

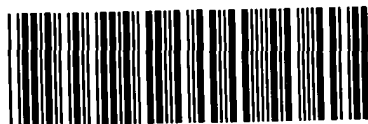
Stansted Airport Limited

Annual report and financial statements

Registered number 1990920

Year ended 31 March 2018

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Strategic report

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

Principal activities

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

Business review and future outlook

The results for the year are set out on page 7. During the year the Company made a profit before tax of £102,391,000 (2017: £97,221,000). At the year end the Company had net assets of £799,861,000 (2017: £785,144,000).

The Company intends to continue the development of Stansted Airport as a world class airport to meet the requirements of users and to continue to contribute to the development of the economy of the South East of England.

In preparing the financial statements for the year ended 31 March 2018 the previously reported figures for 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. 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. This adjustment has 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 have not used any additional KPIs for this Company.

By order of the Board



N Thompson
Director

21 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:

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

Employees

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

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

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

Diversity

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

Consultation and communication

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

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

Financial risk management

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

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

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

Directors' report *(continued)*

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.

Dividend

A dividend of £71,335,000 (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 year prescribed by statute.)

By order of the Board



N Thompson
Director

21 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

St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Stansted Airport Limited

Opinion

We have audited the financial statements of Stansted Airport Limited 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 Stansted 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.

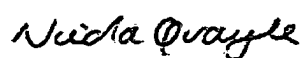
Auditor's responsibilities

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 Restated* £000
Revenue	2	332,781	298,887
Operating costs		(229,437)	(201,811)
Operating profit		103,344	97,076
Gains and losses on sales and valuation of investment properties	9	(153)	245
Interest payable and similar charges	6	(800)	(100)
Profit before taxation	3	102,391	97,221
Tax on profit	7	(23,477)	(19,748)
Profit for the financial year		78,914	77,473

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

The notes on pages 11 to 33 form an integral part of these financial statements.

*See note 1 for details of the restatement.

Other comprehensive income
for year ended 31 March 2018

	2018 £000	2017 £000
Profit for the year	78,914	77,473
Other comprehensive (expense)/income		
Remeasurement of the net defined benefit liability	8,600	(23,700)
Income tax on other comprehensive (expense)/income	(1,462)	4,454
Effect of change in rate of corporation tax on deferred tax	-	(16)
Other comprehensive (expense)/income for the year, net of income tax	7,138	(19,262)
Total comprehensive income for the year	86,052	58,211

The notes on pages 11 to 33 form an integral part of these financial statements.

Statement of financial position
at 31 March 2018

	<i>Note</i>	2018	2018	2017	2017
		£000	£000	£000	£000
Non-current assets					
Tangible fixed assets	8	749,746		730,394	
Investment properties	9	50,551		211,546	
Deferred tax asset	14	3,825		4,726	
			<u>804,122</u>		<u>946,666</u>
Current assets					
Inventories	10	1,484		1,037	
Trade and other receivables	11	633,976		421,536	
Cash at bank and in hand		4,228		863	
		<u>639,688</u>		<u>423,436</u>	
Current liabilities					
Trade and other payables	12	(552,580)		(486,115)	
Deferred income		(3,037)		(4,455)	
		<u>(555,617)</u>		<u>(490,570)</u>	
Net current assets			84,071		(67,134)
Total assets less current liabilities			<u>888,193</u>		<u>879,532</u>
Provisions for liabilities					
Other provisions	13	-		(249)	
Deferred tax	14	(65,832)		(66,339)	
Pension liabilities	20	(22,500)		(27,800)	
		<u>(88,332)</u>		<u>(94,388)</u>	
Net assets			<u>799,861</u>		<u>785,144</u>
Capital and reserves					
Called up share capital	15	503,900		503,900	
Revaluation reserve	16	-		209,909	
Retained earnings	16	295,961		71,335	
		<u>799,861</u>		<u>785,144</u>	
Shareholders' funds			<u>799,861</u>		<u>785,144</u>

The notes on pages 11 to 33 form an integral part of these financial statements.

These financial statements of Stansted Airport Limited, registered number 1990920, were approved by the board of directors on 21 December 2018 and were signed on its behalf by:



N Thompson
Director

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

	Called up share capital £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2017	503,900	209,909	71,335	785,144
Total comprehensive income for the year				
Profit for the year	-	-	78,914	78,914
Other Comprehensive income	-	-	7,138	7,138
Total comprehensive income for the year	-	-	86,052	86,052
Transactions with owners recorded directly in equity				
Transfer of revaluation reserves to retained earnings	-	(209,909)	209,909	-
Dividends paid	-	-	(71,335)	(71,335)
Balance at 31 March 2018	503,900	-	295,961	799,861

	Called up share capital £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2016	503,900	213,218	9,815	726,933
Total comprehensive income for the year				
Profit for the year	-	-	77,473	77,473
Other Comprehensive income	-	(3,309)	(15,953)	(19,262)
Total comprehensive income for the year	-	(3,309)	61,520	58,211
Balance at 31 March 2017	503,900	209,909	71,335	785,144

The notes on pages 11 to 33 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

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

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, 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 Manchester Airports Holdings Limited Group ('the Group' or 'Group') companies.

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

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

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

1.2 Going concern

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

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

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

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

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

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

1.3 Restatement

	2017	Reclassification	2017
	£000	£000	Restated £000
Revenue			
Aviation	130,131		130,131
Retail concessions	65,099		65,099
Car parking	61,480	4,745	61,480
Property and property related	12,496		12,496
Other	24,936		24,936
	294,142	4,745	298,887
Operating costs	(197,066)	(4,745)	(201,811)
Operating profit	97,076		97,076
Profit before taxation	97,221		97,221
Profit for the financial year	77,473		77,473

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

1.4 Foreign currency

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

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

1.5 Classification of financial instruments issued by the Company

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments

Trade and other receivable/payables

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

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 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.

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.

Notes (continued)

1 Accounting policies (continued)

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 Government grants

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

1.10 Investment property

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

Subsequent to initial recognition:

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

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

Notes (continued)

1 Accounting policies (continued)

1.11 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.

1.12 Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other receivables)

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

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

Non-financial assets

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.13 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 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)

1.14 Provisions

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

Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected, and therefore has a legal or constructive obligation to carry out the restructuring.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

1.15 Expenses

Operating leases

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

Lease incentives received are recognised in 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.

1.16 Significant items

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

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

Notes (continued)

1 Accounting policies (continued)

1.17 Taxation

Tax on the income statement 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.

1.18 Critical accounting estimates and judgements

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

Investment properties

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

Pensions

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

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants, which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in 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 20.

Notes (continued)

2 Analysis of revenue

	2018	2017
	£000	£000
<i>By activity:</i>		Restated*
Aviation income	147,013	130,131
Retail concessions	72,092	65,099
Car parking	73,140	66,225
Property and property related	10,938	12,496
Other income	29,598	24,936
	<u>332,781</u>	<u>298,887</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	2017
	£000	£000
<i>Profit before taxation is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	47,757	45,753
Hire of other assets – operating leases plant & machinery	10,208	10,755
Hire of other assets – operating leases other assets	544	534
	<u>58,509</u>	<u>57,042</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 £40,000 (2017: £17,000).

Notes (continued)

4 Remuneration of directors

C Cornish, A Cowan, K O'Toole and N Thompson were directors of Manchester Airports Holdings Limited during the year, and their aggregate remuneration is disclosed in that company's consolidated financial statements. The directors believe that the proportion of their aggregate remuneration applicable to the Company based on services provided, is £1,141,293 (2017: £1,451,285).

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	1,669	1,168
Management and administrative	96	82
	1,765	1,250

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	60,094	45,422
Social security costs	5,621	4,852
Other pension costs	9,262	6,963
	74,977	57,237

6 Interest payable and similar charges

	2018	2017
	£000	£000
Interest expense on net defined benefit liabilities	800	100
	800	100

Notes (continued)

7 Taxation

Total tax expense recognised in the income statement

Current tax

	2018 £000	2018 £000	2017 £000	2017 £000
<i>UK corporation tax</i>				
Current tax on income for the year	24,741		23,111	
Adjustments relating to prior years	(196)		(28)	

Total current tax		24,545		23,083
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Deferred tax

Origination/reversal of timing differences	(1,245)		244	
Adjustment relating to prior years	177		308	
Effect of change in rate of corporation tax	-		(3,887)	

Total deferred tax		(1,068)		(3,335)
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Total tax		23,477		19,748
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Total tax (income)/expense included in other comprehensive income

	2018 £000	2017 £000
<i>Deferred tax</i>		
Origination/reversal of timing differences	1,462	(4,454)
Effect of change in rate of corporation tax	-	16
Total tax (income)/expense included in other comprehensive income	1,462	(4,438)

Total tax expense/(income) included 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	24,545	(1,068)	23,477	23,083	(3,335)	19,748
Recognised in other comprehensive income	-	1,462	1,462	-	(4,438)	(4,438)
Total tax	24,545	394	24,939	23,083	(7,773)	15,310

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2018 £000	2017 £000
<i>Current tax reconciliation</i>		
Profit for the year	78,914	77,473
Total tax expense	23,477	19,748
Profit before tax	102,391	97,221
Profit before tax multiplied by the standard rate of corporation tax of 19% (2017: 20%)	19,454	19,444
<i>Effects of:</i>		
Permanent differences	4,068	3,202
Non-taxable income	-	(49)
Effect of lower than standard rate used for deferred tax movements	(26)	758
Effect of change in rate of corporation tax	-	(3,887)
Adjustments to current tax charge relating to prior years	(196)	(28)
Adjustments to deferred tax charge relating to prior years	177	308
Total tax expense included in income statement	23,477	19,748

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

	Other land and buildings £000	Airport infrastructure £000	Plant, fixtures and equipment £000	Assets in the course of construction £000	Total £000
Cost					
At beginning of year	18,891	1,258,602	112,559	52,925	1,442,977
Additions	-	-	-	67,109	67,109
Reclassification	127	41,260	11,518	(52,905)	-
At end of year	19,018	1,299,862	124,077	67,129	1,510,086
Depreciation					
At beginning of year	6,573	636,188	69,822	-	712,583
Charge for year	82	34,826	12,849	-	47,757
At end of year	6,655	671,014	82,671	-	760,340
Net book value					
At 31 March 2018	12,363	628,848	41,406	67,129	749,746
At 31 March 2017	12,318	622,414	42,737	52,925	730,394

Notes (continued)

9 Investment properties

	Investment properties and land £000
Balance at 1 April 2017	211,546
Disposals	(160,690)
Movement in fair value of investment properties	(305)
Net book value	
At 31 March 2018	50,551
Historical cost net book value	49,408

The fair value of the Company's commercial investment property at 31 March 2018 has been arrived at on the basis of a valuation carried out at that date by Deloitte LLP and Strutt and Parker. Strutt and Parker were responsible solely for the valuation of residential properties and agricultural land. 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.

Gains and losses on sales and valuation of investment properties is reported in the income statement of £153,000 in the year (2017: £245,000) comprise £2,178,500 of valuation gains (2017: gains of £1,594,000), and losses on sale of £2,026,100 (2017: £1,349,000).

Notes (continued)

10 Inventories

	2018 £000	2017 £000
Raw materials and consumables	1,484	1,037
	<u>1,484</u>	<u>1,037</u>

11 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	32,354	20,530
Amounts owed by group undertakings	583,779	386,919
Other receivables	232	309
Prepayments and accrued income	17,611	13,778
	<u>633,796</u>	<u>421,536</u>

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

12 Trade and other payables

	2018 £000	2017 £000
Trade payables	14,244	8,369
Amounts owed to group undertakings	436,215	406,367
Taxation and social security (includes corporation tax)	49,110	27,761
Other payables	7,103	4,366
Accruals and deferred income	45,313	39,252
Capital based grants	595	-
	<u>552,580</u>	<u>486,115</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand, and as at 31 March 2018 include dividends payable of £71,335,000 (2017: £nil).

13 Other non-current liabilities

	2018 £000	2017 £000
Provisions	-	249
	<u>-</u>	<u>249</u>

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	(23,111)	(234)	(42,994)	4,726	(61,613)
Credit/(charge) to income	441	14	52	561	1,068
Credit to equity	-	-	-	(1,462)	(1,462)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2018	<u>(22,670)</u>	<u>(220)</u>	<u>(42,942)</u>	<u>3,825</u>	<u>(62,007)</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	(23,454)	584	(46,804)	288	(69,386)
Credit/(charge) to income	343	(818)	3,810	-	3,335
Credit to equity	-	-	-	4,438	4,438
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2017	<u>(23,111)</u>	<u>(234)</u>	<u>(42,994)</u>	<u>4,726</u>	<u>(61,613)</u>

	2018 £000	2017 £000
Deferred tax assets	3,825	4,726
Deferred tax liabilities	(65,832)	(66,339)
	<u> </u>	<u> </u>
	<u>(62,007)</u>	<u>(61,613)</u>

15 Called up share capital

	2018 £000	2017 £000
<i>Issued, called up and fully paid</i>		
503,900,002 Ordinary shares of £1 each	503,900	503,900
	<u> </u>	<u> </u>

Notes (continued)

16 Reserves

2018	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 April 2017	209,909	71,335	281,244
Profit for the year after taxation	-	78,914	78,914
Remeasurement of the net defined benefit liability	-	7,138	7,138
Transfer of revaluation reserves to retained earnings	(209,909)	209,909	-
Dividends paid	-	(71,335)	(71,335)
At 31 March 2018	-	295,961	295,961
2017	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 April 2016	213,218	9,815	223,033
Profit for the year after taxation	-	77,473	77,473
Movement in investment property fair values	1,594	(1,594)	-
Deferred tax on movement in investment property fair values	(271)	271	-
Remeasurement of the net defined benefit liability	-	(19,246)	(19,246)
Effect of change in rate of corporation tax	2,600	(2,616)	(16)
Disposal of investment properties in the year	(8,713)	8,713	-
Deferred tax on disposal of investment properties	1,481	(1,481)	-
At 31 March 2017	209,909	71,335	281,244

17 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 banks. 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).

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 relating to alleged diminution in the value of their homes as a result of development works carried out at Stansted Airport in the 1999-2007 year. 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 Company 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 Company.

Notes (continued)

18 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	54,220	10,680

19 Operating lease arrangements

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

	2018 Land and buildings £000	2018 Other £000	2017 Land and buildings £000	2017 Other £000
Operating leases which expire:				
Within one year	581	7,876	659	7,739
In the second to fifth years inclusive	1,887	29,666	1,795	28,973
Over five years	2,632	225,616	2,532	220,179
	<u>5,100</u>	<u>263,158</u>	<u>4,986</u>	<u>256,891</u>

Commitments under contractual obligations

A significant portion of the commitments classified as 'other' relate 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.

As noted above, the Company has a commitment relating to an electricity distribution agreement with UK Power Networks (formerly EDF Energy Plc). The total amount payable on the lease is a base fee of £7.9m (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 is £10.5m (2017: £10.6m). The lease expires in 2083.

Leases as lessor

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

	2018 £000	2017 £000
Less than one year	2,023	4,197
Between one and five years	3,297	16,478
More than five years	27,209	110,995
	<u>32,529</u>	<u>131,670</u>

Notes (continued)

20 Pension scheme

Defined contribution pension scheme

The Company operates two defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,219,799 (2017: £772,000).

Contributions amounting to £nil (2017: £ nil) were payable to the scheme at the year end and are included in payables.

Defined benefit scheme – 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. A full actuarial valuation of the MAG (STAL) pension scheme was carried out by the scheme actuary on 30 September 2013. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £104.9m, which represented approximately 104.9% of the present value of the liabilities. The scheme was valued using the projected unit method.

	2018	2017
	£000	£000
Present value of funded defined benefit obligations	(195,000)	(189,200)
Fair value of plan assets	172,500	161,400
Net pension liability	(22,500)	(27,800)
<i>Movements in present value of defined benefit obligation</i>		
	2018	2017
	£000	£000
At 1 April	(189,200)	(133,400)
Current service cost	(6,200)	(4,800)
Interest cost	(5,200)	(5,000)
Remeasurement: actuarial (losses)/gains	5,000	(46,300)
Contributions by members	(1,200)	(1,100)
Benefits paid	1,800	1,400
At 31 March	(195,000)	(189,200)

Notes (continued)

20 Pension scheme (continued)

Movements in fair value of plan assets

	2018 £000	2017 £000
At 1 April	161,400	131,800
Interest income	4,400	4,900
Remeasurement: actuarial gains/(losses)	3,600	22,600
Contributions by employer	4,000	3,200
Contributions by members	1,200	1,100
Administration expenses	(300)	(800)
Benefits paid	(1,800)	(1,400)
At 31 March	172,500	161,400

Expense recognised in the income statement

	2018 £000	2017 £000
Current service cost	6,200	4,800
Administration expenses	300	800
Interest on net defined benefit liability	800	100
Total expense recognised in the income statement	7,300	5,700

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

	2018 £000	2017 £000
Operating costs	6,500	5,600
Interest payable and similar costs	800	100
	7,300	5,700

The total amount recognised in other comprehensive income relating to the actuarial loss on remeasurement is £8,600,000 (2017: loss of £23,700,000).

Notes (continued)

20 Pension scheme (continued)

The fair value of the plan assets are as follows:

	2018 Fair value £000	2017 Fair value £000
Equities	110,000	121,600
Bonds	40,900	39,300
Other	21,600	500
	<u>172,500</u>	<u>161,400</u>

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

	2018 %	2017 %
Discount rate	2.60	2.70
Future salary increases	3.15	3.35
Inflation assumption	2.15	2.35

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

- Current pensioner aged 65: 23.0 years (male), 25.7 years (female)
- Future retiree upon reaching 65: 24.1 years (male), 26.9 years (female)

Experience adjustments

	2018 £000	2017 £000
Experience adjustments on scheme liabilities	(300)	(1,100)
Experience adjustments on scheme assets	3,600	22,600

The Company expects to contribute approximately £6.8m (2017: £3.2m) to its defined benefit plan in the next financial year.

Notes (continued)

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

The Company is a subsidiary undertaking of Manchester Airport Group Finance Limited. The smallest Group in which the results of the Company are consolidated is that headed by Manchester Airport Group Investments Limited. The Company's ultimate parent is Manchester Airports Holdings Limited. The consolidated financial statements of these groups 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.