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RiverOak Strategic Partners

Summary of Applicant's Oral Submissions at the Compulsory Acquisition Hearing on 04 June 2019 and associated appendices

TR020002/D8/CAH2

Examination Document

Project Name:	Manston Airport Development Consent Order
Application Ref:	TR020002
Submission Deadline:	8
Date:	14 June 2019

MANSTON AIRPORT DEVELOPMENT CONSENT ORDER APPLICATION
APPLICANT'S WRITTEN SUMMARY OF ORAL SUBMISSIONS PUT AT COMPULSORY
ACQUISITION HEARING 2

4 JUNE 2019

Laurence Suite, Building 500, Discovery Park, Sandwich, CT13 9FF

1 Introduction

1.1 This document summarises the case put by RiverOak Strategic Partners (the Applicant) at the compulsory acquisition hearing of examination into the proposed Manston Airport. The hearing opened at 10am on 4 June 2019 at Laurence Suite, Building 500, Discovery Park, Sandwich, CT 13 9FF. The agenda for the hearing was set out in the Examining Authority's (ExA) letter published on the Planning Inspectorate's website on 24 May 2019 [[EV-018](#)].

2 Agenda Item 4: Revised Funding Statement

2.1 The Applicant noted the ExA's comments regarding the revised funding statement, and explained that sufficient information has been provided by the Applicant, and that the Applicant has strived to provide what it can to the ExA in order to satisfy it for its purposes. The Applicant is not however willing to reveal the names of any investors in the scheme without reassurance that those details will not appear on a public record. The Applicant has set out its reasons for this on separate occasions. The Applicant has however:

- Provided evidence that £13.1m has been deposited in its solicitors' client account;
- Reduced the period for exercising such powers of compulsory acquisition from the usual 5 years from making of the Order, to 1 year from making of the Order or expiry of any challenge period or final determination of any such challenge;
- Provided evidence that the funders of the project are obliged to fund £15m for land compensation and blight through a Joint Venture Agreement;
- Brought the Applicant's main owner onshore in an attempt to allay concerns as to its overseas status;
- Provided a letter from PwC attesting that £30m is available now; and
- Offered to provide the ExA with details of the investors on the understanding that only a redacted form would be published.

2.2 The Applicant made the point that the ExA has important responsibilities in the context of the compulsory acquisition of land, as reflected in the DCLG Guidance on compulsory acquisition, but that it is for HMRC to oversee inward investment into the UK under the Business Investment Relief scheme and satisfy itself as to the UK's anti-money laundering requirements. In that context, the Applicant explained that the names of the investors and the ultimate source of the funding for the project is not a proper matter for consideration by the ExA in determining whether

to recommend that compulsory acquisition powers should be granted. The names of the investors are known to HMRC and the source of that funding, including the costs of compulsory acquisition, will be closely scrutinised by HMRC, in its separate role. Indeed, it is not apparent to the Applicant what the ExA would do with it were the Applicant provide a name of a non-domiciled UK resident investor, other than simply record it.

- 2.3 The Applicant noted that Manston as a project has been reviewed and approved by HMRC pursuant to its Business Investment Relief (BIR) scheme. Mr Rothwell explained how the BIR scheme works, and that its very purpose is to encourage non-domiciled UK residents to invest in the UK, in projects such as Manston Airport. This is why although the delivery vehicle for the project has been brought onshore, the funding element cannot be, as it would otherwise not qualify as a BIR scheme. The Applicant would refer the ExA to its answer to F.3.1 at [REP7a-002], which outlines in greater detail the significance and importance of the BIR scheme to the UK. Mr Rothwell outlined the reporting process, and noted that in addition HMRC undertakes spot audits. One of the investors has been the subject of a spot audit, albeit not on this project. Mr Rothwell outlined the significant financial penalties that would accrue if misleading information were provided to HMRC for the purposes of the BIR approval process – he explained that understandably therefore reporting is undertaken carefully and accurately.
- 2.4 The Applicant noted that the DCLG guidance makes clear that issues around funding in this forum relate to whether there are funds available to compensation on the exercise of compulsory acquisition powers (see paragraph 9 of the guidance which notes “[The applicant] should also be able to demonstrate that there is a reasonable prospect of the requisite funds for acquisition becoming available.”). It can be seen, therefore, that the policy test that the ExA is to apply is whether there is a “reasonable prospect” of the funds being available and the article 9 (see below) mechanism included in the dDCO clearly exceeds this threshold (i.e. the compulsory acquisition powers cannot be exercised until there is certainty that £13.1m is secured to the satisfaction of the Secretary of State). Indeed, £13.1m is currently being held by the Applicant’s solicitors for this purpose.
- 2.5 The Applicant explained that there is no requirement, in legislation or in the DCLG Guidance, that the applicant for development consent must have sufficient funds in place to implement the project fully at the time of confirmation of the Order. Indeed, the Applicant noted that very few projects would be able to comply with such a requirement. The Guidance likewise recognises this at paragraph 17 where it states “It may be that the project is not intended to be independently financially viable, or that the details cannot be finalised until there is certainty about the assembly of the necessary land...”. Nevertheless, the Applicant has provided further evidence of its capability to fund this project, appended to this document at Appendix 1.
- 2.6 The Applicant explained that the amount of information provided by the Applicant to date has to be seen in the context of article 9 of the draft DCO. Article 9 is drafted as follows:

Guarantees in respect of payment of compensation, etc.

9.—(1) The authorised development must not be commenced, and the undertaker must not exercise the powers in articles 19 to 33, until—

(a) subject to paragraph (3), security of £13.1 million has been provided in respect of the liabilities of the undertaker—

(i) to pay compensation to landowners in connection with the acquisition of their land or of rights over their land by the Applicant exercising its powers under Part 5 of this Order; and

(ii) to pay noise insulation costs and relocation costs as required by Requirement 9 of Schedule 2 to this Order; and

(b) the Secretary of State has approved the security in writing....

- 2.7 Article 9 ensures that the Secretary of State must be satisfied as to the availability of funds for not only compulsory acquisition, but also noise insulation and relocation costs, *before* the undertaker exercises any powers of acquisition and possession, including temporary possession powers.
- 2.8 In the context of the restriction of the time limit for exercise of authority to acquire land compulsorily to 1 year in article 21, article 9 has the effect of significantly reducing any impact that the grant of compulsory acquisition powers might have on landowners.
- 2.9 Article 9 has precedence in other Orders (including those promoted by private entity applicants) such as Rookery South, Able Marine Energy Park and Swansea Bay Tidal Lagoon, where it has been a means of satisfying the ExA as to the matters such as the Applicant is attempting here to address.
- 2.10 The Applicant has provided as much information as it can do to satisfy the ExA on this point. Additionally, article 9 ensures that if the Applicant cannot provide the required security for £13.1m within 12 months of the proposed 'start date' then it cannot exercise compulsory purchase powers and, therefore, in the absence of acquiring the necessary land by agreement, it cannot construct the authorised development. Thus the Secretary of State will have to be satisfied as to funding before there can be any compulsory acquisition and before both the beneficial and adverse effects of the proposed development can take place.
- 2.11 The Applicant agreed to provide the ExA with company accounts to the end of May 2019 for RiverOak Strategic Partners Limited, RiverOak Fuels Limited, RiverOak (Manston) Limited, RiverOak AL Limited, RiverOak Operations Limited, RiverOak MSE Limited and RiverOak Investments (UK) Limited, and these are included at Appendix CAH2-9.

3 Agenda Item 5: Restructuring

- 3.1 The Applicant explained that it has restructured itself so that its owners are both UK companies; its investor, MIO Investments Ltd, remains involved as an offshore company so as to continue to benefit from BIR.
- 3.2 The Applicant reiterated that MIO Investments is necessarily still involved as a result of the BIR scheme structure. RiverOak Investments (UK) Limited is the delivery vehicle, however it secures the funding from MIO Investments, being the Belize overseas non-domiciled investment vehicle. Mr Rothwell explained that bank accounts are held in Switzerland, however separate assets must be brought together outside of the UK, and that MIO Investments is the vehicle that does that. In order to benefit from BIR, the funds from the non-domiciled UK residents need to be channelled through an overseas investment vehicle that has been approved by HMRC. That is the purpose of MIO Investment. It is a mechanism for foreign direct

investment. Monies earned abroad by UK non-domiciled residents are earned in various parts of the world and taxed locally. They are then channelled into a single vehicle, MIO Investments, and thence into the UK. They are fully declared to HMRC. MIO Investments has been accepted as a compliant counter-party by HMRC. If the earnings were brought into UK by the individual non-doms, they would be subject to income tax.

- 3.3 The ExA noted that an interested party, Five10Twelve had contended that HLX Nominees Limited (HLX) is not a member of a Swiss regulator or the Swiss Association of Trust Companies. Mr Rothwell noted that there is not simply one Swiss regulator, and that HLX is regulated by a Swiss regulator (details included at Appendix CAH2-10). The SATC is not a regulator but an association, and there is no requirement to be a member of it.
- 3.4 Mr Lawlor explained the Applicant and subsidiaries are a JV vehicle for receiving funds from the investors and implementing the project, as with other projects. SPVs would ordinarily have a nil value, as it is necessarily the structure that investors will want to see – clean vehicles unencumbered for the delivery of the project.

4 Agenda Item 6: Resource Implications

- 4.1 The Applicant explained that the £7.5m figure was not an under-provision as advanced by the principal landowner, Stone Hill Park (SHP), but rather a figure identified by the Applicant's highly experienced advisor Colin Smith of CBRE in accordance with the Compensation Code and is greater than his estimate of the value of the land.
- 4.2 The Applicant explained that the existing use value of the site would be low, as there is no planning permission secured in relation to the site, nor can a planning permission be assumed in this instance. As such, any valuation is necessarily based on 'hope value'. The Applicant noted that there was small prospect of a planning permission being secured. Of course if SHP had brought forward its planning applications and pressed the Local Planning Authority to determine the applications, then there might be an extant planning permission, and any valuation would then not be on a 'hope value' basis. Instead, the planning applications remain incomplete, and so SHP is not in a position to appeal on the basis of non-determination. Previous planning applications made by SHP in for the site have been refused, including on appeal. There is no Local Plan allocation support for SHP's applications. In conclusion, over a very long period of time, SHP has failed to secure permission for an alternative scheme.
- 4.3 Mr Smith explained that there were a number of factors that affected the valuation of the site, which had led him to the figure of £7.5m. Mr Smith noted that SHP was clearly operating under the misunderstanding that a commercial offer, whereby the applicant for an order granting compulsory acquisition powers might offer a premium to enable voluntary acquisition to take place quickly, should be comparable to the calculation of compensation due under the Compensation Code.
- 4.4 Mr Smith noted that the only recent arm's length transaction for the site was the purchase by Ms Gloag who bought the site in 2013 for £1. Mr Smith noted that a figure of £350,000 had also been noted in the press; either way the figure was not substantial. Mr Smith noted that when Ms Gloag bought the airport she did so to run it operationally as an airport, but it was then quickly closed and the assets were sold, likely to reduce any value it has still further. Mr Smith also noted that there is insufficient land held by SHP to enable its current proposal to come forward. SHP would not benefit from compulsory acquisition powers to assist it in land

assembly. As such, the best evidence available for the value of the site is the arm's length sale at a nominal amount. Mr Smith noted that he does not agree that the £7.5m estimate is an underestimate, nor that the site's value would reflect development as an airport because this project might get consent, which is wholly in contravention of one of the fundamental principles of the Compensation Code.

- 4.5 Mr Smith noted that SHP's advisors had not at any point presented him with a value based on the Compensation Code, preferring instead to reference commercial negotiations that have been ongoing between the parties. Mr Smith reiterated that the amounts offered in the context of commercial offers do not provide evidence for the calculation of value on the Compensation Code basis.
- 4.6 The Applicant noted that a detailed business plan exists but contains confidential commercial information. The summary business model (Appendix F.1.5 to the Applicant's Appendices to Answers to First Written Questions [REP3-187](#)) is sufficient to show the project is viable. The Applicant provided a summary of the *Chesterfield* case in Appendix 9 of the summary of its case at the March compulsory acquisition hearing (page 266 of [REP5-010](#)). In that case, compulsory acquisition powers were granted notwithstanding that the proposed development was only marginally viable such that there was a real risk that it would not be carried out. In order to authorise the compulsory acquisition of land, the Secretary of State must be satisfied that there is a compelling case in the public interest but that does not necessarily require him, as a condition precedent to authorising the acquisition, to be satisfied on the balance of probabilities that the proposed development will go ahead if the land is acquired.
- 4.7 Nevertheless, in response to the ExA's questions, the Applicant provides a fuller business model appended to this document (Appendix CAH2-15).
- 4.8 The Applicant noted that it has costed the commitments in the draft s106 agreement that was provided at Deadline 7a. The annotated global figure for the financial value of all commitments and obligations is appended to this document as appendix CAH2-11, and comes to just under £19m. This amount is included in the total being raised from investors such as Aldgate mentioned in Appendix 1, and is in addition to the capital expenditure in the business plan. The Applicant has included a further draft of the s106 agreement at TR020002/D8/S106.
- 4.9 A note responding to Louise Congdon's assertion that our revenue is four times that of East Midlands Airport is appended as Appendix 3 to this document.

5 Agenda Item 10: Compelling case in the public interest

- 5.1 The Applicant confirmed that the Airports NPS does not "have effect" in relation to Manston airport for the purposes of s.104 of the Planning Act 2008; albeit that it is clearly an important and relevant consideration for the purposes of s.105. The Applicant noted in particular its relevance on the need for new airport capacity and making best use of existing infrastructure.
- 5.2 Ms Schembri explained that the Applicant's submissions on the compelling case in the public interest is as set out in the Statement of Reasons ([APP-012](#)) as noted in paragraph 9.37 under four principal headings (and the ExA is directed to that document for further detail and explanation):

- i. The Proposed Development would encourage future trade growth by helping to address the urgent need for additional airport capacity in the South-East of England (paragraphs 9.40-9.43)
 - ii. The Proposed Development will bring substantial socio-economic benefits both locally and nationally (paragraphs 9.44-9.51)
 - iii. Development of the site as an airport is the only viable use for it (paragraphs 9.52-9.55)
 - iv. The project would safeguard a valuable and significant national asset from being otherwise lost and provide UK with modern air cargo customs facilities (paragraphs 9.56-8.57)
- 5.3 The Applicant set out in detail at the previous Issue Specific Hearing on Compulsory Acquisition and its written summary of case ([REP5-011](#)) the general importance of aviation and the significant benefits that it brings to the UK and how the Manston Airport project would help to realise these benefits including:

1. *There is a growing realisation, at Government level, of the importance of the air freight sector to the UK economy*

- See that in the Green Paper published in December 2018: Aviation 2050 'The Future of UK Aviation' Consultation - see paragraphs 4.45-4.50 (including footnote 99 from the Steer Report) – section on 'Supporting Freight' and the importance of freight to jobs and the economy

2. *Aviation provides significant economic and social benefits to the UK*

- It is an industry that contributes at least £22 billion to our economy, supports half a million jobs, serves 284 million passengers and transports over 2m tonnes of freight per year

3. *Air freight is becoming increasingly significant to the UK economy*

- Record quantities of freight were handled by UK airports in 2017, highlighting the growing importance of aviation to the transport of freight
- The changing nature of the goods and services we trade means that air freight is becoming increasingly significant to the economy, transporting high tech products, medicines and just-in-time deliveries.
- The aviation sector can boost the wider economy by providing more opportunities for trade through air freight

4. *Brexit*

- The importance of aviation to the UK economy, and in particular the UK's hub status, has only increased with the decision to leave the EU. As the UK develops its new trading relationships with the rest of the world, it will be essential that increased airport capacity is delivered, in particular to support long-haul routes to and from the UK, especially to emerging and developing countries

5. *There will be economic implications if capacity constraints are not addressed*

- with knock on effects in lost trade, foreign investment and tourism
- 5.4 The Government's Consultation Paper on its Aviation Strategy – Aviation 2050 'The Future of UK Aviation' (December 2018) makes clear that Government welcomes the aviation industry's future expansion but that growth must be sustainable (page 48). There is full Government policy support for airports making best use of their existing runway capacity and in doing so, the Manston Airport proposals represent the most sustainable form of growing aviation to deliver what the country needs.
- 5.5 The Applicant also notes that:
- 5.5.1 Private loss will be compensated;
 - 5.5.2 No residential property will be affected by the proposed compulsory acquisition
 - 5.5.3 The only affected extant businesses will be relocated
 - 5.5.4 The landowners of the pipeline will be in a better position than they are at present, as presently no entity has accepted responsibility for the maintenance of the pipeline
 - 5.5.5 The site's main landowners have not advanced their own planning application for the site, and have been willing to dispose of the site to the Applicant, albeit for a sum that has not been agreed.

6 *Agenda Item 11: Land required*

- 6.1 Associated Development is defined in the Planning Act 2008 as development which is associated with the principal development. Guidance on Associated Development Applications for Major Infrastructure Projects provides that there must be a direct relationship between the associated and principal development. It must either support the construction or operation of the principal development or help address its impacts. It should be proportionate in nature and scale.
- 6.2 Requirement 19 of the draft DCO provides that Works 15 – 17 must only be developed and used to support the operation of the principal development. Works 15 to 17 are also expressly restricted to "airport related commercial" facilities.
- 6.3 Article 2 to the draft DCO defines "airport related" development as "development directly related to, or associated with, or supportive of operations at Manston Airport including, but not limited to, offices for various support functions and freight forwarders, freight distribution centres, flight catering, car hire activities, maintenance and valeting operations, support functions for aircraft maintenance, airline training centres, airline computer centres, security facilities, business aviation facilities and storage facilities for airlines."
- 6.4 Annex 4 to the revised NSIP Justification [\[REP1-005\]](#) provides further information on the proposed Associated Development on the Northern Grass.

- 6.5 The Applicant has provided a table setting out potential airport related uses on the Northern Grass and comparable examples at other airports in its answer to OP.2.5 and in Appendix OP.2.5 [[REP6-014](#)].
- 6.6 The type of development proposed on the Northern Grass is the type of development that requires a location at or in close proximity to an airport including its runway. This type of development is a common feature at airports. If it was to be located further afield, the uses would not be able to operate as efficiently or sustainably as from the Northern Grass with its locational advantages being so close to the airport, the runway and other operations taking place directly on the airfield. It is in the public interest that airport related uses are located as close to the airport as possible, within the airport boundary and in an area which is safeguarded for exactly these sorts of uses (see Policies EC2 and EC4 of the 2006 Thanet Local Plan¹).
- 6.7 Locating such uses on sites remote from the airport, without the direct locational advantages enjoyed by the Northern Grass and on land that in all likelihood is not within the airport operator's ownership, would result in inefficient and less sustainable relationship with the airport and the potential for additional adverse effects through the more extensive handling of goods across a greater area. Furthermore, in that circumstance the airport operator might not be able to strictly control land uses and their impacts in the same way that they could on land that they controlled in close proximity to the main airfield where such controls would already exist and could equally apply there e.g. green travel planning; noise controls; hours of operation etc.
- 6.8 The use of the Northern Grass is restricted by Works 15 – 17 and by the definition of Associated Development included in the Requirements to the draft DCO.

7 Agenda Item 12: Reasonable alternatives to compulsory acquisition

- 7.1 Since the third revised Compulsory Acquisition Status Report (Deadline 5), the Applicant has written to all 81 pipeline owners and provided them with draft voluntary agreements, offered a financial incentive (£250 in total, £100 payable on grant of option and £150 payable on transfer), and offered to cover reasonable legal fees (of up to £500 inclusive of VAT).
- 7.2 The Applicant has received responses from 19 pipeline owners since it has made such offers and remains committed to entering into voluntary agreements where possible.
- 7.3 The Applicant has reached an agreement with the 1948 Group in respect of the temporary powers it is seeking under the Order over their land (subsoil of highway).
- 7.4 Mr Freudmann explained that in relation to the pipeline owners, letters had been distributed by hand throughout the village. An opportunity to respond by telephone, mail, email etc has been provided to those people. The Chair of a local association has responded and has been assisting. Meetings were held on 20 and 30 May and 22 people attended. The legal fees and incentive were explained. Previously, on 11 January at the village hall in Cliffs End, and engineers and visuals attended. However, only 9 people attended. An additional event is scheduled for 17 June and it is hoped that with the assistance of the Chair of the local association, attendance may be improved. The Chair of the local association intends to instruct a local firm of solicitors to act on behalf of the pipeline owners. It is hoped that an option agreement will be in place by the end of the examination.

¹ https://www.thanet.gov.uk/wp-content/uploads/2018/06/LocalplanOct06v3_2-2-1.pdf

- 7.5 The Applicant explained that over 90% of the land required for the project was owned by SHP. Outside of SHP and Crown land (which the Applicant continues to seek to acquire voluntarily), the level of engagement from landowners may be reflective of the limited impact of the Applicant's compulsory acquisition powers. Despite this, the Applicant explained that it had continued to liaise with all owners, lessees, occupiers and remained open to entering into voluntary agreements. The Applicant has written to every owner, lessee, occupier with land subject to CA powers, whether or not they have made a representation.
- 7.6 The Applicant noted that St John's College, Cambridge had previously informed the Applicant that it would not negotiate with the Applicant until the Order has been made. The College has now agreed to engage following a request that the Applicant agree to meet their legal/surveyor fees in doing so, which the Applicant has agreed. The Applicant is waiting for further information from the College in respect of its legal/surveyor fees and is collating the information the College is seeking.

8 Agenda Item 16: Crown land

- 8.1 The Applicant has been in regular contact with the Ministry of Defence and its attempts to engage regarding the two sites have been recorded in full in the Compulsory Acquisition Status Report, the latest version being submitted at Deadline 8. The Applicant confirmed during the hearing that the Ministry of Defence had rejected the Applicant's attempt to arrange a meeting to discuss its land interests.
- 8.2 During the hearing, the Ministry of Defence was unable to provide clarity on the status of the two freehold interests the Applicant is willing to relocate. These are a motor transport unit at plot 038 and Aerial Farm at plot 026. The Applicant awaits the Ministry of Defence's confirmation that the motor transport unit can be relocated and Aerial Farm is redundant. The Applicant followed up this matter with the Ministry of Defence by email on 7 June 2019, after the hearing. Yet again, no response was received.
- 8.3 The position as to the relocation of the HRDF, is as per Appendix CAH2-14. The Applicant provides two agreements with Aquila at Appendix CAH2-13 – a non-disclosure agreement, and its contract with Aquila (with payment details redacted at Aquila's request); Aquila's permission has been obtained to exhibit these.
- 8.4 The Applicant has engaged with Cogent Land and attempted to agree a Statement of Common Ground. The Cogent Land representative confirmed during the hearing that they were not prepared to enter into a Statement of Common Ground with the Applicant until they were comfortable with the Applicant's noise mitigation measures.

CAH2 Appendix Index

ExA Action No.	Appendix No.	Document
N/A	1	Letter from Aldgate Developments dated 10.06.19
N/A	2	EC2 and EC4 of the 2006 Thanet Local Plan
N/A	3	Comparison between East Midlands Airport (EMA) and Manston (MSE)
9	CAH2 - 9	Interim accounts to end of May 2019 for RiverOak Strategic Partners Limited, RiverOak Fuels Limited, RiverOak (Manston) Limited, Riveroak AL Limited, RiverOak Operations Limited, RiverOak MSE Limited and RiverOak Investments (UK) Limited.
10	CAH2 – 10	Note of evidence to support the statement in the Applicant's response to F.3.3 that HLX Nominees Limited falls under the review of the regulator in Switzerland.
11	CAH2 - 11	Annotated global figure for the financial value of all commitments and obligations whether through a proposed s106 agreement or agreements or any other means.
13	CAH2 – 13	Signed Agreements with Aquila
14	CAH2 – 14	Note (sent to DIO) on progress with negotiations on the relocation of the High Resolution Direction Finder (HRDF) including copies of plans showing preferred site(s).
15	CAH2 - 15	Business plan and business model

Appendix 1



ALDGATE DEVELOPMENTS

Mr Niall Lawlor
Riveroak Strategic Partners
16 Charles II Street
London SW1Y 4NW

10th June 2019

Dear Niall

**RE: PROPOSED REDEVELOPMENT OF MANSTON AIRPORT, KENT ("THE AIRPORT")
SUBJECT TO CONTRACT / CONTRACT DENIED**

I write on behalf of Aldgate Developments to outline our continued support for the redevelopment of the Manston Airport as a core member of the Riveroak Strategic Partners consortium.

As you are aware Aldgate Developments intends to be centrally involved in the procurement of the airport redevelopment, including bringing development expertise and the £250m to fund the projected first phase of CAPEX works.

1. ALDGATE DEVELOPMENTS

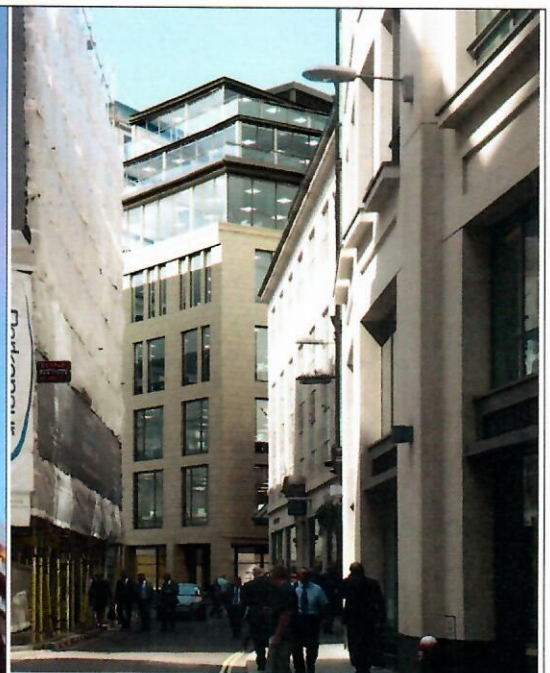
Aldgate Developments ("AD") is a Developer and Property Company with strong financial backing and a pro-active, in-house asset management and development team. AD have in recent years been focussed on the Central London office market and are the owner and developer of several major office schemes in London and Dublin:

- Aldgate Tower, 2 Leman St, London E1 is a major 17 storey 320,000 sqft office building on which a £350m sale to a consortium of Brookfield and China Life was completed in April 2016, providing significant acquisition liquidity to Aldgate Developments
- One Braham (formerly known as Maersk House/Beagle House) is a £400m redevelopment on an adjoining site on Braham St in Aldgate on which Aldgate Developments are currently completing a major 340,000 sqft HQ office scheme which is to be let to a major UK based corporate occupier. See www.onebraham.com

- 21 Lime St, EC3, a well known high profile development of 35,000 net sqft of high end office and ground floor retail on the corner of Leadenhall Market and Lime St in the heart of the City of London. This project was completed in a joint venture with the City of London Corporation. Construction was completed on 31 March 2017 and the building was fully let to QIC insurance company.
- Termini (www.termini.ie) and Leopardstown West (www.leopardstownwest.com), two major office schemes in Dublin comprising 650,000sqft of office space which is currently under construction



Aldgate Tower - 17 storey World Class Grade A offices



21 Lime St, EC3



One Braham, London E1



One Braham, London E1



Leopardstown West, Dublin 400,000sqft offices



Termini, Dublin – 225,000sqft office scheme

Aldgate Developments has raised c £1 billion in total debt and equity funding for these projects since 2012 and benefits from very strong equity backing.

2. ECHELON DATA CENTRES

Aldgate Developments, through its affiliate, Echelon Data Centres (www.echelon-dc.com) is developing over €1billion of major data centre projects in Dublin:

- Echelon Clondalkin - a major 35 acre site on the M50 in the West of Dublin on which construction is commencing on a €500m 80MW data centre which will be let to a major hyper-scale multinational occupier. This site was acquired by Echelon for cash in 2017
- Echelon Avoca (formerly Avoca River Park) - the c.200 acre former Irish Fertiliser Industries site in Arklow, Co Wicklow, acquired by Echelon in 2018 and on which a €500m data centre with a first phase of 100MW of IT load is being developed

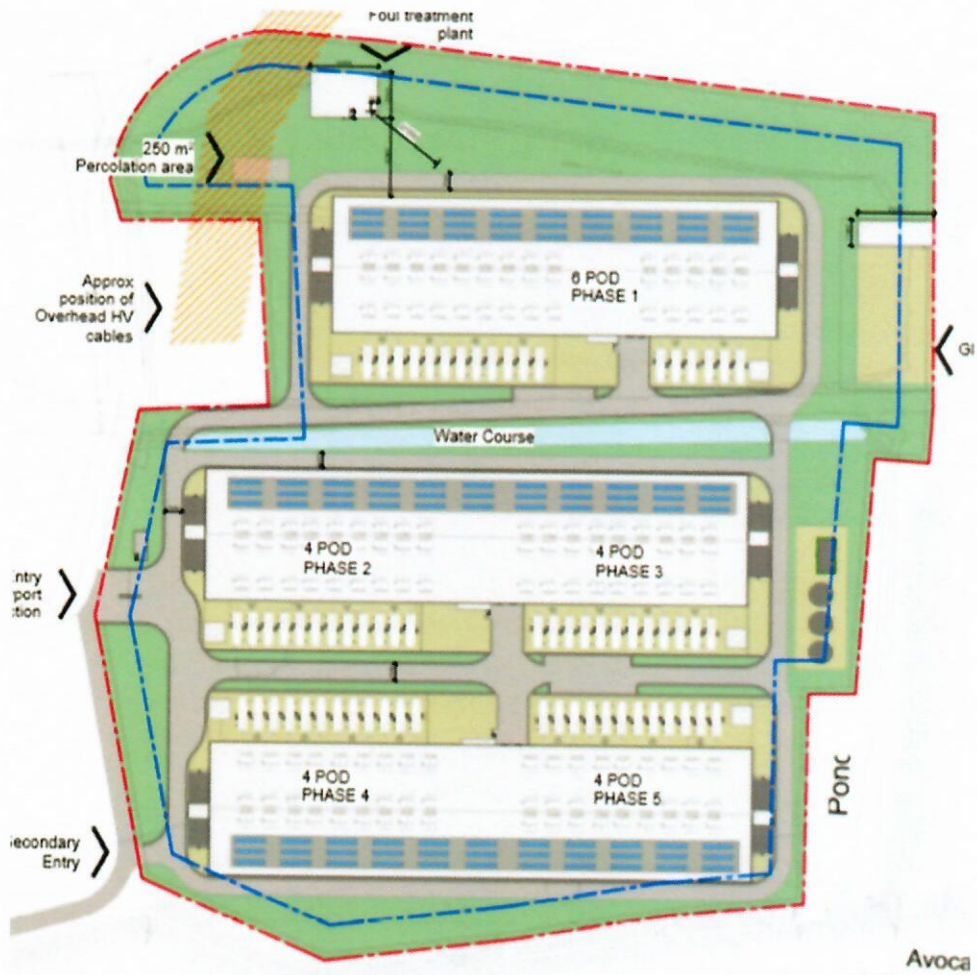
Echelon is also in the process of acquiring a series of other sites in the UK and across Europe to continue its program of data centre development and leasing.

Echelon is currently undertaking a €600m funding round from major international infrastructure funds for the development of these Data Centre projects. This funding is being arranged by Rubicon Infrastructure Advisers.

This is highly relevant for the Manston airport project, as the funding for the Echelon Data Centres business is being raised from major infrastructure funds. This is the same funding source that will provide the project financing for the Manston Airport redevelopment.



Echelon Data Centre, Clondalkin, Dublin



Echelon at Avoca

3. PROPOSAL FOR MANSTON AIRPORT:

Aldgate Developments is very excited about undertaking the development of Manston airport as part of the Riveroak Strategic Partners consortium.

Aldgate will bring very strong development expertise to the project, having completed c£1 billion of projects on time and on budget. We would propose providing a dedicated team of development managers and experts to bring the project to fruition, including refurbishment of the current airport infrastructure (runways, terminal) and the construction of appropriate new infrastructure (aircraft stands, cargo hangars etc).

As part of this development partnership, Aldgate Developments is able to bring the £250m+ development financing to allow the first phase of the project to progress, just as we have on all our other projects in Aldgate and elsewhere.

It is our intention to allow Rubicon Capital Advisors (www.rubiconcapitaladvisors.com), a global Investment Banking Advisory firm specialising in infrastructure projects, to undertake this fundraise to supplement Aldgate Developments own investment capital. Rubicon have already discussed the project with a range of leading infrastructure funds who are very keen to invest in the project subject to completion of the DCO process. Rubicon are highly confident that the development financing can be raised and I attach correspondence in this regard.

4. CONCLUSION:

The Aldgate Developments team are very excited about pressing on with the Manston Airport project and are available to discuss any aspect of it at your convenience.

If you wish to discuss any aspect, please do not hesitate to contact me on +44 207 488 0498 or niall.molloy@aldgatedevelopments.com

Yours sincerely,



NIALL MOLLOY
Director and Principal
Aldgate Developments

Appendix 2

POLICY EC2 - KENT INTERNATIONAL AIRPORT

PROPOSALS THAT WOULD SUPPORT THE DEVELOPMENT, EXPANSION AND DIVERSIFICATION OF KENT INTERNATIONAL AIRPORT WILL ONLY BE PERMITTED SUBJECT TO THE FOLLOWING REQUIREMENTS:

1. DEMONSTRABLE COMPLIANCE WITH THE TERMS OF THE CURRENT AGREEMENT UNDER SECTION 106 OF THE TOWN AND COUNTRY PLANNING ACT 1990 OR SUBSEQUENT EQUIVALENT LEGISLATION;
2. NEW BUILT DEVELOPMENT IS TO BE DESIGNED TO MINIMISE VISUAL IMPACT ON THE OPEN LANDSCAPE OF THE CENTRAL ISLAND. PARTICULAR ATTENTION MUST BE GIVEN TO ROOFSCAPE AND TO MINIMISING THE MASS OF THE BUILDINGS AT THE SKYLINE WHEN VIEWED FROM THE SOUTH;
3. APPROPRIATE LANDSCAPING SCHEMES, TO BE DESIGNED AND IMPLEMENTED AS AN INTEGRAL PART OF THE DEVELOPMENT*;
4. ANY APPLICATION FOR DEVELOPMENT FOR THE PURPOSE OF INCREASING AIRCRAFT MOVEMENTS IN THE AIR OR ON THE GROUND, AUXILIARY POWER OR ENGINE TESTING, MUST BE SUPPORTED BY AN ASSESSMENT OF THE CUMULATIVE NOISE IMPACT AND THE EFFECTIVENESS OF MITIGATION MEASURES TO BE IMPLEMENTED IN ORDER TO MINIMISE POLLUTION AND DISTURBANCE. THE ACCEPTABILITY OF PROPOSALS WILL BE JUDGED IN RELATION TO ANY IDENTIFIED AND CUMULATIVE NOISE IMPACT, THE EFFECTIVENESS OF MITIGATION AND THE SOCIAL AND ECONOMIC BENEFITS OF THE PROPOSALS;
5. AN AIR QUALITY ASSESSMENT IN COMPLIANCE WITH POLICY EP5, TO DEMONSTRATE THAT THE DEVELOPMENT WILL NOT LEAD TO A HARMFUL DETERIORATION IN AIR QUALITY. PERMISSION WILL NOT BE GIVEN FOR DEVELOPMENT THAT WOULD RESULT IN NATIONAL AIR QUALITY OBJECTIVES BEING EXCEEDED;
6. DEVELOPMENT WILL NOT BE PERMITTED WITHIN THE AIRPORT COMPLEX TO THE SOUTH OF THE AIRSIDE DEVELOPMENT SITE IDENTIFIED IN POLICY EC4, UNLESS IT HAS BEEN DEMONSTRATED THAT THE DEVELOPMENT IS NECESSARY FOR THE PURPOSE OF AIR TRAFFIC MANAGEMENT;
7. ANY NEW DEVELOPMENT WHICH WOULD GENERATE SIGNIFICANT SURFACE TRAFFIC MUST MEET REQUIREMENTS FOR SURFACE TRAVEL DEMAND IN COMPLIANCE WITH POLICY EC3.
8. IT MUST BE DEMONSTRATED THAT NEW DEVELOPMENT CANNOT CONTAMINATE GROUNDWATER SOURCES OR THAT APPROPRIATE MITIGATION MEASURES WILL BE INCORPORATED IN THE DEVELOPMENT TO PREVENT CONTAMINATION.

POLICY EC4 - AIRSIDE DEVELOPMENT AREA

LAND AT THE AIRPORT, AS IDENTIFIED ON THE PROPOSALS MAP, IS RESERVED FOR AIRSIDE DEVELOPMENT. DEVELOPMENT PROPOSALS WILL REQUIRE SPECIFIC JUSTIFICATION TO DEMONSTRATE THAT AN AIRSIDE LOCATION IS ESSENTIAL TO THE DEVELOPMENT PROPOSED. DEVELOPMENT WILL BE REQUIRED TO RETAIN SUFFICIENT LAND TO PERMIT ACCESS BY AIRCRAFT OF UP TO 65M (217FT) WINGSPAN TO ALL PARTS OF THE SITE.

Appendix 3

Comparison between East Midlands Airport (EMA) and Manston (MSE) Forecast

Questions have been asked about comparing the MSE forecast and the actual performance of EMA in relation to aeronautical (aka aviation) yield. However, a simple comparison is invalid as the two operations are different. Specifically:

- MSE will provide handling for passenger and freight services with the exception of eCommerce/Integrator operations;
- MSE will provide aviation fuel directly;
- The traffic mix at MSE is more heavily freight dominated than at EMA;
- The ratio of eCommerce/Integrator to general cargo at MSE is much lower than at EMA.

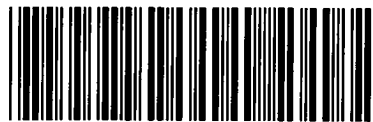
The filed accounts of EMA have been examined (year ending March 2018). These accounts confirm that the aviation revenue was £23.2m. The MAG Annual Report for the same period advises 4,854k passengers and 358k MT of freight equating to 8,434k WLU. This implies aviation revenue yield per WLU of £2.75.

When the impacts of freight handling and fuel are excluded from MSE, the aeronautical yield per WLU is £3.18 in year 20 of the forecast (when the forecast freight volumes are similar to those at EMA today).

East Midlands International Airport
Limited

Annual report and financial statements
Registered number 02078271
Year ended 31 March 2018

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Contents

Strategic report	1
Directors' report	2
Statement of directors' responsibilities relating to the strategic report, the directors' report and the financial statements	4
Independent auditor's report to the members of East Midlands International Airport Limited	2
Income statement	4
Other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Notes	8

Strategic report

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

Principal activity

The principal activity of the Company during the year was the operation and management of East Midlands International Airport. The Company's revenues were derived primarily from aircraft and passenger handling charges, together with income from aviation, commercial, car park and retail activities.

The Company is a wholly owned subsidiary of East Midlands Airport Nottingham Derby Leicester Limited, which itself is a wholly owned subsidiary of Manchester Airports Holdings Limited. Manchester Airports Holdings Limited and its subsidiaries (including the Company) are referred to below as 'the Group'.

Business review and future outlook

The results for the year are set out on page 7. During the year the Company made a profit before tax of £31,230,000 (2017: £11,194,000). At the year end the Company had net assets of £94,056,000 (2017: £222,638,000).

The Company intends to continue the development of East Midlands International Airport as a world class airport to meet the requirements of users and for the benefit of the economy in the East Midlands region.

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

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

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

Principal risks and uncertainties

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

Key performance indicators ('KPIs')

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

By order of the Board



N Thompson
Director

24 December 2018

Directors' report

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

Directors

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

A Cliffe (resigned 12 April 2018)
C Cornish
K Smart (appointed 12 April 2018)
K O'Toole
N Thompson

Employees

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

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

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

Diversity

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

Consultation and communication

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

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

Financial risk management

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

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

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

Directors' report *(continued)*

Going concern

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

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 accounts and after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing these accounts. For further details see note 1.

Dividends

A dividend of £160,545,000 (2017: £nil) was declared and paid in the year.

Disclosure of information to auditor

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

Independent auditor

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).

By order of the Board



N Thompson

Director

24 December 2018

Olympic House
Manchester Airport
Manchester
M90 1QX

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

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

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

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

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

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



KPMG LLP

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

Independent auditor's report to the members of East Midlands International Airport Limited

Opinion

We have audited the financial statements of East Midlands International Airport Limited ("the company") for the year ended 31 March 2018, which comprise the income statement and other comprehensive income, statement of financial position and statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Strategic report and directors' report

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

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

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

Independent auditor's report to the members of East Midlands International Airport Limited *(continued)*

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

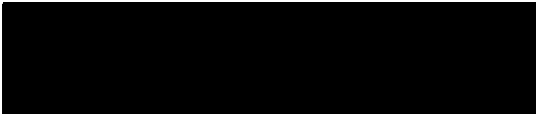
Auditor's responsibilities

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

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

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

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



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

24 December 2018

Income statement
for the year ended 31 March 2018

	<i>Note</i>	2018 £000	2017 £000 Restated*
Revenue	2	61,048	50,751
Operating costs		(54,121)	(41,528)
Operating profit		6,927	9,223
Profit on disposal of fixed assets	3	-	4,202
Profit on disposal of investment properties	9	4,769	-
Revaluation of investment properties	9	(2,771)	(246)
Interest payable and similar charges	6	(2,185)	(1,985)
Dividends receivable		24,490	-
Profit before taxation	3	31,230	11,194
Tax on profit	7	(2,791)	(877)
Profit for the financial year		28,439	10,317

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

The notes on pages 11 to 31 form an integral part of these financial statements.

*See note 1 for details of the restatement.

Other comprehensive income
for the year ended 31 March 2018

	2018	2017
	£000	£000
Profit for the year	28,439	10,317
Other comprehensive income		
Remeasurement of the net defined benefit liability	4,500	(10,400)
Income tax on other comprehensive (expense)/income	(765)	1,836
Effect of change in rate of corporation tax on deferred tax	-	(118)
Other comprehensive income for the year, net of income tax	3,735	(8,682)
Total comprehensive income for the year	32,174	1,635

The notes on pages 11 to 31 form an integral part of these financial statements.

Statement of financial position

at 31 March 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Non-current assets					
Tangible assets	8		216,943		217,255
Investment properties	9		4,901		12,004
Deferred tax assets	14		3,310		3,956
			<u>225,154</u>		<u>233,215</u>
Current assets					
Inventories	10	187		187	
Trade and other receivables	12	119,179		76,749	
Cash at bank and in hand		1,827		938	
		<u>121,193</u>		<u>77,874</u>	
Current liabilities					
Trade and other payables	13	(209,886)		(42,354)	
				<u>(42,354)</u>	
Net current liabilities			(88,693)		35,520
			<u>136,461</u>		<u>268,735</u>
Total assets less current liabilities					
Provisions for liabilities					
Deferred tax	14		(23,605)		(23,497)
Pension liabilities	19		(18,800)		(22,600)
			<u>(42,405)</u>		<u>(46,097)</u>
Net assets			94,056		222,638
Capital and reserves					
Share capital	15		17,614		17,614
Revaluation reserve	16		-		68,969
Retained earnings	16		76,442		136,055
			<u>94,056</u>		<u>222,638</u>
Shareholders' funds			94,056		222,638

The notes on pages 11 to 31 form an integral part of these financial statements.

These financial statements of East Midland International Airport Limited, registered number, 02078271 were approved by the board of directors on 24 December 2018 and were signed on its behalf by:


N Thompson
Director

Notes

(forming part of the financial statements)

1 Accounting policies

East Midlands International Airport Limited (the 'Company') is a company limited by shares and incorporated and domiciled in the UK.

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

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

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

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

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

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

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

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

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

1.1 Measurement convention

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

1.2 Going concern

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

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

Notes (continued)

1 Accounting policies (continued)

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

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

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

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

1.3 Restatement

	2017	Reclassification	2017
	£000	£000	Restated £000
Revenue			
Aviation	20,115	(4,254)	15,861
Retail concessions	11,128		11,128
Car parking	16,303	2,340	18,643
Other	5,119		5,119
	<u>52,665</u>	<u>(1,914)</u>	<u>50,751</u>
Operating costs	(43,442)	1,914	(41,528)
Operating profit	9,223		9,223
Profit before taxation	11,194		11,194
Profit for the financial year	11,194		11,194

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

1.4 Foreign currency

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

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

Notes (continued)

1 Accounting policies (continued)

1.5 Classification of financial instruments issued by the Company

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

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

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

1.6 Basic financial instruments

Trade and other receivables/payables

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

Investments in subsidiaries

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

1.7 Revenue

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

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

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

- Various passenger charges for handling and security based upon the number of departing passengers, are recognised at point of departure;
- Aircraft departure and arrival charges levied according to weight and time of departure/arrival, are recognised at point of departure;
- Aircraft parking charges based upon a combination of weight and time parked, are recognised at the point of departure;
- Car parking income is recognised at the point of exit for turn-up short and long stay parking. Contract parking and pre-book parking is recognised over the year to which it relates on a straight-line basis;
- Concession income from retail and commercial concessionaries is recognised in the year to which it relates on an accruals basis;
- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term; and
- Development profits are recognised upon legal completion of contracts.

Notes (continued)

1 Accounting policies (continued)

1.8 Tangible fixed assets

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

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

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

The Company assesses at each reporting date whether tangible fixed assets are impaired.

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

The estimated useful lives are as follows:

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

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

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

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

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

1.9 Investment property

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

Subsequent to initial recognition:

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

Notes (continued)

1 Accounting policies (continued)

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

1.10 Inventories

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

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

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

1.11 Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other receivables)

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

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

Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised relating to cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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

Notes (continued)

1 Accounting policies (continued)

1.12 Employee benefits

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

Short term benefits

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

Defined contribution plans and other long term employee benefits

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

Defined benefit plans

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

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

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

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

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

The cost of the defined benefit plan, recognised in the income statement as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the year; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

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

Annual bonus plan

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

Notes (continued)

1 Accounting policies (continued)

1.13 Expenses

Operating leases

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

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

Interest receivable and interest payable

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

1.14 Significant items

Significant items are material items of income and expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Company's underlying financial performance.

Such items include impairment of assets, major reorganisation of businesses and integration costs associated with significant acquisitions.

1.15 Taxation

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

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

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

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

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

1.16 Critical accounting estimates and judgements

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

Notes (continued)

1 Accounting policies (continued)

Investment properties

Investment properties were valued at fair value at 31 March 2018 by Deloitte LLP. 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 Company's liability for pension obligations at year end and future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Company's independent actuary taking into account market and economic conditions.

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of changes in equity. Further details are available in note 19.

Notes (continued)

2 Analysis of revenue

	2018 £000	2017 £000 Restated*
<i>By activity</i>		
Aviation	23,201	15,861
Car parking	20,762	18,643
Retail concessions	11,655	11,128
Other	5,430	5,119
	<u>61,048</u>	<u>50,751</u>

*See note 1 for details of the restatement.

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

3 Notes to the income statement

	2018 £000	2017 £000
<i>Profit before taxation is stated after charging/(crediting)</i>		
Depreciation of tangible fixed assets	11,572	9,045
Hire of plant and machinery - operating leases	6	68
Profit on disposal of fixed assets	-	(4,202)
	<u>11,578</u>	<u>4,911</u>

Auditor's remuneration

Amounts receivable by the Company's auditor and the auditor's associates relating to services to the Company have been borne by the Company's ultimate parent, Manchester Airports Holdings Limited. The directors believe that the proportion of the consolidated fee applicable to the Company is £20,000 (2017: £17,000).

4 Remuneration of directors

C Cornish, K O'Toole and N Thompson were directors of Manchester Airports Holdings Limited during the year, and their aggregate remuneration is disclosed in that company's financial statements. The directors believe that the total directors' remuneration applicable to the Company based on services provided is £800,000 (2017: £786,834). A Cliffe's aggregate emoluments as highest paid director of East Midlands Airport Limited is £500,556 (2017: £434,952).

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2018	2017
Operational	619	532
Management and administrative	10	10
	629	542
	629	542

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	17,171	13,941
Social security costs	1,547	1,402
Other pension costs	1,795	1,014
	20,513	16,357
	20,513	16,357

6 Interest payable and similar charges

	2018	2017
	£000	£000
Interest payable on preference shares (see note 13)	1,585	1,585
Interest expense on net defined benefit liabilities (see note 19)	600	400
	2,185	1,985
	2,185	1,985

Of the above amount £1,585,000 (2017: £1,585,000) was payable to Group undertakings.

Notes (continued)

7 Taxation

Total tax expense/(income) recognised in the income statement

	2018 £000	2018 £000	2017 £000	2017 £000
<i>UK corporation tax</i>				
Current tax on income for the year	2,425		2,140	
Adjustments relating to prior years	377		235	
	<hr/>		<hr/>	
Total current tax		2,802		2,375
<i>Deferred tax</i>				
Origination/reversal of timing differences	234		(50)	
Adjustment relating to prior years	(245)		(70)	
Effect of change in rate of corporation tax	-		(1,378)	
	<hr/>		<hr/>	
Total deferred tax		(11)		(1,498)
		<hr/>		<hr/>
Tax on profit		2,791		877
		<hr/> <hr/>		<hr/> <hr/>

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

	2018 £000	2017 £000
<i>Deferred tax</i>		
Origination/reversal of timing differences	765	(1,836)
Effect of change in rate of corporation tax	-	118
	<hr/>	<hr/>
Total tax income included in other comprehensive income	765	(1,718)
	<hr/> <hr/>	<hr/> <hr/>

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

	2018 Current tax £000	2018 Deferred tax £000	2018 Total tax £000	2017 Current tax £000	2017 Deferred tax £000	2017 Total tax £000
Recognised in the income statement	2,802	(11)	2,828	2,375	(1,498)	877
Recognised in other comprehensive income	-	765	765	-	(1,718)	(1,718)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	2,802	754	3,556	2,375	(3,216)	(841)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2018 £000	2017 £000
<i>Current tax reconciliation</i>		
Profit for the year	28,439	10,317
Total tax expense	2,791	877
	<hr/>	<hr/>
Profit before tax	31,230	11,194
	<hr/>	<hr/>
Profit before tax multiplied by the standard rate of corporation tax of 19% (2017: 20%)	5,934	2,239
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,495	(599)
Income exempt from tax	(4,653)	-
Adjustments to tax charge to prior years	377	235
Adjustments to deferred tax charge to prior years	(245)	(70)
Lower than standard rate used for deferred tax temporary differences	(117)	450
Change in rate of corporation tax	-	(1,378)
	<hr/>	<hr/>
Total tax expense included in the income statement	2,791	877
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future current and total tax charges

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

Deferred tax balances at 31 March 2018 have therefore been calculated at 17%, unless they are expected to unwind earlier than 1 April 2020, in which case the deferred tax balances have been calculated at the prevailing rate at the time the unwind is expected.

Notes (continued)

8 Tangible fixed assets

	Freehold land and property £000	Long leasehold property £000	Airport infrastructure £000	Plant, fixtures and equipment £000	Assets in the course of construction £000	Total £000
Cost						
At beginning of year	32,531	104,581	212,411	51,077	11,539	412,139
Additions	-	-	-	-	11,450	11,450
Reclassification	-	417	5,813	6,838	(13,068)	-
Disposals	-	(810)	(204)	(4,937)	-	(5,951)
At end of year	32,531	104,188	218,020	52,978	9,921	417,638
Depreciation						
At beginning of year	-	64,991	82,862	47,031	-	194,884
Charge for year	-	2,064	5,021	4,487	-	11,572
Disposals	-	(810)	(14)	(4,937)	-	(5,761)
At end of year	-	66,245	87,869	46,581	-	200,695
Net book value						
At 31 March 2018	32,531	37,943	130,151	6,397	9,921	216,943
At 31 March 2017	32,531	39,590	129,549	4,046	11,539	217,255

The carrying amount of land not depreciated as at 31 March 2018 is £32,531,000 (2017: £32,531,000).

9 Investment properties

	Investment properties £000
Balance at 1 April 2017	12,004
Reclassification from operational assets	(56)
Disposals	(4,276)
Revaluations	(2,771)
Net book value	
At 31 March 2018	4,901
Historical cost net book value	3,070

The fair value of the Company's commercial investment property at 31 March 2018 has been arrived at on the basis of a valuation carried out at that date by Deloitte LLP. The valuers are independent and are not connected with the Company. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

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

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in the revenue accounting policy on page 13.

Notes (continued)

10 Inventories

	2018	2017
	£000	£000
Raw materials and consumables	187	187
	<u>187</u>	<u>187</u>
	<u><u>187</u></u>	<u><u>187</u></u>

11 Fixed asset investments

	res in subsidiary undertakings
	£
<i>Cost and net book value</i>	
At 31 March 2018 and 31 March 2017	<u><u>4</u></u>

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

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
East Midlands Airport Property Investments (Hotels) Limited	England and Wales	Investment property company	100% ordinary
East Midlands Airport Property Investments (Industrial) Limited	England and Wales	Investment property company	100% ordinary
East Midlands Airport Property Investments (Offices) Limited	England and Wales	Investment property company	100% ordinary
East Midlands Airport Core Property Investments Limited	England and Wales	Investment property company	100% ordinary

The registered office address for all of the above entities is Olympic House, Manchester Airport, Manchester, M90 1QX.

Notes (continued)

12 Trade and other receivables

	2018	2017
	£000	£000
Trade receivables	7,425	4,473
Amounts owed by group undertakings	104,506	65,415
Other receivables	109	1,034
Prepayments and accrued income	7,139	5,827
	<u>119,179</u>	<u>76,749</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand, and as at 31 March 2018 include dividends receivable of £24,490,000 (2017: £nil).

13 Trade and other payables

	2018	2017
	£000	£000
Trade payables	5,125	2,163
Amounts owed to group undertakings	166,728	-
Taxation and social security	5,329	6,835
Other payables	2,048	1,045
Accruals and deferred income	13,042	14,697
Preference shares classified as liabilities	17,614	17,614
	<u>209,886</u>	<u>42,354</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand, and as at 31 March 2018 include dividends payable of £160,545,000 (2017: £nil).

The 9% cumulative redeemable preference shares have no fixed redemption date. They are to be repaid, fully or in part, after either the Company or a shareholder has given one month's notice. No premium is payable on redemption. The preference shares have no voting rights attached.

Notes (continued)

14 Deferred tax assets and liabilities

	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax asset on pension liability	Net tax assets/ (liabilities)
	£000	£000	£000	£000	£000
At 1 April 2017	(1,837)	114	(21,660)	3,842	(19,541)
(Charge)/credit to income	389	-	(497)	119	11
Credit to equity	-	-	-	(765)	(765)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2018	(1,448)	114	(22,157)	3,196	(20,295)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax asset on pension liability	Net tax assets/ (liabilities)
	£000	£000	£000	£000	£000
At 1 April 2016	(1,503)	121	(23,499)	2,124	(22,757)
(Charge)/credit to income	(334)	(7)	1,839	-	1,498
(Charge)/credit to equity	-	-	-	1,718	1,718
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2017	(1,837)	114	(21,660)	3,842	(19,541)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
				2018	2017
				£000	£000
Deferred tax assets				3,310	3,956
Deferred tax liabilities				(23,605)	(23,497)
				<u> </u>	<u> </u>
				(20,295)	(19,541)
				<u> </u>	<u> </u>

15 Called up share capital

	2018 £000	2017 £000
<i>Issued, called up and fully paid</i>		
17,614,008 Ordinary shares of £1 each	17,614	17,614
	<u> </u>	<u> </u>
	17,614	17,614
	<u> </u>	<u> </u>

Notes (continued)

16 Reserves

2018	Revaluation Reserve £000	Retained earnings £000
At beginning of year	68,969	136,055
Profit for the year	-	31,616
Movement in operational assets fair values	2,676	(2,676)
Movement in investment property fair values	(2,771)	(246)
Remeasurement of the net defined benefit liability	-	3,735
Transfer of revaluation reserves to retained earnings	(68,875)	68,875
Dividends paid	-	(160,545)
	<hr/>	<hr/>
At end of year	-	76,442
	<hr/> <hr/>	<hr/> <hr/>
2017	Revaluation Reserve £000	Retained earnings £000
At beginning of year	70,265	133,123
Profit for the year	-	10,317
Movement in investment property fair values	(246)	246
Deferred tax arising on movement in investment property fair values	42	(42)
Remeasurement of the net defined benefit liability	-	(8,564)
Effect of change in rate of corporation tax	1,306	(1,423)
Depreciation transfer to the income statement	(2,398)	2,398
	<hr/>	<hr/>
At end of year	68,969	136,055
	<hr/> <hr/>	<hr/> <hr/>

17 Commitments

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

	2018 £000	2017 £000
Contracted	3,449	127
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18 Operating leases

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

	2018	2017
	Other	Other
	£000	£000
Operating leases which expire:		
Within one year	59	68
In the second to fifth years inclusive	63	125
After five years	-	-
	122	193
	122	193

Leases as a lessor

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

	2018	2017
	£000	£000
Operating leases which expire:		
Within one year	165	737
In the second to fifth years inclusive	398	2,662
After five years	6,068	33,149
	6,631	36,548
	6,631	36,548

Notes (continued)

19 Pension schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £389,000 (2017: £304,000).

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

Defined benefit scheme

An actuarial valuation of the East Midlands International Airport Limited scheme, using the projected unit basis, was carried out at 6 April 2017 by PricewaterhouseCoopers, independent consulting actuaries. The information disclosed below is relating to the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed Group policy throughout the years shown.

	2018 £000	2017 £000
Present value of funded defined benefit obligations	(80,100)	(82,500)
Fair value of plan assets	61,300	59,900
	(18,800)	(22,600)
Deficit	(18,800)	(22,600)

Movements in present value of defined benefit obligation

	2018 £000	2017 £000
At 1 April	(82,500)	(64,700)
Current service cost	(1,100)	(800)
Interest cost	(2,200)	(2,300)
Actuarial (losses)/gains	3,900	(15,900)
Contributions by members	(300)	(300)
Net benefits paid out	2,100	1,500
	(80,100)	(82,500)
At 31 March	(80,100)	(82,500)

Notes (continued)

19 Pension schemes (continued)

Movements in fair value of plan assets

	2018 £000	2017 £000
At 1 April	59,900	52,900
Expected return on plan assets	1,600	1,900
Actuarial gains/(losses)	600	5,500
Contributions by employer	1,200	1,200
Contributions by members	300	300
Benefits paid	(2,100)	(1,500)
Administration expenses	(200)	(400)
	<hr/>	<hr/>
At 31 March	61,300	59,900
	<hr/> <hr/>	<hr/> <hr/>

Expense recognised in the income statement

	2018 £000	2017 £000
Current service cost	1,100	800
Administration expenses	200	400
Interest on net defined benefit liability	600	400
	<hr/>	<hr/>
Total	1,900	1,600
	<hr/> <hr/>	<hr/> <hr/>

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

	2018 £000	2017 £000
Operating costs	1,300	1,200
Interest payable and similar charges	600	400
	<hr/>	<hr/>
	1,900	1,600
	<hr/> <hr/>	<hr/> <hr/>

The total amount recognised in other comprehensive income relating to actuarial gains on remeasurement is £4,500,000 (2017: loss of £10,400,000).

The fair values of the plan assets are as follows:

	2018 Fair value £000	2017 Fair value £000
Equities	36,700	35,600
Corporate bonds	15,300	15,300
Property	6,500	6,100
Other	2,800	2,900
	<hr/>	<hr/>
	61,300	59,900
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

19 Pension schemes (continued)

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

	2018	2017
	%	%
Discount rate	2.60	2.65
Future salary increases	2.00	2.00
Inflation assumption	2.15	2.35
	<u> </u>	<u> </u>

The mortality assumptions are based on the S1NXA standard mortality tables allowing for medium cohort 1% minimum mortality improvements. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.7 years (male), 25.1 years (female)
- Future retiree upon reaching 65: 23.7 years (male), 26.3 years (female)

Experience adjustments

	2018	2017
	£000	£000
Experience adjustments on scheme liabilities	300	400
Experience adjustments on scheme assets	600	5,500
	<u> </u>	<u> </u>

The Company expects to contribute approximately £1.2m (2017: £1.2m) to its defined benefit plans in the next financial year.

20 Contingent liabilities

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

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

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





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

✈ Manchester ✈ London Stansted ✈ East Midlands 🏠 MAG Property

OUR VISION

To be the premier airport management and services company.



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



Overview

- 1 Our vision
- 2 Our mission
- 3 Financial highlights
- 4 At a glance
- 6 Global connectivity

Strategic report

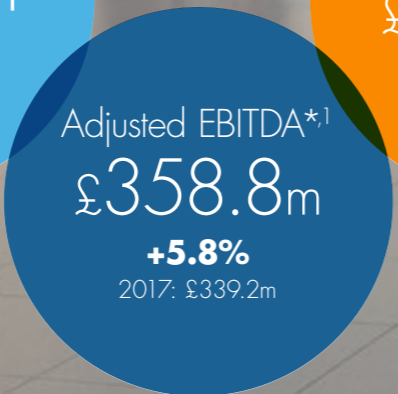
- 8 Chairman's statement
- 10 Key performance indicators
- 12 Chief Executive's operating review
- 18 Business model
- 20 Our strategy
- 28 Financial review
- 40 Risk management
- 44 Corporate social responsibility

Governance

- 54 Chairman's introduction to corporate governance
- 56 Board of Directors
- 59 Corporate governance report
- 67 Directors' remuneration report
- 70 Directors' report
- 73 Directors' responsibilities statement

Financial statements

- 76 Independent auditor's report
- 78 Accounting policies
- 84 Consolidated income statement
- 85 Consolidated statement of comprehensive income
- 86 Consolidated statement of changes in equity
- 87 Consolidated statement of financial position
- 88 Consolidated statement of cash flows
- 89 Notes to the financial statements
- 121 Company financial statements



Notes

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

Notes

¹ All numbers relate to continuing operations, and 2017 numbers have been restated as explained on pages 78 and 120.
* 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 highlights¹

Revenue	Adjusted EBITDA*	Adjusted operating profit*
£818.1m	£358.8m	£215.4m
2018 818.1	2018 358.8	2018 215.4
2017 742.7	2017 339.2	2017 202.9
2016 715.0	2016 317.7	2016 186.9
+£75.4m +10.2%	+£19.6m +5.8%	+£12.5m +6.2%
Passenger numbers	Cash generated from operations	Result from operations
58.9m	£328.8m	£206.8m
2018 58.9	2018 328.8	2018 206.8
2017 55.2	2017 317.3	2017 195.8
2016 51.2	2016 322.4	2016 175.6
+3.7m +6.7%	+£11.5m +3.6%	+£11.0m +5.6%

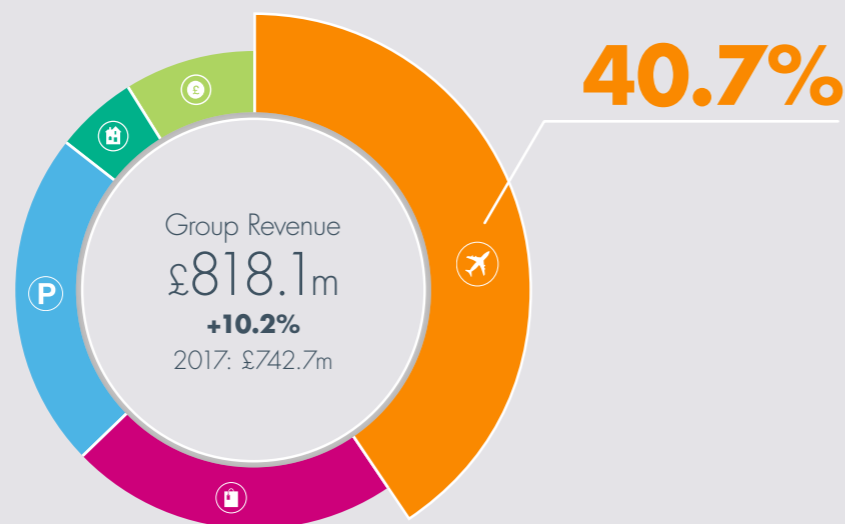
Notes
¹ All numbers relate to continuing operations unless stated, and 2017 and 2016 numbers have been restated as explained on pages 78 and 120.
 * As explained in the financial review on page 30.

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



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



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



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



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.

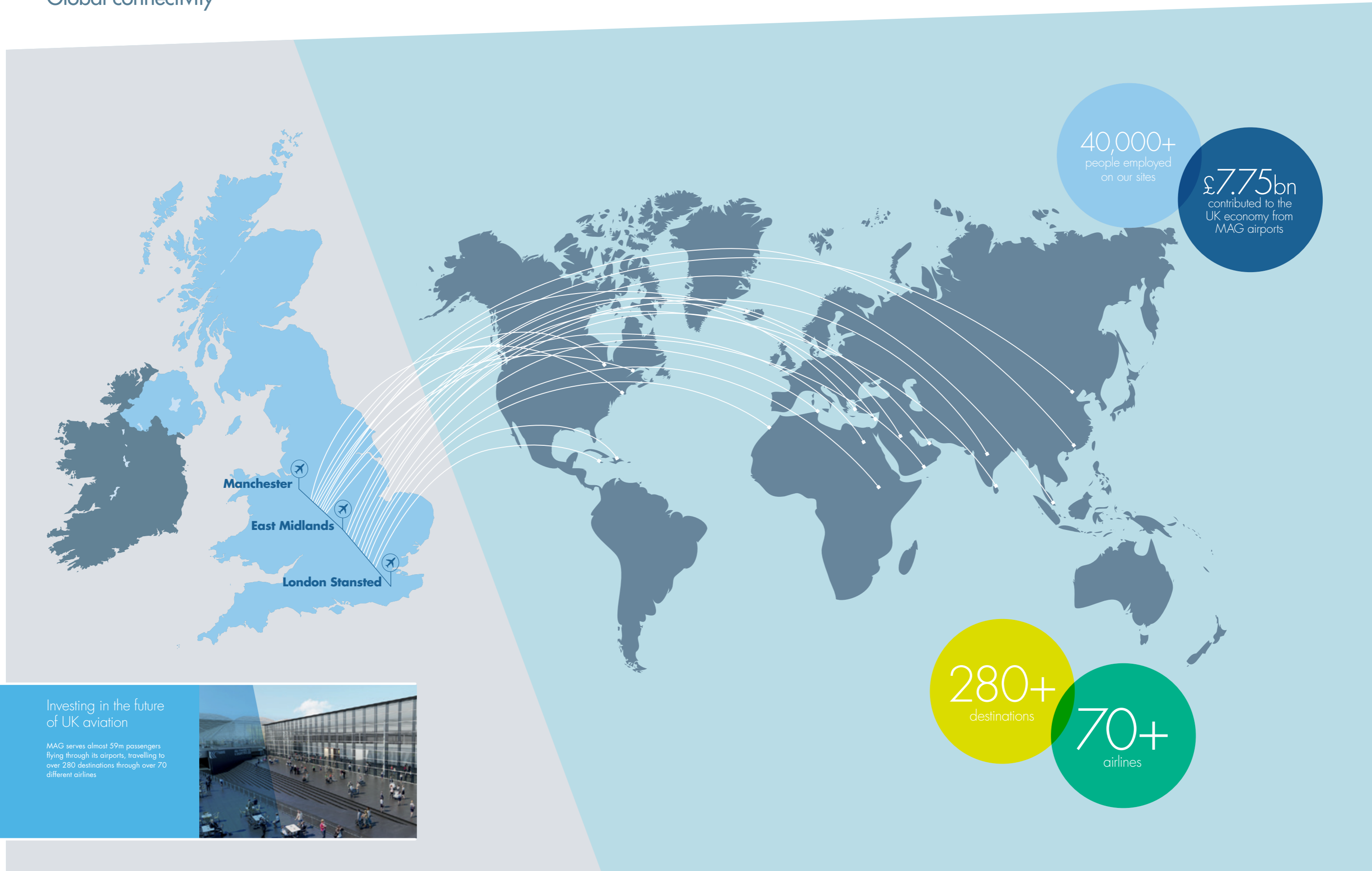
We do much more than simply let the space: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

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



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."



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

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 our doors, delivering like-for-like revenue growth and increased profits for the seventh consecutive year.

In October, Monarch Airlines, which was the seventh largest airline at Manchester Airport, went into administration. Ryanair, MAG's biggest airline partner, also announced some unexpected changes to its winter schedule across its network. It is testament to the teams at MAG airports that these events were handled with professionalism, passengers were looked after well, and the financial performance of the business was maintained.

MAG's purpose is to offer our customers facilities of good quality and value that they can trust. We believe that by pursuing this goal in a sustainable and responsible way we will create long-term value for society and, as a result, for our shareholders.

Finding a balance between delivering a positive customer experience whilst also simultaneously seeking to extend and improve these 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.

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
Revenue (continuing operations)¹	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	£818.1m <small>2017: £742.7m</small>	▲ +10.2%
Adjusted EBITDA¹ (continuing operations)	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	£358.5m <small>2017: £339.2m</small>	▲ +5.8%
Result from operations (continuing operations)¹	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	£206.8m <small>2017: £195.8m</small>	▲ +5.6%
ROCE²	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	9.2% <small>2017: 9.1%</small>	▲ +1.1%
Occupancy rates³	Achieve a high level of occupancy on lettable property	We generate improved revenue by maximising occupancy of our existing property portfolio	92.7% <small>2017: 92.9%</small>	▼ -0.2%
Investment property value⁴	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	£526.1m <small>2017: £603.3m</small>	▼ -12.8%
Capital investment¹	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	£341.7m <small>2017: £179.0m</small>	▲ +90.9%
Adjusted cash generated from operations¹	Convert our operating profits into cash	We focus on converting our operating profits into cash to fund further investment and returns to shareholders	£337.4m <small>2017: £324.4m</small>	▲ +4.0%
Shareholder return¹	Generate growth in distributions for shareholders	We provide returns to reward the shareholders investment	£179.4m <small>2017: £154.5m</small>	▲ +16.1%
Market share⁵	Grow our share of the market	Measures the performance of MAG compared to the UK market	28.4% <small>2017: 28.1%</small>	▲ +1.1%
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	58.9m <small>2017: 55.2m</small>	▲ +6.7%
Destinations	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	285 <small>2017: 282</small>	▲ +1.1%
ASQ scores⁶	Improve performance for our airports in their respective benchmark groups	We aim to ensure that customer satisfaction levels are at the highest possible standard	3.86 <small>2017: 3.90</small>	▼ -1.0%
Departure punctuality⁷	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	75.2% <small>2017: 76.2%</small>	▼ -1.3%
Carbon Reduction – CO₂ emissions⁸	Minimise the environmental impact of our operations	We closely monitor our CO ₂ emissions and environmental impact	0.870 <small>2017: 1.022</small>	▲ -14.9%
Number of people within noise footprint (000s)^{9,12}	Being good neighbours with our communities	Minimising the impact of our operations on the local community	40.4 <small>2017: 37.3</small>	▼ +8.3%
Number of training placements provided^{10,12}	Supporting work in our communities	Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies	634 <small>2017: 948</small>	▼ -33.1%
Health and Safety RIDDOR – reportable accidents^{11,12}	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.	10 <small>2017: 8</small>	▼ +25.0%

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
58.9m
+6.7%
2017: 55.2m

Revenue¹

£818.1m

+10.2%

2017: £742.7m

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

Aim: Achieve long-term and steady growth in revenue.**Context:** We aim to deliver sustainable growth across all areas of our business – aviation, car parking, retail and property.Adjusted EBITDA*¹

£358.8m

+5.8%

2017: £339.2m

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

Aim: Generate a level of profit that allows re-investment in our infrastructure.**Context:** We cover the cost of using our assets with income from our operations.

Notes

¹ 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.



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 35 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."

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 Widerøe, 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."

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.

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."



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.

Neil Thompson

Chief Financial Officer, MAG

Result from operations

£206.8m

+5.6%

2017: £195.8m

Cash generated from operations

£328.8m

+3.6%

2017: £317.3m

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.

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 ¹ – continuing operations	358.8	339.2	19.6	5.8%
Adjusted operating profit ² – 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 ³	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.

* 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.

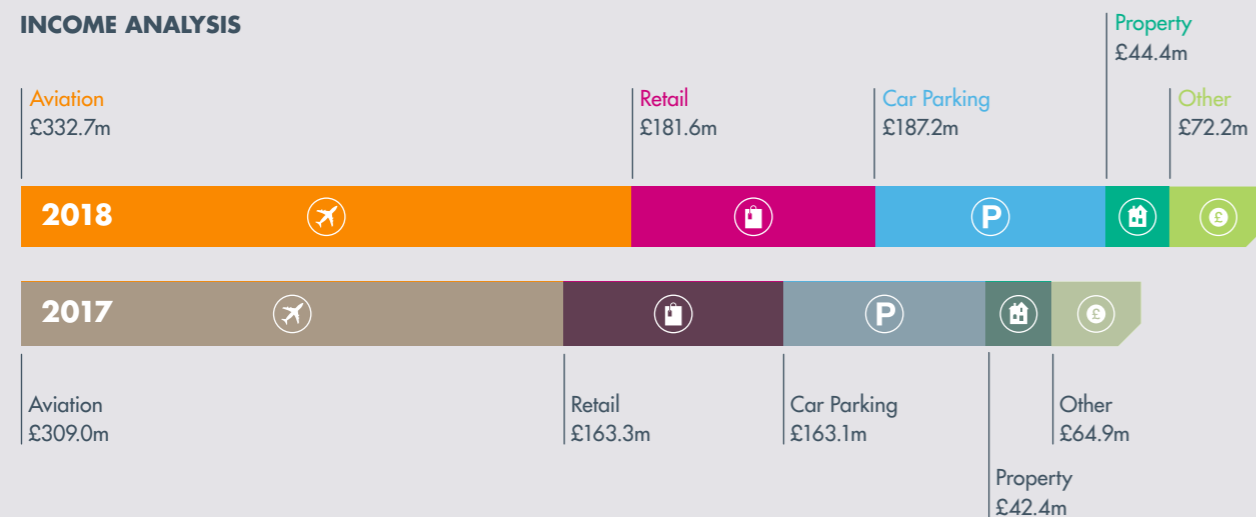
Financial review continued

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

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

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%
Total revenue – continuing operations	818.1	742.7	75.4	10.2%

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%)
Total Adjusted EBITDA – continuing operations	358.8	339.2	19.6	5.8%

*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%)
Total result from operations - continuing operations	206.8	195.8	11.0	5.6%

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 (GMPPF) 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
Security breach	<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>
Material sustained disruption to operations	<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>
Major Health & Safety incident affecting our customers or colleagues	<p>The Health & Safety of our customers, employees and stakeholders is a fundamental priority for us. Robust Health & Safety policies, procedures and processes are in place, and compliance is monitored by our experienced team of Health & Safety specialists who undertake a programme of inspections and audits throughout the year.</p> <p>Health & Safety training is provided to all employees and briefings are provided to contractors and other visitors to our sites to ensure that key Health & Safety risks are understood and effectively managed.</p> <p>Our Health & Safety governance structure is designed to ensure that there is appropriate oversight of our management of Health & Safety risk, and enables material risks to be quickly escalated and addressed.</p>	<p>Continuous improvement of our Health & Safety arrangements is a key focus for each of our operations. This is facilitated by our specialist Health & Safety Teams and underpinned by strong ownership and accountability by our management teams.</p>
Regulatory risk	<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
Brexit	<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>
Delivering major programmes	<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>
Recruitment, development and retention of talented people	<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>
Cyber security	<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.



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.

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/

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



- Gross Value Added £7.75bn
- All three airports are carbon neutral
- Over 40,000 people are working across our sites

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 CO₂ 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 ₂ ¹	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 ²	Limit and where possible reduce the number of people significantly affected by aircraft noise	Number of people within noise footprint (57dB(A)EQ,8h) – ('000s)	▼	40.4	37.3	8.3%
Promoting employment ³	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

- 54 Chairman's introduction to corporate governance
- 56 Board of Directors
- 59 Corporate governance report
- 62 Nomination Committee
- 63 Audit Committee
- 64 Corporate Social Responsibility (CSR) Committee
- 65 Remuneration Committee
- 67 Directors' remuneration report
- 70 Directors' report
- 73 Directors' responsibilities statement

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.

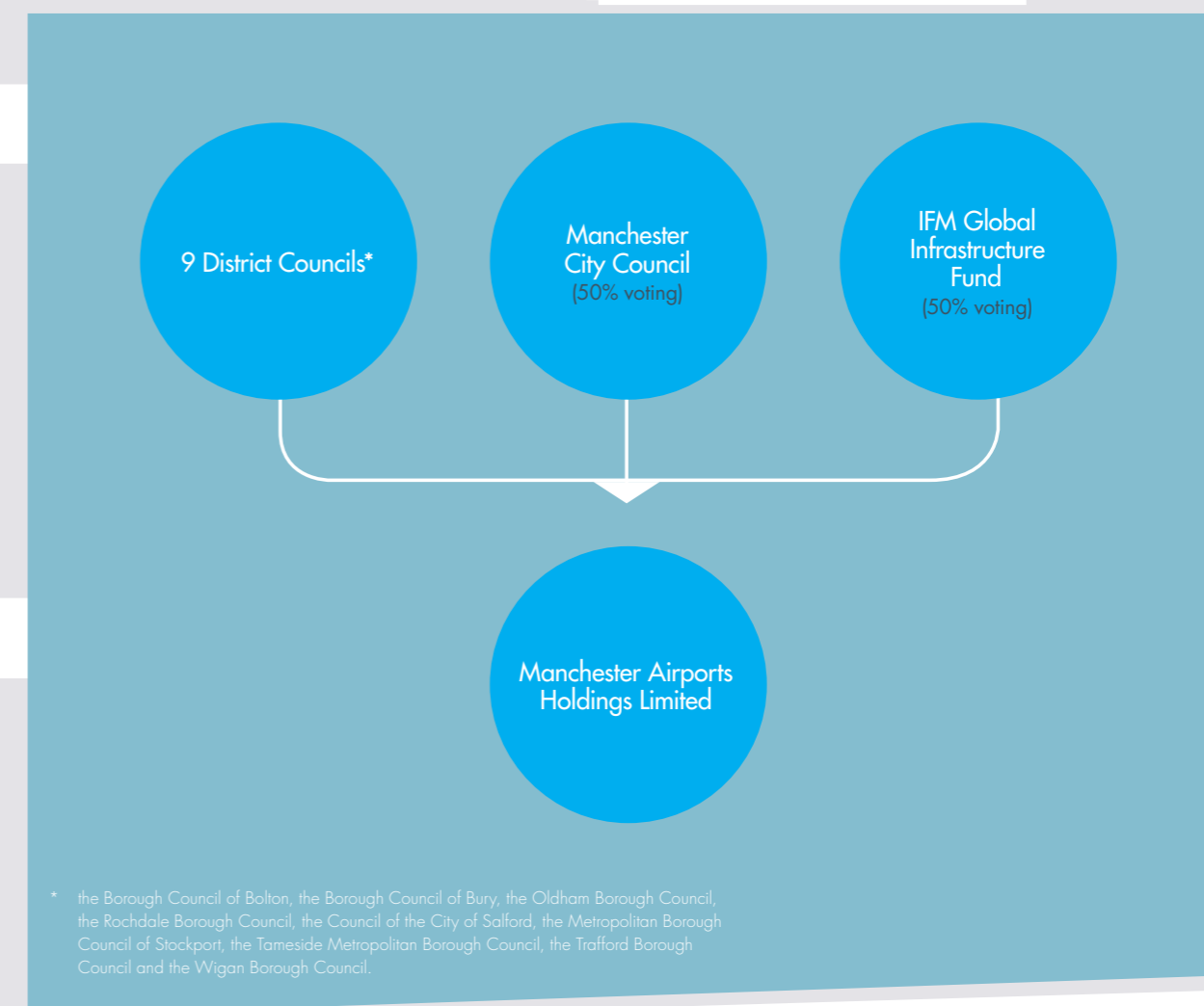
During the year, as well as reviewing and agreeing the annual business plan and overseeing progress on the two major construction programmes, the Board held a strategy session looking at future opportunities for the development of the Group. Other key issues that the Board considered included the disposal 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



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.

Executive Directors



Charlie Cornish

Appointed Group Chief Executive in October 2010. Prior to joining MAG, Charlie was Managing Director of Utility Solutions, the commercial business of United Utilities (UU) 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 Molyneux¹ 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 ¹	Yes	Yes	Yes	Yes	No ¹	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 ²	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 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

- 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.

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
<p>Basic Salary Support the recruitment and retention of executive directors, recognising the size and scope of the role and the individual's skills and experience.</p>	<p>The basic salaries of executive directors and senior executives are reviewed annually and set based on:</p> <ul style="list-style-type: none"> • personal performance; • group size and performance; • responsibility levels; • affordability; and • competitive market practice against a comparator group of similar sized organisations. <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>
<p>Short Term Incentive Plan 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>	<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>
<p>Long Term Incentive Plan 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>	<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
Pension The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for executive directors.	All executive directors and senior executives are invited to participate in the Group's pension schemes. The Company provides pension benefits to eligible employees through legacy defined benefit arrangements or the MAG Defined Contribution Pension Scheme, which is a defined contribution (DC) arrangement. The DC arrangement is available for newly eligible employees and provides money purchase pension benefits. Executive directors and senior executives are entitled to receive a salary supplement in lieu of pension contributions.
Additional benefits Provide a market competitive benefits package that is consistent with Group values and supports executives to carry out their duties effectively.	Other benefits include a car cash allowance, or an equivalent car, in addition to permanent health insurance, private health insurance, critical illness cover and death-in-service life cover.

Cascade of incentives through the Group

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

Level	Number of employees	Pension eligible?	STIP eligible?	LTIP eligible?	All colleague incentive bonus
Chief Executive Officer	1	✓	✓	✓	×
Chief Financial Officer	1	✓	✓	✓	×
Divisional CEO 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.

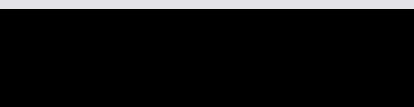
We are committed to maintaining, and continuously improving, our practices to combat slavery and human trafficking. We are totally opposed to such abuses in our direct operations, our indirect operations and our supply chain as a whole, and understand that we have a responsibility to be alert to these 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).



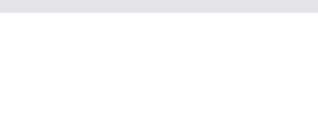
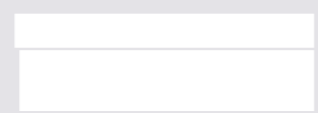
Charlie Cornish

Chief Executive

MAG

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

4 July 2018



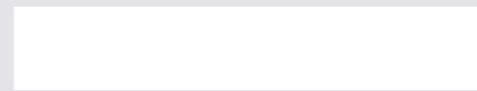
Directors' responsibilities statement

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.

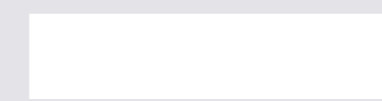
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Charlie Cornish

Chief Executive

4 July 2018





Financial statements

76	Independent auditor's report
78	Accounting policies
84	Consolidated income statement
85	Consolidated statement of comprehensive income
86	Consolidated statement of changes in equity
87	Consolidated statement of financial position
88	Consolidated statement of cash flows
89	Notes to the financial statements
121	Company financial statements

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.

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 ¹ 2017 £m	Restated ¹ 2017 £m	Restated ¹ 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			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance at 1 April 2017		316.7	687.2	538.1	1,542.0
Total comprehensive income for the year					
Result for the year		–	–	109.7	109.7
Remeasurement of retirement benefit liabilities, net of tax	9, 26	–	–	18.1	18.1
		–	–	127.8	127.8
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	11	–	–	(149.2)	(149.2)
Balance at 31 March 2018		316.7	687.2	516.7	1,520.6

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

	Note	Attributable to equity holders of the Company			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance at 1 April 2016		316.7	687.2	584.8	1,588.7
Total comprehensive income for the year					
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)
		–	–	77.5	77.5
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	11	–	–	(124.2)	(124.2)
Balance at 31 March 2017		316.7	687.2	538.1	1,542.0

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

Consolidated statement of financial position as at 31 March 2018

	Note	2018 £m	2017 £m
ASSETS			
Non-current assets			
Goodwill	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
		3,300.1	3,208.7
CURRENT ASSETS			
Inventories	17	2.5	2.1
Trade and other receivables	18	149.2	96.3
Cash and cash equivalents	19	20.0	16.7
		171.7	115.1
LIABILITIES			
Current liabilities			
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)
		(284.5)	(374.8)
NET CURRENT LIABILITIES		(112.8)	(259.7)
Non-current liabilities			
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)
		(1,666.7)	(1,407.0)
NET ASSETS		1,520.6	1,542.0
Shareholders' equity			
Share capital	29	316.7	316.7
Share premium	29	687.2	687.2
Retained earnings	30	516.7	538.1
TOTAL EQUITY		1,520.6	1,542.0

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 ¹ 2017 £m Before significant items	Restated ¹ 2017 £m Significant items	Restated ¹ 2017 £m After significant items
Cash flows from operating activities						
Result before taxation – continuing operations	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
Cash generated from continuing operations	337.4	(8.6)	328.8	324.4	(7.1)	317.3
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)
Net cash from operating activities			216.8			212.8
Cash flows from investing activities						
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)
Net cash used in investing activities			(222.5)			(116.3)
Cash flows from financing activities						
(Decrease)/increase in bank loan borrowings, net of debt issue costs	21		(136.9)			134.1
Bond issued in the year, net of issue costs	22		295.1			–
Repayment of loans and borrowings			–			(90.0)
Dividends paid to shareholders			(149.2)			(124.2)
Net cash from/(used in) financing activities			9.0			(80.1)
Net increase in cash and cash equivalents	35		3.3			16.4
Cash and cash equivalents at beginning of the year			16.7			0.3
Cash and cash equivalents at end of the year			20.0			16.7

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

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

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

1. Revenue

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

	2018 Continuing operations £m	2018 Discontinued operation £m	Restated ¹ 2017 Continuing operations £m	Restated ¹ 2017 Discontinued operation £m
Aviation income	332.7	2.3	309.0	3.5
Commercial income				
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
Total commercial income	485.4	8.0	433.7	12.3
Total income	818.1	10.3	742.7	15.8

NOTE:

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).

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 ³ £m	Consolidated – continuing operations £m	Bournemouth Airport ⁵ – discontinued operation £m
Revenue							
External sales	391.5	330.4	66.8	27.0	2.4	818.1	10.3
Inter-segment sales ⁴	(2.0)	–	–	(1.3)	3.3	–	–
Total revenue	389.5	330.4	66.8	25.7	5.7	818.1	10.3
Result							
Segment operating profit/(loss) before significant items	110.1	91.1	13.1	15.9	(14.8)	215.4	1.9
Significant items	(3.7)	–	–	–	(4.9)	(8.6)	(14.1)
Segment operating profit/(loss) after significant items	106.4	91.1	13.1	15.9	(19.7)	206.8	(12.2)
Share of result of associate						4.2	–
Gains and losses on sales and valuation of investment properties						14.5	–
Finance costs						(67.6)	–
Result before taxation						157.9	(12.2)
Other information							
Segment assets	1,686.6	842.5	239.2	(note 1)	703.5	3,471.8	–
Segment liabilities	(206.9)	(163.2)	(61.5)	(note 1)	(1,519.6)	(1,951.2)	–
Capital expenditure	259.2	68.0	11.5	(note 1)	2.9	341.6	0.1
Depreciation	68.3	60.6	11.4	(note 1)	0.6	140.9	1.0
Amortisation	2.5	–	–	(note 1)	–	2.5	–
Taxation	14.0	20.9	2.7	(note 1)	(2.2)	35.4	0.6
Result – geographical location²							
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)⁶

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other ³ £m	Consolidated – continuing operations £m	Bournemouth Airport ⁵ – discontinued operation £m
Revenue							
External sales	361.6	299.0	60.4	23.6	(1.9)	742.7	15.8
Inter-segment sales ⁴	(0.6)	–	–	(2.6)	3.2	–	–
Total revenue	361.0	299.0	60.4	21.0	1.3	742.7	15.8
Result							
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)	–
Result before taxation						127.2	1.9
Other information							
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
Result – geographical location²							
Segment operating profit before significant items	117.4	85.7	13.3	(note 2)	(10.1)	206.3	(0.8)

NOTES:

- 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.
- 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.
- Group consolidation and other includes, Group, Head Office, MAG USA, and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include borrowings, further details of which can be found in note 20 Borrowings.
- Sales between segments are at arm's length.
- 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.
- 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 ¹	8.6	7.1
Total significant items recorded in result from continuing operations	8.6	7.1
Recorded in result from discontinued operation		
Loss on sale of discontinued operation ²	14.1	–
Total significant items recorded in result from discontinued operation	14.1	–
Total significant items	22.7	7.1

NOTES:

1 Exceptional costs

Exceptional costs of £8.6m (2017: £7.1m) include 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 ¹ 2017 Continuing operations £m
Turnover	818.1	742.7
Wages and salaries	(183.3)	(154.0)
Social security costs	(17.6)	(14.9)
Pension costs	(17.5)	(13.2)
Employee benefit costs	(218.4)	(182.1)
Depreciation and amortisation	(143.4)	(136.3)
Profit on disposal of property, plant and equipment	1.3	7.0
Other operating charges ²	(242.2)	(228.4)
Result from continuing operations before significant items	215.4	202.9

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
By location		
Manchester Airport	3,486	3,049
London Stansted Airport	1,765	1,451
East Midlands Airport	629	542
Bournemouth Airport	96	146
	5,976	5,188

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
Directors' emoluments		
Aggregate emoluments	5.2	5.3

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

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

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

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

7. Finance 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)	–
Total finance costs		67.6	73.5

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
Result before taxation has been arrived at after charging/(crediting):		
Hire of plant and machinery – operating leases	0.4	0.4
Hire of other assets – operating leases	28.3	25.8
Release of capital based grants	(0.4)	(0.4)
Depreciation of property, plant and equipment:		
Owned assets – continuing operations	2, 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
Auditor's remuneration		
Audit of these financial statements	0.1	0.1
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of subsidiaries' financial statements	0.2	0.2
Other services relating to taxation	0.1	0.1
Total auditor's remuneration	0.4	0.4

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

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
Current taxation						
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)
Total current taxation	48.0	(1.6)	46.4	36.2	(1.4)	34.8
Deferred taxation						
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)
Total ordinary deferred taxation	(11.0)	–	(11.0)	(25.0)	–	(25.0)
Total taxation charge/(credit)	37.0	(1.6)	35.4	11.2	(1.4)	1.8

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
Total taxation charge/(credit)	3.7	(7.7)

Factors affecting the taxation charge for the year

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

	2018 £m Before significant items	2018 £m Significant items	2018 £m After significant items	2017 £m Before significant items	2017 £m Significant items	2017 £m After significant items
Result before taxation	166.5	(8.6)	157.9	134.3	(7.1)	127.2
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)
Total taxation charge/(credit)	37.0	(1.6)	35.4	11.2	(1.4)	9.8

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
Net (loss)/profit attributable to discontinued operation (attributable to owners of the Company)	(12.8)	1.8

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

11. Dividends

	2018 £m	2017 £m
Amounts recognised as distributions to equity holders in the period		
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
Amounts recognised as distributions to equity holders in the year	149.2	124.2
Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend for the year ended 31 March 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
Cost						
At 1 April 2017	215.0	478.7	2,074.0	633.5	199.3	3,600.5
Additions	–	–	–	–	341.7	341.7
Reclassification from Assets in the course of construction	–	6.3	80.6	80.8	(167.7)	–
Reclassification to Investment properties (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)
At 31 March 2018	203.2	451.7	2,105.3	659.4	369.0	3,788.6

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
Depreciation						
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)
At 31 March 2018	64.5	187.1	513.3	488.5	–	1,253.4

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
Carrying amount						
At 31 March 2018	138.7	264.6	1,592.0	170.9	369.0	2,535.2

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
Carrying amount						
At 31 March 2017	145.2	277.2	1,588.6	150.8	199.3	2,361.1

2017	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2016	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)
At 31 March 2017	215.0	478.7	2,074.0	633.5	199.3	3,600.5

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
Depreciation						
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)
At 31 March 2017	69.8	201.5	485.4	482.7	–	1,239.4

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
Carrying amount						
At 31 March 2017	145.2	277.2	1,588.6	150.8	199.3	2,361.1

2016	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
Carrying amount						
At 31 March 2016	145.2	291.8	1,621.2	148.6	118.9	2,325.7

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
Valuation	
At 1 April 2017	603.3
Reclassification from Assets in the course of construction (note 13)	3.1
Disposals	(35.5)
Disposal of discontinued operation	(54.8)
Revaluation	10.0
At 31 March 2018	526.1

Carrying amount

At 31 March 2018	526.1
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At 31 March 2017	603.3
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2017

2017	Investment properties £m
Valuation	
At 1 April 2016	641.3
Reclassification from Assets in the course of construction (note 13)	2.0
Disposals	(45.4)
Revaluation	5.4
At 31 March 2017	603.3

Carrying amount

At 31 March 2017	603.3
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At 31 March 2016	641.3
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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
Cost			
At 1 April 2017	166.3	50.5	216.8
Additions	–	–	–
At 31 March 2018	166.3	50.5	216.8
Amortisation			
At 1 April 2017	–	6.0	6.0
Charge for the year	–	2.5	2.5
At 31 March 2018	–	8.5	8.5
Carrying amount			
At 31 March 2018	166.3	42.0	208.3
At 31 March 2017	166.3	44.5	210.8

Goodwill

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

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

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

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

* 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
Total	3.0	2.7

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

19. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	20.0	16.7
	20.0	16.7

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
		1,346.8	1,188.6

Borrowings are repayable as follows:

In one year or less, or on demand

Bank loans	21	–	134.1
		–	134.1

In more than one year, but no more than two years

Bank loans		–	–
		–	–

In more than two years, but no more than five years

Bank loans	21	(2.8)	–
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In more than five years – due other than by instalments

Bonds	22	1,098.1	803.0
Other borrowings	23	251.5	251.5

		1,349.6	1,054.5
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Non-current borrowings		1,346.8	1,054.5
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Total borrowings		1,346.8	1,188.6
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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 ¹	(2.8)	(2.9)
	(2.8)	134.1

NOTE:

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

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

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

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

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
Financial liabilities:				
Instruments held at amortised cost				
Bank loans and overdrafts	21	2.8	(134.1)	(134.1)
Trade payables	25	(50.9)	(42.0)	(42.0)
Bonds	22	(1,098.1)	(803.0)	(995.7)
Other borrowings	23	(251.5)	(251.5)	(374.4)
		(1,397.7)	(1,230.6)	(1,546.2)
Financial assets:				
Instruments held at amortised cost				
Cash at bank and in hand	19	20.0	16.7	16.7
Trade receivables	18	94.7	50.8	50.8
Other assets held at fair value				
Investment properties	14	526.1	603.3	603.3
		640.8	670.8	670.8
Net financial liabilities		(756.9)	(559.8)	(875.4)

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
GMPP¹			
2018	437.5	(483.5)	(46.0)
2017	435.2	(489.4)	(54.2)
2016	363.1	(402.6)	(39.5)
2015	377.7	(432.5)	(54.8)
2014	346.0	(383.9)	(37.9)
MAG (STAL)			
2018	172.5	(195.0)	(22.5)
2017	161.4	(189.2)	(27.8)
2016	131.8	(133.4)	(1.6)
2015	130.3	(134.9)	(4.6)
2014	113.9	(107.1)	6.8
EMIA			
2018	61.3	(80.1)	(18.8)
2017	59.9	(82.5)	(22.6)
2016	52.9	(64.7)	(11.8)
2015	55.1	(69.1)	(14.0)
2014	48.5	(57.6)	(9.1)
AVPS²			
2018	3.9	(3.9)	-
2017	4.0	(4.0)	-
2016	3.5	(3.5)	-
2015	3.6	(3.6)	-
2014	3.1	(3.1)	-
Total²			
2018	675.2	(762.5)	(87.3)
2017	660.5	(765.1)	(104.6)
2016	551.3	(604.2)	(52.9)
2015	566.7	(640.1)	(73.4)
2014	511.5	(551.7)	(40.2)

NOTES:

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

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

Movement in net defined benefit liability – 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
Opening position as at 1 April	(489.4)	(402.6)	435.2	363.1	(54.2)	(39.5)
Included in the income statement						
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)
Amount recognised in the statement of comprehensive income						
Actual return less expected return on pension scheme assets	-	-	1.0	70.6	1.0	70.6
Experience (loss)/gain arising on scheme liabilities	(2.3)	(4.2)	-	-	(2.3)	(4.2)
Remeasurement gain/(loss) due to financial assumption changes	9.1	(95.0)	-	-	9.1	(95.0)
Remeasurement gain due to demographic assumption changes	0.9	13.3	-	-	0.9	13.3
	7.7	(85.9)	1.0	70.6	8.7	(15.3)
Cash flows						
Contributions	(1.2)	(1.2)	6.7	6.4	5.5	5.2
Benefits paid	16.8	17.8	(16.8)	(17.8)	-	-
Closing position as at 31 March	(483.5)	(489.4)	437.5	435.2	(46.0)	(54.2)

The scheme liabilities have a duration of approximately 16 years.

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
At 31 March 2018	111.4	74.0	(14.8)	34.2	0.6	205.4
At 1 April 2016	120.9	95.1	(10.4)	43.4	1.0	250.0
(Credit)/charge to income	(9.1)	(9.8)	0.5	(4.5)	(1.7)	(24.6)
(Credit) to equity	–	–	(7.9)	(0.3)	–	(8.2)
At 31 March 2017	111.8	85.3	(17.8)	38.6	(0.7)	217.2

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

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

28. Other non-current liabilities

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

29. Share capital and share premium

	Number of shares	Ordinary shares of £1 each		Total £m
		Share capital £m	Share premium £m	
Issued, called up and fully paid				
At 31 March 2018	316.7	316.7	687.2	1,003.9
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)
As at 31 March 2018	516.7

	2018 £m	2017 £m
Reconciliation of movements in shareholders' funds		
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)
Equity shareholders' funds as at 31 March 2018	1,520.6	1,542.0

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)
Loss on disposal of subsidiaries	(14.1)

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 ²	Ordinary £1 shares	100%		Non-trading
Airport City (Asset Manager) Limited ^{1, 2}	Ordinary £1 shares	50%		Property holding company
Airport City (General Partner) Limited ^{1, 2}	Ordinary £1 shares	50%		Property holding company
Airport City Limited Partnership ^{1, 2}	Ordinary £1 shares	50%		Property holding limited partnership
Airport City Management Company (South) Limited ²	Ordinary £1 shares	100%		Property management company
Airport City (Manchester) Limited ²	Ordinary £1 shares	100%	100%	Property holding company
Airport City (Manchester) Investments Limited ²	Ordinary £1 shares	100%		Property holding company
Airport Petroleum Limited ²	Ordinary £1 shares	100%		Non-trading
Bainsdown Limited ³	Ordinary £1 shares	100%		Property holding company
East Midlands Airport Core Property Investments Limited ²	Ordinary £1 shares	100%		Non-trading
East Midlands Airport Nottingham Derby Leicester Limited ²	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited ²	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited ²	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited ²	Ordinary £1 shares	100%		Investment property holding company
East Midlands International Airport Limited ⁴	Ordinary £1 shares	100%		Airport operator
	9% cumulative redeemable preference shares	100%		
EMIA Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
Manchester Airport Aviation Services Limited ³	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Finance Holdings Limited ²	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Finance Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Funding Plc ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Investments Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Property Developments Limited ²	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited ²	Ordinary £1 shares	100%		Property management company
The Manchester Airport Group Plc ³	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group US Holdings Inc* ⁶	Ordinary \$0.01 shares	100%		Investment holding company
Manchester Airport Plc ²	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited ²	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 ² (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments ² (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Ventures Limited ³	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
MAG Investments US Limited ²	Ordinary £1 shares	100%		Investment holding company
MAG Overseas Investments Limited ²	Ordinary £1 shares	100%	100%	Investment holding company
MAG US Lounge Management LLC* ⁶	N/A	100%		Non-trading
MAG US Parking Management LLC* ⁶	N/A	100%		Non-trading
MAG US Terminal Management LLC* ⁶	N/A	100%		Non-trading
MAG DC Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
MAG Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
Ringway Developments Plc ²	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited ³	Ordinary £1 shares	100%		Non-trading
Ringway Handling Services Limited ³	Ordinary £1 shares	100%		Non-trading
Stansted Airport Limited ⁵	Ordinary £1 shares	100%		Airport operator
Worknorth Limited ²	7% cumulative redeemable preference shares	100%		Non-trading
	Ordinary £1 shares	100%		
Worknorth II Limited ³	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.



Appendix CAH2 – 9

RIVEROAK STRATEGIC PARTNERS LIMITED

**UNAUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

RIVEROAK STRATEGIC PARTNERS LIMITED

COMPANY INFORMATION

Directors	A Freudmann G Huesler N Lawlor N Rothwell R Seitz G Yerrall
Registered number	10269461
Registered office	Calder & Co 16 Charles II Street London United Kingdom SW1Y 4NW
Accountants	Calder & Co Chartered Accountants 16 Charles II Street London SW1Y 4NW

RIVEROAK STRATEGIC PARTNERS LIMITED

CONTENTS

	Page
Statement of income and retained earnings	1
Statement of financial position	2
Notes to the financial statements	3 - 6

RIVEROAK STRATEGIC PARTNERS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 MAY 2019

	Note	2019 £
Profit after tax		<u>-</u>

Retained earnings at the end of the period

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of income and retained earnings.

The notes on pages 3 to 6 form part of these financial statements.

RIVEROAK STRATEGIC PARTNERS LIMITED
REGISTERED NUMBER: 10269461

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	31 May 2019 £	31 July 2018 £
Fixed assets			
Investments		4	2
Current assets			
Debtors: amounts falling due within one year	1	1	
Cash at bank and in hand		13,100,000	-
		<u>13,100,001</u>	<u>1</u>
Creditors: amounts falling due within one year	(4)	(2)	
Net current assets/(liabilities)		13,099,997	(1)
Creditors: amounts falling due after more than one year		(13,100,000)	-
Net assets		<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves			
Called up share capital	9	1	1
		<u>1</u>	<u>1</u>
		<u><u>1</u></u>	<u><u>1</u></u>

For the period ended 31 May 2019 the Company was entitled to exemption from audit under section 480 of the Companies Act 2006.

Members have not required the Company to obtain an audit for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2019.

A Freudmann
 Director

The notes on pages 3 to 6 form part of these financial statements.

RIVEROAK STRATEGIC PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

1.2 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the period in which they are incurred.

1.3 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.4 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.5 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.6 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

RIVEROAK STRATEGIC PARTNERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily ascertainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key areas of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Prepayments & Accrued Expenditure

The company includes a provision for invoices which are yet to be received from and amounts paid in advance to suppliers. These provisions are estimated based upon the expected values of the invoices which are issued and services received following the period end.

3. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2018	2
Additions	2
	<hr/>
At 31 May 2019	4
	<hr/> <hr/>

RIVEROAK STRATEGIC PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019

4. Debtors

	31 May 2019 £	31 July 2018 £
Amounts owed by group undertakings	1	1
	<u>1</u>	<u>1</u>
	<u><u>1</u></u>	<u><u>1</u></u>

5. Cash and cash equivalents

	31 May 2019 £	31 July 2018 £
Cash at bank and in hand	13,100,000	-
	<u>13,100,000</u>	<u>-</u>
	<u><u>13,100,000</u></u>	<u><u>-</u></u>

6. Creditors: Amounts falling due within one year

	31 May 2019 £	31 July 2018 £
Amounts owed to group undertakings	4	2
	<u>4</u>	<u>2</u>
	<u><u>4</u></u>	<u><u>2</u></u>

7. Creditors: Amounts falling due after more than one year

	31 May 2019 £	31 July 2018 £
Loans	13,100,000	-
	<u>13,100,000</u>	<u>-</u>
	<u><u>13,100,000</u></u>	<u><u>-</u></u>

RIVEROAK STRATEGIC PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019

8. Loans

Analysis of the maturity of loans is given below:

	31 May 2019 £	31 July 2018 £
Amounts falling due after more than 5 years		
Loans	13,100,000	-
	<u>13,100,000</u>	<u>-</u>

9. Share capital

	31 May 2019 £	31 July 2018 £
Allotted, called up and fully paid		
9,000 (2018 - 9,000) A Ordinary shares of £0.0001 each	1	1
1,000 (2018 - 1,000) B Ordinary shares of £0.0001 each	-	-
	<u>1</u>	<u>1</u>

RIVEROAK FUELS LIMITED

**UNAUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

RIVEROAK FUELS LIMITED

COMPANY INFORMATION

Directors A Freudmann (appointed 24 August 2018)
N Lawlor (appointed 24 August 2018)
G Yerrall (appointed 24 August 2018)

Registered number 11535715

Registered office Calder & Co
16 Charles II Street
London
SW1Y 4NW

Accountants Calder & Co
Chartered Accountants
16 Charles II Street
London
SW1Y 4NW

RIVEROAK FUELS LIMITED

CONTENTS

	Page
Statement of income and retained earnings	1
Statement of financial position	2
Notes to the financial statements	3 - 6

RIVEROAK FUELS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 MAY 2019

	Note	2019 £
Administrative expenses		(277,589)
Operating (loss)/profit		<u>(277,589)</u>
(Loss)/profit after tax		<u><u>(277,589)</u></u>
Loss for the period		(277,589)
Retained earnings at the end of the period		<u><u>(277,589)</u></u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of income and retained earnings.

The notes on pages 3 to 6 form part of these financial statements.

RIVEROAK FUELS LIMITED
REGISTERED NUMBER: 11535715

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	2019 £
Fixed assets		
Tangible assets		2,416,500
		<u>2,416,500</u>
Current assets		
Debtors: amounts falling due within one year	5	1
		<u>1</u>
Creditors: amounts falling due within one year		(575,904)
		<u>(575,903)</u>
Net current (liabilities)/assets		<u>(575,903)</u>
Total assets less current liabilities		<u>1,840,597</u>
Creditors: amounts falling due after more than one year		(2,118,185)
		<u>(277,588)</u>
Net (liabilities)/assets		<u><u>(277,588)</u></u>
Capital and reserves		
Called up share capital	9	1
Profit and loss account	10	(277,589)
		<u>(277,588)</u>
		<u><u>(277,588)</u></u>

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the period in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2019.

A Freudmann
Director

The notes on pages 3 to 6 form part of these financial statements.

RIVEROAK FUELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

1.2 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the period in which they are incurred.

1.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

1.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.5 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.6 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

RIVEROAK FUELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily ascertainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key areas of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Prepayments & Accrued Expenditure

The company includes a provision for invoices which are yet to be received from and amounts paid in advance to suppliers. These provisions are estimated based upon the expected values of the invoices which are issued and services received following the period end.

3. Employees

The average monthly number of employees, including directors, during the period was 3.

4. Tangible fixed assets

	Freehold property £
Cost or valuation	
Additions	2,416,500
At 31 May 2019	2,416,500
Net book value	
At 31 May 2019	2,416,500

RIVEROAK FUELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

4. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2019 £
Freehold	2,416,500
	<u>2,416,500</u>

5. Debtors

	2019 £
Amounts owed by group undertakings	1
	<u>1</u>

6. Creditors: Amounts falling due within one year

	2019 £
Amounts owed to group undertakings	575,904
	<u>575,904</u>

7. Creditors: Amounts falling due after more than one year

	2019 £
Loans	2,118,185
	<u>2,118,185</u>

RIVEROAK FUELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

8. Loans

Analysis of the maturity of loans is given below:

	2019 £
Amounts falling due after more than 5 years	
Loans	2,118,185
	<u>2,118,185</u>
	<u><u>2,118,185</u></u>

9. Share capital

	2019 £
Allotted, called up and fully paid	
1 Ordinary share of £1.00	1
	<u><u>1</u></u>

On incorporation the company issued 1 Ordinary £1 share at par.

10. Reserves

Profit and loss account

The profit and loss account is fully distributable.

RIVEROAK MANSTON LIMITED

**UNAUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

RIVEROAK MANSTON LIMITED

COMPANY INFORMATION

Directors	A Freudmann N Lawlor G Yerrall
Registered number	10286975
Registered office	Calder & Co 16 Charles II Street London United Kingdom SW1Y 4NW
Accountants	Calder & Co Chartered Accountants 16 Charles II Street London SW1Y 4NW

RIVEROAK MANSTON LIMITED

CONTENTS

	Page
Statement of income and retained earnings	1
Statement of financial position	2
Notes to the financial statements	3 - 5

RIVEROAK MANSTON LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 MAY 2019

	Note	2019 £
Profit after tax		<u>-</u>

Retained earnings at the end of the period

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of income and retained earnings.

The notes on pages 3 to 5 form part of these financial statements.

RIVEROAK MANSTON LIMITED
REGISTERED NUMBER: 10286975

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	31 May 2019 £	31 July 2018 £
Fixed assets			
Investments		1	1
Current assets			
Debtors: amounts falling due within one year	4	4	4
	<u>4</u>	<u>4</u>	<u>4</u>
Creditors: amounts falling due within one year	(1)	(1)	(1)
	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Net current assets		3	3
		<u>3</u>	<u>3</u>
Net assets		4	4
		<u>4</u>	<u>4</u>
Capital and reserves			
Called up share capital		4	4
		<u>4</u>	<u>4</u>
		<u>4</u>	<u>4</u>

For the period ended 31 May 2019 the Company was entitled to exemption from audit under section 480 of the Companies Act 2006.

Members have not required the Company to obtain an audit for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2019.

A Freudmann
Director

The notes on pages 3 to 5 form part of these financial statements.

RIVEROAK MANSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

1.2 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.3 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.4 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily ascertainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key areas of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Prepayments & Accrued Expenditure

The company includes a provision for invoices which are yet to be received from and amounts paid in advance to suppliers. These provisions are estimated based upon the expected values of the invoices which are issued and services received following the period end.

RIVEROAK MANSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019

3. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2018	1
At 31 May 2019	<u>1</u>

RIVEROAK MANSTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019

4. Debtors

	31 May 2019 £
Other debtors	4
	<u>4</u>
	<u><u>4</u></u>

5. Creditors: Amounts falling due within one year

	31 May 2019 £
Amounts owed to group undertakings	1
	<u>1</u>
	<u><u>1</u></u>

6. Share capital

	31 May 2019 £	31 July 2018 £
Allotted, called up and fully paid		
4 (2018 - 4) Ordinary shares of £1.00 each	4	4
	<u><u>4</u></u>	<u><u>4</u></u>

RIVEROAK AL LIMITED

**UNAUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

RIVEROAK AL LIMITED

COMPANY INFORMATION

Directors	A Freudmann N Lawlor G Yerrall
Registered number	10269458
Registered office	Calder & Co 16 Charles II Street London United Kingdom SW1Y 4NW
Accountants	Calder & Co Chartered Accountants 16 Charles II Street London SW1Y 4NW

RIVEROAK AL LIMITED

CONTENTS

	Page
Statement of income and retained earnings	1
Statement of financial position	2
Notes to the financial statements	3 - 5

RIVEROAK AL LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 MAY 2019

	Note	2019 £	2018 £
Administrative expenses		(32,818)	(31,980)
Operating loss		<u>(32,818)</u>	<u>(31,980)</u>
Loss after tax		<u>(32,818)</u>	<u>(31,980)</u>
Retained earnings at the beginning of the period		(78,360)	(46,380)
Loss for the period		(32,818)	(31,980)
Retained earnings at the end of the period		<u>(111,178)</u>	<u>(78,360)</u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of income and retained earnings.

The notes on pages 3 to 5 form part of these financial statements.

RIVEROAK AL LIMITED
REGISTERED NUMBER: 10269458

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	31 May 2019 £	31 July 2018 £
Current assets			
Debtors: amounts falling due within one year	3	1	1
		<u>1</u>	<u>1</u>
Creditors: amounts falling due within one year	4	(111,178)	(78,360)
		<u>(111,177)</u>	<u>(78,359)</u>
Net current liabilities		(111,177)	(78,359)
Total assets less current liabilities		(111,177)	(78,359)
Net liabilities		(111,177)	(78,359)
Capital and reserves			
Called up share capital	5	1	1
Profit and loss account	6	(111,178)	(78,360)
		<u>(111,177)</u>	<u>(78,359)</u>

For the period ended 31 May 2019 the Company was entitled to exemption from audit under section 480 of the Companies Act 2006.

Members have not required the Company to obtain an audit for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2019.

A Freudmann
Director

The notes on pages 3 to 5 form part of these financial statements.

RIVEROAK AL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

1.2 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

1.3 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.4 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily ascertainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key areas of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Prepayments & Accrued Expenditure

The company includes a provision for invoices which are yet to be received from and amounts paid in advance to suppliers. These provisions are estimated based upon the expected values of the invoices which are issued and services received following the period end.

RIVEROAK AL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

3. Debtors

	31 May 2019 £	<i>31 July 2018 £</i>
Amounts owed by group undertakings	1	<i>1</i>
	<hr/> 1 <hr/>	<hr/> <i>1</i> <hr/>

4. Creditors: Amounts falling due within one year

	31 May 2019 £	<i>31 July 2018 £</i>
Amounts owed to group undertakings	109,378	<i>76,560</i>
Accruals and deferred income	1,800	<i>1,800</i>
	<hr/> 111,178 <hr/>	<hr/> <i>78,360</i> <hr/>

5. Share capital

	31 May 2019 £	<i>31 July 2018 £</i>
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	1	<i>1</i>
	<hr/> 1 <hr/>	<hr/> <i>1</i> <hr/>

6. Reserves

Profit and loss account

The profit and loss reserve is fully distributable.

RIVEROAK AL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

7. Commitments under operating leases

At 31 May 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 May 2019 £	<i>31 July 2018 £</i>
Not later than 1 year	31,500	<i>31,500</i>
Later than 1 year and not later than 5 years	124,800	<i>124,800</i>
Later than 5 years	561,000	<i>592,500</i>
	<hr/> 717,300 <hr/>	<hr/> <i>748,800</i> <hr/>

RIVEROAK OPERATIONS LIMITED

**UNAUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

RIVEROAK OPERATIONS LIMITED

COMPANY INFORMATION

Directors	A Freudmann N Lawlor G Yerrall
Registered number	10311804
Registered office	Calder & Co 16 Charles II Street London United Kingdom SW1Y 4NW
Accountants	Calder & Co Chartered Accountants 16 Charles II Street London SW1Y 4NW

RIVEROAK OPERATIONS LIMITED

CONTENTS

	Page
Statement of income and retained earnings	1
Statement of financial position	2
Notes to the financial statements	3 - 6

RIVEROAK OPERATIONS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 MAY 2019

	Note	2019 £	2018 £
Administrative expenses		(4,440,519)	(4,747,391)
Operating loss		(4,440,519)	(4,747,391)
Interest receivable and similar income		17	9
Loss before tax		(4,440,502)	(4,747,382)
Loss after tax		(4,440,502)	(4,747,382)
Retained earnings at the beginning of the period		(8,400,032)	(3,652,650)
Loss for the period		(4,440,502)	(4,747,382)
Retained earnings at the end of the period		(12,840,534)	(8,400,032)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of income and retained earnings.

The notes on pages 3 to 6 form part of these financial statements.

RIVEROAK OPERATIONS LIMITED
REGISTERED NUMBER: 10311804

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	31 May 2019 £	31 August 2018 £
Fixed assets			
Investments	4	800,000	800,000
		<u>800,000</u>	<u>800,000</u>
Current assets			
Debtors: amounts falling due within one year	5	1,267,343	694,927
Cash at bank and in hand	6	84,258	12,375
		<u>1,351,601</u>	<u>707,302</u>
Creditors: amounts falling due within one year	7	(1,352,161)	(957,360)
Net current liabilities		<u>(560)</u>	<u>(250,058)</u>
Total assets less current liabilities		<u>799,440</u>	<u>549,942</u>
Creditors: amounts falling due after more than one year	8	(13,639,973)	(8,949,973)
Net liabilities		<u>(12,840,533)</u>	<u>(8,400,031)</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	(12,840,534)	(8,400,032)
		<u>(12,840,533)</u>	<u>(8,400,031)</u>

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the period in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2019.

A Freudmann
 Director

The notes on pages 3 to 6 form part of these financial statements.

RIVEROAK OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

1.2 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

1.3 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the period in which they are incurred.

1.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

RIVEROAK OPERATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily ascertainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key areas of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Prepayments & Accrued Expenditure

The company includes a provision for invoices which are yet to be received from and amounts paid in advance to suppliers. These provisions are estimated based upon the expected values of the invoices which are issued and services received following the period end.

3. Employees

The average monthly number of employees, including directors, during the period was 3 (2018 - 3).

4. Fixed asset investments

	Other fixed asset investments £
Cost or valuation	
At 1 September 2018	800,000
At 31 May 2019	800,000

RIVEROAK OPERATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

5. Debtors

	31 May 2019 £	<i>31 August 2018 £</i>
Amounts owed by group undertakings	685,283	576,561
VAT repayable	396,536	116,130
Directors loan account	185,524	2,236
	<u>1,267,343</u>	<u>694,927</u>

6. Cash and cash equivalents

	31 May 2019 £	<i>31 August 2018 £</i>
Cash at bank and in hand	84,258	12,375
Less: bank overdrafts	-	(29,054)
	<u>84,258</u>	<u>(16,679)</u>

7. Creditors: Amounts falling due within one year

	31 May 2019 £	<i>31 August 2018 £</i>
Bank overdrafts	-	29,054
Trade creditors	1,345,364	919,715
Other taxation and social security	1,100	2,193
Wages and Salaries	1,197	1,898
Accruals and deferred income	4,500	4,500
	<u>1,352,161</u>	<u>957,360</u>

RIVEROAK OPERATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019

8. Creditors: Amounts falling due after more than one year

	31 May 2019	<i>31 August 2018</i>
	£	£
Loans	13,639,973	<i>8,949,973</i>
	<u>13,639,973</u>	<u><i>8,949,973</i></u>

9. Loans

Analysis of the maturity of loans is given below:

	31 May 2019	<i>31 August 2018</i>
	£	£
Amounts falling due after more than 5 years		
Loans	13,639,973	<i>8,949,973</i>
	<u>13,639,973</u>	<u><i>8,949,973</i></u>

10. Share capital

	31 May 2019	<i>31 August 2018</i>
	£	£
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of £1.00	1	<i>1</i>
	<u>1</u>	<u><i>1</i></u>

11. Reserves

Profit and loss account

The profit and loss reserve is fully distributable.

RIVEROAK MSE LIMITED

**UNAUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

RIVEROAK MSE LIMITED

COMPANY INFORMATION

Directors A Freudmann (appointed 10 December 2018)
N Lawlor (appointed 10 December 2018)
G Yerrall (appointed 10 December 2018)

Registered number 11720590

Registered office Calder & Co
16 Charles II Street
London
SW1Y 4NW

Accountants Calder & Co
Chartered Accountants
16 Charles II Street
London
SW1Y 4NW

RIVEROAK MSE LIMITED

CONTENTS

	Page
Statement of income and retained earnings	1
Statement of financial position	2
Notes to the financial statements	3

RIVEROAK MSE LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 MAY 2019

	Note	2019 £
Profit after tax		<u>-</u>

Retained earnings at the end of the period

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of income and retained earnings.

The notes on page 3 form part of these financial statements.

RIVEROAK MSE LIMITED
REGISTERED NUMBER: 11720590

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	2019 £
Current assets		
Debtors: amounts falling due within one year	3	1
		<u>1</u>
Total assets less current liabilities		1
Net assets		
		<u>1</u>
Capital and reserves		
Called up share capital	4	1
		<u>1</u>
		<u>1</u>

For the period ended 31 May 2019 the Company was entitled to exemption from audit under section 480 of the Companies Act 2006.

Members have not required the Company to obtain an audit for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2019.

A Freudmann
Director

The notes on page 3 form part of these financial statements.

RIVEROAK MSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily ascertainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key areas of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Prepayments & Accrued Expenditure

The company includes a provision for invoices which are yet to be received from and amounts paid in advance to suppliers. These provisions are estimated based upon the expected values of the invoices which are issued and services received following the period end.

3. Debtors

	2019
	£
Amounts owed by group undertakings	1
	<hr/>
	1
	<hr/> <hr/>

4. Share capital

	2019
	£
Allotted, called up and fully paid	
1 Ordinary share of £1.00	1
	<hr/> <hr/>

On incorporation the company issued 1 Ordinary £1 share at par.

RIVEROAK INVESTMENTS (UK) LIMITED

**UNAUDITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

RIVEROAK INVESTMENTS (UK) LIMITED

COMPANY INFORMATION

Directors N Rothwell (appointed 24 April 2019)
R Seitz (appointed 24 April 2019)

Company secretary Wellco Secretaries Ltd

Registered number 10269461

Registered office Munro House
Portsmouth Road
Cobham
Surrey
KT11 1PP

RIVEROAK INVESTMENTS (UK) LIMITED

CONTENTS

	Page
Statement of income and retained earnings	1
Statement of financial position	2
Notes to the financial statements	3 - 4

RIVEROAK INVESTMENTS (UK) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 MAY 2019

	Note	2019 £
Profit after tax		<hr/> - <hr/> <hr/>

Retained earnings at the end of the period

There were no recognised gains and losses for 2019 or 2019 other than those included in the statement of income and retained earnings.

The notes on pages 3 to 4 form part of these financial statements.

RIVEROAK INVESTMENTS (UK) LIMITED
REGISTERED NUMBER: 10269461

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	2019 £
Fixed assets		
Investments	3	1
		<u>1</u>
Current assets		
Debtors: amounts falling due within one year	4	999
		<u>999</u>
Total assets less current liabilities		1,000
Net assets		<u>1,000</u>
Capital and reserves		
Called up share capital	5	1,000
		<u>1,000</u>

For the period ended 31 May 2019 the Company was entitled to exemption from audit under section 480 of the Companies Act 2006.

Members have not required the Company to obtain an audit for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2019.

N Rothwell
Director

The notes on pages 3 to 4 form part of these financial statements.

RIVEROAK INVESTMENTS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019**

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

1.2 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily ascertainable from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key areas of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Prepayments & Accrued Expenditure

The company includes a provision for invoices which are yet to be received from and amounts paid in advance to suppliers. These provisions are estimated based upon the expected values of the invoices which are issued and services received following the period end.

3. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
Additions	1
At 31 May 2019	<u>1</u>

RIVEROAK INVESTMENTS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2019

4. Debtors

	2019 £
Called up share capital not paid	999
	<u>999</u>

5. Share capital

	2019 £
Allotted, called up and fully paid	
1,000 Ordinary shares of £1.00 each	<u>1,000</u>

On incorporation the company issued 1,000 Ordinary £1 shares at par.

Appendix CAH2 – 10



HM Planning Inspectorate
Bristol
United Kingdom

11th June, 2019

Dear Sirs,

During the hearing held on the 4 June 2019 I confirmed that I would provide details of Helix Fiduciary AG's regulator as there was a suggestion that I may have misled the Examining Authority and that Helix was not regulated in Switzerland. It was also stated that Helix did not belong to the "Swiss Association of Trust Companies" with the implication that this organization was a form of regulator, which as I explain below, it is not.

In order to reaffirm my comments on this matter I wish to clarify the following:

Switzerland's Financial Market Authority ("FINMA") runs effectively a dual regulatory system, in that it only directly supervises institutions it has authorised to engage in financial market activity. This supervisory function is prudential in respect of banks, insurance companies and other financial service providers. FINMA's level of supervision is most intensive in areas in which risk is greatest. Thus it assigns banks, insurance companies, collective investment schemes, self-regulatory organisations (SROs) and directly subordinated financial intermediaries (DSFIs) to six different supervisory categories depending on their size, complexity and risk structure. (see <https://www.finma.ch/en/supervision/our-approach-to-supervision/>).

Other players in the para-finance sector are, however, mandatorily regulated by a self-regulatory organisation which itself is authorised by FINMA. (see <https://www.finma.ch/en/supervision/self-regulatory-organisations-sros/> - on the left tab there is a function to search for members, and at the bottom of the page is a list of all accredited SROs).

Helix Fiduciary AG ("Helix"), as a "financial intermediary" according to the Swiss Anti Money Laundering Act ("AMLA"), does not fall under any category of a directly supervised institution engaged in financial market activity. However under the AMLA, Helix is obliged to be a member of and regulated by a FINMA-authorized self-regulatory organisation (SRO).

Since inception, Helix has chosen to be regulated by the following fully FINMA-recognised SRO: Financial Services Standards Association VQF (see <https://www.vqf.ch/en/>). Attached is the most recent membership certificate.

Further it is worth noting that our bank accounts are directly regulated by FINMA as they regulate the banks.

The Swiss Association of Trust Companies ("SATC") is not a regulatory body or a FINMA-regulated SRO, but merely a lobby organisation aiming at being "the leading organisation to engage in the furtherance and development of trustee activities in Switzerland". (see <http://www.satc.ch/about/our-aims/>). Membership of the SATC has no implications in terms of regulation.



Also during the hearing comments were made about RSP in the context of its Business Investment Relief ('BIR') submissions and, again, it was suggested that RSP was misleading the Examining Authority. I wish to reaffirm my answers to the Examining Authority as follows:

- Prior to M.I.O. Investments Limited being involved with the project, our independent tax lawyers, Foot Anstey LLP of Bristol, applied to HMRC for clearance that this investment was BIR relevant. This clearance was given and the Examining Authority has received redacted versions of those clearances.
- The Examining Authority has proof by way of confirmation from Foot Anstey that all BIR submissions have been correctly made to HMRC.
- One of the stakeholders has been reviewed by HMRC for BIR submissions even though it was not for the Manston DCO but another UK investment. This was in depth as I explained at the hearing and did review source of funds, named bank accounts, all the banking SWIFT confirmations proving sender and recipient and also the use of those funds. The Examining Authority has received confirmation from Foot Anstey that HMRC has reviewed this stakeholder.

Whilst writing I wish to also confirm that Helix Fiduciary AG has relocated many individuals (clients) and their families to the UK under the Resident Non Domiciled tax rules of the UK. With the introduction of BIR rules by HMRC in 2012 to promote inward investment to the UK for the benefit of the economy Helix has promoted this opportunity amongst all of our UK Resident Non Domiciled clients base. This has been extremely well received and taken up.

With regard, specifically, to the BIR stakeholders of RSP I confirm that they as a collective have invested via BIR into the UK economy extensively. Across many different UK registered businesses these stakeholders have invested in excess of £130 million into the UK economy including RSP (Manston DCO) and these funds have been declared to HMRC on the stakeholders' various tax returns since 2012.

These investments into UK Businesses have directly employed a very large number of people in various industries. It is measured and recorded that these BIR investments have raised significant and various taxes, including PAYE, National Insurance Contributions, VAT and Corporation Taxes in excess of **£180 million** paid to the Exchequer since 2012.

The reason why we are putting this on record with the inspector is to demonstrate a number of aspects here:

- These stakeholders have a proven record with HMRC of investing into UK PLC (excluding Manston DCO project).
- They have created significant direct employment in the UK.
- The follow on benefits to annual GDP have been huge and in cases recognized by the local community.
- Commitment to succeed with the use of BIR, which in turn creates employment which directly benefits the Exchequer.
- They have the resources to ensure that the CPO and DCO is completed.

The basis of our caution to disclose these individuals is to avoid personal details appearing in the public domain. We have done our utmost to establish for the satisfaction of the Examining Authority that there are significant free funds to complete the DCO and CPO via our PwC letter, the BDB confirmation letter that the situation has not changed with reference to those £30million (2 x £15m) and further



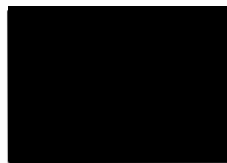
with the placement of the £13.1mn with BDB Pitmans on escrow in the UK (in addition to the £30m). To give un-redacted confirmation of these funds which would place all the personal details, names, banks and the specific branch and further account numbers in the public domain accessible by the entire world would be inappropriate and amount to a serious invasion of our clients' privacy. This project is in contrast to almost all others where the ultimate funders are corporations rather than individuals.

Again, we offer to the Examining Authority, and ultimately the Secretary of State, the opportunity to see full disclosure of these individuals and their funds as long as these details are not part of the public record. While we have seen the Planning Inspectorate's redaction policy, we cannot be sure that information that would remove our clients' privacy would be kept confidential without further specific assurances.

Yours sincerely
For and on behalf of
Helix Fiduciary AG



Nicholas Rothwell
Director



Rico Seitz
Director

Helix Fiduciary AG
Herr Rico Seitz
Schanzeneggstrasse 3
8002 Zürich

Zug, 03.08.2017

Confirmation of VQF SRO Membership

We are pleased to confirm herewith that

Helix Fiduciary AG
Schanzeneggstrasse 3
8002 Zürich
Member No. 100059

is a member of the VQF Self-regulatory Organisation for Combating Money Laundering and Terrorist Financing (VQF SRO) since 21.05.2014.

The VQF SRO is officially recognised, regulated and supervised by the Swiss Financial Market Supervisory Authority (FINMA), whereby this system of supervision denotes (statutorily) controlled self-regulation. This Swiss self-regulatory system has been assessed, and confirmed to be equivalent in accordance with a national review by the Financial Action Task Force on Money Laundering (FATF) and deemed has been to be equivalent to a system directly regulated by the government.

The VQF SRO is specifically responsible for implementing the obligations of its members in accordance with anti-money laundering law, controlling members regarding compliance with these obligations and the regulations adopted by VQF SRO, and for imposing appropriate sanctions and measures in the event of violation of the said obligations and regulations.


The VQF supervises its SRO members exclusively in its function as SRO for combating money laundering and terrorist financing.

Kind regards,

VQF
Financial Services Standards Association



Nicolas Ramelet
CEO



Sabrina Kunz
Head Administration

Appendix CAH2 – 11

Description	Where committed	At consent	At construction	At operation	Per year thereafter	For	Y3	Y5	Y10	Y15	Y20	Derivation of figure
Air quality monitoring	s106, schedule 1			£45,000	£18,400	While airport operational						Obtained from Wood and TDC
Noise monitoring	s106, schedule 2			£30,000	£18,000	While airport operational						Obtained from Wood
Education and training	s106, schedule 3			£250,000	£50,000	20 years						Based on discussions with education and training providers
Biodiversity	s106, schedule 4			£100,000								Obtained from Wood
PRoW contribution	s106, schedule 5			£90,000								Obtained from Wood
Car parking (KCC costs)	s106, schedule 6			£6,000	£1,667	20 years						Obtained from KCC
Car parking (TDC costs)	s106, schedule 6						£x					To be obtained from TDC (not expected to be high as CPZs generally pay for themselves)
Schools fund	s106, schedule 7			£139,000	£139,000	20 years						Based on 1% of each of the seven affected schools' budgets
Manston-Haine Link	s106, schedule 8						£500,000	(or whenever road gets permission)				Considered reasonable contribution allied with land being provided for £1
Public transport	s106, schedule 9			£150,000	£150,000	While airport operational						Obtained from Wood based on a bus service
Offsite junctions	s106, schedule 10						£590,500	£102,000	£1,754,300	£988,800	£1,578,000	Obtained from Wood
Land compensation	Funding statement	£7,500,000										Obtained from CBRE
Relocation costs	Noise mitigation plan	£1,600,000										Obtained from CBRE
Noise insulation	Noise mitigation plan	£2,750,000										£10,000 x 275 properties
Community Trust Fund	Noise mitigation plan			£50,000	£50,000	While airport operational						Considered reasonable contribution
Biodiversity area	Required for translocation licence		£480,000									Obtained from Wood plus cost of land
TOTAL		£11,850,000	£480,000	£860,000	£427,067	£0	£590,500	£602,000	£1,754,300	£988,800	£1,578,000	£19,130,667

Appendix CAH2 – 13

EXCHANGE OF PROPRIETARY INFORMATION
AND NON-DISCLOSURE AGREEMENT

This Agreement is made between:

AQUILA Air Traffic Management Services Limited, a company established under the laws of England and Wales whose registered office is at 350 Longwater Avenue, Green Park, Reading, RG2 6GF. Registered Number: 9256777 (hereinafter referred to as "AQUILA"),

AND

Riveroak Strategic Partners Limited, a company established under the laws of England and Wales, whose registered office is at Audley House, 16 Charles II Street London, SW1Y 4NW. Registered number: 10269461, (hereinafter referred to as "RSP"),

AND

Osprey Consulting Services Limited, a company established under the laws of England and Wales whose registered office is at The Hub, Fowler Avenue, Farnborough Business Park, Hampshire, GU14 7JP. Registered number 06034579 (hereinafter referred to as "Osprey"),

hereinafter also referred to as "Party" or "Parties",

WHEREAS

- A** The Parties wish to disclose between themselves certain technical or business information of a proprietary or confidential nature, relating to re-opening of Manston airfield as an international hub for air freight and as a consequence relocation of the Ministry of Defence owned High Resolution Direction Finder (HRDF) located on the airfield.
- (hereinafter referred to as "the Purpose")
- B.** During the course of discussions, it may become desirable or necessary for the Parties to disclose to each other certain technical or business information of a proprietary or confidential nature, and
- C.** The Parties wish to provide for the conditions of disclosure of such information and the rules governing the use and the protection thereof.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. In this Agreement the term "Proprietary Information" shall mean any information or data (including without limitation trade secrets, commercial, technical, business, financial and marketing information) in whatever form, nature or media disclosed by a Party to any other Party pursuant to this Agreement and which is designated by the disclosing Party as proprietary or confidential by an appropriate stamp, legend or any other notice in writing, or when disclosed orally or visually, has been identified as proprietary or confidential at the time of disclosure and has been promptly (within thirty (30) days at the latest) confirmed and designated in writing as Proprietary Information of the disclosing Party, or which is obtained by examination, testing or analysis of such information or data, in all cases whether or not disclosed in accordance with clause 6 hereof.
2. Nothing in this Agreement may be construed as compelling any Party to disclose any Proprietary Information to any other, or to enter into any further contractual relationships.

3. During the term of this Agreement and for a period of 5 (five) years after the termination or expiry of this Agreement, in respect of any Proprietary Information received by a Party from another Party, the receiving Party undertakes that such information shall:
 - (a) be protected and kept in strict confidence by the receiving Party which must use at least the same degree of precaution and safeguards as it uses to protect its own proprietary information of like importance, but in any case no less than reasonable care;
 - (b) be only disclosed to and used by those persons within the receiving Party's organisation who have a need to know and solely for the Purpose;
 - (c) not be used in whole or in part for any purpose other than the Purpose;
 - (d) neither be disclosed nor caused to be disclosed whether directly or indirectly to any third party or persons other than those mentioned in sub-paragraph (b) above;
 - (e) neither be copied, nor otherwise reproduced nor duplicated in whole or in part where such copying, reproduction or duplication has not been specifically authorised in writing by the disclosing Party.
4. Any Proprietary Information and copies thereof shall remain the property of the disclosing Party and shall be returned by the receiving Party forthwith upon request.
5. Without prejudice to its obligations in respect of any information referred to in Clause 7 hereof, the receiving Party shall have no obligations or restrictions under this Agreement with respect to any Proprietary Information which the receiving Party can prove:
 - (a) has come into the public domain prior to, or after the disclosure thereof and in such case through no wrongful act or omission of or breach of this Agreement by the receiving Party; or
 - (b) was already known to the receiving Party before receipt from the disclosing Party, as evidenced by written records in the files of the receiving Party; or
 - (c) has been lawfully received from a third party without restrictions or breach of this Agreement; or
 - (d) it is legally compelled to disclose by reason of a court order or statutory requirement enforceable against it at law, provided it has given the disclosing Party prompt notice of such requirement and co-operated with it to take all reasonable steps to object to such disclosure; or
 - (e) is independently developed in good faith by employees of the receiving Party who did not have access to the Proprietary Information; or
 - (f) is approved for the release or use in question by written authorisation of the disclosing Party; or
 - (g) is not designated or confirmed as proprietary in accordance with clause 1 of this Agreement.
6. Without prejudice to clause 1, the below listed employees shall be, on behalf of the respective Party, their preferred persons to receive and/or transmit Proprietary Information under this Agreement:

FOR Aquila
Mr Steve Pearson

FOR RSP
Mr Tony Freudmann

FOR Osprey
Mr Richard Connelly

Each Party may nominate alternative employees for such purpose from time to time by giving notice in writing to the other Party.

7. Any Proprietary Information which is classified, or export-controlled information shall be identified by the disclosing Party as such at the time of disclosure and the disclosure, protection, use, access to and handling of such information shall, notwithstanding anything to the contrary in this Agreement be in accordance with security procedures prescribed by the appropriate Government.

8. Nothing in this Agreement or the disclosure of information or data hereunder is intended to grant or shall be construed as granting to the receiving Party any title, rights or licences in or under any patent, copyright or any other intellectual property right whatsoever of the disclosing Party, other than the right to use such information or data for the Purpose strictly as authorised herein.
9. The aim of this Agreement being only to set out the rules for protection of Proprietary Information, it is expressly agreed that no warranty, representation or other liability is given or to be implied by any Party as to the completeness, accuracy or suitability for any particular purpose of any information or data disclosed hereunder, each Party making its own assessment over any such completeness accuracy or suitability of the Proprietary Information so received from any other Party.
10. No publicity or advertising shall be released in respect of this Agreement or the subject matter thereof without the prior written approval of all Parties.
11. This Agreement may be terminated by any Party at any time upon 30 (thirty) days prior written notice to the others, and unless so terminated shall expire 3 year(s) after its effective date.
12. The termination or expiry of this Agreement shall not relieve the receiving Party of the obligations imposed herein in respect of Proprietary Information received prior to the date of the termination or expiry. Such obligations shall continue for the period applicable as set forth in this Agreement.
13. This Agreement shall be governed by and shall be interpreted in accordance with the laws of England.
14. Any and all disputes between the Parties arising out of or in connection with this Agreement (or any terms thereof), which the Parties are unable to resolve between themselves shall be finally settled by arbitration in accordance with the Arbitration Act 1996 as amended from time to time.

Nothing herein shall prevent any Party from applying to a court of competent jurisdiction for injunctive or similar relief or for enforcing any decision or award made pursuant to the above.
15. This Agreement constitutes the entire agreement between the Parties and supersedes and cancels any prior representations, negotiations, commitments, undertakings, communications, understandings and agreements between the Parties with respect to the subject matter hereof.
16. The effective date of this Agreement shall be the date on which it is executed by all Parties hereto.
17. This Agreement shall not be assignable by any Party without the prior written consent of the other Parties.
18. Failure to enforce any provision of this Agreement shall not constitute a waiver thereof.

19. The Parties do not intend any provision herein to confer any benefit upon, nor be enforceable by, any person who is not a party hereto (notwithstanding any reference herein to any such person whether by name, class, description or otherwise), whether under the Contracts (Rights of Third Parties) Act 1999 or otherwise.
20. This agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all counterparts together shall constitute a single agreement
21. This Agreement shall not be amended unless agreed in writing and signed on behalf of each Party.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorised officer or representative.

FOR Aquila Air Traffic Management Services Limited

Name: Roy Barker

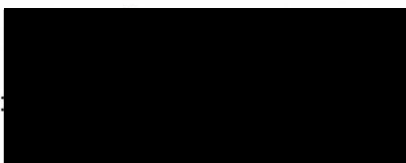
Signature:

Date: [xx] April 2019

FOR Riveroak Strategic Partners Limited,

Name: ANTHONY FREUDMANN

Signature:

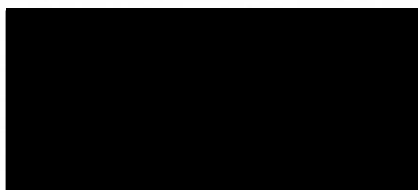


Date: 23RD April 2019

FOR Osprey Consulting Services Limited

Name; Richard Connelly

Signature:



Date: 16 April 2019

Dated

24 May 2019

**CONTRACT FOR THE SALE
OF CONSULTANCY SERVICES**

between

Aquila Air Traffic Management Limited

and

Riveroak Strategic Partners Limited

CONTENTS

1	Interpretation	2
2	The Provision of the Services	5
3	Aquila' Obligations	5
4	Purchaser's Obligations	6
5	Payment	7
6	Change request	8
7	Confidentiality	9
8	Intellectual Property	10
9	Warranties	12
10	Limitation of Liability	12
11	Termination	12
12	Dispute Resolution Procedure	13
13	Sub-Contracting	15
14	Assignment	15
15	Third party Rights	15
16	Force Majeure	15
17	Waiver of Rights and Remedies	15
18	Publicity	15
19	Severance	16
20	Entire Agreement	16
21	Data Protection	16
22	Anti Corruption and Bribery	18
23	Rights Cumulative	18
24	Amendments	18
25	Counterparts	18
26	No Partnership	19
27	Costs	19
28	Notices	19
29	Law and Jurisdiction	19
	Schedule 1 Services	21
	Schedule 2 Contract Price	2
	Schedule 3 Change Request	3

THIS CONTRACT is made on 24 May 2019
BETWEEN

- (1) **AQUILA AIR TRAFFICE MANAGEMENT SERVICES** a company incorporated in England and Wales with registered number 9256777 whose registered office is at 350 Longwater Avenue, Green Park, Reading, RG2 6GF ("**Aquila**"); AND
- (2) **RIVEROAK STRATEGIC PARTNERS LIMITED** a company incorporated in England and Wales with registered number 10269461 whose registered office is at Audley House, 16 Charles II Street, London, SW1Y 4NW (the "**Riveroak**").

Each a **party** and together referred to as the **parties**

IT IS HEREBY AGREED AS FOLLOWS:

1 INTERPRETATION

1.1 In this Contract, unless the context otherwise requires, the following definitions will apply:

Change Request means any change to the Services requested by either party in writing in substantially the form as set out in Schedule 3 Part 1 setting out a summary description of the change, the reason for making the change and an indication of any anticipated consequential change;

Change Request Amendment means a document substantially in the form as set out in Schedule 3 Part 2 prepared by Aquila containing:

(a) a description of the amendments to planned work no longer required and/or additional work to be carried out in order to implement the Change Request;

(b) the change to the Contract Price;

(c) other consequential changes due to the Change Request;

(d) the date by which the change is to be commenced and the anticipated completion date;

Commencement Date means 24 May 2019

Confidential Information means all information disclosed (whether in writing, orally or by another means and whether directly or indirectly) by one party to the other party which is clearly designated or which ought reasonably to be considered to be confidential, including but not limited to, information relating to the business affairs, developments, trade

secrets, know how, products, operations, processes, plans, product information, market opportunities, personnel and suppliers, of a party and any other information;

Contract	means this contract between Riveroak and Aquila comprising the Clauses herein and the Schedules;
Contract Price	means the price payable by Riveroak to Aquila for the Services as set out in Schedule 2 excluding VAT and other taxes. For the purposes of Clause 10.2 this shall be considered to be £160,000;
Deliverables	means all reports, analysis, written work, in final or interim form, software or any other outputs as specified in Schedule 1 Part 2 produced by Aquila and delivered to Riveroak in performance of the Services;
Data Protection Laws	means all applicable data protection and privacy legislation in force from time to time in the United Kingdom including the GDPR, the Data Protection Act 2018 or any successor legislation and any other directly applicable European Union regulation related to data protection and privacy to the extent it applies to the United Kingdom;
Dispute	means any dispute, difference or question of interpretation arising out of this Contract;
Force Majeure Event	means any act, event, omission or accident beyond the reasonable control of the parties including (without limitation) acts of God, governmental act, war, directions of a government authority, fire, flood or other natural disaster including (without limitation) volcanic eruption and any resulting presence of volcanic ash, explosion, volcanic ash, civil commotion, lock-outs, strikes or other labour disputes or any delays or materials shortages caused or contributed by sub-contractors or suppliers of Aquila;
GDPR	means the General Data Protection Regulation (EU) 2016/679;
Group	shall have the meaning given to 'group undertaking' by s.1161(5) Companies Act 2006;
IPR	means rights in, and in relation to, any patents, petty patents, registered designs, design rights, trademarks, rights in domain names, trade and business names (including all goodwill associated with any trademarks or

trade or business names), copyrights, moral rights, rights in databases, topography rights and utility models (including the benefit of all registrations of, applications to register and the right to apply for registration of any of the foregoing items and all rights in the nature of any of the foregoing), trade secrets, confidential information and other proprietary rights in data and information, (including rights to know how and other technical information rights in the nature of unfair competition rights and rights to sue for passing off) and all other intellectual or industrial property rights of any nature whatsoever in or relating to the Services or any Deliverables for their full term (including any extensions or renewals thereof) and wherever in the world enforceable;

Aquila Contact

means an employee of Aquila named in Schedule 1 or any other point of contact which Aquila may notify to Riveroak from time to time in writing;

Schedules

means the schedules attached hereto;

Services

means the services which Aquila is required to supply and/or carry out under the Contract as set out in Schedule 1;

VAT

means value added tax payable under the Value Added Tax Act 1994 or equivalent sales duty and any substituted or additional tax or duty applicable from time to time to sales or supplies of the Services; and

Working Day

means a day (other than Saturday or Sunday) on which banks in the City of London are generally open for business.

- 1.2 Unless otherwise stated, references to Schedules and Clauses are to clauses of and schedules to this Contract.
- 1.3 References to any party shall, where relevant, be deemed to be references to or to include, as appropriate, their respective lawful successors, assigns or transferees.
- 1.4 The headings used in the Contract are for convenience only and shall not affect the interpretation of the Clauses and Schedules.
- 1.5 References to the plural include the singular, references to the male include female and vice versa where applicable.

- 1.6 Reference to any enactment, regulation or other statutory instrument shall be construed to include any subsequent amendments or re-enactments of them or their replacements.
- 1.7 References to written or in writing include communications by post and email but excludes facsimile.
- 1.8 In this Contract (unless the context otherwise requires):
- 1.8.1 the words "including" and "include" and words of similar effect shall not be deemed to limit the general effect of the words which precede them;
 - 1.8.2 reference to any agreement, contract, document or deed shall be construed as a reference to it as varied, supplemented or novated;
 - 1.8.3 obligations undertaken by a party which comprises more than one person shall be deemed to be made by them jointly and severally; and
 - 1.8.4 words importing persons shall include firms, companies and bodies corporate and vice versa.

2 THE PROVISION OF THE SERVICES

- 2.1 In consideration of Riveroak paying the Contract Price, Aquila undertakes to supply the Services to Riveroak on the terms and conditions set out in this Contract.

3 AQUILA' OBLIGATIONS

- 3.1 Aquila shall provide the Services to Riveroak with reasonable skill and care in accordance with this Contract.
- 3.2 Aquila shall provide the Services at the location or locations specified in Schedule 1 or at the registered address of Riveroak where no location is specified.
- 3.3 Aquila shall not be liable for any failure to provide the Services to Riveroak where such failure is due to or as a result of Riveroak not complying, fully or partly, with its obligations under this Contract.
- 3.4 Aquila may supply written advice or confirm oral advice in writing or deliver a final written report or make an oral presentation on completion of the Services. Prior to completion of the Services, Aquila may supply oral, draft or interim advice or reports or presentations but in such circumstances written advice or a final written report shall take precedence.

3.5 Aquila shall be under no obligation in any circumstances to update any advice, report or any other product of the Services, oral or written, for events occurring after the advice, report or product concerned has been delivered by Aquila to Riveroak in final form.

4 **PURCHASER'S OBLIGATIONS**

4.1 Riveroak shall pay the Contract Price to Aquila as specified in Schedule 2 together with any other amounts that become due under the Contract including, but not limited to, any foreign taxes or duties or any travel, accommodation or other expenses reasonably incurred (except to the extent that such costs are already stated in this Contract as being included in the Contract Price).

4.2 Riveroak shall provide such co-operation, assistance, equipment and facilities as are specified in this Contract, or as Aquila reasonably requires, for the provision of the Services.

4.3 To enable Aquila to perform the Services, Riveroak shall supply promptly all information and access to all relevant documentation in its possession, custody or under its control and to personnel under its control where required by Aquila.

4.4 Riveroak shall ensure that, where the Services are to be provided at the premises of Riveroak or a third party, or the nature of the Services is such that it is likely to be more efficient for Aquila to perform work at Riveroak's or a third party's premises or using Riveroak's or a third party's computer systems (including internal access) or telephone networks, all arrangements are made for access, security procedures, virus checks, facilities, licences or consents as may be reasonably required for Aquila to perform the Services, and any equipment to be provided by Riveroak or a third party and the premises concerned will be available when they are required and of an adequate standard to facilitate the satisfactory performance of the Services at no cost to Aquila.

4.5 If, in the provision of the Services Aquila personnel visits any of Riveroak's sites or a third party's sites at the request of Riveroak or as a requirement in the provision of the Services, then Riveroak shall be responsible for the provision of a safe working environment (including the provision of safety, health and environmental information regarding the site's equipment and processes on which Aquila' personnel are to work) and shall advise Aquila' personnel of the rules and regulations applying to the sites on which they work.

4.6 Riveroak shall not, during the term of this Contract and for a period of no less than 12 months after the Services have been completed, directly or indirectly solicit or entice away any employee of Aquila who is or has been engaged in providing the Services, whether by making an offer of employment or otherwise.

- 4.7 Riveroak shall direct all correspondence relating to this Contract (other than legal notices required to be given in accordance with Clause 28) to the Aquila Contact.
- 4.8 Riveroak shall notify Aquila immediately in writing if it or any of its or its assets is subject to any form of bankruptcy, winding up, dissolution, administration, administrative or other receivership, moratorium, insolvency proceedings, voluntary or other arrangements with creditors, enforcement of security, legal process, distress or repossession or anything similar outside England and Wales.
- 4.9 Notwithstanding Aquila' duties and responsibilities in relation to the Services, Riveroak shall retain responsibility and accountability for:
- 4.9.1 the management and conduct and operation of its business affairs; and
 - 4.9.2 deciding on its use and implementation of the Deliverables.

5 PAYMENT

- 5.1 Subject to Clauses 5.2 and 5.3, Aquila shall invoice Riveroak and Riveroak shall pay the Contract Price in accordance with the timescales as specified in Schedule 2 Part 2, or where such timescales are not specified, Aquila shall be entitled to invoice Riveroak immediately upon delivery by Aquila of any Services required under this Contract for a proportion of the Contract Price equivalent to the completed part or parts of the Services.
- 5.2 Payment will be due within 30 days of the date of Aquila' invoice.
- 5.3 In addition to Aquila' rights under Clause 5.1, if the Services are to be provided over a period of three months or more, Aquila shall be entitled to submit interim invoices.
- 5.4 Unless otherwise specified in this Contract, all payments will be made to the account referenced on the invoice.
- 5.5 Unless otherwise specified in Schedule 2, Aquila shall (if applicable) add to the price of the Services, and Riveroak shall pay, an amount equal to any VAT. If Riveroak is required under any applicable law to withhold or deduct any amount from the payments due to Aquila, Riveroak shall increase the sum it pays to Aquila by the amount necessary to yield Aquila an amount equal to the sum it would have received if no withholdings or deductions had been made.
- 5.6 No payment will be deemed to have been received until Aquila has received cleared funds.
- 5.7 All payments will be made without any withholding, deduction, set-off or counterclaim.

5.8 Where payment of any invoice or any part of an invoice is not made in accordance with Clause 5.2 Aquila, without prejudice to its other rights under this Contract or in law, shall be entitled to charge interest on the outstanding amount for the period from and including the due date for payment up to the date of actual payment (both before and after judgment) at the rate set out in the Late Payment of Commercial Debts (Interest) Act 1998 as amended from time to time.

5.9 If this Contract is terminated or suspended, Aquila shall be entitled to payment for outlays incurred to that time and to payment of all fees (plus VAT where appropriate) for any work done and/or Services delivered.

6 CHANGE REQUEST

6.1 Either party may at any time propose changes to the Services in accordance with this change control procedure.

6.2 If a party (the “**Requesting party**”) wishes to propose changes or additions to the Services, it shall:

6.2.1 submit a Change Request to the other party (the “**Requested party**”) setting out the proposed changes to the Services with all such details as would be required to enable the other party to evaluate the impact that the proposed change will have;

6.2.2 the Requested party shall consider the Change Request in good faith and shall make enquiries (where necessary) of the Requesting party to gather any additional information it may require to evaluate whether the Requested party can accommodate the Change Request;

6.2.3 the Requesting party shall respond to all enquiries of the Requested party promptly and in any event within 2 Working Days of receiving an enquiry;

6.2.4 where the Requested party is willing and able to accommodate the Change Request Aquila shall issue a Change Request Amendment to Riveroak setting out the amendments to be made to the Services and the change (whether an increase or a decrease) to the Contract Price;

6.2.5 the Change Request Amendment shall not be effective unless both parties agree to the terms of the Change Request Amendment. Upon being signed by both parties the Change Request Amendment shall become binding and the parties shall implement the changes in accordance with the Change Request Amendment; and

6.2.6 the parties shall use reasonable endeavours to agree the Change Request Amendment within two weeks following receipt of the Change Request.

- 6.3 If the parties cannot agree the Change Request Proposal, the parties will continue performance in accordance with the Contract as though a Change Request had not been made and either party may refer the matter to be a dispute in accordance with Clause 12.
- 6.4 The parties agree to pay their own reasonable costs in relation to the Change Request. Where the Change Request Amendment is accepted and signed by both parties, Aquila shall be entitled to recover its reasonable costs incurred in the negotiations, preparation, executions and implementation of the Change Request Amendment.
- 6.5 Where significant effort is required to respond to a Change Request, then Aquila will provide a rough order of magnitude (“**ROM**”) and the expected cost to be incurred by Aquila to be able to provide a full response. The parties will mutually agree which party is to bear this expected cost to be incurred or whether this should be equally borne by both parties.
- 6.6 Notwithstanding the foregoing, any Change Request which in the opinion of Aquila does not have a consequential impact either directly or indirectly on the Contract Price shall be deemed to be a minor change and the Change Request can be accepted upon both parties’ signing and dating the Change Request. A Change Request Amendment shall not be issued and the change shall take effect immediately upon signature of the Change Request.

7 **CONFIDENTIALITY**

- 7.1 During the term of this Contract and after termination or expiry of this Contract for any reason, each party shall:
- 7.1.1 not use Confidential Information for a purpose other than the performance of its obligations under the Contract;
 - 7.1.2 not disclose Confidential Information to any person except with the prior written consent of the other party or in accordance with Clauses 7.2 and 7.3; and
 - 7.1.3 make every effort to prevent the use and disclosure of Confidential Information.
- 7.2 During the term of the Contract, each party may disclose Confidential Information to any of its directors, other officers, employees (“**Recipient**”) to the extent that disclosure is reasonably necessary for the purposes of the Contract and Aquila may disclose such information to the director’s officers and employees of a company within the Aquila Group.
- 7.3 Before disclosure of Confidential Information to a Recipient, both parties shall ensure that such Recipient is made aware of and complies with the obligations of confidentiality under the Contract as if the Recipient was a party to the Contract.
- 7.4 Clauses 7.1 to 7.3 do not apply to Confidential Information which:

- 7.4.1 is at the date of the Contract or becomes at any time after that date publicly known other than by the receiving party's or Recipients breach of the Contract; or
 - 7.4.2 can be shown by the receiving party to the disclosing party's satisfaction to have been known by the receiving party before disclosure by Aquila to Riveroak; or
 - 7.4.3 is or becomes available to the receiving party otherwise than pursuant to this Contract and free of any restrictions as to its use or disclosure; or
 - 7.4.4 is required to be disclosed by law, other than pursuant to Clause 7.5 below, provided that the receiving party provides the disclosing party with reasonable notice prior to disclosure and does not disclose any information under Clause 7.5.3 where a statutory exemption applies.
- 7.5 Notwithstanding Clause 7.4.4 above, if either party receives a request for information relating to Confidential Information under the Freedom of Information Act 2000 (“FOIA”) or other statute that party shall:
- 7.5.1 notify the other party of the request;
 - 7.5.2 consult with the other party before responding to any request; and
 - 7.5.3 not release the information if the FOIA or other statute does not apply to that information or request, or it is possible to apply an exemption under the FOIA or other statute.

8 INTELLECTUAL PROPERTY

- 8.1 Nothing in this Clause 8 will affect the IPR in any Deliverables, Services, works, designs, drawings, written material and software which:
- 8.1.1 is vested in or owned by third parties; or
 - 8.1.2 was in existence prior to the Commencement Date of the Contract.
- 8.2 Each party acknowledges and agrees that all rights, title and interest (including without limitation all IPR) in:
- 8.2.1 Aquila' IPR is owned by or licensed to and shall remain vested in or licensed to Aquila; and
 - 8.2.2 Riveroaks' IPR is owned by or licensed to and shall remain vested in or licensed to Riveroak.

- 8.3 Subject to Clause 8.1, upon creation of the Deliverables, Aquila agrees to assign to Riveroak to the fullest extent possible the copyright in the Deliverables. Aquila shall, at no additional cost to Riveroak, execute (and/or procure the execution of) such further deeds and documents and do all such acts or things necessary or desirable to give full effect to the intent of this Clause 8.3
- 8.4 Save for the assignment under Clause 8.3, all rights, title and interest (including without limitation all IPR) in any and all ideas, concepts, designs, data, information, documentation, materials in any form (including but not limited to electronic form) created, conceived, prepared, made or developed pursuant to this Contract (other than the Deliverables) shall belong exclusively and absolutely to Aquila. Riveroak shall, at no cost to Aquila, execute (and/or procure the execution of) such further deeds and documents and do all such acts or things necessary or desirable to give full effect to the intent of this Clause 8.4. For the avoidance of doubt, Aquila shall be entitled to use, develop or share knowledge, experience and skills of general application gained through performing and delivering the Services to Riveroak for the purposes of delivering services to Riveroak or other clients.
- 8.5 Subject to full payment of all sums owing under this Contract, Aquila shall grant Riveroak a non-exclusive, revocable, perpetual, non-transferable, royalty-free licence to use, for Riveroak's own internal business purposes only, such of Aquila' IPR as is necessary for Riveroak to use the Deliverables and enjoy the Services.
- 8.6 Riveroak hereby grants to Aquila a non-exclusive, non-transferable, royalty-free licence to use Riveroak's IPR for the purposes of carrying out the Services and further grants a non-exclusive, perpetual, irrevocable, royalty-free licence to use the Deliverables.
- 8.7 Riveroak shall defend and indemnify Aquila, its officers, directors, employees, agents, successors and assigns against all liabilities, claims, damages and expenses (including all reasonable legal fees) in relation to any infringement or alleged infringement of IPR belonging to a third party which they may incur as a result of carrying out the Services in accordance with designs, specifications or materials provided by Riveroak or using any other of Riveroak's IPR.
- 8.8 Aquila shall defend and indemnify Riveroak, its officers, directors, employees, agents, successors and assigns against all liabilities, claims, damages and expenses (including all reasonable legal fees) in relation to any infringement of IPR belonging to a third party which they may incur as a result of using the Services in accordance with designs, specifications or materials provided by Aquila or using any other of Aquila' IPR.

9 WARRANTIES

- 9.1 All conditions, warranties and representations, expressed or implied by statute, common law or otherwise, in relation to the supply, non supply or delay in supplying the Services are excluded to the extent permitted by law.

10 LIMITATION OF LIABILITY

10.1 Redacted

10.2 Redacted

10.3 Redacted

11 TERMINATION

- 11.1 Without prejudice to any other rights or remedies under this Contract either party may suspend or terminate this Contract by legal notice (required to be given in accordance with Clause 28) in writing forthwith if:

11.1.1 the other party is in breach of any term of the Contract and fails to remedy such breach within 30 days of written notification from the other party; or

11.1.2 the other party (or if it is a partnership any of the partners), or any of its or their assets is subject to any form of bankruptcy, winding up, dissolution, administration, administrative or other receivership, moratorium, insolvency proceedings, voluntary or other arrangements with creditors, enforcement of security, legal process, distress or repossession or anything similar outside England and Wales; or

11.1.3 the other party dies or ceases to carry on business or a judgment against it or him remains unsatisfied for seven days.

- 11.2 Without prejudice to any other rights or remedies Aquila may:

11.2.1 notwithstanding Clause 11.1.1 suspend this Contract forthwith if Riveroak fails to pay any sums due under this Contract within seven days after written notice from Aquila That payment has become due or overdue; or

11.2.2 terminate this Contract forthwith if Riveroak fails to pay any sums due under this Contract within fourteen days after written notice from Aquila that payment has become due or overdue.

- 11.3 Termination or suspension of this Contract will be without prejudice to the accrued rights and remedies of either party provided that without prejudice to such rights or remedies

Riveroak will be entitled to the Deliverables then completed and Aquila will be entitled to payment of its fees and expenses due or incurred at that date or a fair and reasonable part of them if the Services are not complete. The parties hereby agree that for the purpose of this Clause 11.3 fair and reasonable fees and expenses shall include (but are not limited to):

- 11.3.1 all sums which are unpaid and/or are overdue under any issued invoice;
 - 11.3.2 a proportion of the Contract Price equivalent to the portion of the Services completed by Aquila up to and including the date of termination or suspension; and
 - 11.3.3 all fees and expenses due or incurred by Aquila up to and including the date of termination or suspension.
- 11.4 The following Clauses of the Contract shall survive expiry or termination of the Contract: 1, 4, 7, 8, 9, 10, 11.3, 11.4, 12, 21, 28 and 29.

12 DISPUTE RESOLUTION PROCEDURE

- 12.1 The parties shall resolve Disputes arising out of or in connection with this Contract in accordance with this Clause 12.
- 12.2 The parties shall attempt in good faith to resolve any Dispute promptly by negotiation which shall be conducted as follows:
 - 12.2.1 any Dispute shall in the first instance be referred by a written notice of Dispute (the "**Notice of Dispute**") from the referring party to the other party. Within 10 Working Days after the date on which the Notice of Dispute is received, the party receiving the Notice of Dispute shall deliver to the other party a written response to the Notice of Dispute (the "**Response**"). Both the Notice of Dispute and the Response shall include a statement of the position of the party preparing the Notice of Dispute or Response, and shall annex any documents relied upon by that party;
 - 12.2.2 if the Dispute is not resolved within 5 Working Days of receiving a Response to a Notice of Dispute, or if no Response is delivered, then, within 10 Working Days of the date upon which the time for delivery of a Response expired, the Dispute shall be referred to the Managing Director of Riveroak and Aquila' Chief Executive Officer (or such other persons as they shall appoint) who shall within 5 Working Days meet at mutually acceptable times and places to discuss and try to reach agreement to resolve the Dispute.
- 12.3 All negotiations and discussions pursuant to Clause 12.2 are confidential and shall be treated as compromise and settlement negotiations for the purpose of any applicable rules of evidence.

- 12.4 If the Dispute cannot be resolved pursuant to Clause 12.2 the parties shall attempt to resolve the Dispute by mediation in accordance with the Centre for Dispute Resolution ("**CEDR**") Model Mediation Procedure (the current version at the time of the Dispute ("**CEDR Model Mediation Procedure**").
- 12.5 To initiate a mediation pursuant to Clause 12.3 the claiming party must give notice in writing ("ADR Notice") to the other party and the Chief Executive of CEDR requesting a mediation in accordance with Clause 12.3 and such notice must be given within 10 Working Days after the date upon which the time for resolution of the Dispute pursuant to Clause 12.2.2 expired.
- 12.6 The parties will sign a mediation agreement in accordance with CEDR's Model Mediation Agreement (or in such other terms as may be agreed by the parties in writing ("**Mediation Agreement**"). The Mediation Agreement will be signed not less than 7 days prior to the date fixed for the mediation of the Dispute.
- 12.7 The mediation shall take place in London, and the language of the mediation will be English. The Mediation Agreement referred to in the CEDR Model Mediation Procedure shall be governed by and construed and take effect in accordance with English law.
- 12.8 If the parties are unable to reach a settlement at the mediation, neither party shall call the mediator(s) as witnesses in any arbitration or court proceedings involving or relating to the Dispute.
- 12.9 If the Dispute is not settled by negotiation in accordance with Clause 12.2 nor by mediation in accordance with Clauses 12.4 to 12.7 within 10 Working Days after the date of the conclusion of the mediation, either party may initiate court proceedings in respect of the Dispute.
- 12.10 If proceedings have already been issued and served and a stay ordered either party may apply for the stay to be lifted and shall give at least 10 Working Days' written notice of this application to the other party.
- 12.11 Unless this Contract has already been terminated, the parties shall continue to perform their obligations under the Contract regardless of the nature of the Dispute and notwithstanding this Dispute Resolution Procedure.
- 12.12 This Clause 12 shall survive the expiry or earlier termination of this Contract.

13 SUB-CONTRACTING

Riveroak acknowledges and agrees that Aquila may subcontract its obligations to supply the Services under the Contract, however any such subcontracting shall not relieve Aquila of its obligations under this Contract.

14 ASSIGNMENT

14.1 Subject to Clause 14.2 the parties to this Contract may not assign this Contract or any benefits or rights arising under it without the prior written consent of the other party. The assignor will remain liable for the acts and defaults of any assignee and will on demand hold the other party fully indemnified in respect of such acts and defaults.

14.2 Notwithstanding Clause 14.1, Aquila shall be entitled to assign or transfer this Contract in whole or in part to any company in the same Group as Aquila on written notice to Riveroak.

15 THIRD PARTY RIGHTS

A person who is not a party to this Contract shall have no rights under The Contracts (Rights of Third parties) Act 1999 to enforce any provision of this Contract.

16 FORCE MAJEURE

16.1 Neither party shall be liable to the other for any delay or failure to perform any of its obligations hereunder, when such delay or failure is due to a Force Majeure Event.

16.2 Each party shall exercise its best efforts to mitigate the extent of the excusable delay or failure described in Clause 16.1 and their adverse consequences and to recommence performance of the affected obligations to the extent reasonably practicable.

17 WAIVER OF RIGHTS AND REMEDIES

17.1 Neither party to the Contract shall be deemed to waive any rights or remedies unless the waiver is in writing and is signed by that party and neither party's right shall be affected by any delay, failure or omission to enforce or express forbearance granted in respect of any obligation of the other. Neither party's rights shall be prejudiced or restricted by any concession, indulgence or forbearance extended to the other.

18 PUBLICITY

Neither party shall make any press announcements or publicise this Contract or the contents of the same in any way without the prior written consent of as the other party, except as required by law.

19 SEVERANCE

- 19.1 If any provision in this Contract is found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability will not affect the other provisions of this Contract which shall remain in full force and effect.
- 19.2 If any provision of this Contract is so found to be invalid or unenforceable but would cease to be invalid or unenforceable if some part of the provision were deleted, the provision in question shall apply with such modification as may be necessary to make it valid and enforceable.

20 ENTIRE AGREEMENT

- 20.1 This Contract, including any Schedules and together with the documents referred to or attached to it constitutes the entire agreement and understanding between the parties in respect of the matters dealt with in it and supersedes, cancels and nullifies any previous agreement between the parties in relation to such matters.
- 20.2 Each of the parties acknowledges and agrees that in entering into this Contract it does not rely on, and shall have no remedy in respect of, any statement, representation, warranty or understanding (whether negligently or innocently made) other than as expressly set out in this Contract.
- 20.3 Nothing in this Clause 20 shall operate to exclude any liability for fraud.

21 DATA PROTECTION

- 21.1 The following terms shall have the meanings ascribed to them under the GDPR: "controller", "processor", "personal data", "processing" and "data subjects".
- 21.2 In performing its obligations under this Contract, each Party shall, at all times, comply with and ensure that its employees comply with all the obligations imposed on a controller (and, where relevant, a processor) under the Data Protection Laws.
- 21.3 Neither Party shall perform its obligations under this Contract in such a way as to cause the other Party to breach any of its obligations under the Data Protection Laws.
- 21.4 Unless otherwise agreed in writing, each Party shall, to the extent that it acts as processor on behalf of the other for the purposes of this Contract:
- 21.4.1 not act as processor for the purposes of this Contract without first agreeing with the other Party (i) a description of the scope, nature and purpose of the processing; (ii) the duration of the processing; and (iii) the types of personal data and categories of data subjects;

- 21.4.2 comply with the documented instructions of the other Party as controller;
 - 21.4.3 only use a sub-processor with the consent of the other Party, and where such consent is general, communicate changes to the other Party in advance with a chance to object;
 - 21.4.4 be responsible for any processing by any sub-processor and ensure it flows down the obligations set out in this clause to any sub-processor;
 - 21.4.5 provide the other Party with assistance and full co-operation: (i) in relation to any requirement of the other Party to comply with requests from individuals exercising their rights to access, rectify, erase or object to the processing of their personal data; (ii) in respect of compliance with its security and data breach obligations, including notifying the other Party within 48 hours (where feasible) of any breach of Data Protection Laws in relation to personal data processed under this Contract; and (iii) by carrying out a privacy impact assessment on the other Party's reasonable request;
 - 21.4.6 return or delete, at the other Party's option, personal data at the end of the Contract, save to the extent it may keep a copy of the personal data under Data Protection Laws; and
 - 21.4.7 inform the other Party if, in its opinion, the other Party's instructions would breach Data Protection Laws.
- 21.5 Unless otherwise agreed in writing, each Party shall, in every case where it processes personal data:
- 21.5.1 only process personal data of the other Party to the extent and in such manner as is necessary for it to carry out its obligations under this Contract;
 - 21.5.2 ensure that its staff are subject to a duty of confidence with respect to such personal data;
 - 21.5.3 not cause or permit such personal data to be transferred outside the European Economic Area; and
 - 21.5.4 refrain from using such personal data for marketing and/or promotional purposes or disclosing such personal data to third parties for such purposes.
- 21.6 The processing Party shall on request demonstrate compliance with the provisions of this Clause 21. The other Party reserves the right to audit such compliance by the processing Party upon reasonable prior notice and the processing Party shall provide reasonable assistance and cooperate reasonably with the other Party in conducting such audit. The

processing Party shall retain all records necessary to comply with its obligations under the Data Protection Laws and this Contract.

22 ANTI CORRUPTION AND BRIBERY

22.1 Each party shall:

- 22.1.1 comply with all applicable laws and regulations relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010 (the “**Relevant Requirements**”);
- 22.1.2 not engage in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010 if such activity, practice or conduct were carried out in the UK;
- 22.1.3 ensure that all persons associated with it or other persons who are performing obligations in connection with this agreement comply with this Clause; and
- 22.1.4 have and shall maintain in place throughout the term of this Contract its own policies and procedures (including but not limited to adequate procedures under the Bribery Act 2010 where applicable), to ensure compliance with the Relevant Requirements and will enforce them where appropriate.

22.2 Breach of this Clause 21 shall be deemed a breach of a material condition of this Contract and the party not in breach of this Clause shall be entitled to terminate this Contract with immediate effect upon written notice to the defaulting party.

23 RIGHTS CUMULATIVE

The rights of the parties under this Contract are in addition to any other rights which they may have under general law or otherwise.

24 AMENDMENTS

No amendments to this Contract will be binding on either party unless they are in writing and signed by both parties.

25 COUNTERPARTS

This Contract may be executed in any number of counterparts, each of which when executed and delivered, shall be an original, and all counterparts together shall constitute one and the same instrument.

26 NO PARTNERSHIP

26.1 The relationship between the parties under this Contract is that of independent contractors and nothing in this Contract shall be deemed to create a relationship of joint venture, partnership, employee/employer, agency or any other fiduciary relationship between the parties and accordingly neither party shall:

26.1.1 have any authority to incur expenditure in the name of or for the account of the other unless agreed in writing in advance; or

26.1.2 hold itself out or permit itself to be held out as having any authority to do or say anything on behalf or in the name of the other.

27 COSTS

Each party shall bear its own costs and expenses incurred in relation to the negotiation, preparation, execution and implementation of this Contract and all other documents to be completed in accordance with its provisions.

28 NOTICES

Any legal notice to be given under this Contract will be sent to the relevant party's address as is stated in this Contract or to such other address as has been notified in writing to the other party: by first class post, deemed to be received two Working Days later (unless returned through the post); or by hand.

29 LAW AND JURISDICTION

29.1 This Contract and any matter arising from or in connection with it shall be governed by and construed in accordance with English law.

29.2 Each party irrevocably agrees to submit to the exclusive jurisdiction of the English courts over any claim or matter arising from or in connection with this Contract save and except where Aquila consents to proceedings being brought in a foreign court or jurisdiction.

IN WITNESS whereof the parties have executed this Contract the day and year first above written.

**SIGNED FOR AND ON BEHALF OF:
AQUILA AIR TRAFFIC MANAGEMENT
SERVICES LIMITED:**



.....

Print name

.....

Job Title

.....

Date

.....

**SIGNED FOR AND ON BEHALF OF:
RIVEROAK STRATEGIC PARTNERS LIMITED:**



.....

Print name

.....

Job Title

.....

Date

.....

Schedule 1

Services

The Services to be delivered under this Contract are consultancy services only. The Services to be delivered pursuant to this Contract are as follows:

1. Provision of consultancy services to provide a feasibility study on the viability of moving the High Resolution Direction Finder (HRDF) from its current location at Manston Airport to “Site 1” as detailed in Figure 1 below.
2. The Feasibility Study work will typically comprise of the following however by the nature of study work may or may not include all of the listed activities:
 - 2.1 HRDF Project Scoping, Programme Management and Support Functions;
 - 2.2 Radio Site Clearance Analysis;
 - 2.3 Radio Site Protection/Infringement Analysis;
 - 2.4 Site Survey to consider but not limited to Topography/Power Signal/Presence of Asbestos;
 - 2.5 Planning Permission considerations;
 - 2.6 AOI Modelling against current location;
 - 2.7 Provision of Feasibility Study Report.
3. In order to support the above activities Aquila will engage the services of Moog Furneu and NATS to support site surveys and network analysis.
4. Aquila will use its reasonable endeavours to deliver the feasibility study to Riveroak on or before 1 July 2019.

Figure 1



Schedule 2
Contract Price

Part 1 Services

Redacted.

Part 2 Invoicing

Invoices shall be raised on the following basis:

100% upon completion of the Services

Schedule 3
Change Request

Part 1
Change Request

Contract: The agreement between Aquila Air Traffic Management Services Limited and Riveroak Strategic Partners Limited dated [] relating to consultancy services.

Change Request number: []

Date: []

Description of change requested:

[Time] of delivery
[price]

Signature: _____ Name: _____

Company: _____ Date: _____

Part 2

Change Request Amendment

Contract: the agreement between Aquila Air Traffic Management Services Limited and Riveroak Strategic Partners Limited dated [] relating to consultancy services.

Change Request Amendment number: []

Date: []

This Change Request Amendment sets out the terms of a variation to the Contract. Terms not otherwise defined in this Change Request Amendment have the meaning given to them under the Contract.

PART A

Description of change:

[Impact on time]/delivery

PART B

The Contract Price shall be [increased/decreased] by £ _____ on account of this Change Request Amendment [which shall be paid to Aquila upon the execution of this Change Request Amendment/. The Contract Price shall be paid in accordance with the Contract]

PART C

Additional amendments required due to nature of the Change Request:

[please list any changes]

1. []
2. []
3. []

PART D

[Impact on time]/delivery

All other terms and conditions in relation to the Contract remain unchanged.

The terms of the Change Request Amendment are agreed by the parties hereto:

Signed for and on behalf of

Aquila Air Traffic Management Services Limited

Print Name: _____

Signed for and on behalf of

Riveroak Strategic Partners Limited

Print Name: _____

Appendix CAH2 – 14

NOTE ON HRDF NEGOTIATIONS (HEARING ACTION 14)

APPLICANT'S VERSION OF NOTE

As directed by the Ministry of Defence (MOD) Project MARSHALL Delivery Team at Defence Equipment and Support, the Applicant has commissioned Aquila, the MOD's Engineering Authority for the HRDF system, to examine the feasibility of alternative sites to the existing HRDF. This consideration is progressing swiftly and site visits began in the week beginning 3 June. The sites that are being considered are indicated on Plan 1; these have either been identified or refined by Aquila as part of their assessment.

Site 1 was a 120 metre (m) radius based around the point 51°20'23"N/ 1°22'46"E. As a result of their modelling, Aquila asked that the centre of this proposal be moved to 51°20'28"N/ 1°22'36"E. Although this site is some 250m to the northwest of the position proposed by RSP, it remains within the same field and, from a land-use perspective, the issues associated with this site remain unchanged. The second site proposed by Aquila as a result of their modelling at 51°21'11"N/ 1°21'17"E is on Crown Land; re-siting the facility elsewhere on Crown Land has not previously been proposed and requires exploration. Aquila's technical assessment of these sites continues and is anticipated to be complete by 26 Jun 19.

Like the current airport site, each of the sites under consideration have projections into the safeguarded area around them. However, such criteria are based on the conventional design of a counterpoise on a standard building and the Applicant understands that Aquila are considering a technical solution with a significantly different safeguarding requirement which is a departure from the standard safeguarding criteria set down in JSP 604 for a counterpoise receiver array on the standard building.

Aquila's detailed technical modelling is seeking to identify a site which, in terms of performance and capability, does not result in any reduction in its contracted Volume of Interest (i.e the area in which a specified level of coverage must be provided). The Manston Green development and the proposed airport re-development are being factored into the consideration of sites.

Clearly, until Aquila's technical analysis is complete (anticipated by 28 June 2019) it would be inappropriate to prejudge its findings. The Applicant has requested a meeting with the Project MARSHALL Delivery Team on either 1 or 2 July 2019 to discuss the findings of the Aquila study. The Applicant considers there would be value in representatives from the DIO participating in this meeting. The Applicant is informed by the DIO that it does not consider it appropriate for a representative to attend that meeting.

The Applicant is aware that the MOD wishes to have a freehold interest in the new site; one of the options remains on Crown Estate, the Fire School site. However, as this it has only recently been proposed by Aquila as a possible relocation site, there has as yet been no discussions with the MoD as landowner to determine whether this option would be acceptable to them. The Applicant recognises that the current safeguarding direction will have to be moved to be centred on any new site but with the same terms in other respects.

DIO VERSION OF NOTE

As directed by the Ministry of Defence (MOD) Project MARSHALL Delivery Team at Defence Equipment and Support, the Applicant has commissioned Aquila, the MOD's Engineering Authority for the HRDF system, to examine the feasibility of alternative sites to the existing HRDF. This consideration is progressing swiftly and site visits began in the week beginning 3 June. The sites that are being considered are indicated on Plan 1; these have either been identified or refined by Aquila as part of their assessment. These two sites are new sites and different to the three sites that had originally been proposed by the Applicant and on which all discussions relating to this matter have been based to date.

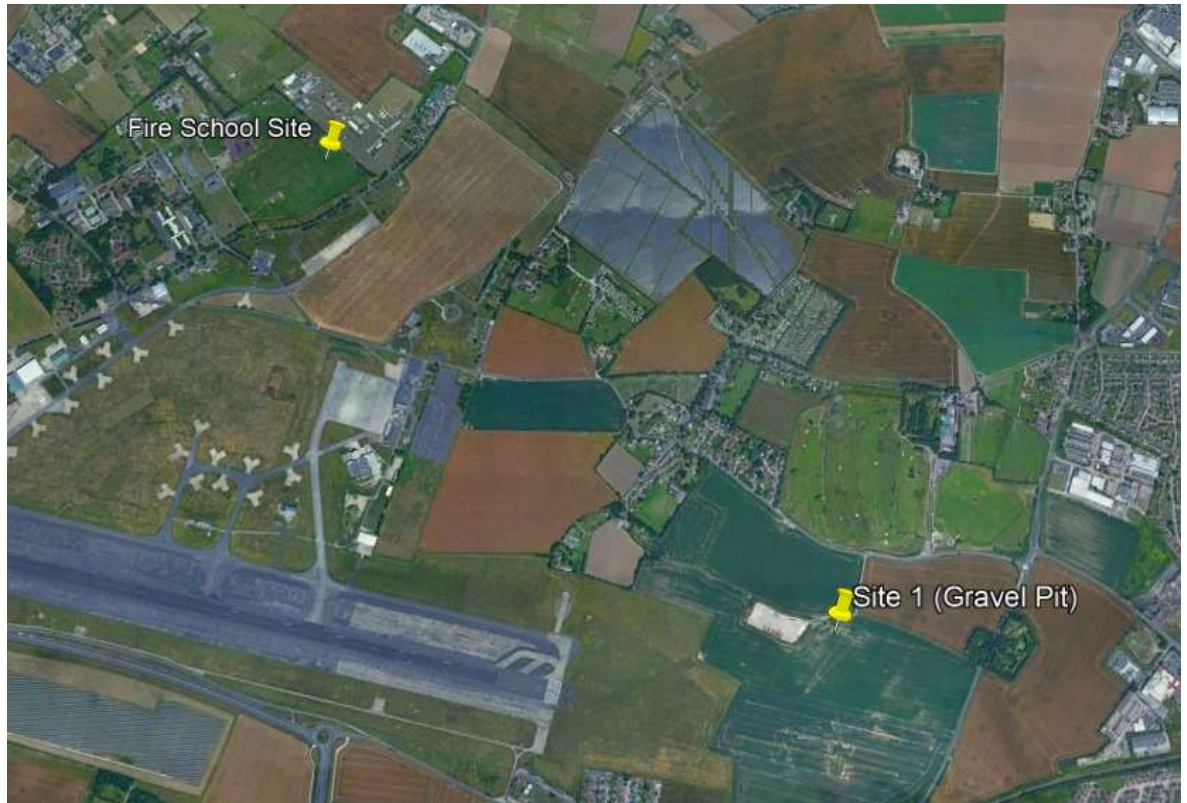
Like the current airport site, each of the sites under consideration have projections into the safeguarded area around them. However, such criteria are based on the conventional design of a counterpoise on a standard building and we understand that Aquila are considering a technical solution with a significantly different safeguarding requirement which is a departure from the standard safeguarding criteria on which discussions to date have been based and this would need to be fully and properly evaluated in the context of JSP 604.

Aquila's detailed technical modelling is seeking to identify a site which, in terms of performance and capability, does not result in any reduction in its contracted Volume of Interest (i.e the area in which a specified level of coverage must be provided). The Manston Green development and the proposed airport re-development are being factored into the consideration of sites.

Clearly, until Aquila's technical analysis is complete (anticipated by 28 June 2019) it would be inappropriate to prejudge its findings. The Applicant has requested a meeting with the Project MARSHALL Delivery Team on either 1 or 2 July 2019 to discuss the findings of the Aquila study.

The Applicant is aware that the MOD wishes to have a freehold interest in the new site; one of the options remains on Crown Estate, the Fire School site although there have been no prior discussions with the MoD as landowner to determine whether this option would be acceptable to them. The Applicant recognises that the current safeguarding direction will have to be moved to be centred on any new site but with the same terms in other respects.

Plan 1



Appendix CAH2 – 15

Narrative for P&L Forecast used in the RSP Business Plan for Manston

The P&L has been put together to forecast the likely revenues and costs associated with the operation of the airport over a 20 year period.

The basis of the forecast is the traffic forecast provided by Azimuth Associates which details aircraft sizes, carried tonnage, passenger volumes and movements.

Aeronautical, Handling and Fuel revenues (net of hydrocarbon costs) have been calculated for both freight and passenger operations. Aeronautical rates assumed are similar to those of other UK regional airports handling cargo and low cost passenger carriers. Handling and Fuelling will be provided by the airport directly (there is a conservative assumption that eCommerce/Integrators will self-handle); the rates for these services are based on knowledge of other airports operations that provide similar services.

Passenger Commercial net income is conservatively assumed to be consistent with airports handling low cost passengers around the same volume levels.

Property income is derived from the Landside Business Park adjacent to the airport, Maintenance Repair and Overhaul (MRO) facilities leasing, Fixed Based Operations (FBO) leasing, Airside Warehouse leasing and Aircraft Parking income. The rates for all of these are set to be comparable to other airport operations in the UK.

Direct and Indirect costs have been assumed at levels comparable to other UK airports providing similar services.

Revenues (£000s)	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
Freight Revenue	-	16,682	18,552	25,506	26,799	28,927	31,160	32,377	34,440	33,970	35,345	36,759	38,326	39,859	41,734	43,403	45,139	47,122	49,007	50,966
<i>Tonnes</i>	-	96,553	108,553	167,092	173,741	181,436	192,908	200,673	216,765	212,351	222,377	234,508	244,690	256,989	270,579	283,904	296,594	312,344	324,838	340,758
<i>Movements</i>	-	5,252	5,804	9,700	9,936	10,144	10,872	11,184	11,392	11,600	12,064	12,547	13,048	13,570	14,113	14,678	15,265	15,875	16,510	17,170
<i>Aeronautical Yield (£/MT)</i>	-	44.82	43.79	44.31	43.83	46.46	49.17	48.26	44.97	46.69	46.08	45.45	45.33	44.89	44.34	43.95	43.75	43.20	43.20	42.83
Passenger Revenue	-	-	1,573	1,715	1,732	2,288	2,414	2,414	2,414	2,497	2,583	2,672	2,765	2,862	2,963	3,067	3,176	3,289	3,407	3,407
<i>Passengers</i>	-	-	662,768	679,868	686,672	965,295	975,591	975,591	975,591	975,591	1,011,587	1,049,022	1,087,954	1,128,444	1,170,553	1,214,347	1,259,892	1,307,259	1,356,521	1,407,753
<i>Movements</i>	-	-	4,932	5,024	5,064	6,702	6,754	6,754	6,754	6,754	6,966	7,186	7,416	7,654	7,902	8,160	8,428	8,707	8,997	9,298
<i>Aeronautical Yield (£/Pax)</i>	-	-	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<i>WLU (k)</i>	-	966	1,748	2,351	2,424	2,780	2,905	2,982	3,143	3,099	3,235	3,394	3,535	3,698	3,876	4,053	4,226	4,431	4,605	4,815
<i>Aeronautical Yield (£/WLU)</i>	-	4.48	2.91	3.29	3.28	3.21	3.43	3.41	3.26	3.36	3.32	3.29	3.29	3.27	3.25	3.23	3.22	3.19	3.20	3.18
<i>Freight as % of WLU</i>	-	100%	62%	71%	72%	65%	66%	67%	69%	69%	69%	69%	69%	69%	70%	70%	70%	70%	71%	71%
<i>Pax as % of WLU</i>	-	0%	38%	29%	28%	35%	34%	33%	31%	31%	31%	31%	31%	31%	30%	30%	30%	30%	29%	29%
Passenger Commercial net income	-	-	1,988	2,040	2,060	2,896	2,927	2,927	2,927	2,927	3,035	3,147	3,264	3,385	3,512	3,643	3,780	3,922	4,070	4,223
<i>Yield (£/Pax)</i>	-	-	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Property Income Total	-	9,774	10,391	13,577	19,398	22,168	22,613	22,811	22,891	23,477	23,986	25,050	25,615	26,384	27,317	28,143	29,174	30,082	30,757	32,024
TOTAL REVENUE	-	26,456	32,504	42,838	49,989	56,279	59,114	60,529	62,672	62,789	64,862	67,538	69,877	72,393	75,424	78,151	81,160	84,302	87,122	90,620
Costs (£000s)																				
<i>Passenger</i>	-	-	2,651	2,719	2,747	3,861	3,902	3,902	3,902	3,902	4,046	4,196	4,352	4,514	4,682	4,857	5,040	5,229	5,426	5,631
<i>Freight</i>	1,502	6,008	6,590	9,258	9,860	7,859	8,825	9,404	10,933	10,155	10,649	11,075	11,527	11,988	12,676	13,183	13,710	14,376	14,951	15,549
<i>ATS</i>	500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<i>RFFS</i>	500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<i>Operations</i>	188	750	902	980	987	1,024	1,035	1,042	1,056	1,052	1,064	1,077	1,088	1,101	1,114	1,127	1,139	1,152	1,164	1,177
<i>Maintenance</i>	250	1,000	1,203	1,306	1,316	1,365	1,380	1,389	1,408	1,403	1,419	1,436	1,451	1,468	1,485	1,502	1,518	1,537	1,552	1,569
<i>MT</i>	250	1,000	1,203	1,306	1,316	1,365	1,380	1,389	1,408	1,403	1,419	1,436	1,451	1,468	1,485	1,502	1,518	1,537	1,552	1,569
<i>Site and Freight Security</i>	250	1,000	1,203	1,306	1,316	1,365	1,380	1,389	1,408	1,403	1,419	1,436	1,451	1,468	1,485	1,502	1,518	1,537	1,552	1,569
Operations TOTAL	3,439	13,758	17,752	20,876	21,543	20,838	21,903	22,516	24,116	23,319	24,015	24,656	25,320	26,006	26,928	27,673	28,443	29,368	30,196	31,066
Overheads TOTAL	6,200	6,200	6,865	7,794	7,824	7,967	8,587	8,614	8,694	8,680	8,725	8,799	8,842	8,917	8,967	9,015	9,086	9,137	9,208	9,257
EBITDA	(9,639)	6,498	7,887	14,168	20,622	27,475	28,624	29,400	29,862	30,790	32,123	34,083	35,716	37,471	39,530	41,463	43,631	45,797	47,718	50,297
<i>Margin</i>	-	2%	7%	24%	25%	36%	38%	38%	37%	39%	40%	41%	42%	44%	45%	46%	47%	48%	48%	49%