

**East Midlands International Airport  
Limited**

**Annual report and financial statements**

**Registered number 02078271**

**Year ended 31 March 2018**

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## Strategic report

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

### Principal activity

The principal 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](http://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>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b> Restated*
Revenue	2	61,048	50,751
Operating costs		(54,121)	(41,528)
<b>Operating profit</b>		<b>6,927</b>	<b>9,223</b>
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	-
<b>Profit before taxation</b>	3	<b>31,230</b>	<b>11,194</b>
Tax on profit	7	(2,791)	(877)
<b>Profit for the financial year</b>		<b>28,439</b>	<b>10,317</b>

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 £000	2017 £000
<b>Profit for the year</b>	<b>28,439</b>	<b>10,317</b>
<b>Other comprehensive income</b>		
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)
<b>Other comprehensive income for the year, net of income tax</b>	<b>3,735</b>	<b>(8,682)</b>
<b>Total comprehensive income for the year</b>	<b>32,174</b>	<b>1,635</b>

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

**Statement of financial position**  
**at 31 March 2018**

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

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

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

	Share capital	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 1 April 2017	17,614	68,969	136,055	222,638
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	28,439	28,439
Other comprehensive income (see note 16)	-	2,922	601	3,523
<b>Total comprehensive income for the year</b>	-	2,922	29,040	31,962
<b>Transactions with owners recorded directly in equity</b>				
Transfer of revaluation reserves to retained earnings	-	(71,892)	71,892	-
Dividends paid	-	-	(160,545)	(160,545)
<b>Balance at 31 March 2018</b>	<b>17,614</b>	<b>-</b>	<b>76,442</b>	<b>94,056</b>

  

	Share capital	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 1 April 2016	17,614	70,265	133,123	221,002
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	10,317	10,317
Other comprehensive income (see note 16)	-	(1,296)	(7,385)	(8,681)
<b>Total comprehensive income for the year</b>	-	(1,296)	2,932	1,636
<b>Balance at 31 March 2017</b>	<b>17,614</b>	<b>68,969</b>	<b>136,055</b>	<b>222,638</b>

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

## 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 Restated
	£000	£000	£000
<b>Revenue</b>			
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></u>	<u></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
	<u>629</u>	<u>542</u>

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
	<u>20,513</u>	<u>16,357</u>

### 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
	<u>2,185</u>	<u>1,985</u>

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/>

#### *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/>

#### *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/>

## 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/>

#### 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
<b>Cost</b>						
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
<b>Depreciation</b>						
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
<b>Net book value</b>						
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)
<b>Net book value</b>	
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 £000	2017 £000
Raw materials and consumables	187	187
	<u>187</u>	<u>187</u>

### 11 Fixed asset investments

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

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 £000	2017 £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 £000	2017 £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	<u><u>(1,448)</u></u>	<u><u>114</u></u>	<u><u>(22,157)</u></u>	<u><u>3,196</u></u>	<u><u>(20,295)</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	<u><u>(1,837)</u></u>	<u><u>114</u></u>	<u><u>(21,660)</u></u>	<u><u>3,842</u></u>	<u><u>(19,541)</u></u>

	2018 £000	2017 £000
Deferred tax assets	3,310	3,956
Deferred tax liabilities	<u>(23,605)</u>	<u>(23,497)</u>
	<u><u>(20,295)</u></u>	<u><u>(19,541)</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>17,614</u>	<u>17,614</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/>
<b>At end of year</b>	<b>-</b>	<b>76,442</b>
	<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/>
<b>At end of year</b>	<b>68,969</b>	<b>136,055</b>
	<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/>

## Notes (continued)

### 18 Operating leases

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

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

#### *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 £000	2017 £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
	<hr/>	<hr/>
	6,631	36,548
	<hr/>	<hr/>

## 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
Deficit	(18,800)	(22,600)
<i>Movements in present value of defined benefit obligation</i>		
	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
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)
At 31 March	61,300	59,900

#### 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
Total	1,900	1,600

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
	1,900	1,600

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
	61,300	59,900



## 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

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 £000	2017 £000
Experience adjustments on scheme liabilities	300	400
Experience adjustments on scheme assets	600	5,500

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](http://www.magairports.com).