated again this year and calibrated data will help to create a set of recommendations to help reduce emissions in our supply chain.



### Low carbon technology

We pioneer new, low carbon technologies wherever feasible and, on the journey to achieving carbon neutral status, we have shown that wind turbines can be used safely at an airfield. We have created bespoke lighting systems to reduce our energy consumption, and even helped develop the international methodology now used at all airports to reduce carbon emissions. Despite already achieving carbon neutral status, we are consistently looking for new ways to reduce our emissions.

At Manchester we continued to trial a full 'electric turn-around', which used electric-only equipment to demonstrate that it was possible to fully 'turn around' an aircraft – the procedure which readies an aircraft for its next flight – with significantly reduced emissions. It is innovations like these that will help ensure the industry as a whole can continue to grow and has helped to establish MAG as an industry leader in improving aviation sustainability.

Alongside our own work, we recognise that tackling climate change effectively means that we must work in close partnership with the rest of the aviation industry, from other airports, to airlines and air traffic controllers. To support this, MAG currently chairs Sustainable Aviation, which brings together companies from across the UK's aviation industry to improve the sustainability of the sector.

### Reducing the impact of noise

We recognise that aircraft noise can be intrusive and disruptive for those who live closest to an airport and ensuring its impacts are mitigated is an important part of our business strategy. We work 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 are in the process of consulting on our statutory noise action plans. Work like this means we can continue to build programmes of work which seek to keep noise to an acceptable minimum.

This year, London Stansted Airport has continued to use advanced satellite technology – known as PBN – to reduce the number of people overflown by aircraft around the airport and it has invested in new technology to help us more accurately measure where our noise footprint falls. Where our airline partners have used the PBN mechanism, we have been able to reduce the number of people overflown by aircraft by up to 85% compared to conventional, but less precise methods. Combined with Noise Preferential Routes (NPR), which help move aircraft away from built up areas, and the continued investment of our airline partners in more modern and quieter aircraft, we will continue to seek to minimise the number of people affected by aircraft noise. London Stansted's use of PBN is the first step towards modernising airspace arrangements, as part of a broader programme of work across the UK. As we develop airspace the modern technologies and techniques at our disposal will offer exciting benefits and a wide range of choices about where and how aircraft fly. It will be important that we continue to make these choices in a balanced way with local communities at the heart of our decision making.

Throughout the process of airspace change we are committed to having frequent opportunities to meet directly with our local communities; hosting meetings, discussions and answering questions. We aim to make local stakeholder's views central to any changes that are made. In addition, we have worked collaboratively with NATs and our helicopter operators to find the best possible option for departing and arriving helicopters to/from the west to help reduce noise further.

### Air quality

Our plans for controlling air quality levels are robust and we are pleased that we saw no breaches of air quality limits across all of our airports this year. However, we know that as our airports continue to grow it is important for us to build on our experience and successes to ensure the air quality levels around our airports remain safe.

### Supporting our communities

We want the communities that live close to us to be familiar with what we do, have a voice to help shape our activity and feel comfortable raising any concerns with us. Being part of a community means engaging and listening to our local stakeholders. For us, this includes a programme of regular community outreach meetings where we can talk face-to-face with local people. Feedback tells us local people value these opportunities too. We also offer support to the local causes that matter most to our colleagues and local residents, and we work to develop local arts and culture through our substantial sponsorship programme, ensuring we are an active member of our wider community.

### Investing in our communities

**Arts and culture:** This year MAG contributed £335,000 to supporting the vibrancy and culture of the cities we serve. Alongside numerous theatres, exhibitions and festivals, we continued to support the Hallé Orchestra, which runs workshops with local schools as part of sponsorship.

**Community projects:** Supporting the local communities around our offices has been central to our culture for many years. Our independently administered community funds provide direct financial support to projects throughout our communities, and this year we were able to invest £254,105 in 223 local community projects around our airports.

**Our corporate charity:** We are proud to support CLIC Sargent, a charity which works tirelessly to help families deal with childhood cancer, as our corporate charity partner. Employees voted in 2015 to support the charity and we have set ourselves a stretching target to raise at least £1m for them. This year we have raised £120,000 as part of our fundraising efforts.

### Colleagues

At MAG we want to ensure that all of our colleagues are treated fairly and equally and that ultimately, talent is the only criteria for success. For many years, we have had firm commitments to diversity



and inclusion and we will continue to embed these across our business to build an inclusive culture where everyone can do their best work.

### Gender pay gap

We are committed to making MAG a great place to work, where every employee is rewarded for the individual effort they contribute to the success of our company, irrespective of gender or ethnicity. Gender is not a factor in determining pay rates. Base salaries for all non-management roles are annually reviewed with Trade Unions at an airport level and awarded uniformly. For management-level roles, pay rates are set within the agreed pay range guidance. Qualifications, experience, performance and market forces are taken into consideration when reviewing salary. We conduct regular internal checks on salary levels and salary progression. MAG believes the offering of flexible and part-time working is important for attraction and retention of both men and women, and extended maternity leave is offered and supported should colleagues wish to take it. MAG's median hourly pay gap this year was 2.6%, this was largely due to men doing a larger number of unsociable hours which attract a higher payment. This can shift the average rate of pay between genders.

The benefits of a diverse and skilled workforce are integral to our longevity and success, and that is why we set ourselves the objective of working towards an equal

gender split, with a commitment that by 2020 we would increase the proportion of women at a leadership level by 10%. This year we exceeded this target with 28% of women in leadership positions, and we will soon set a new target for continued improvement with a more challenging set of commitments.

### Early talent strategy

Recruiting and retaining talented people is crucial for the sustainability of our business. We realise it is important that we invest in our people and help them to reach their full potential. Our Early Talent Strategy focuses on supporting our internship, apprenticeship and graduate programmes, so that we have a pool of talent coming into the business at all levels. This year we have recruited an Apprenticeship Manager to focus on utilising the levy by aligning the new apprenticeship standards to both new and existing roles across the organisation.

Over the last three years we have taken on 43 graduates. Last year we recruited 73 apprentices, and as part of our strategy we hope to see this figure increase substantially over the coming years. As a responsible employer we seek to reward the dedication of our colleagues, whatever their background or circumstances, by providing engaging careers and supporting them with development opportunities.



# Corporate social responsibility continued

## Access to our airports

It is important for all our employees and customers that our airports are well connected. It is also important for our staff to be able to get to work 24 hours a day – according to their shift pattern. MAG colleagues are able to claim reduced-cost travel to our airports, helping everyone to gain the means to travel to work. At London Stansted, for example, with the support of our business partners, we provide employees with an 80% subsidised travel card.

## Health and safety

We are committed to ensuring that all of our employees work within the safest possible environment. We are accredited with the international standard for Health

and Safety, ISO 18001 giving us and our staff an assurance of the quality of our safety management system and its relevance to the organisation.

We also operate our Vision Zero initiative, which sets us an ambitious target of having no injuries to anyone across our airports throughout the year.

This year, we reported ten incidents to RIDDOR. Since the implementation of Vision Zero we have significantly improved our approach to health and safety and we will continue to seek to understand, minimise and eliminate the causes of accidents.

## Key performance indicators

Issue	Objective	Indicator	On Track	2017/18	2016/17	Change %
Carbon Reduction CO <sub>2</sub> <sup>1</sup>	Reduce climate change emissions by increasing efficiency and obtaining energy from renewable sources	Carbon intensity measurement emissions per traffic unit	🟢	0.870	1.022	(14.9%)
Noise <sup>2</sup>	Limit and where possible reduce the number of people significantly affected by aircraft noise	Number of people within noise footprint (57dBLAEQ,8h) – ('000s)	🔴	40.4	37.3	8.3%
Promoting employment <sup>3</sup>	Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies	Number of training placements provided	🔴	634	948	(33.1%)

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 an intensity measurement 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 17/18 is the final year of our existing airport noise action plans. In 18/19 we will be bringing forward new noise action plans to ensure noise is minimised, including new operating techniques and the progressive introduction of next generation quieter aircraft.

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.







# Governance

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# Chairman’s introduction to corporate governance



**Sir Adrian Montague CBE**  
Chairman

“I am pleased to introduce the 2018 corporate governance report, which outlines MAG’s approach to this key area.”

MAG is committed to maintaining the highest standards of corporate governance. Strong corporate governance is underpinned by the involvement of MAG’s voting shareholders at Board level and the visibility this gives them of executive and non-executive activity. MAG uses the UK Corporate Governance Code (the ‘Code’) as a guide to best practice. However, we recognise that the Code was designed to apply primarily to companies with a premium listing on the London Stock Exchange and that particularly as its shareholders are represented on the Board, the Board considers that some of its provisions are not relevant to MAG. These include those relating to shareholder engagement, regular re-election of shareholders, detailed executive remuneration disclosure, the requirement for and role of a Senior Independent Director and the extent to which Board Committees should consist of independent non-executive directors. We are anticipating that the Government’s proposed new Code of Corporate Governance for private companies will apply to MAG and will report on MAG’s compliance with its requirements in future annual reports in line with its provisions.

The membership of the Board remained unchanged during the year but after the year end, Andrew Cowan (CEO of Manchester Airport) was appointed as an additional executive director and David Molyneux resigned as a director, his replacement will be announced in due course.

The opportunities and challenges outlined in my statement on pages 8 and 9 of this Report mean that the Board more than ever needs to ensure that it maintains effective scrutiny of, and constructive challenge to, the executive team as it navigates these risks and opportunities. Last year, we enhanced our Board membership to reflect the growing need for major construction and digital experience and continuing to ensure that we have the right balance of experience and diversity to oversee effectively the Group’s changing risk and opportunity profile will be key.

During the year, as well as reviewing and agreeing the annual business plan and overseeing progress on the two major construction programmes, the Board held a strategy session looking at future opportunities for the development of the Group. Other key issues that the Board considered included the disposal of Bournemouth International Airport, development of the MAG-O business, the Airport City joint venture, development of a new IT strategy and customer service. Recognising the need to bring together all of the activity that is going on across the Group, we also established a formal CSR Committee, a report from which features later in this section. We also reviewed and updated the terms of reference for the other Group Committees.

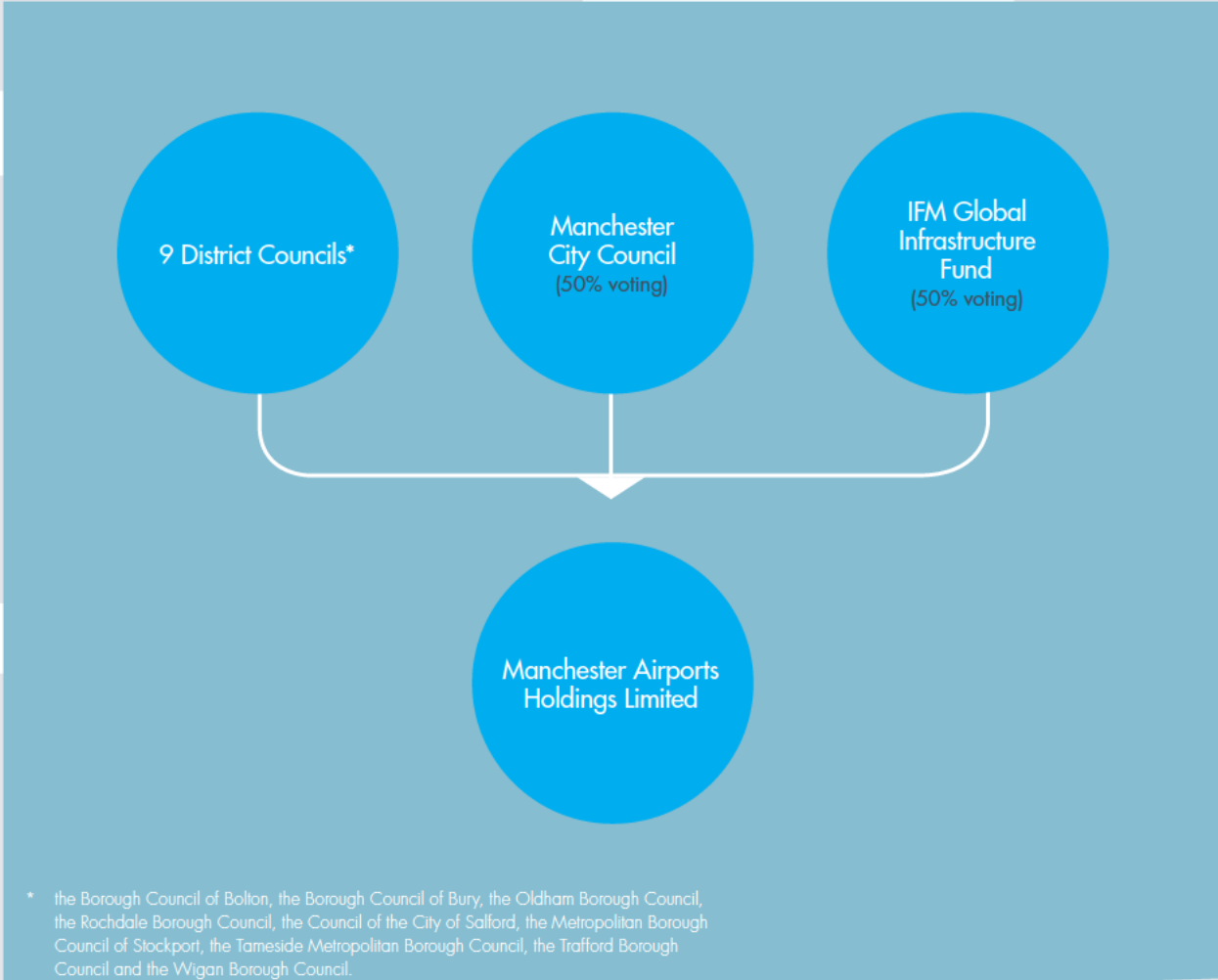
We also carried out an internal review of Board effectiveness. This review concluded that the Board was generally working well but provided suggestions for ways in which Board papers could be improved and identified areas of the business on which the Board could be provided with further background briefing, which have been acted on. The feedback also resulted in Board meetings being held at various Group sites including Manchester Airport, Stansted Airport and the offices of MAG-O.



**Sir Adrian Montague CBE**  
Chairman

## MAG structure and governance arrangements

In ownership terms, the Group is structured as a public-private economic partnership between the ten local authorities of the Greater Manchester region and IFM Investors (IFM) (as illustrated below). Amongst those owners, The Council of the City of Manchester and IFM enjoy, in equal shares, the voting rights in general meetings of Manchester Airports Holdings Limited (the holding company of the Group), have certain matters reserved for their exclusive decision as shareholders, and make two appointments each to the Board.



# Board of Directors

As at 31 March 2018, the Board of Manchester Airports Holdings Limited comprised the following individuals, as well as Councillor David Molyneux, who was also a shareholder appointed director but who resigned from the Board after the year end.

## Chairman

## Executive Directors



**Sir Adrian Montague CBE**  
Sir Adrian is currently the Chairman of Aviva Plc and Cadent Gas Ltd. He is also Chairman of The Point of Care Foundation (charitable trust). Previous Chairmanships include 3i plc, Anglian Water Group, London First and British Energy. Sir Adrian was awarded a CBE in 2001.



**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) with operations in the UK, the Middle East, Australia, Bulgaria, Poland, Estonia and the Philippines, and he was a Director of UU 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 at The MAN Group and ALSTOM, with responsibility across businesses in the UK, Europe, North America, Canada, India, Singapore and Australia. Prior to the power generation sector, Neil spent 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 February 2013, on joining the Group as its Chief Commercial Officer. 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.

## 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.



**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.



**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.



Board of Directors continued

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, Chairman of the Homes and Communities Agency for eight years and prior to that Chairman 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 Chairmanship of the Trustees of St Mungo's, the homelessness charity.



Catherine (Cath) Schefer

Appointed to the Board in September 2016. Cath is currently the Managing Director of Stantec Europe and RNet India. Cath has more than 25 years' experience in design, construction and programme management of large infrastructure projects, and she is a chartered civil engineer and a Fellow of the Institution of Civil Engineers.



Jonathan (Jon) Wragg

Appointed to the Board in September 2016. Jon is Global Trading 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.

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 above 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 Chairman, and at all times since. The remaining non-executive directors during the year were Sir Richard Leese and David Molyneux<sup>1</sup> who were appointed by The Council of the City of Manchester and Christian Seymour and Manoj Mehta who were appointed by 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 non-executive, shareholder-appointed non-executive and executive directors on the Board, with none of those cohorts making up a majority.

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 2018 is set out below.

	12.4.17	25.5.17	5.7.17*	27.7.17	28.9.17	30.11.17	22.1.18	13.3.18*	TOTAL
Sir Adrian Montague	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Sir Richard Leese	Yes	No <sup>1</sup>	Yes	Yes	Yes	Yes	No <sup>1</sup>	No	5
Christian Seymour	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Manoj Mehta	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Vanda Murray	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
Robert Napier	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
David Molyneux <sup>2</sup>	Yes	Yes	Yes	No	No	Yes	Yes	Yes	6
Cath Schefer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Jon Wragg	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Charlie Cornish	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Neil Thompson	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Ken O'Toole	Yes	No	No	No	Yes	No	Yes	Yes	4

\* Telephone meeting.  
1 Represented at this meeting by Bernard Priest as alternate director.  
2 David Molyneux resigned from the Board on 10 May 2018 and will be replaced in due course by a new representative for the Council of the City of Manchester.

Chairman and Chief Executive

The roles of the Chairman and Group Chief Executive are separate and clearly defined. The Chairman 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 Officer, the Chief Financial Officer, the Divisional CEOs of each of the Group's three airports and its property business, the Chief Strategy Officer, the Chief of Staff 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.

Corporate governance report continued

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 voting shareholders hold office for so long as the shareholder wishes. 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 Chairman to meet the non-executive directors without the executive directors present, such meetings being held as and when required.

Board effectiveness

To promote high-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 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 a number of committees with specific delegated authorities, and 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 level 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 undertakes 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 stated on page 52, the Board conducts annual assessments of its own effectiveness and that of Board committees, supplemented from time to time by external evaluation.

Board Committees

The formal committees of the Board are the Nomination, Audit, CSR and Remuneration Committees, details of which are set out below.

Internal control

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

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

- clearly defined organisational structures, schemes of delegation and lines of responsibilities;
- the involvement of qualified, professional employees with an appropriate level of experience (both in the Group's Finance function and throughout the business);
- regular meetings of the Board 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 investment project appraisal;
- regular review by the Group's Finance function of each business unit including a reconciliation to the management accounts on a segmental basis;

- the review by the 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, such as financial reporting, health and safety, and human resources.

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

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

An annual risk-based Internal Audit Plan is developed which provides coverage of the Group's risk profile over a rolling five-year period, with an initial focus on areas of high inherent risk and areas where the Group is heavily reliant on mitigating controls to manage the risk to an acceptable level. The plan is dynamic, and is refreshed as required, to reflect the evolution of the Group's risk profile over time. Over the course of the year, the Internal Audit team has carried out 40 reviews across areas as varied as: asbestos management; hold baggage screening; website security; power supply management; security incident evacuation planning; EU GDPR preparations; and insider threat mitigation.

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

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

Based on the Internal Audit work delivered during the year, in the context of materiality, and considering management's commitment to implement agreed control improvement recommendations, the Internal Audit team concluded that MAG's internal control and risk activities were operating for the period under review. On behalf of the Board, the Audit Committee has received the Director of Risk & Internal Audit's annual report and has conducted a review of the effectiveness of the system of internal control. Regular reports on control issues are presented to, and discussed with, the Audit Committee, and there is a process in place to ensure audit recommendations are fully implemented by senior executive management. All such recommendations made in the prior financial year have been implemented, together with 98% of those made in this financial year that are currently actionable. The 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 40 to 43. The Risk and Internal Audit Department, covering Risk Management, Internal Audit and Security Quality Assurance, reports directly to the Chief Financial Officer, 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 and Internal Audit Department. The holding of regular business risk workshops at a divisional level, and quarterly reviews of Groupwide risk issues 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



Sir Adrian Montague CBE  
Chairman of the Nomination Committee

In an organisation as varied and diverse as MAG, the Nomination Committee plays an important role in ensuring that the the structure, size and composition of the Board is well balanced, 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 Chairman 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 2018 the Committee met once. All of the members of the Committee attended that meeting, at which the following was considered:

- The reappointment of Sir Adrian Montague as non-executive Chairman of the Board;
- The reappointment of Vanda Murray as a non-executive director; and
- General update and discussion on proposed senior management appointments within MAG and changes in roles.

In addition to this, the Nomination Committee also separately received updates on a number of senior management changes during the year.

In respect of its people more generally, the Group understands 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 that launched during the year. This Programme will undertake a detailed assessment of those parts of the Group where a greater diversity of talent may be required, especially in relation to its international strategy.

The table below shows the gender split at different levels within the Group as at 31 March 2018.

	Male	Female	Total	Male %	Female %
Group Board	10	2	12	83.3%	16.7%
Executive Committee	7	3	10	70.0%	30.0%
Senior Management	41	15	56	73.2%	26.8%
Whole Company	3,817	2,363	6,180	61.8%	38.2%

Sir Adrian Montague CBE  
Chairman of the Nomination Committee

Audit Committee



Robert Napier CBE  
Chairman of the Audit Committee

Alongside myself, members of the Audit Committee at 31 March 2018 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;
- reviewed and updated the Treasury Policy;
- monitored the Group's cyber security and major IT system implementation programmes;
- 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;
- reviewed and challenged management in relation to findings from internal audit reviews;
- 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, valuation of investment property and intangibles, and revenue on airline contracts and key judgemental areas (pensions and tax);

- analysed the level of fees paid to the external auditor for audit and non-audit work, in the course of satisfying itself to the independence, objectivity and performance of the external auditor; and
- reappointed the external auditor following a competitive tender process. The audit committee agreed that KPMG have provided a strong audit service to MAG to date, and that their approach would both continue to evolve with best audit practice and add value to the audit committee's work. As part of good practice, KPMG's audit partner rotated in March 2017.

The Audit Committee typically meets three times during the year, but met four times during this financial year, reflecting the tender process for the external auditor. All of the members attended all of those meetings, with the exception of Jon Wragg, who attended three of the four. The external auditor, the Chief Executive, the Chief Financial Officer and the Director of Risk & Internal Audit routinely attend the Committee's meetings. Each of the external auditor and the Director of Risk & Internal Audit has the opportunity to meet the members of the Committee and/or the Committee's Chairman, 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



**Vanda Murray OBE**  
Chair of the Corporate Social  
Responsibility (CSR) Committee

As Chair of the CSR Committee I am pleased that MAG recognises the value in being a socially responsible business, and is so proactive in addressing the needs and concerns of its wider airport community. Local people, employees, customers, suppliers and shareholders all make up this airport community, and benefit from the responsible way MAG operates.

The Committee I chair is responsible for maintaining, reviewing and offering guidance on MAG's CSR strategy, ensuring it is effectively implemented and continues to deliver benefits for our business, our customers and the people who live and work around us every day. To support our work we bring in people from right across the business, as well as others from across industry, to share their expertise and help us to develop the direction and content of our CSR programme.

The CSR Committee typically meets three times per annum but met four times during the year. All of the members, which comprise my fellow non-executive directors Cath Schefer and Jon Wragg, attended all of the meetings this year. The meetings are also attended by the Chief Executives of MAG's principal business, other senior executives and external speakers as necessary, subject to the meeting agenda. 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** – measuring our impact can help us to be more targeted and more effective in the future, so this year we began a partnership with a Manchester-based SME to develop and implement a novel system to record our work and estimate the associated value.

- **issues related to the modernisation of controlled airspace, management of environmental impacts and noise action plans** – these areas of activity are some of our most important, and as well as operating carbon-neutral airports, we are working with the business to develop effective noise action plans and reduce the impact of aircraft on local communities.
- **diversity and inclusion strategy, including consideration of the gender pay gap** – MAG is developing a series of recommendations in this area, which the committee will work on later this year.
- **matters related to the provision of an inclusive customer service** – we were pleased to receive a presentation from an independent expert following a series of 'mystery shopper' visits to examine and test the service we offer to those customers who have special requirements.
- **governance policy and practice, including the prevention of modern forms of slavery** – as MAG grows, including major infrastructure investment, it will be important that we are vigilant in this important area. This year we have reviewed and challenged our current approach and policies.
- **the United Nations Sustainable Development goals and their application to MAG** – we have commissioned focus groups with a wide range of local stakeholders to understand the issues that matter most to them. This will inform the development of our CSR Strategy.
- the integration of CSR provisions within the major investment programme.
- we were also pleased to receive a presentation from Sustainable Aviation, the industry's coalition, to discuss and debate the long-term sustainability challenges facing our industry.

More information about the Group's commitment to corporate responsibility can be found in the Corporate Social Responsibility report on pages 44 to 51.

**Vanda Murray OBE**  
Chair of the Corporate Social Responsibility (CSR) Committee

## Remuneration Committee



**Vanda Murray OBE**  
Chair of the Remuneration  
Committee

I am pleased to present our remuneration report for the year ending 31 March 2018, setting out details of our remuneration policy for our executive directors and senior management, and 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 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 are linked to stretching profit and cash generation targets (Adjusted 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 our customers, shareholders and our colleagues.
- **upgrading our infrastructure through projects such as Manchester Transformation Programme, Stansted Transformation Programme and growing digital and non-airport revenues.** Growth in our infrastructure is key to ensuring success in tomorrow's competitive marketplace and in 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.
- **review of group structure.** We have reviewed the group structure, creating new 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 the region, MAG is committed to being a good corporate citizen and doing the right thing for our colleagues and our local communities. Therefore, the Remuneration Committee works closely with the Corporate Social Responsibility (CSR) Committee to support areas such as fairness, gender pay and diversity and inclusion. More details of the work we are doing in this area are set out on pages 44 to 51 of this report.

\* As explained in the financial review on page 30

Remuneration Committee continued

What were the Committee’s responsibilities and key activities undertaken in 2017/18?

- 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, consideration of the revised UK Corporate Governance Code and the implications for MAG, 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 Short Term Incentive Plan (STIP) and Long Term Incentive Plan (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;
  - having oversight of the wider workforce, including review of Group remuneration policies and wider pay increases within the Group; and
  - consideration of the gender pay gap analysis prepared by the Group.

What are the Committee’s priorities for 2018/19?

- Specific priorities for the Committee in 2018/19, in addition to its usual scheduled activities, will be to:
- review any proposed revisions to the remuneration policy and structure;
  - review the Committee’s terms of reference, with focus on revisions to the UK Corporate Governance Code and developments in respect of corporate governance for private businesses; and
  - continue oversight of the application of reward policies across the wider workforce, including consideration of gender pay analysis.

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).

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	Operation of reward element for executive directors and senior executives
<b>Basic Salary</b> Support the recruitment and retention of executive directors, recognising the size and scope of the role and the individual’s skills and experience.	<p>The basic salaries of executive directors and senior executives are reviewed annually and set based on:</p> <ul style="list-style-type: none"><li>• personal performance;</li><li>• group size and performance;</li><li>• responsibility levels;</li><li>• affordability; and</li><li>• competitive market practice against a comparator group of similar sized organisations.</li></ul> <p>The Committee also gives consideration to salary increases in the context of wider salary increases 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.</p>
<b>Short Term Incentive Plan</b> 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.	<p>The executive directors are eligible to participate in the MAG Executive Directors Short-Term Incentive Plan. 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.</p> <p>For executive directors, any incentive payable up to two-thirds of the maximum award is paid in cash, whilst the remaining one-third is deferred to be released to the directors two years after the initial payment, subject to their continued employment. For senior executives, 80% of the maximum award is paid in cash, whilst the remaining 20% is deferred for two years, subject to continued employment.</p> <p>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.</p>
<b>Long Term Incentive Plan</b> Designed to incentivise executive directors and key senior managers towards long-term sustainable results and creating shareholder value, whilst acting as a retention tool.	<p>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.</p> <p>In addition to the challenging performance targets, the Committee retains discretion to reduce LTIP awards in part or in full, in exceptional circumstances. In line with best practice, a malus and clawback provision is included in the LTIP. 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.</p>



Directors’ remuneration report continued

Reward element and purpose in supporting the Group's strategy	Operation of reward element for executive directors and senior executives
<b>Pension</b> The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for executive directors.	<p>All executive directors and senior executives are invited to participate in the Group’s pension schemes.</p> <p>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.</p> <p>Executive directors and senior executives are entitled to receive a salary supplement in lieu of pension contributions.</p>
<b>Additional benefits</b> Provide a market competitive benefits package that is consistent with Group values and supports executives to carry out their duties effectively.	<p>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.</p>

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 London Stansted	1	✓	✓	✓	×
Executive Committee	10	✓	✓	✓	×
Senior Management	56	✓	✓	✓	×
Leadership	530	✓	✓	×	×
STIP eligible staff	632	✓	✓	×	×
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 Corporate Social Responsibility report on pages 44 to 51. 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 have introduced a new 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 strategy.
- We ensure compliance with the National Living wage.

How do we pay our non-executive directors?

The Chairman 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 Chairman. The voting shareholders determine the remuneration for the Chairman, and approve the 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.



# Directors’ report

## for the year ended 31 March 2018 and additional disclosures

The directors present their annual report on the affairs of Manchester Airports Holdings Limited (‘the Company’) together with the audited financial statements for the year ended 31 March 2018.

### 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 78. 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 £21.4m (2017: loss of £46.7m) after dividends paid of £149.2m (2017: £124.2m) will be transferred from (2017: from) reserves.

### The Board of Directors

At 31 March 2018, the Board comprised:

Sir Adrian Montague CBE	Sir Richard Leese
Christian Seymour	Manoj Mehta
Vanda Murray OBE	Robert Napier CBE
David Molyneux	Cath Schefer
Jon Wragg	Charlie Cornish
Neil Thompson	Ken O’Toole

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

### Conflicts of interest

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

### Indemnity and insurance

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

### Statement of disclosure of information to the auditor

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

- (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 33 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 40 to 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 83.

### 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 2021.

The directors have determined that a three-year period to 31 March 2021 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 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 2018, the Group issued a £300m bond that matures in 2039, whilst in June 2018 the Group extended its £500m revolving credit facility by a further year to June 2023, as well as renewing its £60m standby liquidity facilities. These facilities will provide strong support over the next few years for the Group’s growth and investment activities, including the Manchester and London Stansted 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 2021.

### 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 2018 and is currently exploring the possibility of widening its apprenticeships offer for the 2019 financial year, with a view to enhancing talent pool diversity. The new and compulsory National Living Wage for workers aged 25 and over became effective on 1 April 2016. 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. During the year under review, an employee survey was undertaken in which all employees had the opportunity to participate and provide their opinions. The Group is constantly looking for ways to ensure that employees are increasingly able to participate and engage in the business and are kept abreast of its performance and prospects. As part of the Trade Union recognition arrangements, various employee forums exist for each business area, and more information on consultation is provided in the CSR report. In addition, briefings in relation to key business and operational developments are cascaded throughout the organisation, whilst a more informal Group-wide in-house MAGazine is produced on a quarterly basis and distributed to all employees.

# Directors' report continued

## for the year ended 31 March 2018 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 are available from the CBI, Cannon Place, 178 Cannon Street, London, EC4N 6HN. For other suppliers the Group's policy is to:

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

These payment practices apply to all payments to creditors for revenue and capital supplies of goods and services without exception. The period of credit taken by the Group at 31 March 2018 was 25 days (2017: 26 days), which has been calculated in accordance with the average number of days between invoice date and the payment of the invoice.

**Modern Slavery Act 2015**

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

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

**Charitable and political donations**

Charitable donations made by the Group during the year totalled £1.0m (2017: £1.0m). The donations were all made to recognised local and national charities for a variety of purposes. It is the Group's policy not to make contributions to political parties.

**Auditor**

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

**Charlie Cornish**  
Chief Executive

MAG

For and on behalf of the Board of Directors of the Company

4 July 2018

# Directors' responsibilities statement

The directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

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

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

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

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

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

**Charlie Cornish**  
Chief Executive

4 July 2018





# Financial statements

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# 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 2018 which comprise the Group Statement of Financial Position and Parent Company Statement of Financial Position, the Group Consolidated Income Statement, the Group Consolidated Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group and Parent Company’s Statements of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 March 2018 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Going concern

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

### Strategic report and directors’ report

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

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

- we have not identified material misstatements in the strategic report and the directors’ report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

### Directors’ responsibilities

As explained more fully in their statement set out on page 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 but to do so.

### Auditor’s responsibilities

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

A fuller description of our responsibilities is provided on the FRC’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

### Nicola Quayle (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

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

4 July 2018

Accounting policies

General information

Manchester 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 2018.

Basis of preparation

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

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

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

Going concern

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

At the year ended 31 March 2018, the Group had £1,846.9m (2017: £1,546.9m) of committed facilities and a net debt position of £1,326.8m (2017: £1,171.9m). The Group had financial headroom in excess of £514m at the year end, a level comfortably in excess of the internal compliance target.

During the year the Group issued a £300m bond that matures in 2039, whilst in June 2018 the Group extended the majority of its £500m revolving credit facility by a further year to June 2023, as well as renewing its £60m standby liquidity facilities. These facilities will provide strong support over the next few years for the Group's profit and investment activities, including the Manchester and London Stansted Airport Transformation Programmes, ensuring sufficient headroom throughout the business plan period to ensure compliance with the Group's internal Treasury Policy.

The Group is subject to two historical financial covenants: Net Debt/Adjusted EBITDA\* and Adjusted EBITDA\* less tax paid/Net Finance Charges. The covenants are tested half yearly on 31 March and 30 September. As at 31 March 2018 the Group had complied with both of the covenants and as a result of the Group's prudent financial policy there is significant covenant headroom. The financial covenants are not impacted by the new refinancing and the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of this new facility.

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

Restatement of 31 March 2017 financial information

The results for the year ended 31 March 2017 have been restated to reflect the classification of Bournemouth Airport, which was disposed of during the year, as a discontinued operation. This is required by IFRS to be consistent with the treatment in the current year. See note 10 for further details.

New standards, interpretations and amendments to existing standards

The following new accounting standards, amendments to standards and interpretations are adopted for the first time in the preparation of these financial statements, which were effective for the Group from 1 April 2017:

- IAS 7 'Statement of Cash Flows' – Amendments relating to the Disclosure Initiative.
- IAS 12 'Income Taxes' – Amendments relating to the recognition of deferred tax assets for unrealised losses.

\* As explained in the financial review on page 30.

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

New and revised standards and interpretations not applied

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

Effective for the year ending 31 March 2019 (EU endorsed)

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

The revised standard will replace IAS 39 'Financial Instruments: Recognition and Measurement', and introduces new guidance for classification and measurement, impairment of financial instruments, and hedge accounting.

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

Effective for the year ending 31 March 2020 (not yet EU endorsed)

- IFRS 16 'Leases'.

The new standard fundamentally changes the accounting for leases by lessees. It eliminates the current IAS 17 'Leases' dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases, and instead introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. The standard requires a lessee to recognise an asset and corresponding financial liability for all leases.

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

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

Basis of consolidation

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

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

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

Discontinued operations

The post tax results of discontinued operations, along with any gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or the disposal groups constituting discontinued operations, are disclosed as a single amount in the consolidated Income Statement. The comparative results are restated accordingly. Further analysis of the results and cash flows from discontinued operations is set out in note 10.

Associates

Entities, other than subsidiaries, over which the Company (directly or indirectly) exerts significant influence, but not control or joint control, are associates. The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

Changes in accounting policies

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

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

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

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



## Accounting policies continued

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

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

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

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

Details of the change in the Group’s accounting policy in respect of revenue recognition and an explanation of the impact on the Group’s prior period financial statements are set out in note 37.

### Revenue

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

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

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

Aviation income:

- various passenger charges for handling and security based upon the number of departing passengers, are recognised at point of departure;
- aircraft departure and arrival charges levied according to weight and time of departure/arrival, are recognised at point of departure;
- aircraft parking charges based upon a combination of weight and time parked, are recognised at point of departure.

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

Retail concession income:

- concession income from retail and commercial concessionaires is recognised in the period to which it relates on an accruals basis.
- the contracts entered into are long-term income-sharing concession agreements, with the concession fee based on turnover.

Car park income:

- car parking income is recognised at the point of exit for turn-up short and long-stay parking.
- contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis.

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

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

Property income:

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

The contracts entered into are long-term lease agreements.

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

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

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

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

The Group’s customer contracts include a diverse range of payment schedules dependent on the nature and type of services being provided. The Group agrees payment schedules at the beginning of contracts under which it receives payments throughout the term of the contracts. These payment schedules may include

performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

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

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

### Other intangible assets

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

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

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

### Property, plant and equipment

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

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

Depreciation is provided to write off the cost of an asset on a straight-line basis over the expected useful economic life of the relevant asset.

Expected useful lives are set out below:

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

Useful economic lives are reviewed on an annual basis, to ensure they are still relevant and appropriate. No depreciation is provided on land. Repairs and maintenance costs are written off as incurred.

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

### Investment properties

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

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

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

### Impairment

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

## Accounting policies continued

### Leases

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

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

### Inventories

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

### Grants

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

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

### Trade and other receivables

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

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

### Cash and cash equivalents

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

### Borrowings

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

### Borrowing costs

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

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

### Trade and other payables

Trade and other payables are recognised at fair value.

### Provisions

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

### Taxation

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

Deferred tax assets are recognised to the extent that it is regarded as probable that the temporary difference can be utilised against taxable profit in the future. Current tax and deferred tax, relating to items recognised directly in equity, are also recognised directly in equity. Deferred tax is based on the tax laws and rates that have been enacted at the statement of financial position date and which are expected to apply when the relevant deferred tax item is realised or settled. Current tax has been calculated at the rate of 19% applicable to accounting periods ending 31 March 2018 (2017: 20%).

### Employee benefit costs

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

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

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

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

### Significant items

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

### Dividends

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

### Critical accounting estimates and judgements

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

#### Investment properties

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

#### Pensions

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

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group’s liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in note 26.

#### Goodwill

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



Consolidated income statement  
for the year ended 31 March 2018

	Note	2018 £m	2018 £m	2018 £m	Restated <sup>1</sup> 2017 £m	Restated <sup>1</sup> 2017 £m	Restated <sup>1</sup> 2017 £m
		Total before significant items	Significant items	Total after significant items	Total before significant items	Significant items	Total after significant items
Continuing operations							
Revenue	1	818.1	–	818.1	742.7	–	742.7
Result from operations before significant items	4	215.4	–	215.4	202.9	–	202.9
Significant items							
Exceptional costs	3	–	(8.6)	(8.6)	–	(7.1)	(7.1)
Result from operations		215.4	(8.6)	206.8	202.9	(7.1)	195.8
Share of result of associate	16	4.2	–	4.2	0.1	–	0.1
Gains and losses on sales and valuation of investment properties	14	14.5	–	14.5	4.8	–	4.8
Finance costs	7	(67.6)	–	(67.6)	(73.5)	–	(73.5)
Result before taxation		166.5	(8.6)	157.9	134.3	(7.1)	127.2
Taxation	9	(37.0)	1.6	(35.4)	(11.2)	1.4	(9.8)
Result from continuing operations		129.5	(7.0)	122.5	123.1	(5.7)	117.4
Discontinued operation							
Result from discontinued operation (net of tax)	10	1.3	(14.1)	(12.8)	1.8	–	1.8
Result for the year		130.8	(21.1)	109.7	124.9	(5.7)	119.2
Earnings per share expressed in pence per share							
Continuing operations				38.7			37.1
Discontinued operation				(4.0)			0.6

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

1 2017 restatement was due to the adoption of IFRS 15 'Revenue from Contracts with Customers' during the year (refer to note 37 for further details) and presentation of Bournemouth Airport as a discontinued operation.

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

	Note	2018 £m	2017 £m
Result for the year		109.7	119.2
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit liabilities	26	21.8	(49.4)
Deferred tax on remeasurement of retirement benefit liabilities	9	(3.7)	8.4
Effect of change in rate of corporation tax on deferred tax	9	–	(0.7)
Other comprehensive income/(expense) for the year		18.1	(41.7)
Total comprehensive income for the year		127.8	77.5

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

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

	Note	Attributable to equity holders of the Company			
		Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2017		316.7	687.2	538.1	1,542.0
<b>Total comprehensive income for the year</b>					
Result for the year		–	–	109.7	109.7
Remeasurement of retirement benefit liabilities, net of tax	9, 26	–	–	18.1	18.1
<b>Transactions with owners recorded directly in equity</b>					
Dividends paid to equity holders	11	–	–	(149.2)	(149.2)
<b>Balance at 31 March 2018</b>		<b>316.7</b>	<b>687.2</b>	<b>516.7</b>	<b>1,520.6</b>

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

	Note	Attributable to equity holders of the Company			
		Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2016		316.7	687.2	584.8	1,588.7
<b>Total comprehensive income for the year</b>					
Result for the year		–	–	119.2	119.2
Remeasurement of retirement benefit liabilities net of tax	9, 26	–	–	(41.0)	(41.0)
Effect of change in rate of corporation tax on deferred tax	9	–	–	(0.7)	(0.7)
<b>Transactions with owners recorded directly in equity</b>					
Dividends paid to equity holders	11	–	–	(124.2)	(124.2)
<b>Balance at 31 March 2017</b>		<b>316.7</b>	<b>687.2</b>	<b>538.1</b>	<b>1,542.0</b>

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

## Consolidated statement of financial position as at 31 March 2018

	Note	2018 £m	2017 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	15	166.3	166.3
Property, plant and equipment	13	2,535.2	2,361.1
Investment properties	14	526.1	603.3
Intangible assets	15	42.0	44.5
Investment in associate	16	15.7	15.0
Deferred tax assets	27	14.8	18.5
		<b>3,300.1</b>	<b>3,208.7</b>
<b>CURRENT ASSETS</b>			
Inventories	17	2.5	2.1
Trade and other receivables	18	149.2	96.3
Cash and cash equivalents	19	20.0	16.7
		<b>171.7</b>	<b>115.1</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	20–23	–	(134.1)
Trade and other payables	25	(222.3)	(196.1)
Deferred income		(24.8)	(24.5)
Current tax liabilities		(37.4)	(20.1)
		<b>(284.5)</b>	<b>(374.8)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(112.8)</b>	<b>(259.7)</b>
<b>Non-current liabilities</b>			
Borrowings	20–23	(1,346.8)	(1,054.5)
Retirement benefit liabilities	26	(87.3)	(104.6)
Deferred tax liabilities	27	(220.2)	(235.7)
Other non-current liabilities	28	(12.4)	(12.2)
		<b>(1,666.7)</b>	<b>(1,407.0)</b>
<b>NET ASSETS</b>		<b>1,520.6</b>	<b>1,542.0</b>
<b>Shareholders' equity</b>			
Share capital	29	316.7	316.7
Share premium	29	687.2	687.2
Retained earnings	30	516.7	538.1
<b>TOTAL EQUITY</b>		<b>1,520.6</b>	<b>1,542.0</b>

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

The financial statements on pages 78 to 120 were approved by the Board of Directors on 4 July 2018 and signed on its behalf by:

**Charlie Cornish**  
Group Chief Executive  
MAG



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

Note	2018 £m Before significant items	2018 £m Significant items	2018 £m After significant items	Restated <sup>1</sup> 2017 £m Before significant items	Restated <sup>1</sup> 2017 £m Significant items	Restated <sup>1</sup> 2017 £m After significant items
<b>Cash flows from operating activities</b>						
Result before taxation – continuing operations	166.5	(8.6)	157.9	134.3	(7.1)	127.2
Gains and losses on sales and valuation of investment properties	(14.5)	–	(14.5)	(4.1)	–	(4.1)
Share of result of associate	(4.2)	–	(4.2)	(0.1)	–	(0.1)
Net finance income and expense	67.6	–	67.6	73.5	–	73.5
Depreciation and amortisation	143.4	–	143.4	136.3	–	136.3
Profit on sale of property, plant and equipment	(1.3)	–	(1.3)	(7.0)	–	(7.0)
Increase in trade and other receivables and inventories	(26.4)	–	(26.4)	(20.5)	–	(20.5)
Increase in trade and other payables	1.4	–	1.4	10.2	–	10.2
Increase/(Release) of grants	0.4	–	0.4	(0.5)	–	(0.5)
Increase in retirement benefits provision	4.5	–	4.5	2.3	–	2.3
<b>Cash generated from continuing operations</b>	<b>337.4</b>	<b>(8.6)</b>	<b>328.8</b>	<b>324.4</b>	<b>(7.1)</b>	<b>317.3</b>
Result before taxation – discontinued operation			1.9			1.9
Depreciation and amortisation – discontinued operation			1.0			1.4
Movement in working capital from discontinued operation			(0.2)			–
Interest paid			(76.5)			(72.6)
Tax paid			(38.2)			(35.2)
<b>Net cash from operating activities</b>			<b>216.8</b>			<b>212.8</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment			(319.1)			(171.4)
Distributions from/(investment in) associate			3.5			(1.9)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties			48.3			57.5
Proceeds from sale of discontinued operation			44.9			–
Cash outflow from discontinued operation			(0.1)			(0.5)
<b>Net cash used in investing activities</b>			<b>(222.5)</b>			<b>(116.3)</b>
<b>Cash flows from financing activities</b>						
(Decrease)/increase in bank loan borrowings, net of debt issue costs	21		(136.9)			134.1
Bond issued in the year, net of issue costs	22		295.1			–
Repayment of loans and borrowings			–			(90.0)
Dividends paid to shareholders			(149.2)			(124.2)
<b>Net cash from/(used in) financing activities</b>			<b>9.0</b>			<b>(80.1)</b>
<b>Net increase in cash and cash equivalents</b>	<b>35</b>		<b>3.3</b>			<b>16.4</b>
Cash and cash equivalents at beginning of the year			16.7			0.3
<b>Cash and cash equivalents at end of the year</b>			<b>20.0</b>			<b>16.7</b>

<sup>1</sup> 2017 restatement reflects the presentation of Bournemouth Airport as a discontinued operation

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

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

### 1. Revenue

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

	2018 Continuing operations £m	2018 Discontinued operation £m	Restated <sup>1</sup> 2017 Continuing operations £m	Restated <sup>1</sup> 2017 Discontinued operation £m
<b>Aviation income</b>	<b>332.7</b>	<b>2.3</b>	<b>309.0</b>	<b>3.5</b>
<b>Commercial income</b>				
Retail concessions	181.6	0.7	163.3	1.1
Car parking	187.2	2.0	163.1	2.4
Property and property related income	44.4	3.0	42.4	6.7
Other	72.2	2.3	64.9	2.1
<b>Total commercial income</b>	<b>485.4</b>	<b>8.0</b>	<b>433.7</b>	<b>12.3</b>
<b>Total income</b>	<b>818.1</b>	<b>10.3</b>	<b>742.7</b>	<b>15.8</b>

NOTE:

<sup>1</sup> 2017 restatement is due to the adoption of IFRS 15 'Revenue from Contracts with Customers' during the year (refer to note 37 for further details).

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

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

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

As at 31 March 2018 there were no performance obligations that were unsatisfied.

## Notes to the financial statements continued

### for the year ended 31 March 2018

#### 2. Business and geographical segments

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

The reportable segments are consistent with how information is presented to the Group Chief Executive (Chief Operating Decision Maker) to report its primary information for the purpose of assessment of performance and allocation of resources.

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

##### Year ended 31 March 2018

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other <sup>3</sup> £m	Consolidated – continuing operations £m	Bournemouth Airport <sup>5</sup> – discontinued operation £m
<b>Revenue</b>							
External sales	391.5	330.4	66.8	27.0	2.4	818.1	10.3
Inter-segment sales <sup>4</sup>	(2.0)	–	–	(1.3)	3.3	–	–
Total revenue	389.5	330.4	66.8	25.7	5.7	818.1	10.3
<b>Result</b>							
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)	–
<b>Result before taxation</b>						157.9	(12.2)
<b>Other information</b>							
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
<b>Result – geographical location<sup>2</sup></b>							
Segment operating profit/(loss) before significant items	126.0	91.1	13.1	(note 2)	(14.8)	215.4	1.9

#### 2. Business and geographical segments continued

Year ended 31 March 2017 (restated)<sup>6</sup>

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other <sup>3</sup> £m	Consolidated – continuing operations £m	Bournemouth Airport <sup>5</sup> – discontinued operation £m
<b>Revenue</b>							
External sales	361.6	299.0	60.4	23.6	(1.9)	742.7	15.8
Inter-segment sales <sup>4</sup>	(0.6)	–	–	(2.6)	3.2	–	–
Total revenue	361.0	299.0	60.4	21.0	1.3	742.7	15.8
<b>Result</b>							
Segment operating profit/(loss) before significant items	89.9	85.7	13.3	24.1	(10.1)	202.9	2.6
Significant items	–	–	–	(1.2)	(5.9)	(7.1)	–
Segment operating profit/(loss) after significant items	89.9	85.7	13.3	22.9	(16.0)	195.8	2.6
Share of result of associate						0.1	–
Gains and losses on sales and valuation of investment properties						4.8	(0.7)
Finance costs						(73.5)	–
<b>Result before taxation</b>						127.2	1.9
<b>Other information</b>							
Segment assets	1,347.9	969.9	244.5	(note 1)	686.7	3,249.0	74.8
Segment liabilities	(155.4)	(252.3)	(36.0)	(note 1)	(1,299.9)	(1,743.6)	(38.2)
Capital expenditure	111.1	44.8	18.9	(note 1)	3.7	178.5	0.5
Depreciation	65.3	58.6	9.6	(note 1)	0.3	133.8	1.4
Amortisation	2.5	–	–	(note 1)	–	2.5	–
Taxation	3.0	17.8	2.0	(note 1)	(13.0)	9.8	0.1
<b>Result – geographical location<sup>2</sup></b>							
Segment operating profit before significant items	117.4	85.7	13.3	(note 2)	(10.1)	206.3	(0.8)

##### NOTES:

- <sup>1</sup> 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.
- <sup>2</sup> For management accounting purposes MAG reports property income and profit on sale of property assets (excluding London Stansted) within the MAG Property division. For statutory purposes property income and profit on disposal of property assets is reported in the subsidiary companies depending on the geographical location of the investment properties and property, plant and equipment. The table shows how profit from operations would appear with property reported by geographical location.
- <sup>3</sup> 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, for further details of which can be found in note 20 Borrowings.
- <sup>4</sup> Sales between segments are at arm's length.
- <sup>5</sup> Discontinued operation includes all items relating to the Bournemouth Airport operation that was disposed of by the Group during the year. This operation's income statement was previously reported in the Bournemouth Airport and MAG Property segments, and its statement of financial position was reported in the Bournemouth Airport and Manchester Airport segments.
- <sup>6</sup> 2017 restatement is due to the adoption of IFRS 15 'Revenue from Contracts with Customers' during the year (refer to note 37 for further details).



## Notes to the financial statements continued

### for the year ended 31 March 2018

### 3. Significant items

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

#### NOTES:

#### 1 Exceptional costs

Exceptional costs of £8.6m (2017: £7.1m) include costs of a number of restructuring programmes across the Group, costs incurred on the implementation of new systems that do not meet the criteria for capitalisation, M&A activity, the loss recognised on the demolition of the West Pier of Terminal 2 of Manchester Airport, as part of the Manchester Transformation Programme, and additional operating costs that have been incurred as a result of the ongoing Manchester Transformation Programme works.

#### 2 Loss on disposal

On 4 December 2017, the Group disposed of Bournemouth International Airport Limited and its subsidiaries: Bournemouth Airport Property Investments (Offices) Limited, Bournemouth Airport Property Investments (Industrial) Limited and Bournemouth Airport Core Property Investments Limited.

### 4. Result from continuing operations before significant items

	2018 Continuing operations £m	Restated <sup>1</sup> 2017 Continuing operations £m
<b>Turnover</b>	<b>818.1</b>	<b>742.7</b>
Wages and salaries	(183.3)	(154.0)
Social security costs	(17.6)	(14.9)
Pension costs	(17.5)	(13.2)
<b>Employee benefit costs</b>	<b>(218.4)</b>	<b>(182.1)</b>
Depreciation and amortisation	(143.4)	(136.3)
Profit on disposal of property, plant and equipment	1.3	7.0
Other operating charges <sup>2</sup>	(242.2)	(228.4)
<b>Result from continuing operations before significant items</b>	<b>215.4</b>	<b>202.9</b>

#### NOTES:

1 2017 restatement is due to the adoption of IFRS 15 'Revenue from Contracts with Customers' during the year (refer to note 37 for further details).

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

### 5. Employee information

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

	2018 Number	2017 Number
<b>By location</b>		
Manchester Airport	3,486	3,049
London Stansted Airport	1,765	1,451
East Midlands Airport	629	542
Bournemouth Airport	96	146
	<b>5,976</b>	<b>5,188</b>

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

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

### 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 report.

	2018 £m	2017 £m
<b>Directors' emoluments</b>		
Aggregate emoluments	5.2	5.3

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

	2018 £m	2017 £m
<b>Key management compensation</b>		
Aggregate emoluments	11.1	9.1

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

	2018 £m	2017 £m
<b>Highest paid director</b>		
Aggregate emoluments	2.1	2.0

### 7. Finance costs

	Note	2018 £m	2017 £m
Interest payable on bank loans and overdrafts		3.1	4.0
Interest payable on bonds		40.3	36.9
Interest payable on other borrowings		30.3	30.3
Interest cost on defined benefit pension schemes	26	2.8	1.8
Amortisation of issue costs on financing		–	0.5
Capitalisation of borrowing costs	13	(8.9)	–
<b>Total finance costs</b>		<b>67.6</b>	<b>73.5</b>

## Notes to the financial statements continued

### for the year ended 31 March 2018

#### 8. Result before taxation

	Note	2018 Continuing operations £m	2017 Continuing operations £m
<b>Result before taxation has been arrived at after charging/(crediting):</b>			
Hire of plant and machinery – operating leases		0.4	0.4
Hire of other assets – operating leases		28.3	25.8
Release of capital based grants		(0.4)	(0.4)
Depreciation of property, plant and equipment:			
Owned assets – continuing operations	2, 13	140.9	133.8
Amortisation of intangible assets	15	2.5	2.5
Profit on disposal of property, plant and equipment and investment properties		(1.3)	(7.0)
Significant items	2, 3	8.6	7.0
Gains and losses on sales and valuation of investment properties	2, 14	(14.5)	(4.8)
Employee benefit costs	4	218.4	182.1
<b>Auditor's remuneration</b>			
Audit of these financial statements		0.1	0.1
Amounts receivable by the Company's auditor and its associates in respect of:			
Audit of subsidiaries' financial statements		0.2	0.2
Other services relating to taxation		0.1	0.1
<b>Total auditor's remuneration</b>		<b>0.4</b>	<b>0.4</b>

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

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.

#### 9. Taxation

##### Analysis of charge in the year

	2018 £m Before significant items	2018 £m Significant items	2018 £m After significant items	2017 £m Before significant items	2017 £m Significant items	2017 £m After significant items
<b>Current taxation</b>						
UK corporation tax on profits for the year	45.8	(1.6)	44.2	41.4	(1.4)	40.0
Adjustment in respect of prior year	2.2	–	2.2	(5.2)	–	(5.2)
<b>Total current taxation</b>	<b>48.0</b>	<b>(1.6)</b>	<b>46.4</b>	<b>36.2</b>	<b>(1.4)</b>	<b>34.8</b>
<b>Deferred taxation</b>						
Temporary differences arising in the year	(10.4)	–	(10.4)	(6.5)	–	(6.5)
Adjustment in respect of prior year	(0.6)	–	(0.6)	(4.2)	–	(4.2)
Effect of change in rate of corporation tax	–	–	–	(14.3)	–	(14.3)
<b>Total ordinary deferred taxation</b>	<b>(11.0)</b>	<b>–</b>	<b>(11.0)</b>	<b>(25.0)</b>	<b>–</b>	<b>(25.0)</b>
<b>Total taxation charge/(credit)</b>	<b>37.0</b>	<b>(1.6)</b>	<b>35.4</b>	<b>11.2</b>	<b>(1.4)</b>	<b>1.8</b>

##### Taxation on items charged/(credited) to equity:

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

##### Factors affecting the taxation charge for the year

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

	2018 £m Before significant items	2018 £m Significant items	2018 £m After significant items	2017 £m Before significant items	2017 £m Significant items	2017 £m After significant items
<b>Result before taxation</b>	<b>166.5</b>	<b>(8.6)</b>	<b>157.9</b>	<b>134.3</b>	<b>(7.1)</b>	<b>127.2</b>
Result before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	31.6	(1.6)	30.0	26.9	(1.4)	25.5
Effect of: Lower than standard rate used for deferred tax						
temporary differences	(1.8)	–	(1.8)	(2.0)	–	(2.0)
Non-taxable items	5.6	–	5.6	10.0	–	10.0
Adjustments to prior year taxation charge	1.6	–	1.6	(9.4)	–	(9.4)
Effect of change in rate of corporation tax	–	–	–	(14.3)	–	(14.3)
<b>Total taxation charge/(credit)</b>	<b>37.0</b>	<b>(1.6)</b>	<b>35.4</b>	<b>11.2</b>	<b>(1.4)</b>	<b>9.8</b>

The March 2016 Budget included a reduction in the rate of Corporation tax from 1 April 2020 of 2% to 17%. This change was substantively enacted on 5 September 2016. Deferred tax balances at 31 March 2018 have therefore been calculated at 17%, unless they are expected to unwind earlier than 1 April 2020, in which case the deferred tax balances have been calculated at the prevailing rate at the time the unwind is expected.



## Notes to the financial statements continued

### for the year ended 31 March 2018

#### 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 operation. The disposal was effected to generate cash flow for the expansion of the Group's other businesses.

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

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

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

#### 11. Dividends

	2018 £m	2017 £m
<b>Amounts recognised as distributions to equity holders in the period</b>		
Final dividend for the year ended 31 March 2017 of 29.65 pence (2017: 24.38 pence) per share	93.9	77.2
Interim dividend for the year ended 31 March 2018 of 17.46 pence (2017: 14.84 pence) per share	55.3	47.0
<b>Amounts recognised as distributions to equity holders in the year</b>	<b>149.2</b>	<b>124.2</b>
<b>Dividends not recognised at the end of the reporting period</b>		
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 2018 of 34.95 pence (2017: 29.65 pence) per share	110.7	93.9

#### 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.

	2018					2017				
	Earnings		Weighted average number of shares	Per share amount		Earnings		Weighted average number of shares	Per share amount	
	Continuing operations	Discontinued operation		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	129.5	1.3	316.7	40.9	0.4	123.1	1.8	316.7	38.9	0.6
EPS attributable to ordinary shareholders – continuing operations	122.5	(12.8)	316.7	38.7	(4.0)	117.4	1.8	316.7	37.1	0.6

#### 13. Property, plant and equipment

2018	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
<b>Cost</b>						
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 (note 14)	–	–	–	–	(3.1)	(3.1)
Disposal of discontinued operation (note 34)	(8.5)	(20.2)	(32.6)	(21.2)	–	(82.5)
Disposals	(3.3)	(13.1)	(16.7)	(33.7)	(1.2)	(68.0)
<b>At 31 March 2018</b>	<b>203.2</b>	<b>451.7</b>	<b>2,105.3</b>	<b>659.4</b>	<b>369.0</b>	<b>3,788.6</b>

<b>Depreciation</b>						
At 1 April 2017	69.8	201.5	485.4	482.7	–	1,239.4
Charge for the year	–	13.1	70.4	58.4	–	141.9
Disposal of discontinued operation (note 34)	(5.3)	(16.1)	(26.4)	(19.0)	–	(66.8)
Depreciation on disposals	–	(11.4)	(16.1)	(33.6)	–	(61.1)
<b>At 31 March 2018</b>	<b>64.5</b>	<b>187.1</b>	<b>513.3</b>	<b>488.5</b>	<b>–</b>	<b>1,253.4</b>

<b>Carrying amount</b>						
<b>At 31 March 2018</b>	<b>138.7</b>	<b>264.6</b>	<b>1,592.0</b>	<b>170.9</b>	<b>369.0</b>	<b>2,535.2</b>

<b>Carrying amount</b>						
<b>At 31 March 2017</b>	<b>145.2</b>	<b>277.2</b>	<b>1,588.6</b>	<b>150.8</b>	<b>199.3</b>	<b>2,361.1</b>

2017	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
<b>Cost</b>						
At 1 April 2016	215.0	481.6	2,039.2	597.5	118.9	3,452.2
Additions	–	–	–	–	179.0	179.0
Reclassification from Assets in the course of construction	–	0.3	42.9	53.4	(96.6)	–
Reclassification to Investment properties (note 14)	–	–	–	–	(2.0)	(2.0)
Disposals	–	(3.2)	(8.1)	(17.4)	–	(28.7)
<b>At 31 March 2017</b>	<b>215.0</b>	<b>478.7</b>	<b>2,074.0</b>	<b>633.5</b>	<b>199.3</b>	<b>3,600.5</b>

<b>Depreciation</b>						
At 1 April 2016	69.8	189.8	418.0	448.9	–	1,126.5
Charge for the year	–	14.9	69.1	51.2	–	135.2
Depreciation on disposals	–	(3.2)	(1.7)	(17.4)	–	(22.3)
<b>At 31 March 2017</b>	<b>69.8</b>	<b>201.5</b>	<b>485.4</b>	<b>482.7</b>	<b>–</b>	<b>1,239.4</b>

<b>Carrying amount</b>						
<b>At 31 March 2017</b>	<b>145.2</b>	<b>277.2</b>	<b>1,588.6</b>	<b>150.8</b>	<b>199.3</b>	<b>2,361.1</b>

<b>Carrying amount</b>						
<b>At 31 March 2016</b>	<b>145.2</b>	<b>291.8</b>	<b>1,621.2</b>	<b>148.6</b>	<b>118.9</b>	<b>2,325.7</b>

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

## Notes to the financial statements continued

### for the year ended 31 March 2018

#### 13. Property, plant and equipment continued

##### Capitalised borrowing costs

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

#### 14. Investment properties

2018	Investment properties £m
<b>Valuation</b>	
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
<b>At 31 March 2018</b>	<b>526.1</b>
<b>Carrying amount</b>	
<b>At 31 March 2018</b>	<b>526.1</b>
At 31 March 2017	603.3
<b>2017</b>	<b>Investment properties £m</b>
<b>Valuation</b>	
At 1 April 2016	641.3
Reclassification from Assets in the course of construction (note 13)	2.0
Disposals	(45.4)
Revaluation	5.4
<b>At 31 March 2017</b>	<b>603.3</b>
<b>Carrying amount</b>	
<b>At 31 March 2017</b>	<b>603.3</b>
At 31 March 2016	641.3

##### Investment properties

The fair value of the Group's commercial investment property at 31 March 2018 has been arrived at on the basis of a valuation carried out at that date by Deloitte LLP. Strutt & Parker carried out the valuation of the London Stansted residential property portfolio, and Meller Braggins carried out the Manchester residential property portfolio, at 31 March 2018. The valuers are independent and have appropriate, recognised professional qualifications, and recent experience in the locations and categories of the properties being valued. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

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

#### 14. Investment properties continued

The rental income earned by the Group from its investment property amounted to £35.4m (2017: £37.2m). Direct operating expenses arising on the investment property in the year amounted to £4.6m (2017: £4.6m), which includes £nil (2017: £0.6m) of operating costs where no income was derived.

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

#### 15. Intangible assets

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

##### Goodwill

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

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

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering five years. The Group used detailed longer term forecasts to review a period of 25 years. A terminal value is calculated beyond that point. The discount rates used in the cash flow forecasts have been estimated based on pre-tax rates that reflect the Group's current market assessment of the time value of money and the risks specific to the cash generating unit. In determining the discount rates, the Group has sought to arrive at a Weighted Average Cost of Capital (WACC) using the capital asset pricing model for a market participant. The key assumptions in calculating the discount rate have been a 0.79 unlevered beta and a risk-free rate based on long-term UK Government gilts. Consequently, the rate used to discount the forecast cash flows was calculated as 6.0% (2017: 6.5%). The long-term growth rate used in calculating the terminal value was 2.5%.

Sensitivity analysis shows that the discount rate would have to increase by over 300 basis points, in addition to limiting growth to 2.5% from year four onwards and restricting the assets to a 50-year remaining life, for an impairment to be triggered.

\* As explained in the financial review on page 30



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

15. Intangible assets continued

Other intangible assets

In 2010 the Group secured rights to ensure that the Greater Manchester Metrolink light rail system was extended to Manchester Airport, connecting the airport to the wider Metrolink network. The contractual agreement ensures that the Metrolink service, which commenced in November 2014, will be operated for a period of 30 years. The cost of securing the rights has been capitalised and is being amortised over 20 years from November 2014, which the directors believe to be the foreseeable period over which the majority of the benefits from the service will accrue to the Airport.

16. Investment in associate

2018	£m
Cost and carrying value	
At 1 April 2017	15.0
Investment in associate	(3.5)
Group's share of associate's result	4.2
At 31 March 2018	15.7

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 (2017: £3.3m) relating to costs incurred in the setting up of MAG's share in Airport City. This is being 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. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 Revised 'Investment in Associates' in classifying the Group's 50% 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.

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.

	2018 £m	2017 £m
Current assets	29.5	32.8
Current liabilities	(3.9)	(9.4)
Net assets	25.6	23.4
Group's share of associate's net assets	13.2	11.7
Revenue	28.9	12.2
Result for the year	8.4	0.1
Group's share of associate's result for the year	4.2	0.1

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £30m 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 (2017: none).

17. Inventories

	2018 £m	2017 £m
Consumables	2.5	2.1
	2.5	2.1

18. Trade and other receivables

	2018 £m	2017 £m
Trade receivables	94.7	50.8
Other receivables	7.8	0.2
Prepayments and accrued income	46.6	44.8
Amounts receivable from associate	0.1	0.5
	149.2	96.3

The average credit period taken on sales is 31 days (2017: 19 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £3.0m (2017: £2.7m). This allowance has been determined by identifying all specific external debts where it is probable that they will not be recovered in full.

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

Trade receivables are non-interest bearing and are generally on 30 day terms. The level of past due debt over 90 days old is:

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

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

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

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

## Notes to the financial statements continued

### for the year ended 31 March 2018

#### 18. Trade and other receivables continued

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:

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

The Group is not exposed to foreign currency exchange risk as all trade and other receivables are denominated in pounds sterling. There are no credit quality issues with receivables that are not past their due date. Additional disclosure on financial risk is included in note 24.

#### 19. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	20.0	16.7
	<b>20.0</b>	<b>16.7</b>

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

#### 20. Borrowings

	Note	2018 £m	2017 £m
Bank loans	21	(2.8)	134.1
Bonds	22	1,098.1	803.0
Other borrowings	23	251.5	251.5
		<b>1,346.8</b>	<b>1,188.6</b>
Borrowings are repayable as follows:			
<b>In one year or less, or on demand</b>			
Bank loans	21	–	134.1
		<b>–</b>	<b>134.1</b>
<b>In more than one year, but no more than two years</b>			
Bank loans		–	–
		<b>–</b>	<b>–</b>
<b>In more than two years, but no more than five years</b>			
Bank loans	21	(2.8)	–
<b>In more than five years – due other than by instalments</b>			
Bonds	22	1,098.1	803.0
Other borrowings	23	251.5	251.5
		<b>1,349.6</b>	<b>1,054.5</b>
Non-current borrowings		<b>1,346.8</b>	<b>1,054.5</b>
<b>Total borrowings</b>		<b>1,346.8</b>	<b>1,188.6</b>

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.

#### 20. 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 issue of publicly listed fixed rate secured bonds in February 2014, April 2014 and November 2017.

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

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

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

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

The Amended and Restated LF Agreement has total facilities of £60.0m and is sized to cover 12 months' interest on secured debt. The LF Agreement is a 364-day revolving facility with a five-year term on each annual renewal.

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

#### 21. Bank loans

	2018 £m	2017 £m
Secured Revolving Credit Facility	–	137.0
Less: unamortised debt issue costs <sup>1</sup>	(2.8)	(2.9)
	<b>(2.8)</b>	<b>134.1</b>

##### NOTE:

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

At 31 March 2018 the Group had £485.0m (2017: £348.0m) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m Secured Revolving Credit Facility (undrawn at 31 March 2018), less certain carve-outs in respect of ancillary facilities of £15.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the Secured Revolving Credit Facility is linked to LIBOR plus a margin.

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



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

22. Bonds

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

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

23. Other borrowings

	2018 £m	2017 £m
Repayable other than by instalments		
Shareholders' loans	251.9	251.9
Less: unamortised debt issue costs	(0.4)	(0.4)
	251.5	251.5

The shareholders' loans bear interest at 12% and expire on 9 February 2055. The loans are unsecured.

24. Financial instruments

Risk management

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

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

Interest rate risk

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

Liquidity risk

The principal sources of the Group's liquidity risk are: the ability to refinance debt facilities as they fall due; ensuring cash and cash equivalents are accessible as and when required; and borrowing facilities are sufficient for the future needs of the Group. Although there can be no certainty that financing markets will remain open for issuance at all times, debt maturities are spread over a range of dates, thereby ensuring that the Group is not exposed to excessive refinancing risk in any one year. The Group's key guideline in managing liquidity risk is to limit the amount of borrowings maturing within 12 months to 35% of gross borrowings less cash and cash equivalents. All cash and cash equivalents are held on short-term deposit within term limits set by the Board. Moreover, debt facilities are maintained at a level that is sufficient to provide a reasonable surplus beyond the foreseeable future needs of the Group.

At 31 March 2018, MAG had £1,846.9m (2017: £1,546.9m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £1,326.8m (2017: £1,171.9m). MAG had financial headroom of £515.0m (2017: £374.7m) at the year end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the Board-approved business plan, MAG is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100.0m throughout 2019.

24. Financial instruments continued

Foreign exchange risk

The Group is not materially exposed to foreign exchange risk as all material transactions and financial instruments are in pounds sterling. As the Group looks to grow operations in the USA in the future, where the income and expenditure do not naturally offset, it may consider the use of currency hedges to manage any exposure to foreign exchange risk.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and trade receivables. The Group has no significant concentrations of credit risk. The Group's exposure to credit-related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument, and ensuring only counterparties within defined credit risk parameters are used.

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

The Group's exposure to credit risk on trade receivables is mitigated by limiting exposure to any one counterparty. Risk reports and available aviation and financial information updates used by the Group provide valuable information in relation to any changes in the credit risk profile of its customers, or within the market, and allow the Group to take a flexible approach to the management of risk. Credit risk exposures in relation to ad hoc customers are mitigated, where necessary, using prepayments or the request of deposits.

An analysis of trade receivables, including the value of those past their due dates and the provision for impairment, is included in note 18 Trade and other receivables.

Financial liabilities

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2018 was as follows:

	2018 £m	2017 £m
Fixed rate financial liabilities	1,346.8	1,054.5
Floating rate financial liabilities	(2.8)	134.1
	1,344.0	1,188.6

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

## Notes to the financial statements continued

### for the year ended 31 March 2018

#### 24. Financial instruments continued

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

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

	2018 £m	2017 £m
Impact on income statement	0.2	(1.2)
Impact on equity	–	–
	0.2	(1.2)

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

	2018 £m	2017 £m
Weighted average annual interest rate	5.51%	6.26%
Weighted average period for which interest rate is fixed	18yr 3m	18yr 6m

The weighted average period for non-interest bearing liabilities as at 31 March 2018 was one year (2017: one year).

#### (c) Maturity analysis of financial liabilities

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's financial liabilities as at 31 March 2018 to the contract maturity date.

	2018 £m	2017 £m
In one year or less, or on demand	75.1	203.8
In more than one year but not more than two years	75.1	66.5
In more than two years but not more than five years	225.2	199.4
In more than five years	2,717.2	2,345.6
	3,092.6	2,815.3

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 2018, the Group had an undrawn committed borrowing facility available amounting to £485.0m (2017: £348.0m).

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

#### 24. 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 2018 and 2017. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

	Note	2018 Carrying amount £m	2018 Fair value £m	2017 Carrying amount £m	2017 Fair value £m
<b>Financial liabilities:</b>					
<b>Instruments held at amortised cost</b>					
Bank loans and overdrafts	21	2.8	2.8	(134.1)	(134.1)
Trade payables	25	(50.9)	(50.9)	(42.0)	(42.0)
Bonds	22	(1,098.1)	(1,253.0)	(803.0)	(995.7)
Other borrowings	23	(251.5)	(374.6)	(251.5)	(374.4)
		(1,397.7)	(1,675.7)	(1,230.6)	(1,546.2)
<b>Financial assets:</b>					
<b>Instruments held at amortised cost</b>					
Cash at bank and in hand	19	20.0	20.0	16.7	16.7
Trade receivables	18	94.7	94.7	50.8	50.8
<b>Other assets held at fair value</b>					
Investment properties	14	526.1	526.1	603.3	603.3
		640.8	640.8	670.8	670.8
<b>Net financial liabilities</b>		<b>(756.9)</b>	<b>(1,034.9)</b>	<b>(559.8)</b>	<b>(875.4)</b>

#### 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.

#### 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.



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

24. Financial instruments continued

(e) Credit risk exposure

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

	Carrying amount 2018 £m	Carrying amount 2017 £m
Trade receivables	94.7	50.8
Cash at bank and in hand	20.0	16.7
Credit exposure	114.7	67.5

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

25. Trade and other payables

	2018 £m	2017 £m
Trade payables	50.9	42.0
Other taxation and social security	4.6	5.2
Other payables	2.8	8.3
Accruals	162.6	140.1
Amount owing to associate	–	0.1
Capital-based grants	1.4	0.4
	222.3	196.1

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

26. Retirement benefits

Defined contribution schemes

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

The total cost charged to income of £7.8m (2017: £3.5m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2018, there was £nil (2017: £nil) of contributions due in respect of the current reporting period that had not been paid over to the schemes.

Defined benefit schemes

The Group operates four defined benefit pension schemes as follows:

The Greater Manchester Pension Fund (GMPF)

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

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

26. Retirement benefits continued

benefit payments. Scheme assets are held in trusts separate from the Group. If investment experience is worse than expected, the Group's obligations are increased.

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

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

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

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

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

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

The Greater Manchester Pension Fund (GMPF)

Certain employees of the Group participate in the GMPF, administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £5.5m (2017: £5.2m) related to payments into the GMPF.

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

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

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

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

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

MAG (STAL) Pension Scheme

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme was set up to provide comparable benefits to those employees who had previously participated in the BAA pension scheme prior to the 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 MAG (STAL) pension scheme was carried out by the scheme actuary on 30 September 2016. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £153.0m (previous valuation £104.3m), which represented approximately 87.9% (previous valuation 104.9%) of the present value of the liabilities. The scheme was valued using the projected unit method.

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

26. Retirement benefits continued

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 'Employee Benefits'.

The key assumptions used are as follows:

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

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

26. Retirement benefits continued

Risk and risk management

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

Asset volatility	For the purpose of setting the contribution requirements, the calculation uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio, whereas under IAS 19 (R) the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. GMPF, MAG (STAL) and EMIA hold a significant proportion of their assets in return-seeking funds. The returns on these assets may be volatile and are not closely correlated to the value placed on the liabilities. This means that the deficit may be volatile in the shorter term, which may result in an increase in the contribution requirements and an increase in the net defined liability recorded on the statement of financial position. However, the Group believes that return-seeking assets offer an appropriate level of return over the long term for the level of risk that is taken. Furthermore, the schemes' other assets are well-diversified by investing in a range of asset classes, including diversified growth funds, government bonds and corporate bonds.
Changes in bond yields	A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in this scenario the schemes' investment in corporate and government bonds is expected to increase and therefore offset some of the increase in the value placed on the liabilities.
Inflation risk	The majority of the schemes' benefit obligations are linked to inflation and higher outturn levels of inflationary increases are in place to protect the schemes against extreme inflation. Inflation will lead to a higher benefit obligation (although in most cases caps on the majority of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature e.g. corporate bonds and government bonds, or have an indirect link to inflation e.g. equities).
Life expectancy	The majority of the schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.



## Notes to the financial statements continued

### for the year ended 31 March 2018

#### 26. Retirement benefits continued

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

	Fair value of scheme assets £m	Present value of defined benefit obligation £m	(Deficit)/Surplus in the scheme £m
<b>GMPP<sup>1</sup></b>			
<b>2018</b>	<b>437.5</b>	<b>(483.5)</b>	<b>(46.0)</b>
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)
<b>MAG (STAL)</b>			
<b>2018</b>	<b>172.5</b>	<b>(195.0)</b>	<b>(22.5)</b>
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
<b>EMIA</b>			
<b>2018</b>	<b>61.3</b>	<b>(80.1)</b>	<b>(18.8)</b>
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)
<b>AVPS<sup>2</sup></b>			
<b>2018</b>	<b>3.9</b>	<b>(3.9)</b>	<b>–</b>
2017	4.0	(4.0)	–
2016	3.5	(3.5)	–
2015	3.6	(3.6)	–
2014	3.1	(3.1)	–
<b>Total<sup>2</sup></b>			
<b>2018</b>	<b>675.2</b>	<b>(762.5)</b>	<b>(87.3)</b>
2017	660.5	(765.1)	(104.6)
2016	551.3	(604.2)	(52.9)
2015	566.7	(640.1)	(73.4)
2014	511.5	(551.7)	(40.2)

#### NOTES:

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

2 The AVPS has a surplus of £0.9m (2017: £0.9m). This surplus has not been recognised in line with IFRIC 14 – 'IAS 19 – The limit on a defined benefit asset, maximum funding requirements and their interactions' as the surplus cannot be recovered by reducing future contributions.

#### Plan assets

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

#### 26. Retirement benefits continued

Movement in net defined benefit liability – all schemes

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

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

Movement in net defined benefit liability – GMPP

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

The scheme liabilities have a duration of approximately 16 years.

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

## 26. Retirement benefits continued

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

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

The scheme liabilities have a duration of approximately 25 years.

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

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

The scheme liabilities have a duration of approximately 20 years.

## 26. Retirement benefits continued

### Movement in net defined benefit surplus – AVPS

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

The AVPS has a surplus of £0.9m (2017: £0.9m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

### History of experience gains and losses

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

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



## Notes to the financial statements continued

### for the year ended 31 March 2018

#### 26. Retirement benefits continued

##### Sensitivity analysis

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

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

#### 27. Deferred taxation

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

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

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

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

#### 28. Other non-current liabilities

	2018 £m	2017 £m
Accruals and deferred income	4.7	4.7
Capital-based grants	7.7	7.5
	<b>12.4</b>	<b>12.2</b>

#### 29. Share capital and share premium

	Number of shares	Ordinary shares of £1 each		Total £m
		Share capital £m	Share premium £m	
<b>Issued, called up and fully paid</b>				
<b>At 31 March 2018</b>	<b>316.7</b>	<b>316.7</b>	<b>687.2</b>	<b>1,003.9</b>
At 31 March 2017	316.7	316.7	687.2	1,003.9

#### 30. Reserves

	Retained earnings £m
At 1 April 2017	538.1
Remeasurement of retirement benefit liabilities	21.8
Deferred tax on remeasurement of retirement benefit liabilities	(3.7)
Result for the year	109.7
Dividends paid in the year	(149.2)
<b>As at 31 March 2018</b>	<b>516.7</b>

	2018 £m	2017 £m
<b>Reconciliation of movements in shareholders' funds</b>		
Opening shareholders' funds	1,542.0	1,588.7
Total recognised income for the year	127.8	77.5
Dividends paid in the year	(149.2)	(124.2)
<b>Equity shareholders' funds as at 31 March 2018</b>	<b>1,520.6</b>	<b>1,542.0</b>

#### 31. Capital commitments and contingent liabilities

	2018 £m	2017 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	225.8	27.8

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

The Group has performance bonds and other items arising in the normal course of business amounting to £1.3m at 31 March 2018 (2017: £2.4m). As part of its investment in Airport City the Group has agreed to pay an equity contribution up to a maximum of £30m if required.

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

32. Operating lease arrangements

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

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

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

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 33. The amount payable on the ground rent leases is a base fee of £1.0m (included within the table above and increasing with inflation linked to CPI). The main lease with MCC is variable based on turnover and rental per sq foot with no base fee or minimum commitment, and therefore is not included in the table above. The amount charged to operating profit across all leases with MCC in the year was £11.3m (2017: £11.0m). The lease expires in 2085.

As noted above, the Group also has a commitment in respect of an electricity distribution agreement with UK Power Networks (formerly EDF Energy Plc). The total amount payable on the lease is a base fee of £8.1m (included within the table above and increasing with inflation), plus a volume and recharge element adjusted annually for inflation. The total amount charged to operating profit in the year was £10.5m (2017: £10.6m). The lease expires in 2083.

33. 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 2018 the amount of loans outstanding owed to MCC by the Group was £83.2m (2017: £83.2m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2017: £nil) to MCC during the year and paid interest of £10.0m (2017: £10.0m).

As at 31 March 2018 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 £79.4m (2017: £79.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2017: £nil) to the other nine councils during the year and paid interest of £9.5m (2017: £9.5m).

Included in external charges are charges for rent and rates amounting to £27.0m (2017: £30.1m) and other sundry charges of £0.6m (2017: £0.4m). The 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.

33. Related party transactions continued

As at 31 March 2018 the amount of loans outstanding owed to IFM by the Group was £89.4m (2017: £89.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2017: £nil) to IFM during the year and paid interest of £10.7m (2017: £10.7m).

Transactions involving associate

As at 31 March 2018 the amounts owing were £nil (2017: £0.1m) and amounts owed were £0.1m (2017: £0.5m). During the year the Group sold freehold land to the associate, generating proceeds of £4.7m (2017: £nil).

34. Disposal of subsidiary

As referred to in note 10, on 4 December 2017 the Group disposed of its interest in the entire shareholding of Bournemouth International Airport Limited and its subsidiaries.

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

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

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

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

The impact of Bournemouth International Airport Limited and its subsidiaries on the Group’s results in the current and prior years is disclosed in note 10.

The loss on disposal is included in the loss or the year from the discontinued operation (see note 10).

Cash flows relating to the discontinued operation are as follows:

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

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

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

	2017 £m	Cash flow £m	Other non-cash movements £m	2018 £m
Cash at bank and in hand	16.7	3.3	–	20.0
Cash on short-term deposit	–	–	–	–
Cash and cash equivalents disclosed on the statement of financial position	16.7	3.3	–	20.0
Overdrafts	–	–	–	–
Total cash and cash equivalents (including overdrafts)	16.7	3.3	–	20.0
Current debt	(134.1)	134.1	–	–
Non-current debt	(1,054.5)	(292.3)	–	(1,346.8)
Net debt	(1,171.9)	(154.9)	–	(1,326.8)

36. Post balance sheet events

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

On 3 July Manchester Airport Finance Holdings Limited, a subsidiary of Manchester Airports Holdings Limited, entered into an agreement to issue £175.0m of Unsecured Notes to the shareholders of Manchester Airports Holidays Limited, comprising £62.1m Series B Notes and £112.9m Series C Notes. These shareholders’ notes bear interest at a fixed rate of 10.0% per annum and expire on 30 September 2056. The loans are unsecured.

37. Financial statements under IFRS 15

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

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

	2018 £m Before IFRS 15 adjustment	2018 £m IFRS 15 adjustment	2018 £m After IFRS 15 adjustment	2017 £m Before IFRS 15 adjustment	2017 £m IFRS 15 adjustment	2017 £m After IFRS 15 adjustment
Continuing operations						
Revenue	916.9	(98.8)	818.1	823.8	(81.1)	742.7
Costs	(558.1)	98.8	(459.3)	(484.6)	81.1	(403.5)
Adjusted EBITDA from continuing operations*	358.8	–	358.8	339.2	–	339.2
Depreciation and amortisation	(143.4)	–	(143.4)	(136.3)	–	(136.3)
Result from continuing operations before significant items	215.4	–	215.4	202.9	–	202.9

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

\* As explained in the financial review on page 30.

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 nearest £100,000.

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

- statement of cash flows and related notes;
- key management personnel compensation;
- related parties; and
- reconciliation of the number of shares outstanding from the beginning to the end of the period.

Furthermore, as the consolidated financial statements of Manchester 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 2018

	Note	2018 £m	2017 £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	–
LIABILITIES			
Current liabilities			
Trade and other payables	5	(544.2)	(386.2)
NET CURRENT LIABILITIES		(76.5)	(386.2)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,176.6	1,866.9
NET ASSETS		2,176.6	1,866.9
Shareholders' equity			
Share capital	6	316.6	316.6
Share premium		687.2	687.2
Retained earnings		1,172.8	863.1
TOTAL EQUITY		2,176.6	1,866.9

The accompanying notes form an integral part of the financial statements.  
The financial statements on pages 121 to 126 were approved by the Board of Directors on 4 July 2018 and signed on its behalf by:

**Sir Adrian Montague CBE**  
Chairman, MAG

**Charlie Cornish**  
Chief Executive, MAG

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

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2017	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

Statement of changes in equity  
for the year ended 31 March 2017

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2016	316.6	687.2	993.0	1,996.8
Total comprehensive expense for the year				
Result for the year	–	–	(5.7)	(5.7)
Transactions with owners recorded directly in equity				
Dividends paid	–	–	(124.2)	(124.2)
Balance at 31 March 2017	316.6	687.2	863.1	1,866.9

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

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

1. Auditor’s remuneration

Amounts receivable by the Company’s auditor and the auditor’s associates, in respect of services to the Company and the Company’s subsidiaries, have not been disclosed as the information has been disclosed on a consolidated basis as noted on page 94.

2. Profit 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 profit of £458.9m (2017: loss of £5.7m) before payment of dividends.

3. Investments

	Subsidiary undertakings £m	
Cost and net book value		
At 31 March 2018 and 31 March 2017		2,253.1

4. Trade and other receivables

	2018 £m	2017 £m
Amounts owed by subsidiary undertakings	467.7	–
	467.7	–

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

5. Trade and other payables

	2018 £m	2017 £m
Amounts owed to subsidiary undertakings	544.2	386.2
	544.2	386.2

Amounts owed to subsidiary undertakings represent a loan from Manchester Airport Plc, which was interest bearing at 31 March 2018, with interest charged at a rate of 1.5% (2017: 1.5%) above base rate per annum.

6. Called up share capital

	Number (m)	2018 £m	2017 £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

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:		Principal activity
		Group	Company	
Airport Advertising Limited <sup>2</sup>	Ordinary £1 shares	100%		Non-trading
Airport City (Asset Manager) Limited <sup>1, 2</sup>	Ordinary £1 shares	50%		Property holding company
Airport City (General Partner) Limited <sup>1, 2</sup>	Ordinary £1 shares	50%		Property holding company
Airport City Limited Partnership <sup>1, 2</sup>	Ordinary £1 shares	50%		Property holding limited partnership
Airport City Management Company (South) Limited <sup>2</sup>	Ordinary £1 shares	100%		Property management company
Airport City (Manchester) Limited <sup>2</sup>	Ordinary £1 shares	100%	100%	Property holding company
Airport City (Manchester) Investments Limited <sup>2</sup>	Ordinary £1 shares	100%		Property holding company
Airport Petroleum Limited <sup>2</sup>	Ordinary £1 shares	100%		Non-trading
Bainsdown Limited <sup>3</sup>	Ordinary £1 shares	100%		Property holding company
East Midlands Airport Core Property Investments Limited <sup>2</sup>	Ordinary £1 shares	100%		Non-trading
East Midlands Airport Nottingham Derby Leicester Limited <sup>2</sup>	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited <sup>2</sup>	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited <sup>2</sup>	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited <sup>2</sup>	Ordinary £1 shares	100%		Investment property holding company
East Midlands International Airport Limited <sup>4</sup>	Ordinary £1 shares	100%		Airport operator
	9% cumulative redeemable preference shares	100%		
EMIA Pension Trustee Limited <sup>2</sup>	Ordinary £1 shares	100%	100%	Pension trustee
Manchester Airport Aviation Services Limited <sup>3</sup>	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Finance Holdings Limited <sup>2</sup>	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Finance Limited <sup>2</sup>	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Funding Plc <sup>2</sup>	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Investments Limited <sup>2</sup>	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Property Developments Limited <sup>2</sup>	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited <sup>2</sup>	Ordinary £1 shares	100%		Property management company
The Manchester Airport Group Plc <sup>3</sup>	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group US Holdings Inc <sup>*.6</sup>	Ordinary \$0.01 shares	100%		Investment holding company
Manchester Airport Plc <sup>2</sup>	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited <sup>2</sup>	Ordinary £1 shares	100%		Investment property holding company

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

Notes

7. Subsidiary undertakings continued

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:		Principal activity
		Group	Company	
Manchester Airport Property Investments <sup>2</sup> (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments <sup>2</sup> (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Ventures Limited <sup>3</sup>	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
MAG Investments US Limited <sup>2</sup>	Ordinary £1 shares	100%		Investment holding company
MAG Overseas Investments Limited <sup>2</sup>	Ordinary £1 shares	100%	100%	Investment holding company
MAG US Lounge Management LLC <sup>*.6</sup>	N/A	100%		Non-trading
MAG US Parking Management LLC <sup>*.6</sup>	N/A	100%		Non-trading
MAG US Terminal Management LLC <sup>*.6</sup>	N/A	100%		Non-trading
MAG DC Pension Trustee Limited <sup>2</sup>	Ordinary £1 shares	100%	100%	Pension trustee
MAG Pension Trustee Limited <sup>2</sup>	Ordinary £1 shares	100%	100%	Pension trustee
Ringway Developments Plc <sup>2</sup>	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited <sup>3</sup>	Ordinary £1 shares	100%		Non-trading
Ringway Handling Services Limited <sup>3</sup>	Ordinary £1 shares	100%		Non-trading
Stansted Airport Limited <sup>5</sup>	Ordinary £1 shares	100%		Airport operator
Worknorth Limited <sup>2</sup>	7% cumulative redeemable preference shares	100%		Non-trading
	Ordinary £1 shares	100%		
Worknorth II Limited <sup>3</sup>	7% cumulative redeemable preference shares	100%		Non-trading
	Ordinary £1 shares	100%		

NOTES:

1. These reflect the Group's 50% 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. 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, or where indicated (\*), is the United States of America.



