2015-16 ANNUAL REPORT AND ACCOUNTS

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Contents

Our Business

MAG is a leading UK airport group and owns and operates Manchester, London Stansted, East Midlands and Bournemouth Airports, together with a significant property business. MAG employs over 4,500 people and annually serves over 50 million passengers. MAG's strategy is to increase long-term shareholder value by generating profitable growth through the development of its assets and by offering a high quality user experience for its customers.

By achieving this goal, MAG aims to become a global leader in airport management, products and services. MAG also includes the commercial property division, MAG Property, which has over £640m of investment property assets across its four airports and has a 50% investment in the £800m major Enterprise Zone development, Airport City, at Manchester Airport.

In North America, MAG-USA is looking to work with airports to develop and operate terminal and retail solutions, passenger lounges and car parking facilities.

MAG's shareholders comprise Manchester City Council (35.5%), IFM Investors (35.5%) and the nine other Greater Manchester local authorities (29%).

PASSENGER NUMBERS (m)

2014-15: 48.5m

MAG refers to Manchester Airports Holdings Limited

"This year we have seen a strong performance across many areas of the business."

Chairman's Statement

This year we have seen a strong performance across many areas of the business, made a significant contribution to the economies in which we operate and generated increased returns for our shareholders.

Sir Adrian Montague, CBE
Chairman, MAG

We have achieved a number of the strategic objectives we set out at the beginning of the year, increasing the efficiency and profitability of the Group with significantly improved infrastructure. Above all, we remain focused on offering our customers facilities of exceptional quality and value that they can trust.

Our larger airports, Manchester and London Stansted, have had a strong year in a sector that continues to go through significant change. In a competitive market, the Group has delivered like-for-like revenue growth in every quarter and increased profits.

In the last 12 months, investment has been a key theme for the Group. Across our airports, in our substantial property business and overseas in the USA, we have been laying the foundations for MAG's future success. London Stansted has now completed its £80 million terminal transformation project and further work is underway to enable us to start construction on the £1 billion transformation of Manchester Airport later this year.

This is where MAG's future lies – creating outstanding places which make a positive difference for the hundreds of thousands of people using our airports on a daily basis. Successful airports today need to be more than just good investors; they need to really understand the needs of their stakeholders, whether they be passengers, airlines or employees.

The global travel market is constantly changing and we need to ensure we keep pace and respond to some of the key macro trends, and the transformational impact of technology. This is having a profound effect on the way people live and the way they prefer to travel. We have made significant efforts in recent years to understand the aspirations of all those who use our airports, and this year we have delivered on many of these efforts and repositioned our portfolio to better serve their needs.

Creating and managing airport environments is what MAG does best, and MAG-USA was established last year to build on this by working with airports based in North America. Progress is encouraging: our first Escape Lounge opened in December at Minneapolis-St. Paul with further lounges to open later this year at Oakland and Bradley airports. We look forward to further success in this market.

MAG's airports are true growth engines for the regions in which they operate and the figures the Group released in its annual CSR Report this year demonstrate the powerful role that airports across the country play in generating wider social and economic benefit for their local communities and the UK economy. Our airports help stimulate employment both on and around the airport site, and through the wider economy.

In a year when we have welcomed record numbers of passengers, we have also managed to significantly reduce our environmental impact. People up and down the country tell us time and again how valuable it is to have access to their local airport. Not only does a nationwide network of competing airports provide the best solution for customers, it also provides an important catalyst for re-balancing UK PLC. Over both the short and long-term, our airports will increasingly play a vital role in supporting the regional economies in which they operate, and it remains hugely important that we receive appropriate support from the Government's policy framework.

MAG's business strategy has a long-term focus, seeking to anticipate economic cycles and potential shocks, and establish resilient foundations that will stand us in good stead to respond to any adverse consequences that may be felt by the UK economy following the country's decision to the leave the EU. Our strategy to drive top-line growth, improve efficiency and broaden our mix of business will continue and in the coming year we will ensure that we remain focused on delivering further profitable growth.

As the country enters a new era, we will be working closely with the rest of our industry to ensure that once we leave the EU the UK remains a member of the European single aviation market. At no point have the excellent international air links that this country's airports provide been more vital to the nation's future prosperity and economic growth.

The Group has a long-term objective of providing sustainable dividends to shareholders, much of which finds its way back into the Greater Manchester community. During the year, the Group paid dividends of £100.6m made up of an interim dividend of £38.6m and a final dividend of £62.0m. This level of dividends reflects both the strong performance in the current year and our confidence in the future of the business. The outlook for the business remains encouraging. We have ambitious targets to deliver upon but we look ahead with confidence to delivering the next chapter in MAG's growth story.

Finally, I would like to thank all our employees for their hard work and commitment at a time when our business has never been busier. MAG employees are dedicated and upbeat – I am always struck by their positive attitude and energy. Their pride in MAG and commitment to the business are what makes us special. I want to thank every one of them in our airports and in our offices for their contribution this year.

Strategic Report

THIS STRATEGIC REPORT IS PRESENTED IN FIVE SECTIONS:

- **Strategy** – overview of our strategy and business model;
- **Key Performance Indicators** – highlights of our key performance measures;
- **Chief Executive's Operating Review** – overview of the year ended 31 March 2016, along with the key factors likely to impact the Group in 2016-2017;
- **Financial Review** – presentation and explanation of the key drivers behind the financial performance reported for the year ended 31 March 2016 and analysis of the financial position of the Group as at that date; and
- **Risk Management** – outline of the Group's internal controls, approach to risk management, sources of assurance and highlights of the key business risks.

STRATEGY

OUR VISION

To be the premier airport management and services company.

OUR MISSION

To deliver sustainable growth in shareholder value, balancing the needs of our customers, passengers, employees and the communities in which we work, while maintaining the highest safety and security standards.

OUR SUSTAINABLE FUTURE

MAG is committed to a sustainable future and to improving the social, economic and environmental well-being of the community and environment through the investment in, and development of, renewable energy schemes and reductions in energy usage and waste across the Group. Our operations are carbon neutral and currently 100% of our energy needs for our airports is achieved through renewable sources.

OUR VALUES

Our people are key to the ongoing delivery and sustainability of our growth strategy. We have created a single culture across the organisation, and five core values that underpin our strategy and determine how we work towards achieving our Mission and Vision;

Finger on the pulse
MAG is in-tune with the changing needs and aspirations of all its stakeholders, from customers and employees to investors and the local community. We look at the future through the eyes of our customers – airlines, passengers and tenants. We are dynamic, fast-moving and always up to date. We lead the way in developing the future of successful and highly profitable airports.

Why not?
MAG challenges the status quo to provide the best solutions for airlines, passengers, tenants and other stakeholders. We never stand still in our search for innovative ideas which surprise and delight our customers and drive performance. We attract ambitious people and enlightened organisations who are drawn by MAG's forward-looking, innovative spirit. We give people permission to think and act differently.

Power of teamwork
MAG creates win-win solutions with its partners, which consistently outperform the market. We empower our airline customers and retail tenants to exceed the expectations of their end-consumers. We think and act like one team, bonded by mutual trust and respect. We share in the success of our business, recognising and rewarding great ideas and exemplary behaviour.

Brilliant at what matters
MAG focuses on all the things which really matter to its stakeholders and which make them want to do business with us, fly through our airports or work for our company. We set ourselves the highest performance and quality standards and are rigorous about consistency and ruthlessly efficient in our delivery. We constantly challenge ourselves to find new and better ways to exceed expectations.

Safe hands
MAG treats the safety and security of customers and employees as its number one priority. We act with the highest standards of honesty, integrity and responsibility. We consistently deliver on our financial and brand promises, and are accountable for our decisions. We engender confidence through the knowledge, experience and professionalism of our people.

MAG's STRATEGY is to operate a business that is constantly developing and enhancing products and services to passenger, airline and corporate customers, and is based around six strategic priorities.

Through these, the Group enables the local management of its individual airports and other businesses to maximise value-creation according to market opportunity, whilst continuing to develop optimal and integrated support platforms that meet their needs, realise group scale and synergies and provide resilience.

1. DELIVERING GREAT SERVICE AT EVERY TOUCH POINT

MAG continues to improve customer service levels, as evidenced by Manchester Airport's recent record high ASQ score, the gold-standard measure. Substantial customer service investment in London Stansted is also paying off, as the UK's fastest-growing major airport; investment in EMA is proving similarly successful. Customers, and not just millennials, increasingly experience customer service digitally, which MAG recognises as an increasingly-important source of risk, opportunity and value across the board, hence substantial investment in mobile and broader digital capabilities. The key to creating a seamless digital customer travel experience is strategic partnerships, especially with affiliates and our diverse airline mix.

2. ACHIEVE PROFITABLE GROWTH IN ALL OUR BUSINESSES

Car park and retail income continue to grow as demand is stimulated, with car park yields in particular outperforming passenger growth as conversion rates are improved. Data and omni-channel capability drives these revenues, and so our profitable growth, increasingly through personalised customer experience and broader functionalities and brand value that customers trust and use. This means responding quicker to customer needs with services like our Fast Track and Click and Reserve, including with foresight and artificial intelligence. Given significant medium-term risks, MAG is diversifying its product, partner and services range, pushing out the innovation curve with revenue-generating product-development and digital prototyping to drive greater value from better customer insight. MAG is beginning to realise value from expanding areas of comparative advantage into new markets, enhancing shareholder returns at an acceptable risk profile.

MAG Property continues the successful development and realisation of property value across our sites, including Airport City at Manchester airport where Amazon have taken a new significant warehouse site in our global logistics hub alongside the recent DHL facility.

3. FOCUS ON OPERATIONAL EXCELLENCE

Data is also a dependency for operational excellence; a central factor as we re-engineer our end-to-end operational process flows and business intelligence systems, through our continuous improvement programme that is driving efficiency and competitiveness. Security has seen improved productivity through innovations such as matrix screening, and the launch of live security queue time updates is imminent. In an integrated data and technology landscape, renewal of our airport operating system is an opportunity to merge this big data source with parallel investments in our back-office Enterprise Resource Planning ('ERP') platform and our Customer Relationship Management ('CRM') system to mutually drive operational excellence and customer experience.

4. ENERGISE AND UNLOCK THE POTENTIAL OF OUR PEOPLE

Attracting and retaining the ever-more mobile talent pool, critical to our digital aspirations, is a central focus, as MAG itself evolves towards being a more agile and innovative employer that will meet our 'Great Places to Work' aspiration. MAG continues to develop the wide-range of specialist critical skills which bring comparative advantage at the right cost and drive a high-performance culture at all levels through leadership, ambition, resilience and multi-skilling. Our people, especially customer-facing staff, are key to the strategy's sustainability, which is why MAG's five core values drive a unitary ethos across the Group's businesses to achieve our Mission and Vision.

5. PROVIDE MODERN AND CUSTOMER FOCUSED INFRASTRUCTURE

Significant investment has and will continue to be made in the infrastructure at our airports, with the £1bn redevelopment of Manchester Airport to make it the global gateway and one of Europe's most innovative, customer-focused airports. The new Enterprise Asset Management System ('EAMS') is transforming the use of big data to streamline asset management, and as that same technological step-change is brought to customer behaviour and personal preferences, MAG's capability to design, manage and operate its entire infrastructure in a customer-orientated way will experience a similar revolution. These digital platforms are being designed commercially, such as providing print, Wi-Fi, video-conferencing and data hosting services for Manchester's Airport City and wider digital campus, and by merging MAG's car parks, lounges and other on-line booking flows to anticipate future capability for in-terminal food delivery, intuitive real-time way-finding and multi-channel offerings. Following MAG's acquisition of London Stansted, growth has been extremely strong, and the Terminal Retail Transformation programme is now complete. Consideration is being given to options to invest in the facilities over the short, medium and long-term to further optimise our customer proposition and maximise the significant spare runway capacity the Airport brings to London and the South-East.

6. ENHANCE THE REPUTATION AND PROFILE OF MAG

Investor and market confidence in MAG's airports and broader brand continues in its upward trajectory, on the back of its strong balance sheet, low gearing, robust operating model and managed evolution from regional to national to international airport management and services provider. This is reflected in MAG's growing stature as the UK's leading Group in this field. The visit to Manchester of the Chinese President and subsequent launch of a direct flight to Beijing provided unprecedented levels of exposure across the world's second largest economy. Across the Group, MAG is committed to a sustainable future and to improving the social, economic and environmental well-being of the environment through the development of renewable energy schemes and reductions in energy usage and waste. Our operations are carbon neutral and currently 100% of our airports' energy needs are achieved through renewable sources.

KEY PERFORMANCE INDICATORS

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

Measure	Aim	Context	Progress in 2016	Like-for-like Progress in 2016
Revenue	Achieve long-term and steady growth in revenue	We aim to deliver sustainable growth across all areas of our business – aviation, car parking, retail and property	**£778.8m** 2015: £738.4m	+5.5%
EBITDA[1]	Generate a level of profit that allows re-investment in our infrastructure	We cover the cost of using our assets with income from our operations	**£317.7m** 2015: £283.6m	+12.0%
Operating profit[2]	Achieve steady and increasing profit from operations	We expect all our operations to contribute positively to the Group's result	**£186.9m** 2015: £153.6m	+21.7%
ROCE[3]	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	**8.4%** 2015: 7.1%	+18.3%
Occupancy rates[4]	Achieve a high level of occupancy on lettable property	We generate improved revenue by maximising occupancy of our property portfolio	**93.9%** 2015: 92.8%	+1.2%
Investment Property Value	Generate growth in the capital value of our property portfolio	We manage our property portfolio to realise maximum value from disposals and re-invest in new developments	**£641.3m** 2015: £622.9m	+3.0%
Capital Investment	Provide effective investment in operational assets to improve efficiency and support growth	We invest in opportunities that generate the best shareholder value, and enhance the quality of our airport services	**£125.3m** 2015: £112.7m	+11.2%
Cash generated from operations[5]	Convert our operating profits into cash	We focus on converting our operating profits into cash to fund further investment and returns to shareholders	**£325.3m** 2015: £309.5m	+5.1%
Shareholder return[6]	Generate growth in distributions to shareholders	We provide returns to reward the shareholders investment	**£130.9m** 2015: £107.3m	+22.0%
Market share[7]	Grow our share of the market	Measures the performance of MAG compared to the UK market	**28.5%** 2015: 28.4%	+0.4%

NOTES:

1. *EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation, before significant items.*
2. *Operating profit is stated before significant items.*
3. *ROCE (return on capital employed) is derived from operating profit pre-significant items as a percentage of Average Capital Employed. It is calculated on an historical cost basis.*
4. *Measured as let space as a percentage of full occupancy space.*
5. *Cash generated from operations is stated before the impact of significant items.*
6. *Shareholder return comprises dividends and interest on shareholder loans.*
7. *Market share excludes Heathrow airport.*

Measure	Aim	Context	Progress in 2016	Like-for-like Progress in 2016
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	**51.9m** 2015: 48.5m	+7.0%
Destinations	Provide access to all major global holiday and business destinations	As a premier airport services company we aim to provide access to anywhere in the world from our airports	**279** 2015: 272	+2.6%
ASQ scores [8]	Improve performance for our airports in their respective benchmark groups	We aim to ensure that customer satisfaction levels are at the highest possible standard	**3.90** 2015: 3.81	+2.4%
Departure punctuality[9]	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	**79%** 2015: 81%	-2.5%
Carbon Reduction – CO_2 emissions[10]	Minimise the environmental impact of our operations	We closely monitor our CO_2 emissions and environmental impact	**1.289** 2015: 1.509	-14.6%
Our Communities – volunteering hours	Contributing to the surrounding communities	MAG employees voluntarily support our neighbouring communities	**10,427** 2015: 8,759	+19.0%
Number of complaints per 1,000 air traffic movements[11]	Being good neighbours with our communities	Minimising the impact of our operations on the local community	**4.68** 2015: 7.93	-41.0%
Health and Safety RIDDOR – reportable accidents[12]	Maintain robust health and safety standards	The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all	**8** 2015: 3	-166.7%

NOTES:

8 *Airport Service Quality ('ASQ') is the global industry benchmark for measuring passenger satisfaction whilst travelling through an airport – measured out of 5, with 5 being the highest level of satisfaction.*

9 *Measured as a percentage of departures within 15 minutes of scheduled departure time, the reduction on prior year is driven largely by external factors including an increase in air traffic capacity throughout the European network placing a strain on the ATC capacity and weather related delays. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.*

10 *Our emissions are calculated based on data gathered for voluntary emissions reporting under, and compliance with, the CRC Energy Efficiency scheme and EU 'Emissions Trading System' ('ETS'). UK Government Conversion factors for Company Reporting published by Defra and DECC in 2015 were used with historic emissions re-calculated where required.*

11 *Almost all our complaints are in respect of noise, and therefore noise complaints are used as a proxy for measuring this KPI, consistent with the prior year.*

12 *The Reporting of Injuries, Disease and Dangerous Occurrence Regulations ('RIDDOR') stipulate the most serious types of incidents, which must be reported to the Health and Safety Executive. Our reportable RIDDOR accidents show an increase to 8 events this year compared to an unprecedented low of 3 events in the previous year. Whilst this reversal in trend is disappointing, our long-term accident numbers have improved significantly since 2012, when 23 events were recorded. We maintain a strong focus on continuing our improvement efforts towards reducing accidents and safeguarding the health and safety of all our colleagues.*

"We have seen record numbers of passengers using our airports, with over 50 million journeys through our airports this year."

Chief Executive's Operating Review

This has been another successful year for the Group and we have continued to outperform our challenging financial targets and seen record numbers of passengers using our airports. We have also made significant progress with our long-term investment programme, with the business planning ahead for the future demands of our customers.

Charlie Cornish
Chief Executive, MAG

This is the Group's fifth consecutive year of passenger and EBITDA improvement, demonstrating our success in delivering both a long-term and sustainable growth strategy. We have seen record numbers of passengers using our airports, with over 50 million journeys through our airports this year – a figure driven by a combination of an increase in both load factors and the number of destinations we are now able to offer.

Across the Group, we now serve over 100 airlines and each day we see around 1,000 aircraft take off and land at our four airports.

Commercial income has improved on prior year despite the backdrop of a challenging period in retail, in particular Duty Free, as customers' buying habits change. This year, the Group will be placing additional focus on developing its e-commerce business model; introducing new products and services, as well as ways of working, that will advance MAG's competitive advantage and create value based on customer insight. This "MAG-online" proposition will also enable the improvement of customer service and airport efficiency, and expand MAG's profitable products and services portfolio outside of the Group.

MANCHESTER AIRPORT

It has been a record-breaking year at Manchester Airport. August was the busiest month in the Airport's 77 year history, more cargo is processing through the Airport than ever before and each month we are seeing new destinations added to its diverse offering, ensuring that the Airport continues to strengthen its reputation as the global gateway for the North.

Earlier this month we saw the start of a new direct link from Manchester to Beijing, giving the 100,000 passengers travelling each year between the two cities the convenience of direct scheduled services.

This is the latest example of Manchester Airport being the only airport outside London to offer services to key long-haul destinations; the Airport's ability to provide these sorts of global connections will play a key role in the transformation of the economy of the North.

It is widely accepted, including by Government, that air transport connectivity and, in particular, long haul connectivity to high-growth markets, is key to this country's long-term prospects. Routes such as Manchester to Beijing open up the world to the North of England and in doing so attract inward investment, stimulate trade and provide a boost to inbound tourism.

PASSENGER NUMBERS (m)
2014-15: 48.5m

51.9m
+3.4m year on year
+7.0% year on year

REVENUE (£m)
2014-15: £738.4m

£778.8m
+£40.4m year on year
+5.5% year on year

EBITDA (£m)
2014-15: £283.6m

£317.7m
+£34.1m year on year
+12.0% year on year

Indeed, the Hong Kong service that started in December 2015 has already carried 160,000 passengers and generated millions of pounds worth of economic activity. Likewise, our new Beijing route alone will deliver an economic benefit of £250m to the UK economy, with most of that concentrated in the North.

In order for the benefits of Manchester Airport's growth to be fully felt across the North, investment in transport infrastructure is vital, starting with HS2, which will stop at Manchester Airport, and high speed rail between Manchester and Leeds, which was approved by the Chancellor in his 2016 Budget statement. We are also supportive of Transport for the North's wider Northern Powerhouse rail vision, which aims to create a network that would significantly reduce journey times between the North's major cities and the Airport.

We will continue to press Government to invest in transformative Northern transport projects, and to reform Air Passenger Duty, so that the full potential for Manchester Airport to help deliver the Northern Powerhouse vision can be realised.

Looking forward, we expect to see continued increase in demand at Manchester Airport. To support this we announced in June 2015 our plans for a £1 billion redevelopment programme that over the next ten years will transform the Airport and provide future passengers and airlines with the world class global gateway the North will need to support its growth. In March this year, we secured planning permission for the development programme and we expect to begin construction before the end of the year.

LONDON STANSTED AIRPORT

The past 12 months have also proved significant for London Stansted, with 2016 marking the 25th anniversary of HM The Queen opening the iconic Lord Norman Foster designed terminal. There has been much to celebrate with the Airport continuing to deliver passenger growth over and above any other airport in the UK and also comparing favourably to the strongest performing airports across continental Europe. Over the last year, passenger numbers have increased by 11%, to 23.2 million and we carried over 240,000 tonnes of cargo – a record for the Airport.

Looking back over the last 25 years, London Stansted has come a very long way, serving over 350 million passengers since 1991, and playing a key role in the birth of the low-cost carrier revolution. We are proud to say that today London Stansted welcomes more European visitors to London than any other UK airport.

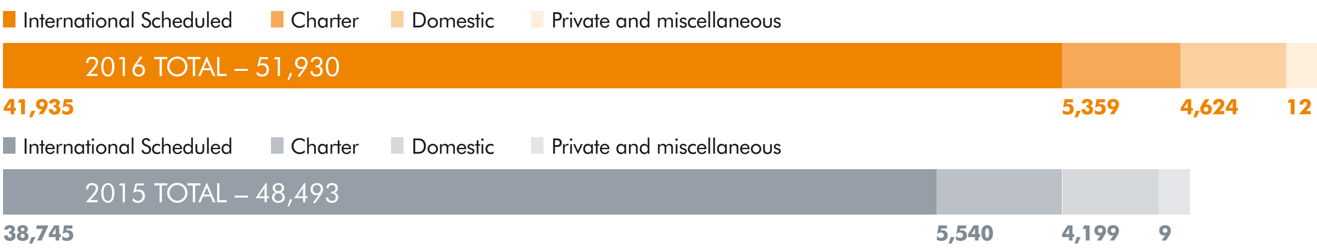
It is now three years since MAG acquired London Stansted and in that time we have grown passenger volumes by around six million with long-term deals in place with key carriers including Ryanair, easyJet and Thomas Cook. The Airport has also undergone a significant transformation to improve the passenger and retail experience, concluding this year with the completion of an £80 million investment project to reinvigorate the terminal and an £11 million redevelopment of Satellite One to cater for the arrival of new airlines. This investment in the passenger experience led to London Stansted being named 'Best London Airport' at the 2016 London Transport Awards.

This work has both improved service standards for passengers and changed people's perceptions of the Airport and its economic contribution to its region. Over 20% of passengers using the Airport are now business travellers, with Ryanair alone offering 130 routes from London Stansted and increasing frequencies to key business capitals across Europe. In May this year, we were also delighted to welcome British Airways' first ever scheduled flights from the Airport. Together with the launch of new long haul leisure routes by Thomas Cook and TUI to the USA and Mexico, these routes have quickly proven to be popular and are further evidence of the significant changes at London Stansted under MAG ownership.

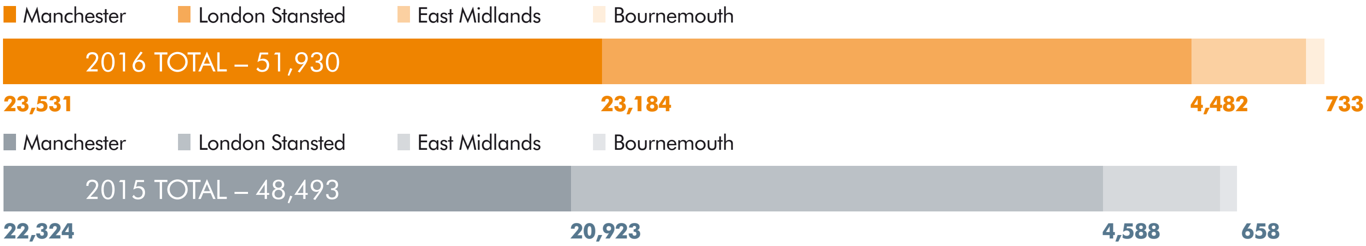
Whilst much has been achieved, the Airport has a bright future ahead too. With runway capacity available today and room to grow in the future, the Group remains focused on attracting new airlines and improving facilities to provide customers with greater choice, competition and value. Improvement of the rail connections into the Airport remains imperative and later this year we look forward to working with the new London Stansted Express franchise operator, and will continue to push Government to prioritise investment, to reduce journey times and improve reliability on the railway between London Stansted and Cambridge.

We also announced this year that Andrew Cowan, previously Chief Strategy Officer at MAG, had been appointed Divisional CEO of London Stansted. Prior to becoming Chief Strategy Officer, Andrew was Chief Operating Officer of MAG and Managing Director of Manchester Airport. He took over from Andrew Harrison who had led London Stansted since MAG's acquisition and is now Chief Strategy Officer for the Group. Andrew Harrison has done an impressive job in driving growth at the Airport and integrating it into the wider Group, and I wish both of them luck in their new roles.

PASSENGER TRAFFIC BY SECTOR (000's)



PASSENGER TRAFFIC BY AIRPORT (000's)



EAST MIDLANDS AIRPORT

Celebrating its 50th anniversary in 2015, East Midlands Airport has performed well, delivering increased profitability in both its passenger and cargo activities. The route offering continues to diversify and, for the first time, Eurowings arrived at the Airport, flying both leisure and business passengers to Düsseldorf. Through its position as the UK's largest pure freight airport, East Midlands plays a major role in supporting both regional and national growth, and this year handled over 300,000 tonnes of cargo, a 4.6 % increase and a record for the Airport.

East Midlands Airport has invested over £15 million in improving the customer experience, including a refurbishment of the terminal building, investment in new capacity and systems in the car parks and enhancements to arrivals and immigration. As the Airport continues to grow, its partners are also investing in their operations, including route network developments with airlines and a £90 million expansion by DHL of their UK logistics hub facility on site.

BOURNEMOUTH AIRPORT

Bournemouth benefitted during the year from the return of Flybe to the Airport however they have since withdrawn from the Airport as part of consolidating their South-Coast operations. The Group's strategic plan for the Airport in the short-term focuses on increasing passenger volumes and driving improvements in the profitability of the Airport.

MAG PROPERTY

During the year, MAG Property has agreed a number of significant deals across our airports as occupiers seek to take advantage of the benefits that come from locating close to global connectivity. We were delighted to welcome the President of The People's Republic of China, Xi Jinping and the Prime Minister, the Rt Hon David Cameron MP, to Manchester Airport in October to unveil the £130 million Airport City Manchester China Cluster scheme, reinforcing the project's credentials as China's Gateway to the Northern economy.

Also at Airport City, Amazon agreed to occupy a 654,000 sq ft fulfilment centre at Airport City Global Logistics, a facility that upon completion will generate up to 1,500 jobs in the Enterprise Zone.

Elsewhere in the portfolio, construction has begun on a new high-quality 357 bed Hilton hotel at London Stansted Airport. In Bournemouth, Curtiss Wright are part way through creating a bespoke 260,000 sq ft building at the Aviation Business Park, which is the key element of Dorset Local Enterprise Partnership's £40m Bournemouth International Growth programme.

MAG-USA

The Group's business in North America, MAG-USA, has also had a productive first year of operation. During that time it has been successful in bidding for the construction and operation of three of our 'Escape Lounges'; the lounge at Minneapolis-St. Paul is already open and a lounge at Oakland Airport is due to open in the next few months. The third, at Bradley Airport in Hartford, Connecticut, will open later this year. We are confident of further positive news from MAG-USA during the course of 2016.

OUTLOOK

Our airports have been able to outperform their competitors over the last year largely because they still have the capacity to grow. This puts them in a strong position to support an increase in air travel over the coming years, particularly in the period before a new runway in the South East can be built. While the Government needs to decide how to respond to the Airports Commission's recommendations, it is clear that the number one priority for UK aviation policy for at least the next 15 years should be ensuring best use is made of capacity at airports where it already exists, such as London Stansted and Manchester. Better rail and road links will strengthen the UK's network of competing airports, which will have enormous benefits for consumers and the economy.

MAG is a growing business that continues to leverage its success to drive regional benefits; focusing on employment, skills, education and regeneration. I am proud of the fact that MAG is a company of value that is guided by values. By virtue of our unique ownership structure, we have always held a firm belief that the best companies are seen as community organisations, rooted in the societies that give them a home.

We draw our employees from the regions of which we are a part and seek to give them far more than an occupation. We have learnt that we are only as good as our reputation – which is why we take our environmental obligations seriously.

This year has seen the Group investing heavily in both the present and preparing for the future. Our resilient foundations, strong financial position and the fundamental strengths of our airports will ensure that the business is well placed to respond to any adverse consequences that may be felt by the UK economy following the country's decision to the leave the EU. We continue to take a positive long term view of our prospects for growth.

We're making good progress to deliver on ambitious targets and with a dynamic culture and a team of smart, committed and capable people, we look ahead with confidence to delivering the next chapter of MAG's growth story.

"MAG has continued to deliver sustained growth in profitability and cash generation through 2015-16."

Financial Review

MAG has continued to deliver sustained growth in profitability and cash generation through 2015-16, underpinned by record passenger volumes, strong commercial performance and active management of our operating cost base.

Neil Thompson
Chief Financial Officer, MAG

The result for the year provides a strong platform for continued implementation of the Group's growth strategy. Key priorities include the on-going investment in our infrastructure to improve the customer journey and enable future growth, with the terminal transformation at London Stansted Airport completed during the year, and further planning and design of the significant transformation of Manchester Airport, which will see £1 billion invested over the next 10 years.

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

REVENUE (£m)
2014-15: £738.4m

£778.8m
+£40.4m year on year
+5.5% year on year

EBITDA* (£m)
2014-15: £283.6m

£317.7m
+£34.1m year on year
+12.0% year on year

OPERATING PROFIT* (£m)
2014-15: £153.6m

£186.9m
+£33.3m year on year
+21.7% year on year

CASH GENERATED FROM OPERATIONS* (£m)
2014-15: £309.5m

£325.3m
+£15.8m year on year
+5.1% year on year

*Before significant items

SUMMARY OF THE YEAR'S RESULTS (£M)

	2016	2015	Change %
Passenger numbers (million)	51.9	48.5	+7.0%
Revenue	778.8	738.4	+5.5%
EBITDA before significant items	317.7	283.6	+12.0%
Operating profit before significant items	186.9	153.6	+21.7%
Result before taxation and significant items	128.5	110.2	+16.6%
Cash generated from operations before significant items	325.3	309.5	+5.1%
Capital investment	125.3	112.7	+11.2%
Dividends paid in the year	100.6	77.0	+30.6%
Net debt	1,143.0	1,152.0	-0.8%
Equity shareholders' funds	1,588.7	1,554.6	+2.2%

RECONCILIATION OF EBITDA TO RESULT FROM OPERATIONS (£M)

	2016			2015		
	Before Significant items	Significant items	After Significant items	Before Significant items	Significant items	After Significant items
EBITDA	317.7	(2.9)	314.8	283.6	(11.4)	272.2
Depreciation and amortisation	(130.8)	(8.4)	(139.2)	(130.0)	-	(130.0)
Result from operations	186.9	(11.3)	175.6	153.6	(11.4)	142.2

SUMMARY TRADING PERFORMANCE

The Group has delivered further growth in the year, with all major divisions exceeding the prior year performance in both revenue and EBITDA. This has been driven by a 7.0% increase in passenger numbers, which in addition to continued careful management of costs as activity levels have increased, has seen an increase of 12.0% in EBITDA* to £317.7m.

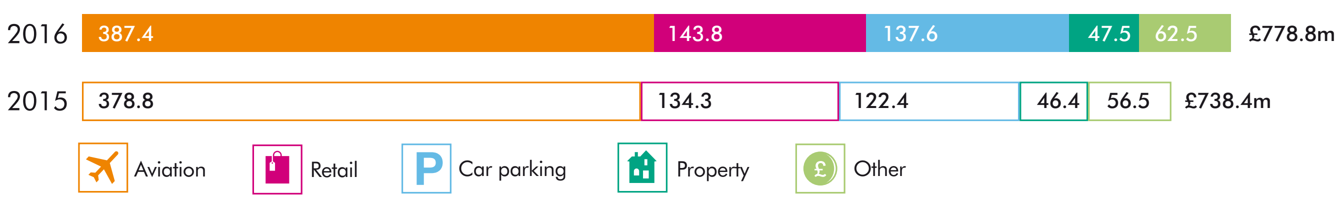
The largest increases in passenger numbers are at our two main airports, Manchester and London Stansted, with the combination of new destinations and additional volumes from low cost carriers contributing strongly to this growth trend. Aviation, retail and car parking revenues have consequently all seen increasing performance in the year, with the Group's revenue of £778.8m representing an increase of 5.5% on the prior year.

Aviation income of £387.4m has grown by 2.3% on the prior year, reflecting the mix of traffic, in particular the growth in the low cost carrier traffic at London Stansted, with the long-term growth strategy also supporting the improved commercial performance. Cargo Income, has seen growth of 7.0% on the prior year at £22.7m, predominantly driven by additional DHL volumes at East Midlands and growth across a number of carriers at London Stansted.

Retail income of £143.8m has grown by 7.1% on prior year, driven by passenger growth, despite challenging conditions in duty free across all airports and the adverse effect of a change in destination mix, as growth is delivered through a higher proportion of flights within the EU. Retail yield has benefitted from the significant investment in the terminal transformations at both London Stansted and East Midlands, with a 4.5% and 11.1% yield increase respectively, with the enhancements helping to deliver a significantly improved and varied retail and food and beverage offering to passengers. Our Escape Lounge Brand continues to perform well with a 17.6%

** Before significant items*

INCOME ANALYSIS (£M)



increase in revenues on prior year to £6.0m, as passengers look to upgrade their airport experience.

Car parking has continued to be the strongest revenue growth stream within the Group, with revenues 12.4% higher than prior year at £137.6m, driven by additional capacity and the roll-out of the Meet and Greet product at London Stansted, building on the growth seen at the other Group airports, whilst also effectively managing the customer trend of moving to pre-book channels.

Property income across the portfolio is £47.5m, with stable year on year performance reflecting a mature tenant portfolio. We have strengthened the property team in the last 18 months and the development of our existing property estate by our in-house specialists, MAG Property, for future deals continues to be part of our on-going property strategy to realise the best value from our estate. During the year, five property deals were completed, producing an overall profit on disposal of £10.6m.

Other income, which includes utilities recharges and fees for airline services and aviation fuel sales, grew by 10.6% largely driven by increased passenger volumes.

Overall costs, excluding significant items, depreciation and profit on disposal of property plant and equipment and investment properties, have increased by £16.9m (3.7%) reflecting increased passenger volumes and targeted investment in security and customer service, as well as marketing costs to support the development of new routes and passenger growth. These volume-related costs have been partially mitigated by continued tight cost control and benefits from organisational efficiency programmes implemented across the business in the current and prior years.

Depreciation and amortisation costs prior to significant items are £0.8m higher than prior year at £130.8m, reflecting the continued investment in infrastructure across the Group, notably the completion of the terminal redevelopments at London Stansted and East Midlands, the latter of which was completed in the prior year.

As a result of challenging conditions at Bournemouth Airport, most notably the withdrawal of Flybe from April 2016 coupled with the loss of the Royal Mail contract during the second half of the year impacting the cargo operations, the Group has revised its expectations regarding future activity levels. As a result, an impairment provision of £8.4m has been made against the carrying value of property, plant and equipment.

The Group undertook various planned restructuring and organisational programmes during the year, most notably a restructure of the property business. This has resulted in a total of £2.9m being recognised as a significant item within the Consolidated Income Statement, the benefits of which are expected to be seen in the results for next year.

SUMMARY OF REVENUE BY DIVISION (£M)

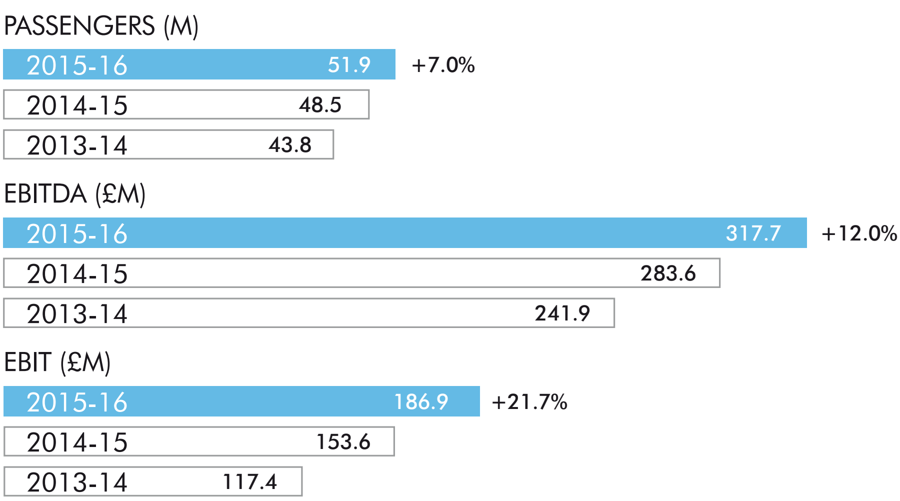
	2016 (£m)	2015 (£m)	Change (£m)	Change %
Manchester Airport	395.0	369.9	25.1	+6.8%
London Stansted Airport	285.6	271.7	13.9	+5.1%
East Midlands Airport	60.2	59.4	0.8	+1.3%
MAG Property	26.7	26.3	0.4	+1.5%
Bournemouth Airport	11.3	11.1	0.2	+1.8%
	778.8	**738.4**	**40.4**	**+5.5%**

EBITDA BY DIVISION (£M)

	2016 (£m)	2015 (£m)	Change (£m)	Change %
Manchester Airport	146.5	137.8	8.7	+6.3%
London Stansted Airport	133.0	114.5	18.5	+16.2%
East Midlands Airport	21.0	19.6	1.4	+7.1%
MAG Property	26.3	16.7	9.6	+57.5%
Bournemouth Airport	1.7	2.0	(0.3)	-15.0%
Other businesses and consolidation	(10.8)	(7.0)	(3.8)	+54.3%
	317.7	**283.6**	**34.1**	**+12.0%**

NOTE: EBITDA is defined as earnings before interest, taxation, depreciation and amortisation. Results stated before significant items.

3 YEAR PERFORMANCE



Manchester Airport Escape Lounge

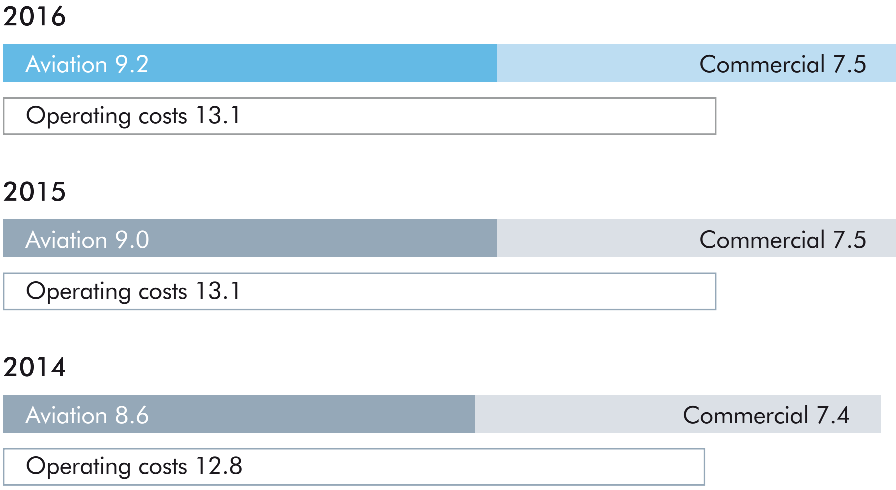
Manchester Airport Retail

Airport City, Wuhan Square

FINANCIAL ANALYSIS FOR MANCHESTER AIRPORT

	2016	2015	Change %
Passengers (million)	23.5	22.3	+5.4%
Revenue (£m)	395.0	369.9	+6.8%
EBITDA (£m)	146.5	137.8	+6.3%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)



MANCHESTER AIRPORT

Manchester Airport has continued to see record numbers of passengers travelling through the Airport, with 23.5m passengers for the year to 31 March 2016 representing a 5.4% increase on prior year. The growth has been driven through new long haul routes such as Miami, New York and Hong Kong as well as incumbent short haul carriers such as Ryanair, Jet2, Thomas Cook and TUI adding capacity through additional services and larger aircraft.

The growth in passengers has driven increases in aviation, retail and in particular car parking revenues, with total revenue of £395.0m representing an improvement of 6.8% on prior year. Challenging conditions in retail, particularly in duty free, have been offset by careful management and promotion of our varied car park product mix, which has driven strong growth in car park yield as passengers continue to move to pre-book channels.

Underlying EBITDA has increased by £8.7m (6.3%) to £146.5m, through revenue growth and focused cost management.

Work continues on finalising the designs of the £1 billion Manchester Airport Transformation Programme as it moves through the various planning stages. The key milestone of planning consent was granted in March 2016 and construction is due to commence later this year.

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

London Stansted Airport Retail

London Stansted Airport Arrivals

Eating and drinking at London Stansted Airport

FINANCIAL ANALYSIS FOR LONDON STANSTED AIRPORT

	2016	2015	Change %
Passengers (million)	23.2	20.9	+11.0%
Revenue (£m)	285.6	271.7	+5.1%
EBITDA (£m)	133.0	114.5	+16.2%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2016

Aviation 6.1 | Commercial 5.7

Operating costs 8.4

2015

Aviation 7.1 | Commercial 5.3

Operating costs 10.2

2014

Aviation 7.5 | Commercial 5.4

Operating costs 11.8

LONDON STANSTED AIRPORT

London Stansted Airport has experienced strong growth in passenger numbers, with an increase of 11.0% on prior year to 23.2m passengers. This growth is driven by increasing load factors and frequency of flights with low cost carriers, particularly Ryanair, but also by expanding the breadth of other carriers at the Airport and the introduction of new long-haul routes such as Las Vegas, Orlando and Cancun. The additional investment in the year to upgrade one of the Satellites into a premium facility positions the Airport well to support future growth in full scheduled services.

The growth in passengers, as part of long-term airline agreements, has supported increases in total revenue to £285.6m, up by 5.1% on prior year, accompanied by strong growth in commercial yields following the introduction of the Meet and Greet product in car parks, and the terminal investment in retail and security facilities. The final phase of the terminal development was completed earlier this year, with the opening of a number of popular high street and premium brand stores at the Airport, with the full-year benefits expected to be seen in 2016-17.

EBITDA, excluding the impact of significant items, has increased by £18.5m (16.2%) to £133.0m, with the income growth and operational efficiencies mitigating the investment in costs in supporting the additional passenger volumes.

East Midlands Airport check-in

Eating and drinking at East Midlands Airport

East Midlands Airport Retail

FINANCIAL ANALYSIS FOR EAST MIDLANDS AIRPORT

	2016	2015	Change %
Passengers (million)	4.5	4.6	-2.2%
Revenue (£m)	60.2	59.4	+1.3%
EBITDA (£m)	21.0	19.6	+7.1%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2016

Aviation 5.6 | Commercial 6.9

Operating costs 9.7

2015

Aviation 5.7 | Commercial 6.4

Operating costs 10.5

2014

Aviation 5.6 | Commercial 6.0

Operating costs 10.4

EAST MIDLANDS AIRPORT

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

Performance in the year has been ahead of expectations, despite a reduction in overall passenger numbers of 2.2% to 4.5m, with the withdrawal of Monarch services partially mitigated by improved load factors and increased flights with other carriers, predominantly Ryanair and Jet2.com.

Notwithstanding the reduction in passengers, total revenue has increased by 1.3% to £60.2m, due to improvements in retail and car parking yields, reflecting the impact of investment in the terminal and car parking capacity in the prior year. This movement also includes an increase in cargo income of £0.8m, as a greater volume of express freight traffic, in particular DHL, takes advantage of the Airport's freight facilities and central location.

EBITDA, excluding the impact of significant items, has increased by £1.4m (7.1%) to £21.0m, with the income growth being supported by tight cost control and the benefits from the organisational efficiency programme in the prior year.

Bournemouth Airport

Bournemouth Airport Departure Terminal


Bournemouth Airport World Duty Fee

FINANCIAL ANALYSIS FOR BOURNEMOUTH AIRPORT

	2016	2015	Change %
Passengers (million)	0.7	0.7	-
Revenue (£m)	11.3	11.1	+1.8%
EBITDA (£m)	1.7	2.0	-15.0%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2016

Aviation 6.4 | Commercial 8.2

Operating costs 13.9

2015

Aviation 6.4 | Commercial 7.9

Operating costs 14.9

2014

Aviation 6.1 | Commercial 7.5

Operating costs 14.1

BOURNEMOUTH AIRPORT

Passenger levels were broadly in line with prior year at 0.7m, with revenue of £11.3m being 1.8% ahead of prior year.

The performance in the year has been impacted by the cessation of the Royal Mail contract impacting cargo revenues, which reduced by £0.6m on the prior year. This has driven a reduction in underlying EBITDA on prior year to £1.7m. The business has restructured accordingly, resulting in costs of £0.2m being included as a significant item in the Consolidated Income Statement.

Reflecting the medium term impact of the above, and the decision of Flybe to withdraw from Bournemouth with effect from April 2016, the Group has revised its future projections downwards. In consequence, an impairment provision of £8.4m has been made against the carrying value of property, plant and equipment, which is recognised as a significant item in the Consolidated Income Statement.

PROPERTY

The MAG Property division manages the investment portfolio comprising offices, hotels and cargo properties, and is also responsible for the Airport City project. Revenue has remained broadly consistent with the prior year reflecting a solid portfolio of tenants on an investment property portfolio worth £641.3m as at 31 March 2016. The investment properties are revalued to fair value at each reporting date by independent property valuers, with a £16.5m upward revaluation recognised in the current year representing a 2.6% uplift on prior year values.

EBITDA from the property business increased significantly on prior year due to the completion of a number of property transactions during the year, contributing a profit on disposal of £10.6m and increasing EBITDA by £9.6m (57.5%) on prior year to £26.3m. This included the sale of a plot of land to Mountpark for industrial/logistics development on Airport City, the sale of a plot of development land, held as an investment property, at Bournemouth to Curtiss Wright for the construction of a hi-tech manufacturing unit and the sale of land at London Stansted in a deal with Urban and Civic for the construction of a hotel on the Airport site.

The Property team is exploring the opportunity to enhance returns and maximise value through the restructuring of its non-operational property portfolio and enhancing internal systems and processes to meet institutional investor standards. A cost of £1.2m has been recognised as a significant item within the Consolidated Income Statement.

MAG holds a 50% share in the Airport City development of Manchester Airport, reflected as a balance of £13.1m held as an investment in associate as at 31 March 2016, with the spend predominantly relating to further set-up of the infrastructure across the two main sites. The development is expected to deliver significant returns in the next few years as part of the overall business plan, with continued strong interest in the various plots and a number of deals in the pipeline.

MAG-USA

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

The current year has seen the set-up of MAG-USA and the investment of £1.8m in the opening of our first 'Escape Lounge' concession at Minneapolis-St. Paul International Airport in December 2015, with a second lounge concession won at Oakland International Airport, due to open in Summer 2016. A third contract was awarded at Bradley International Airport due to open later in 2016.

CASH FLOW

Cash generated from operations before significant items has increased by £15.8m to £325.3m (5.1%) reflecting good translation of profits into cash, allowing the Group to continue to invest in infrastructure and development opportunities. The Group has also benefited from the completion of a number of property deals in the year, generating cash proceeds, net of selling costs, of £18.8m and an overall profit on disposal of £10.6m.

FINANCING AND INTEREST

MAG's financing strategy incorporates a commitment to its strong investment grade ratings with Fitch and Moody and a long-term financing structure to support growth, including investment from the capital markets.

Net debt of the Group has reduced slightly on prior year to £1,143.0m (0.8%) with significant headroom in its facilities to support investment in capital projects and property development. Subsequent to the year end, the Group successfully completed the refinancing of its revolving credit and liquidity facilities.

GROUP CASH FLOW (£M)

	2016	2015	Change %
Cash generated from operations before significant items	325.3	309.5	+5.1%
Significant items	(2.9)	(11.4)	-74.6%
Cash generated from operations after significant items	322.4	298.1	+8.2%
Interest and tax	(103.6)	(92.5)	+12.0%
Net cash used in investing activities	(108.2)	(123.1)	-12.1%
Dividends paid	(100.6)	(77.0)	+30.6%
Net cash used in financing activities	(20.0)	(14.2)	+40.8%
Net decrease in cash and cash equivalents	(10.0)	(8.7)	+14.5%
Net debt	(1,143.0)	(1,152.0)	-0.8%

The aggregate amount of the new facilities is £560 million, comprising a £500 million revolving credit facility and £60 million in standby liquidity facilities, each with a five year term, with optional extensions, maturing in June 2021. The facilities replace similar facilities that were due to mature in February 2018. These new facilities will provide strong support over the next few years for the Group's growth and investment activities, including the Manchester Airport Transformation Programme.

The remaining £90m balance of the term loan used for the successful acquisition of London Stansted airport has been repaid from the new facility.

Group net interest payable, before significant items, remained broadly consistent with the prior year at £74.2m, reflecting the stable debt structure following the issuance of bonds in February and April 2014.

CAPITAL EXPENDITURE

The Group has continued to invest in infrastructure, with focused investment across all its airports totalling £125.3m during the year.

The Manchester Transformation Programme represented the largest individual project during the year. The programme has been designed to be both phased and modular to align funding requirements to forecast business performance and economic conditions and manage financial risk, whilst also ensuring minimal disruption to airport operations, passengers and airlines. The programme will bring about significant levels of investment in larger and improved facilities, particularly over the next few years.

The other major programmes in the year included the completion of the terminal transformation at London Stansted and additional investment to improve the underlying back-office systems and software across the Group, which will provide a more robust foundation to support further profitable growth for MAG.

PENSIONS

The accounting deficit for all Group schemes is calculated by independent scheme actuaries, PwC, who incorporate data taken from the financial markets in calculating the closing deficit position across the four defined benefit schemes. The Greater Manchester Pension Fund (GMPF) scheme comprises 75% (2015: 75%) of the net aggregate Group pension scheme deficit.

SUMMARY OF CHANGES IN AGGREGATE PENSION FUND DEFICITS (£M)

	TOTAL
Deficit as at 31 March 2015	(73.4)
Current and past service cost	(10.6)
Contributions	10.5
Interest cost	(2.5)
Actuarial gains	23.1
Deficit as at 31 March 2016	**(52.9)**

During the year, the aggregate of the Group's defined benefit schemes moved from an IAS19 accounting deficit of £73.4m to £52.9m.

The decrease in the deficit is largely as a result of actuarial gains of £23.1m (2015: losses of £31.5m), driven by an increase in the discount rate of 0.3% across all the schemes, calculated with reference to the AA corporate bond rate, more than offsetting reduced investment returns of equity linked assets. Contributions of £10.5m in the year broadly offset the current service cost and administrative expenses of £10.6m.

All of the Group's defined benefit schemes are closed to new entrants, and the Group also operates a defined contribution scheme for all new staff.

TAX

The underlying total tax rate of 25.8% is higher than the standard rate of Corporation tax of 20%, impacted by the level of disallowable depreciation in excess of capital allowances, as has been the case since the abolition of industrial building allowances.

The total tax charge of £0.5m in the consolidated income statement (effective total tax rate of 0.4%) is significantly impacted by the re-measurement of the deferred tax balances as a result of the enacted change in the future rate of corporation tax to 18%, resulting in a one-off deferred tax credit of £28.9m.

EQUITY SHAREHOLDERS' FUNDS AND DIVIDENDS

Equity shareholders' funds are £1,588.7m as at 31 March 2016 (2015: £1,554.6m). The movement comprises £116.7m profit after tax and significant items, remeasurements on pension liabilities (net of tax) of £18.0m, recorded in reserves, and the payment of dividends of £100.6m reflecting a £62.0m dividend paid for the year to 31 March 2015, and an interim dividend for 2015-16 of £38.6m.

The Group has a long-term objective of providing sustainable and growing dividends to shareholders and, in light of the growth achieved and consistent with the strong long-term growth prospects, the directors have proposed a final dividend for 2015-16 of £77.2m, which will be paid to the shareholders upon the signing of these financial statements.

This final dividend, together with the £38.6m interim dividend paid in the year, represents a total dividend of £115.8m in relation to 2015-16 (£93.0m in relation to 2014-15), representing dividend growth of 24.5%.

"At MAG we are focused on delivering safe, secure and efficient operations which provide a great customer experience."

Risk Management

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

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

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

MAG's Enterprise Risk Management Framework is focused on providing management, the Audit Committee and Board with a clear and current view of the organisation's risk profile and its strategies to manage and mitigate material risks. The framework is structured to ensure that all aspects of the Group's risk profile are subject to regular review at the strategic, corporate and operational levels, and to provide prompt escalation of material risks as they arise. This is achieved through the delivery of an extensive programme of risk review workshops facilitated by our team of risk specialists. They support management in identifying and evaluating key risks and developing effective mitigation strategies designed to manage risk exposure to an acceptable level.

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

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

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

Ownership and accountability are key to the success of any risk framework, and management at all levels are expected to engage actively in the risk management process and take full ownership of risks within their areas of responsibility. As a minimum, management are required to engage in risk review workshops in advance of each Audit Committee meeting, ensuring that the Executive Committee and Audit Committee have an accurate and up-to-date view of the Group's risk profile throughout the year.

Both those committees receive regular detailed management information on the Group's risk profile through risk reports which highlight key risks, material changes to the risk profile and risks outside appetite. In addition, airport management teams receive monthly risk reports with a focus on both the risk profile and management's progress in implementing agreed mitigating actions. Management are accustomed to regular constructive challenge on their strategies to manage key risk exposures and are held to target deadlines to implement agreed mitigating actions.

Risk management is embedded in MAG's decision-making processes through the requirement to provide detailed risk assessments within both business case submissions and papers submitted to the Board and our various other governance forums. In addition, the Board receives periodic updates on the Group's risk profile to support strategic decision-making.

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

Our Internal Audit Team provides management and the Audit Committee with independent assurance over the management of our risk profile through the delivery of a risk-based Strategic Internal Audit Plan which assesses the adequacy and effectiveness of the internal control environment. The Plan is designed to provide assurance over the Group's risk profile with a focus on prioritising our biggest risks.

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

RISK	MITIGATION STRATEGY	OPPORTUNITIES
Security Breach	Events over the past year have led to an increased focus on security risk across all of our sites. We continue to invest heavily year-on-year in ensuring our customers, employees and stakeholders remain safe and secure at all of our sites in the context of the current threat environment. We work closely with the Police and Government security agencies to ensure that our security facilities and processes meet the high standards required to respond to new and existing security threats. Our security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams who regularly test the effectiveness of our security processes and identify opportunities for improvement.	Whilst security is paramount, we also want our customers to continue to enjoy a positive experience at our airports. We look for every available opportunity to enhance the customer experience whilst maintaining the high standards of security our stakeholders expect, in particular working to minimise security queuing times through continuous improvement and innovative approaches to our security processes and facilities.
Material sustained disruption to operations	Each of our sites has emergency response, crisis management and business continuity plans in place which are regularly tested and updated to ensure we are able to respond quickly and effectively to disruptions to our operations. Our insurance programme provides financial protection for a wide range of events and incidents causing operational disruption.	Regular review and testing of our plans enables opportunities for improvement to be identified and implemented on an ongoing basis. Our insurance programme is reviewed annually to ensure it continues to provide the financial protection the Group needs.
Major Health & Safety incident affecting our customers or colleagues	The Health & Safety of our customers, employees and stakeholders is a fundamental priority for us. Robust Health & Safety policies, procedures and processes are in place, and compliance is monitored by our experienced team of Health & Safety specialists who undertake a programme of inspections and audits throughout the year. Health & Safety training is provided to all employees and briefings are provided to contractors and other visitors to our sites to ensure that key Health & Safety risks are understood and effectively managed. Our Health & Safety governance structure is designed to ensure that there is appropriate oversight of our management of Health & Safety risk, and enables material risks to be quickly escalated and addressed.	Continuous improvement of our Health & Safety arrangements is a key focus for each of our operations. This is facilitated by our specialist Health & Safety Teams and underpinned by strong ownership and accountability by our management teams.
Threat of a downturn in demand due to adverse global economic factors	We monitor the economic environment and ensure that our business plans are resilient to economic shocks through prudent scenario planning and sensitivity analysis. Commercial plans are in place and major projects are phased to minimise the impact of a material downturn in demand, including any potential adverse consequences that may be felt by the UK economy following the country's decision to leave the EU.	MAG continues to enjoy record passenger growth, and we are focused on ensuring our airports have the capacity and quality of facilities our customers expect in the medium and longer term.

RISK	MITIGATION STRATEGY	OPPORTUNITIES
Regulatory risk	Compliance with regulatory requirements is a priority for MAG, and we invest in extensive internal and external assurance to help us deliver this across all aspects of our operations.	We work closely, and have strong relationships with our regulators to ensure we understand and can comply with their requirements. We strive to act quickly when opportunities for improvement are identified, and through our regulator relationships we are able to plan well in advance for successful responses to changes in the regulatory landscape.
Delivering major programmes	MAG has a successful track record of delivering major programmes, with recent examples including London Stansted and East Midlands terminal transformations, and the new Air Traffic Control Tower at Manchester. This year saw the launch of our biggest ever programme – the transformation of Manchester's terminal, airfield and car parking facilities. The programme is modular and will be delivered on a phased basis with delivery optimised to align with prevailing economic conditions. We have established rigorous governance arrangements to ensure that the programme is delivered in a controlled manner, to high quality standards and with the minimum possible disruption to our customers.	The initial phases of the Manchester Transformation Programme have given us the opportunity to raise the bar even higher for programme management and governance. Opportunities to improve our existing capital delivery processes are being identified and implemented as the programme progresses.
Recruitment, development and retention of talented people	Recruiting and retaining talent is critical to the success of our business, and this has been an area of significant focus in recent years. Our Talent Strategy aims both to attract the best available talent in the market and to retain our best people through a variety of initiatives including incentive schemes, career development programmes and mentoring so that our employees get the very best out of their career at MAG.	Regular employee engagement surveys enable colleagues to identify opportunities to improve the employee experience. MAG is transparent in communicating survey results and proactive in developing initiatives to deliver identified improvements.
Cyber Security	The security of our IT systems, and in particular our customer and stakeholder data, is critically important to us. We have a wide range of multi-layered defences within our IT and network infrastructure to ensure that our systems remain operational and our data remains secure. Notwithstanding this, and recognising the increasing importance of the digital economy to our business, we have delivered a range of significant enhancements to our systems and network over the past year, and intend to make further progress toward 'best in class' in the current year. Cyber insurance is in place to provide rapid expert response to IT security breaches and data loss, minimising the impact on our customers, stakeholders and the business.	Our IT strategy sets out a programme of improvements to our IT systems and infrastructure designed to ensure that the growth of our business is supported and underpinned by a secure and effective IT environment.

Charles T. Cornish

Charlie Cornish
Chief Executive
MAG
For and on behalf of the Board of Directors

"MAG is a growing business that is using its success to drive regional benefits, focusing on employment, skills, education and regeneration."

Corporate Social Responsibility

MAG is a growing business that is using its success to drive regional benefits, focusing on employment, skills, education and regeneration. 20,530 young people in our local communities were directly supported by MAG's 'Education into Employment' programme in the last year.

Our Corporate Social Responsibility (CSR) strategy recognises the importance of responsible growth and our desire to be a trusted neighbour and corporate citizen. Our strategy is founded on long-term sustained engagement with the whole community. In the last year, we have continued to reach out, attending local events and meetings, which ensures we maintain an open and honest relationship with all communities around our airports.

These events are supported by our senior people, including our Divisional Chief Executives, who personally attend many of these events. This year again we have commissioned an independent review to identify those issues which are of greatest concern for our stakeholders

london transport awards
Airport of the Year 2016

AWARDS 2015 FINALIST BUSINESS IN THE COMMUNITY

AWARDS 2016 SHORTLISTED BUSINESS IN THE COMMUNITY

NATIONAL CSR AWARDS WINNER 2016

MAG CSR STRATEGIC OBJECTIVES

Our Environment:
We will make the best use of natural resources and minimise the environmental impact of our operations

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

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

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

This section presents a summary of our work. A full report and further information on MAG's CSR targets and performance can be found in the 2015/16 CSR Report, available on **www.magworld.co.uk**

Responding to those issues of greatest priority, we have set out a challenging action plan, which will ensure that we continue to drive improvement in all areas.

REGIONAL DEVELOPMENT

GENERATING PROSPERITY ACROSS THE REGIONS

The UK is part of a global marketplace and we are proud that our four airports provide access to these markets. We open up the world to the many leisure travellers who pass through our airports everyday. A well connected airport improves the economic attractiveness of the region as a place to live, work, visit and do business. Our airports contribute £6.16bn annually to the national economy[1].

- Manchester Airport is the largest airport in the North of England. It is recognised as one of the most important economic drivers in the North of England and is a vital component part of the Northern Powerhouse. This year, planning consent has been granted for Manchester Airport's 10 year, £1bn Airport Transformation Programme which will provide the millions of passengers that use the Airport every year with facilities that combine a contemporary look and feel with state of the art services. In 2015, Manchester Airport's direct economic contribution to the North West region was £900 million, supporting around 22,200 jobs.
- London Stansted Airport is the fastest growing airport in the UK and also compares favourably to the strongest performing airports across continental Europe. Providing a vital link for trade and commerce, it has the highest proportion of freight traffic of the London airports, and acts as a key hub for express freight. This year London Stansted's direct economic contribution to the region was £675m, supporting around 11,000 jobs.
- East Midlands Airport is the third largest of the MAG airports in terms of passenger throughput. In 2015/16, it handled around 4.5 million passengers. It is also the UK's air express freight hub and base to a number of key express freight companies. It is the largest of the MAG airports in terms of cargo throughput, handling over 326,000 tonnes last year. In 2015 it directly contributed £200 million to the regional economy, supporting 5,800 jobs.
- The economic impact of Bournemouth airport is smaller but is still significant in the context of the regional labour market. It directly adds £20 million to the economy and supports 600 jobs.

'EDUCATION INTO EMPLOYMENT'

If we are to achieve our ambition of long-term, responsible growth, we recognise that we must take a strategic approach to how we increase the number of people we employ. Recruiting from the areas in which we operate is important to MAG, so we seek to support local people to build the capability that will allow them to capitalise on the available opportunities. This is achieved by working with local partners through our aerozones on-site education centres, airport academies and supporting local educational establishments.

We have developed specialised employment and skills academies at our three largest airports, Manchester, London Stansted and East Midlands. Our academies specialise in 'on-airport' employment aiming to provide support services to individuals wanting to get into work at the Airport, as well as a bespoke recruitment service for airport employers. We want to ensure that there are no barriers preventing prospective employees from attaining employment at our sites.

[1] GVA Economic footprint, includes direct, indirect and induced economic footprint.

London Stansted Airports Aerozone

At London Stansted, we provide employees with an 80% reduced-cost travel card substantially assisting everyone with the means to travel to work. In the last year over 963 people have been placed into employment within our airport sites via our airport Academies.

Our Schools programme aims to inspire and engage the next generation by providing a positive and interesting experience of the world of work through our many initiatives. Supporting young people in their learning is vital if we are to ensure the workforce of the future.

20,530 young people in our local communities were directly supported by MAG's 'Education into Employment' programme in the last year.

SUPPLIER DEVELOPMENT

We recognise that small businesses make a significant contribution to the local and regional economy. To support the growth of local SME's, MAG facilitates 'Meet the Buyer' events which enables SME's in particular to pitch their products and services to a group of senior buyers with multi-million pound buying requirements. London Stansted has been holding workshops and Meet the Buyer events since 2011. This year, the event generated £1.8 million in new sales and business opportunities for local and regional companies. We have committed to run a meet the buyer event at Manchester Airport in 2016.

Last year 28% of our suppliers were located within a 25 mile radius of our airports.

This year MAG has strengthened its governance around procurement and our CEO has endorsed a new supply chain policy which outlines a clear set of social, environmental, ethical and economic principles which must be adhered to when considering new suppliers.

SUPPORTING CUSTOMERS

High standards of customer service are integral to the success of our airports. We recognise that we must provide an exceptional service to meet the requirements and needs of our wide and varied customer base.

We want all of our passengers to enjoy the same ease of access at all our airports, so we work closely with regional disability organisations. We provide specialist travel advice on our websites, and passengers are now able to book assistance in advance of their journeys. Wheelchairs and dedicated assistance desks are available for any passengers that require them.

We are thrilled that our newly installed facilities at Manchester Airport, which are designed to meet the needs of passengers who have profound disabilities (requiring the support of at least one carer), have won a Platinum Award, at the Loo of the Year Awards in the 2015 search to find the best 'away from home' toilets in the UK.

ENVIRONMENT

We've long believed that strong environmental management is imperative to our vision for growth. All our Airports are accredited to the international environmental management standard ISO 14001 and through this we deliver continual improvement, not just of our own operations, but also that of our service partners. Furthermore, London Stansted has become the first Airport in the UK to become accredited to the energy management standard ISO 50001.

We're proactively working with airlines, handling agents and air traffic control providers at local, national and European levels to identify and deliver operational improvements that will reduce noise impacts on our communities and reduce fuel use and carbon emissions throughout the aircraft journey.

CLIMATE CHANGE

Climate change is a major challenge and will require a new approach for business over the next 30 years. That's why as long ago as 2006 we were the first airport to research and calculate the carbon emissions generated by our operations, including those from passengers and staff travelling to and from the airport, aircraft on the ground and the energy required to operate the terminals and the runways. We are thrilled that this year, Manchester Airport has joined Bournemouth and East Midlands Airports in achieving carbon neutrality for its airport operations. This has been achieved over the last 10 years by following the principle of carbon hierarchy, implementing a wide range of energy efficiency technologies and sensible purchasing decisions to reduce our emissions. For our residual and unavoidable emissions we have then purchased carbon off-sets to achieve carbon neutrality.

In 2011 MAG produced the first Climate Change Adaptation Report for East Midlands Airport and Manchester Airport. Fulfilling a regulatory requirement, our 2011 report identified risks posed to East Midlands Airport and Manchester Airport by a changing climate. As well as assisting our business in preparing for climate change, our submission to Defra contributed to Government's first round of national adaptation reporting.

East Midlands Airport 50th birthday at Outreach event

This year both airports have voluntarily updated and submitted a progress report on the steps they have implemented to mitigate against climate change since 2011. The risks that have been identified in this process are now part of a corporate risk register which is of the highest priority. London Stansted will update its adaption report in 2016.

It is important that our work is integrated with that of our industry partners. In consequence we play an active role in 'Sustainable Aviation', a unique coalition bringing together the major airports, airlines, manufacturers and air traffic service providers. We acknowledge the excellent work that Sustainable Aviation is doing to create a sustainable future for our industry.

NOISE ABATEMENT

Aircraft noise can be intrusive and disruptive, particularly for those people who live closest to the airport and its flight paths. We continue to seek better ways to reduce aircraft noise, and invest in sound insulation to support those most impacted by that noise. Our track record in reducing the size of our noise footprint, whilst simultaneously increasing flights, continues to reflect best practice.

An opportunity was recently identified to help reduce the number of people affected by aircraft noise in certain areas close to London Stansted, by using modern GPS (global positioning system) navigation techniques that are new to UK aviation. In partnership with the London Stansted Airport Consultative Committee, the Airport agreed to investigate this in further detail and conducted a trial with a number of industry bodies including the Civil Aviation Authority (CAA), NATS (air traffic control provider) and easyJet. Our investigation resulted in a trial of modern GPS navigation techniques for departing aircraft which would enable them to fly two of the existing flight paths more accurately, so that fewer people would be affected by overflying aircraft in the local area. Results from the trial have been very encouraging in terms of track-keeping accuracy, showing that participating aircraft directly overflew 85% fewer people compared to traditional departure procedures. We will continue to focus on using new innovative technologies to reduce our noise footprint, and continue to use procedures such as Preferred Noise Routes to concentrate aircraft operations away from built up areas, so that any noise impact is minimized.

COMMUNITY

At MAG we have a long history of working in close partnership with our local communities and providing support in particular in the areas of education, community investment and the Arts – to help share the benefits of our success. We are thrilled that two of MAG's airports, Manchester and East Midlands, have been awarded the BITC Community Mark, which gives recognition to the work we do to develop and 'give back' to the areas in which we operate.

Our Community Trust Funds provide direct financial support to community projects and we encourage our colleagues to participate in community initiatives, particularly where they have the opportunity to share skills and learn new ones. This year we are proud to have invested a total of £291,540[2] in community projects around our airports.

We are thrilled that CLIC Sargent, who help families deal with childhood cancer together, has been chosen by our employees as our new group corporate charity partner. It is our aim to raise one million pounds for the charity through the duration of our partnership.

In addition, MAG is committed to investing in the Arts inside the regions in which it operates. This year, investment in the Arts sponsorship programme was substantial, at £370,000.

St Anthonys – Book Week March 2016

COLLEAGUES

The skills, enthusiasm and dedication of our people are key to providing passengers with an excellent experience. That's why it's important that our people feel MAG is a great place to work

DIVERSITY AND INCLUSION

Diversity and inclusion are central to our business success. Our 51 million customers are diverse and, if we are to be successful, we need to ensure that we understand and can meet their needs. We have set a significant objective in our new strategy to work towards an equal gender split and have committed that, by 2020, we will increase the number of females

[2] *Total donated via Community Funds, excludes London Stansted Community Passenger Fund.*

at leadership level by 10%. In 2015/16 21% of MAG's Senior Management team were women.

EARLY TALENT IDENTIFICATION

Our Early Talent strategy incorporates apprenticeships, internships and our graduate development programme. The purpose is to support our talent pipeline building skilled technicians, first line managers, professionals and the leaders of the future. We have had a record year for hiring apprentices, having appointed 29 applicants who are working across the Group in a variety of disciplines. We welcome the apprentice levy which comes into force and are actively using our new Apprentice Board to explore how we increase the number and quality of apprentice opportunities in all parts of our business.

Our Graduate programme is designed to develop MAG leaders of the future. Students and graduates are used to learning. They learn quickly and make a valuable contribution to a business, bringing with them fresh ideas and current thinking. For 2015, following a successful recruitment campaign for the Graduate programme, we received over 4,000 applications compared to 1,300 last year, equating to an additional 25 applications per role.

HEALTH AND SAFETY

All industries must deal with inherent hazards and dangers, but the significance of these hazards is increased by the scale of our operations. Our aim of reducing employee accidents by 30% is ambitious, but with the help of the Vision Zero initiative, we continue to move towards it.

We are proud to report that we are accredited with the British Standard for Health & Safety ISO 18001. This accreditation gives an assurance of the quality of our integrated safety management system and its relevance to the organisation.

Our reportable RIDDOR accidents showed an increase to 8 events this year compared to an unprecedented low of 3 events in the previous year. Whilst this reversal in trend is disappointing, our long-term accident numbers have improved significantly since 2012, when 23 events were recorded. We benchmark our accident performance

London Stansted Airport recycling

using the widely accepted measure of an Accident Frequency Rate (AFR) per 100,000 hours worked. In 2015-16, our AFR was 0.09, down from 0.29 in 2013-14 and remains at a level which is below our long-term target threshold of 0.10. This level of accident performance rate is recognised as being very good within comparable industry peers and we maintain a strong focus on continuing our improvement efforts towards reducing accidents and safeguarding the health and safety of all our colleagues.

KEY PERFORMANCE INDICATORS

Issue	Strategic CSR Objective	Indicator	2015-16	2014-15	Change %
Carbon Reduction – CO_2 emissions	Reduce climate change emissions by increasing efficiency and obtaining energy from renewable sources	Carbon Intensity measurement Emissions per traffic unit[3]	1.289	1.509	-14.6%
Noise	Limit and where possible reduce the number of people significantly affected by aircraft noise	Number of complaints per 1,000 air traffic movements	4.68	7.93	-41.0%
Community Engagement	Encourage and support our people to participate in voluntary work that supports our broader CSR objectives and benefits our business and the local community	Employee Volunteer Hours	10,427	8,759	19.0%

[3] Our emissions are calculated based on data gathered for voluntary emissions reporting under, and compliance with, the CRC Energy Efficiency scheme and EU ETS. UK Government Conversion factors for Company Reporting published by Defra and DECC in 2015 were used with historic emissions re-calculated where required. We have chosen an intensity measurement against a traffic unit, which is defined by the International Air Transport Organisation (IATA) as equivalent to 1,000 passengers or 100 tonnes of freight).

CORPORATE GOVERNANCE STATEMENT

The Group is committed to maintaining high standards of corporate governance and uses the UK Corporate Governance Code (the "Code") as a guide to best practice.

We aim to comply with the Code wherever it is sensible and proportionate for us to do so, having regard to our ownership structure and the fact that The Council of the City of Manchester and IFM, as shareholders, make appointments to the Board.

THE BOARD OF DIRECTORS

The names of the directors who served on the Board during the year and their biographical details are set out on pages 45 to 46.

The non-executive directors bring extensive knowledge, skills and experience, from both the private and public sector, to bear on the affairs of the Group. The non-executive directors, who are not appointed by the shareholders, exercise independent, objective judgement at meetings of the Board and Board committees. Together with the shareholder-appointed non-executive directors, they help develop and constructively challenge proposals on strategy, and scrutinise the performance of management in meeting agreed goals and objectives.

The Board meets formally at least six times per year and also on additional occasions to consider specific business matters. Arrangements are in place for the Chairman to meet with the non-executive directors without the executive directors present, such meetings being held as and when required.

Directors' attendance at Board and Board committee meetings held during the financial year is set out below:

DIRECTORS' ATTENDANCE AT MEETINGS 2015-16

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings in 2015/16	8	2	2	3
Number of meetings attended in 2015/16				
Non-Executive Directors				
Adrian Montague	8	N/A	N/A	3
Richard Leese[4]	6	N/A	1	2
Manoj Mehta	8	2	N/A	3
Vanda Murray	8	2	2	3
Robert Napier[2]	3	1	N/A	1
Kieran Quinn	2	0	N/A	0
Christian Seymour	7	N/A	2	3
Angela Spindler[3]	6	N/A	2	3
Elizabeth Symons	6	N/A	N/A	3
James Wallace[1]	3	1	N/A	1
Executive Directors				
Charlie Cornish	8	N/A	N/A	N/A
Ken O'Toole	7	N/A	N/A	N/A
Neil Thompson	8	N/A	N/A	N/A

NOTES:

1. *James Wallace resigned as a Director of the Company on 31 July 2015.*
2. *Robert Napier was appointed as a Director of the Company on 24 November 2015.*
3. *Angela Spindler ceased to be a Director of the Company on 31 March 2016.*
4. *Richard Leese was represented by his duly appointed alternate at those meetings where he was not present in person.*

N/A in the table above denotes that the director is not a member of that committee.

CORPORATE GOVERNANCE STATEMENT continued

GOVERNANCE SUMMARY

The Board is accountable to the shareholders for developing, setting and delivering the Group's strategic objectives. It ensures that the necessary resources and controls are in place to do this and to manage attendant risks effectively, and it reviews management performance frequently in a purposeful manner. Each month, the Board receives a comprehensive executive report covering, at least, commercial, operational and health and safety matters across the Group together with a Group finance report. Directors receive timely, thorough and accurate information which allows them to discharge their duties effectively. The Board conducts regular reviews of its own effectiveness and that of Board Committees, supplemented from time to time by an element of external assessment.

The Board also ensures, through the work of the Nomination Committee, that succession planning at Board, executive and senior management level complements the needs of our business.

The Board has established a number of committees with specific delegated authorities and more information on the membership and the remit of these committees is provided later in this report.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and Group Chief Executive are separate and clearly defined. The Chairman is responsible for the leadership of the Board, ensuring that it delivers effectively on its accountabilities.

The day-to-day management of the Group, the development and implementation of strategy, and the delivery of Group financial and operational objectives are the responsibilities of the Chief Executive who is supported by his executive committee which comprises:

Chief Executive
Chief Financial Officer
Chief Strategy Officer
Divisional CEO, Manchester Airport
Divisional CEO, London Stansted Airport
Divisional CEO, East Midlands and Bournemouth Airports
Divisional CEO, MAG Property
Group Organisation Development Director
Corporate Affairs Director
Group HR Director
General Counsel and Company Secretary.

BOARD BALANCE AND INDEPENDENCE

At 31 March 2016, the Board comprised the Chairman, three executive directors and eight non-executive directors (four of whom are connected with the shareholders). It is considered that the size of the Board is sufficient for the requirements of the business and that, in all the circumstances, there is an appropriate balance of independent non-executive, shareholder-appointed non-executive and executive directors on the Board.

All non-executive directors are appointed subject to objective capability criteria. The Board considers all the non-executive directors to be independent of executive management. The prior approval of the shareholders is required in respect of all Board appointments.

The non-executive directors appointed by the respective shareholders hold office for so long as the shareholder wishes them to do so. The remaining non-executive directors are appointed initially for a term of three years with any renewal of that (and any subsequent) term being a matter for the Board (on the recommendation of the Nomination Committee) having regard to the contribution made by the director in the immediately preceding period and relevant best corporate governance practice at the time.

Taking account of the facts that the roles of the Chairman and Chief Executive are not held by the same person and the shareholders make appointments of representatives to the Board, the designation of a senior independent director is not presently considered necessary.

CONFLICTS OF INTEREST

The directors are under a statutory duty to avoid any situation in which they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. The duty is not infringed where a conflict has been authorised in advance by the unconflicted directors, or shareholders, of the Company or where the situation cannot be reasonably regarded as likely to give rise to a conflict of interest. The Company's articles of association include provisions which permit the unconflicted directors to authorise conflict situations and procedures have been put in place for the disclosure of any conflicts by the directors to the Board and for the consideration and, if appropriate, authorisation of such conflicts. These procedures allow any authorisation to be subject to any limits and/or conditions the directors think fit.

BOARD EFFECTIVENESS

The Group has a formal induction programme which as a matter of good practice is currently being renewed for all new directors joining the Board and comprises key written information, meetings with members of the senior management team and site visits. The Group undertakes to provide the necessary resources to enable directors to remain abreast of developments relevant to the Group's business and their own responsibilities. In addition, there is a process enabling the directors to take independent advice in relation to their duties at the Group's expense, if appropriate.

During the year an internal evaluation of the effectiveness of the performance of the Board and its committees was carried out, and this revealed directors to be generally satisfied in this regard. Separately, and reflecting the Company's determination to be constantly vigilant in relation to the quality of its corporate governance, an independent benchmarking exercise has been commissioned.

BOARD COMMITTEES

The principal committees are as follows:

Audit Committee

The members of the Audit Committee at 31 March 2016 were Robert Napier (Chairman), Vanda Murray, Manoj Mehta and Kieran Quinn (all non-executive directors, with Manoj Mehta and Kieran Quinn being shareholder-appointed). The Audit Committee ordinarily meets at least three times per year, but in the year to 31 March 2016 financial year only two meetings were held with what would normally be the Committee's March meeting being postponed modestly to mid April. The external auditor, the Chief Executive, the Chief Financial Officer and the Director of Risk & Internal Audit routinely attend the Committee's meetings. The external auditor has the opportunity to meet with members of the Committee, and the Director of Risk & Internal Audit with the Committee's Chairman, in each case without executive management present.

The Board is satisfied that, at all the Committee's meetings during the year and that held in mid April 2016, at least one of its members present had relevant and recent financial experience.

The Audit Committee is responsible, primarily, for reviewing the Group's financial statements, internal control systems (including those affecting internal financial control), risk management frameworks and whistle-blowing procedures, and for reviewing the appointment, independence, performance and cost effectiveness of the Group's external auditor. These responsibilities are discharged as follows:

- At its meetings in June and November, the Audit Committee reviews the annual report and accounts and interim report, respectively, and the Group Treasury policy;
- The external auditors meet with the Audit Committee without management present;
- A report on risk management and internal audit outcomes (including matters relating to the whistle blowing policy) is presented to each meeting;
- The Committee receives a regular report providing details of non-audit services (and related fees) carried out by the external auditor which it uses to monitor the independence and objectivity of the external auditor – an analysis of the fees earned by the Group's auditor for audit and non-audit services is disclosed in Note 8 of the financial statements and;
- Board control procedures and the effectiveness of Internal Audit are ordinarily reviewed in June each year.

Remuneration Committee

At 31 March 2016, the Remuneration Committee's members were Vanda Murray (Chair), Christian Seymour, Richard Leese and Angela Spindler (all non-executive directors, with Christian Seymour and Richard Leese being shareholder-appointed).

The Committee meets at least twice per year and at other times as it sees fit. The Committee is tasked with:

- in conjunction with the Board, developing a formal and transparent policy on executive remuneration (including the scope of pension arrangements and benefits in kind);
- consistently with that policy, setting the total remuneration packages (including short and long-term incentive schemes) of the Chief Executive, the other executive directors, and senior executives within the Group;
- setting annual performance targets for the Chief Executive, reviewing his performance against those targets, and approving any payments to be made to him as a result;
- reviewing and agreeing annual performance targets proposed by the Chief Executive for the other executive directors and senior executives within the Group, monitoring the appraisals carried out by the Chief Executive against those targets, and approving any payments made to any of them as a result; and
- determining the nature and extent of any severance arrangements applicable to the Chief Executive, any of the other executive directors and any senior executive within the Group to ensure failure is not rewarded and the duty to mitigate loss is fully recognised.

The Chief Executive and the Group HR Director attend meetings with the Committee as and when appropriate. No director has any involvement in any decision relating to his or her own remuneration.

The Committee is responsible for appointing external independent consultants to advise on executive remuneration matters. This advice and assistance has been provided throughout the 2015-16 financial year by PwC LLP. The Group HR Director has also provided advice to the Committee.

Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, leading the process for potential appointments and overseeing succession planning in respect of the directors and amongst senior executives. The appointment of the Chairman is undertaken by the shareholders. The Committee meets at least once per year and at other times as it sees fit. Its members are the non-executive directors including the Chairman (who is also chairman of the Committee).

CORPORATE RESPONSIBILITY

The Group recognises the increasing importance of effective management of corporate responsibility and the link between it and corporate governance. The Group acknowledges its responsibilities to its stakeholders, shareholders, employees, customers, suppliers and the wider communities its airports serve, and endeavours to inform them all of the way it conducts, and proposes to conduct, its business. Environmental, social and ethical risks are identified and managed pursuant to the Group's risk

CORPORATE GOVERNANCE STATEMENT continued

assessment and management processes. More information about the Group's commitment to Corporate Responsibility can be found in the Corporate Social Responsibility Report on pages 35 to 39.

INTERNAL CONTROL

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

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

- clearly defined organisational structures, schemes of delegation and lines of responsibilities;
- the involvement of qualified, professional employees with an appropriate level of experience (both in Group Finance and throughout the business);
- regular meetings of the Board and the Chief Executive's executive committee;
- Board approval of long-term business strategies, key business objectives and annual budgets (an annual review is undertaken to update the business strategies and key business objectives);
- preparation and Board approval of revised forecasts during the year;
- monitoring financial performance on a monthly basis against budget, and the benchmarking of key performance indicators, with remedial action being taken where appropriate;
- monitoring annual performance against business plans;
- established procedures for planning, approving and monitoring capital projects, together with post investment project appraisal;
- the Group's finance function subjecting each business unit to various levels of review and making appropriate adjustments as part of the Group consolidation. This also includes producing a reconciliation to the management accounts on a segmental basis;
- the Audit Committee and the Board reviewing the draft consolidated financial statements. The Audit Committee receives reports from management and the external auditors on significant judgements and other pertinent matters relating to those consolidated financial statements;
- the resourcing of an internal audit function; and
- implementation of Group-wide procedures, policies, standards and processes on business activities, such as financial reporting, health and safety, and human resources.

Based on sample testing, follow-up work during the year, and management's commitment to implement agreed control improvement recommendations, the internal assurance team has concluded that the Group's system of internal controls had been designed, and were operating with sufficient effectiveness, to provide reasonable assurance that the Group's risk management, control and governance objectives were achieved in respect of the 2015-2016 financial year.

On behalf of the Board, the Audit Committee has received the Director of Risk & Internal Audit's annual report and has conducted its annual review of the effectiveness of the system of internal control. Regular reports on control issues are presented to, and discussed with, the Audit Committee and there is a process in place to ensure audit and committee recommendations are fully implemented by senior executive management. The Board, having considered the Audit Committee's review, is able to confirm that no significant failings or weaknesses have been identified in the system of internal control.

RISK MANAGEMENT

The management of risks rests ultimately with the Board, notwithstanding that the Audit Committee performs a significant role, described above, relative to risk oversight. The most significant strategic, corporate and operational risks and uncertainties identified during the year and the prevailing approach to management of these appears on pages 29 to 33.

The Risk Assurance function, covering Risk Management, Internal Audit and Security and Quality Assurance, reports directly to the Chief Financial Officer who habitually attends every Audit Committee meeting.

Risk Registers are managed by individual risk owners, are updated on a regular basis and are provided to the Risk Assurance function frequently. The holding of regular business risk workshops at a divisional level, and quarterly reviews of Group-wide risk issues by the executive directors, support this process.

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

GOING CONCERN

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events, which are inherently uncertain. Nevertheless, at the time of preparation of these accounts and having assessed the principal risks and the other matters discussed in connection with the viability statement, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further details can be found in the Accounting Policies on page 55.

VIABILITY STATEMENT

In accordance with the 2014 revision of the UK Corporate Governance Code, the directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 32 to 33. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2019.

The directors have determined that a three year period to 31 March 2019 constitutes an appropriate period over which to provide its viability statement. This is the period focused on by the Board during the strategic planning process and aligned to our detailed passenger projections. Whilst the directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

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

Subsequent to the year end, the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500 million revolving credit facility and £60 million in standby liquidity facilities, each with a five year term, maturing in June 2021, with optional extensions. The facilities replace similar facilities that were due to mature in February 2018. These new facilities will provide strong support over the next few years for the Group's growth and investment activities, including the Manchester Airport Transformation Programme.

These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with our internal treasury policy, taking into consideration the liquidity and funding profile of the Group.

BOARD OF DIRECTORS

CHAIRMAN

Sir Adrian Montague, CBE

Appointed non-executive Chairman of the Company in September 2014. Sir Adrian is currently the Chairman of Aviva plc. He is also a non-executive director of CellMark Investments of Gothenburg and is Chairman of The Point of Care Foundation (charitable trust).

Previous Chairmanships include 3i plc, Anglian Water Group, London First and British Energy. Sir Adrian was awarded a CBE in 2001 and holds a Law degree from the University of Cambridge.

EXECUTIVE DIRECTORS

Charlie Cornish

Appointed Group Chief Executive in October 2010 and to the Board in January 2013. Prior to joining MAG, Charlie was Managing Director of Utility Solutions, the commercial business of United Utilities (UU) with operations in the UK, the Middle East, Australia, Bulgaria, Poland, Estonia and the Philippines and was a Director of UU PLC. Previously he worked for a number of manufacturing and service companies including Plessey Telecommunications, British Aerospace and ABF.

Ken O'Toole, FCA

Ken was appointed as Divisional Chief Executive of Manchester Airport in April 2016. Prior to this he was Managing Director of Manchester Airport and was appointed to the Board in February 2013. He spent six years with Ryanair Holdings Plc, joining initially as Head of Revenue Management and latterly as Director of New Route Development. A qualified Chartered Accountant, his previous experience includes Musgrave Group, a leading Irish and UK based retailer and Credit Suisse First Boston.

Neil Thompson ACA, CTA

Neil joined MAG in 2005, being Commercial FD and then Corporate FD, prior to taking on the role of Chief Financial Officer in March 2011. He was appointed to the Board in January 2013. Neil previously held senior finance roles at The MAN Group and ALSTOM, with responsibility across businesses in the UK, Europe, North America, Canada, India, Singapore and Australia. Prior to the power generation sector, Neil spent seven years in financial practice, specialising in Corporate Finance and M&A transactions, latterly with PwC.

BOARD OF DIRECTORS continued

NON-EXECUTIVE DIRECTORS

Sir Richard Leese
Appointed to the Board in February 2013. Leader of the City Council of Manchester since 1996. His other roles include Chair of the Association of Rail North Partner Authorities, Chair of LGA City Regions Board, Vice Chair of the Greater Manchester Combined Authority (GMCA) and the Chair of the Core Cities Cabinet.

Manoj Mehta
Appointed to the Board in February 2013. Executive Director (Europe) for IFM Investors with responsibility for evaluating, implementing and managing European investments. Prior to this role, he held senior positions within Transport for London and the Infrastructure Advisory Group at Citigroup.

Vanda Murray OBE
Appointed to the Board in February 2013, Vanda holds a portfolio of non-executive directorships: Bunzl plc; Exova plc; and Fenner plc, where she is Senior Independent Director. She is also Pro-Chancellor and Chair of Governors at Manchester Metropolitan University. Prior to this, she was CEO of Blick plc a FTSE quoted International support services Group. She was awarded an OBE in 2002 for services to industry and to export.

Robert Napier CBE FRCS (Hon)
Appointed to the Board in November 2015, Robert was, until December 2015, Chairman of the Homes and Communities Agency for eight years and prior to that Chairman of the Board of the Met Office. He had a business career which included being the Finance Director and then Chief Executive of Redland PLC. He has held various Non-Executive positions and is currently on the Board of the Anglian Water Group. His community involvement includes Chairmanship of the Trustees of St Mungo's, the homelessness charity.

Kieran Quinn
Appointed to the Board in February 2013, Kieran has been the elected Labour member for Droylsden East since 1994 and has been the Executive Leader of Tameside Metropolitan Borough Council since 2010. He is also the Chair of the Local Authority Pension Fund Forum and chair of the Greater Manchester Pension Fund Management Panel. Kieran also chairs and serves on the Boards of a number of local and national organisations.

Christian Seymour
Appointed to the Board in February 2013. Head of Infrastructure (Europe) for IFM Investors with responsibility for business expansion in Europe and oversight of IFM's existing European asset portfolio. Over 20 years of experience working for companies including Duke Energy, Santos, BHP Billiton, Bechtel and Woodside, successfully delivering large scale projects involving multidisciplinary teams.

Angela Spindler
Appointed to the Board in February 2013. In June 2013 Angela was appointed as CEO of the Manchester based home shopping business N Brown PLC. She joined N Brown from the value retail chain 'The Original Factory Shop' where she spent four and a half years as CEO. Prior to that she was MD of Debenhams PLC and before that had spent ten years at ASDA, her last 3 years as MD of George Clothing.

Baroness Elizabeth Symons
Appointed to the Board in September 2013, Baroness Elizabeth Symons (Rt Hon Baroness Symons of Vernham Dean) is a senior Labour Member and a former Deputy Leader of the House of Lords. She was a Minister in the UK Government from 1997 until stepping down in 2005. Her government posts were Minister for the Middle East, Minister for International Trade, Minister for Defence Procurement and the Prime Minister's Envoy to the Gulf. She is Chairman of the Arab-British Chamber of Commerce, the Saudi-British Joint Business Council (UK side), and the British Egyptian Society. She also sits on the Advisory Boards of British Expertise and the Egyptian British Business Council.

She is Head of Government Relations (International) at DLA Piper LLP, and is adviser to a number of commercial organisations including the CCC Group, Blenheim Capital, and Protection Group International.

James Wallace BSc (ECON), FCA, FCT
Appointed to the Board in February 2013. He is currently Chairman of Scapa Group PLC. He was formerly Chairman of Bodycote PLC.

REMUNERATION REPORT

This report sets out the principles of the remuneration policy for directors and related matters.

The objective of the remuneration policy in respect of the executive directors and senior executives is to offer remuneration packages that:

- allow the Group to attract, motivate and retain senior executives of high-calibre who are capable of delivering the Group's stretching objectives;
- link rewards to both individual and corporate performance, responsibility and contribution; and
- position the Group competitively in the principal markets (both private and listed companies) where it competes for talent.

The Committee utilises appropriate market intelligence to support this process but is, however, aware of the risk of an upward ratchet in remuneration levels through over-reliance on comparative survey data.

The commercial environment in which the Group operates continues to be demanding. In order to achieve our business goals it is critical that executives have the opportunity to be rewarded for their contribution. This is achieved via participation in incentives schemes aligned to both short and long-term performance goals. Where the goals are not met, it is also appropriate that this results in a considerably reduced level of remuneration received. Accordingly the annual and long-term incentives make up a significant part of each executive director's compensation package.

Remuneration packages comprise:

Reward Element	Commentary
Basic Salary	Set based on a number of relevant factors including personal performance, organisational size, affordability and market conditions
Discretionary Incentives	Short and long-term incentives payable subject to the fulfilment of clear performance criteria. The level and focus of the incentive plans are examined on an ongoing basis by the Committee to both drive individual performance and create shareholder value
Pension	All executive directors and senior executives are invited to participate in the Group's pension scheme
Additional benefits	Other benefits include a car cash allowance, or an equivalent car, in addition to permanent health insurance, critical illness cover and death in service life cover

EXECUTIVE DIRECTORS' BASIC SALARIES AND INCENTIVES

Basic Salary

The basic salaries of executive directors are reviewed annually, referenced to personal performance, Group size and performance, responsibility levels, affordability and competitive market practice.

To assist in market comparison, PwC provides data and independent advice on remuneration levels in companies considered to be comparable in terms of market capitalisation, industry sector and revenue, although the Committee is careful not to place excessive reliance on such data.

Short Term Incentive Plan

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

For executive directors, any incentive payable up to 80% of base salary is paid in cash, whilst the remaining element above 80% is deferred to be released to the directors two years after the initial payment, subject to their continued employment. For senior executives any incentive payable up to 60% of base salary is paid in cash, whilst the remaining element above 60% is deferred for two years, subject to continued employment.

REMUNERATION REPORT continued

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

In addition to the challenging performance targets, the Committee retains discretion to reduce STIP and LTIP awards in part or in full, in exceptional circumstances.

CLAWBACK

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

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The Group's policy is that directors will be employed with a notice period of twelve months.

EXTERNAL DIRECTORSHIPS

Executive directors are not permitted to accept external directorships without the prior approval of the Board.

NON-EXECUTIVE DIRECTORS

The non-executive directors receive fees for their services but do not participate in any of the incentive or benefit schemes of the Group (including pensions), with the exception of Richard Leese, Kieran Quinn, David Molyneux, Christian Seymour and Manoj Mehta, who do not receive any fees for their services.

The Remuneration Committee determines the remuneration for non-executive directors excluding the Chairman. The shareholders' determine the remuneration for the Chairman.

The Board's current policy with regard to independent non-executive directors is that appointments are on fixed terms of either one, two or three years with a notice period of one month.

RETIREMENT BENEFITS

The Company provides pension benefits to eligible employees through legacy defined benefit arrangements or the MAG Defined Contribution Pension Scheme, which is a defined contribution (DC) arrangement. The DC arrangement is available for newly eligible employees and provides money purchase pension benefits.

A salary sacrifice arrangement for the payment of employee pension contributions (called SMARTpension) was introduced in March 2010 in order to reduce National Insurance contributions payable by the Company and its pension schemes' members.

The Company is not compensating any member of the schemes for any additional tax which is payable as a result of changes to government policy. However, since the lowering of the Annual Allowance threshold, members of the DC arrangement do have the opportunity to voluntarily give up some of their pension contributions in order to avoid incurring Annual Allowance tax charges. To the extent that contributions are given up voluntarily, the Company will pay a discretionary cash supplement in lieu of pension provision given up.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

The Directors present their annual report on the affairs of Manchester Airports Holdings Limited (the "Company") together with the audited financial statements for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

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

RESULTS REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated results for the year under review are set out on page 60. The Company intends to continue its development of the Group as an operator of high quality airports and airport facilities both within the UK and overseas, meeting the increasing demand for air travel and with a reputation for quality, customer service, value for money and a sustainable approach to development. A more detailed review of the Group's principal activities, results and future developments is provided in the Strategic Report, the Chief Executive's Operating Review and the Financial Review.

DIVIDENDS AND TRANSFERS TO RESERVES

The retained profit for the year of £34.1m (2015: loss of £33.5m) after dividends paid of £100.6m (2015: £77.0m) will be transferred to (2015: from) reserves.

THE BOARD OF DIRECTORS

At 31 March 2016, the Board comprised;

Sir Adrian Montague	Kieran Quinn
Vanda Murray	Manoj Mehta
Robert Napier	Christian Seymour
Angela Spindler	Charlie Cornish
Baroness Elizabeth Symons	Ken O'Toole
Richard Leese	Neil Thompson

Having informed the Board, in April 2015, of his intention to step down as soon as practicable following approval of the 2014-15 annual report and accounts, James Wallace tendered his resignation as a Director with effect from 31 July 2015. After eight years as a Director and as a Director of the previous holding company of the Group, Angela Spindler retired from the Board on 31 March 2016. Robert Napier was appointed to the Board with effect from 24 November 2015.

Subsequent to the year end, The Council of the City of Manchester has appointed Councillor David Molyneux, the Deputy Leader of Wigan Metropolitan Borough Council, to the Board, on 12 May 2016, in place of Kieran Quinn.

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

Indemnity and Insurance

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

Statement of Disclosure of Information to the Auditor

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

(a) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) they have taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

CONTRACTS OF SIGNIFICANCE

Details of contracts of significance with The Council of the City of Manchester are set out in Note 33 to these financial statements.

RISK MANAGEMENT

The Board as a whole, including the Audit Committee members, consider the nature and extent of the risk management framework and the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Audit Committee has reviewed the work done by management, the Committee itself and the Board on the assessment of the Group's principal risks, including their impact on the prospects of the Company. The most significant strategic, corporate and operational risks and uncertainties identified during the year and the prevailing approach to management of these appears on pages 29 to 33.

EMPLOYEES

Employment Policies

The Group's employment policies are regularly reviewed, refreshed where applicable, and updated in agreement with the Board. The Group is committed to treating all employees and job applicants fairly and on merit, regardless of age, disability,

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016 continued

gender and gender reassignment, marital and civil partnership status, pregnancy and maternity, race, religion or belief, and sexual orientation. The Group does not tolerate harassment or discrimination of any kind. If an employee becomes disabled, every effort is made to retain them in their current role or provide retraining or redeployment within the Group.

Diversity

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

MAG is committed to promoting inclusion and creating a positive and diverse environment where all individuals are valued and respected, but recognises that engendering and maintaining that environment requires constant attention and a strong emphasis on leadership awareness and capability. These will be the cornerstones of the MAG Diversity Programme which is currently being developed for launch later in the year. That Programme will also prompt a detailed assessment of those parts of the Group where a greater diversity of talent may be required, especially in relation to its international strategy.

The table below shows the split at different levels within the Group as at 31 March 2016.

	Male	Female	Total	% Male	% Female
Group Board	9	3	12	75%	25%
Executive Committee	7	3	10	70%	30%
Senior Management	49	13	62	79%	21%
Whole Company	3,064	1,832	4,896	63%	37%

Apprentices and the National Living Wage

MAG remains fully supportive of apprenticeships. It increased its intake during the financial year and is presently exploring the possibility of widening its apprenticeships offer for the 2017/18 financial year with a view to enhancing talent pool diversity.

The new and compulsory National Living Wage for workers aged 25 and over became effective on 1 April 2016. MAG is committed to paying all of its employees above the prescribed level.

Consultation and Communication

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are being made which may affect their interests. During the year under review, an employee survey was undertaken in which all employees had the opportunity to participate and provide their opinions.

The Group is constantly looking for ways to ensure that employees are able to participate and engage in the business and are kept abreast of its performance and prospects. As part of the Trade Union recognition arrangements, various employee forums exist for each business area, and more information on consultation is provided in the report on corporate social responsibility.

In addition, briefings in relation to key business and operational developments are cascaded throughout the organization, whilst a more informal Group-wide in-house MAGazine is produced on a quarterly basis and distributed to all employees.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code, copies are available from the CBI, Cannon Place, 78 Cannon Street, London, EC4N 6HN. For other suppliers the Group's policy is to:

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

The payment practice applies to all payments to creditors for revenue and capital supplies of goods and services without exception. The period of credit taken by the Group at 31 March 2016 was 21 days (2015: 22 days), which has been calculated in accordance with the average number of days between date of invoice and the payment of the invoice.

MODERN SLAVERY ACT 2015

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

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

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group and its subsidiaries during the year totalled £0.8m (2015: £0.8m). The donations were all made to recognised local and national charities for a variety of purposes. It is the Group's policy not to make contributions to political parties.

AUDITOR

Pursuant to the provisions of section 485 of the Companies Act 2006, a resolution relating to the reappointment of KPMG LLP as auditor is to be proposed within the relevant period set out in that section but, should no such resolution be proposed within that period, KPMG LLP will be deemed to be re-appointed as auditor in accordance with section 487.

Charles T. Cornish

Charlie Cornish
Chief Executive
MAG
For and on behalf of the Board of Directors
of the Company

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

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

Charles T. Cornish

Charlie Cornish
Chief Executive
MAG
For and on behalf of the Board of Directors
28 June 2016

Group Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORTS HOLDINGS LIMITED

We have audited the Group financial statements of Manchester Airports Holdings Limited for the year ended 31 March 2016 set out on pages 55 to 94. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 53, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the Group financial statements:

– give a true and fair view of the state of the Group's affairs as at 31 March 2016 and of its profit for the year then ended;
– have been properly prepared in accordance with IFRSs as adopted by the EU; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– 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.

Other matter

We have reported separately on the Parent Company financial statements of Manchester Airports Holdings Limited for the year ended 31 March 2016.

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester M2 3AE
29 June 2016

ACCOUNTING POLICIES

GENERAL INFORMATION

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

The principal activities of the Group are discussed within the Directors' Report. These consolidated financial statements were approved for issue by the Board of Directors on 28 June 2016.

BASIS OF PREPARATION

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

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

Going concern

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

At the year ended 31 March 2016, the Group had £1,436.9m (2015 £1,438.9m) of committed facilities and a net debt position of £1,143.0m (2015: £1,152.0m). The Group had financial headroom in excess of £290m at the year end, a level comfortably in excess of the internal compliance target. Subsequent to the year end the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500 million revolving credit facility and £60 million in standby liquidity facilities, each with a five year term, maturing in June 2021, with optional extensions. The facilities replace similar facilities that were due to mature in February 2018. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy.

The Group is subject to two historical financial covenants: Net Debt/EBITDA and EBITDA less tax paid/Net Finance Charges. The covenants are tested half yearly on 31 March and 30 September.

As at 31 March 2016 the Group had complied with both of the covenants and, as a result of the Group's prudent financial policy, there is significant covenant headroom. The financial covenants are not impacted by the new refinancing and the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of this new facility.

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

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

The following new accounting standards, amendments to standards and interpretations are adopted for the first time in the preparation of these financial statements, which were effective for the Group from 1 April 2015:

- IAS 32, 'Financial Instruments Presentation': Amendments relating to the offsetting of Financial Assets and Financial Liabilities.
- IFRIC 21, 'Levies': this aims to clarify the definition of a levy and subsequent recognition as a liability.
- IAS19, 'Defined Benefit Plans: Employee contributions': this amendment introduces a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties.
- Annual Improvements to IFRS 2010-2012 Cycle.
- Annual Improvements to IFRS 2011-2013 Cycle.

The adoption of these standards and interpretations has not had any material effect on the Group's results or net assets for the year ended 31 March 2016.

ACCOUNTING POLICIES continued

NEW AND REVISED STANDARDS AND INTERPRETATIONS NOT APPLIED

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 April 2016.

Effective for the year ending 31 March 2017 (not yet EU endorsed)

- IAS 1, 'Presentation of Financial Statements' – Amendments relating to the Disclosure Initiative.
- IAS 16, 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable methods of depreciation and amortisation.
- IAS 27, 'Separate Financial Statements' – Amendments relating to Equity Method in Separate Financial Statements.
- IFRS 10, 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 11, 'Joint Arrangements' – Amendments relating to Acquisitions of Interests in Joint Operations.
- Annual Improvements to IFRS 2012-2014 Cycle.

Effective for the year ending 31 March 2019 (not yet EU endorsed)

- IFRS 9, 'Financial Instruments' – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.
- IFRS 15, 'Revenue from Contracts with Customers'.

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

- IFRS 16, 'Leases'.

The directors do not anticipate that the adoption of these standards and interpretations, with the exception of IFRS 16 'Leases', will have a material impact on the Group's accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

BASIS OF CONSOLIDATION

These consolidated accounts include the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash flows of the Company and all of its subsidiaries.

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

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

Associates

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

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

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax or duty. The following revenue recognition criteria apply to the Group's main income streams:

- various passenger charges for handling and security based upon the number of departing passengers, recognised at the point of departure;
- aircraft departure and arrival charges levied according to weight and time of departure/arrival, recognised at point the of departure;
- aircraft parking charges based upon a combination of weight and time parked, recognised at the point of departure;
- car parking income recognised at the point of exit for turn-up short and long stay parking. Contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis;
- concession income from retail and commercial concessionaries is recognised in the period to which it relates on an accruals basis; and
- rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

BUSINESS COMBINATIONS AND GOODWILL

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

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

OTHER INTANGIBLE ASSETS

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

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

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

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment constitute the Group's operational asset base 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 under IAS 40 'Investment properties'.

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

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

Expected useful lives are set out below:

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

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

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

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

INVESTMENT PROPERTIES

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

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

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

IMPAIRMENT

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

ACCOUNTING POLICIES continued

LEASES

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

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

INVENTORIES

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

GRANTS

Revenue grants are recognised in the Income Statement during the periods to which they relate.

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

TRADE AND OTHER RECEIVABLES

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

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

CASH AND CASH EQUIVALENTS

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

BORROWINGS

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

BORROWING COSTS

The Group does not capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets into the cost of property, plant and equipment, unless the criteria under IAS 23 are met.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised at fair value.

PROVISIONS

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (derivatives) such as interest rate swaps to hedge its exposure to interest rate risks associated with floating rate loans. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date the contract is entered into and subsequently remeasured to fair value in future periods. The fair value of derivative financial instruments is determined by reference to discounted cash flows or an options valuation model. The method of recognising the resulting change in fair value is dependent on whether the derivative is designated as a hedging instrument.

The Group does not have any derivatives designated as hedging instruments at the Statement of Financial Position date.

TAXATION

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

Deferred tax assets are recognised to the extent that it is regarded as probable that the temporary difference can be utilised against taxable profit in the future. Current tax and deferred tax, relating to items recognised directly in equity, are also recognised directly in equity. Deferred tax is based on the tax laws and rates that have been enacted at the Statement of Financial Position date and that are expected to apply when the relevant deferred tax item is realised or settled. Current tax has been calculated at the rate of 20% applicable to accounting periods ending 31 March 2016 (2015: 21%)

EMPLOYEE BENEFIT COSTS

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

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

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

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

SIGNIFICANT ITEMS

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

Such items include impairment of assets, major reorganisation of businesses and integration costs associated with significant acquisitions. It also includes the costs associated with the close out of previous financing arrangements upon refinancing.

DIVIDENDS

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

INVESTMENT PROPERTIES

Investment properties were valued at fair value at 31 March 2016 by Deloitte, Chartered Surveyors. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

PENSIONS

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

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in Note 25.

GOODWILL

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m Total Before Significant items	2016 £m Significant items	2016 £m Total After Significant items	2015 £m Total Before Significant items	2015 £m Significant items	2015 £m Total After Significant items
Continuing operations							
Revenue	1	778.8	-	778.8	738.4	-	738.4
Result from operations before significant items	4	186.9	-	186.9	153.6	-	153.6
Significant items							
Impairment of property, plant and equipment	3	-	(8.4)	(8.4)	-	-	-
Restructuring costs	3	-	(2.9)	(2.9)	-	(11.4)	(11.4)
Result from operations		186.9	(11.3)	175.6	153.6	(11.4)	142.2
Share of result of associate	14	(0.7)	-	(0.7)	(0.4)	-	(0.4)
Movement in investment property fair values	15	16.5	-	16.5	30.0	-	30.0
Finance costs	7	(74.2)	-	(74.2)	(73.0)	-	(73.0)
Finance costs – loss on settlement of interest rate swaps	3	-	-	-	-	(3.9)	(3.9)
Finance costs – amortisation of issue costs	3	-	-	-	-	(4.6)	(4.6)
Result before taxation		128.5	(11.3)	117.2	110.2	(19.9)	90.3
Taxation	9	(2.2)	1.7	(0.5)	(25.7)	4.0	(21.7)
Result from continuing operations		126.3	(9.6)	116.7	84.5	(15.9)	68.6
Earnings per share expressed in pence per share – Continuing operations				36.85			21.66

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m	2015 £m
Result for the year		**116.7**	68.6
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurements on retirement benefit liabilities	25	**23.1**	(31.5)
Deferred tax on remeasurements of retirement benefit liabilities	9	**(4.2)**	6.4
Effect of change in rate of corporation tax on deferred tax	9	**(0.9)**	-
Other comprehensive income/(expense) for the year		**18.0**	(25.1)
Total comprehensive income for the year		**134.7**	43.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

		Attributable to equity holders of the Company			
	Note	Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2015		316.7	687.2	550.7	1,554.6
Result for the year		-	-	116.7	116.7
Remeasurements of retirement benefit liabilities net of tax	9	-	-	18.9	18.9
Effect of change in rate of corporation tax on deferred tax	9	-	-	(0.9)	(0.9)
Dividends paid to equity holders	10	-	-	(100.6)	(100.6)
Balance at 31 March 2016		**316.7**	**687.2**	**584.8**	**1,588.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

		Attributable to equity holders of the Company			
	Note	Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2014		316.7	687.2	584.2	1,588.1
Result for the year		-	-	68.6	68.6
Remeasurements of retirement benefit liabilities net of tax	9	-	-	(25.1)	(25.1)
Dividends paid to equity holders	10	-	-	(77.0)	(77.0)
Balance at 31 March 2015		**316.7**	**687.2**	**550.7**	**1,554.6**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m	2015 £m
ASSETS			
Non-current assets			
Property, plant and equipment	12	**2,325.7**	2,350.3
Intangible assets	13	**47.0**	49.5
Goodwill	13	**166.3**	166.3
Investment in associate	14	**13.1**	7.3
Investment properties	15	**641.3**	622.9
Deferred tax assets	26	**10.4**	16.5
		3,203.8	3,212.8
CURRENT ASSETS			
Inventories	16	**2.1**	1.5
Trade and other receivables	17	**75.7**	75.3
Cash and cash equivalents	18	**0.3**	10.3
		78.1	87.1
LIABILITIES			
Current liabilities			
Borrowings	19	**-**	(20.0)
Trade and other payables	24	**(191.5)**	(171.2)
Deferred income		**(19.9)**	(18.7)
Current tax liabilities		**(12.3)**	(9.7)
		(223.7)	(219.6)
NET CURRENT LIABILITIES		**(145.6)**	(132.5)
Non-current liabilities			
Borrowings	19	**(1,143.3)**	(1,142.3)
Retirement benefit liabilities	25	**(52.9)**	(73.4)
Deferred tax liabilities	26	**(260.4)**	(296.5)
Other non-current liabilities	27	**(12.9)**	(13.5)
		(1,469.5)	(1,525.7)
NET ASSETS		**1,588.7**	1,554.6
Shareholders' equity			
Share capital	28	**316.7**	316.7
Share premium	28	**687.2**	687.2
Retained earnings	29	**584.8**	550.7
Total equity		**1,588.7**	1,554.6

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

The financial statements on pages 55 to 94 were approved by the Board of Directors on 28 June 2016 and signed on its behalf by:

Charlie Cornish
Group Chief Executive
MAG

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m Before significant items	2016 £m Significant items	2016 £m After significant items	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items
Cash flows from operating activities:							
Result before taxation – continuing operations		128.5	(11.3)	117.2	110.2	(19.9)	90.3
Movement in investment property fair values		(16.5)	-	(16.5)	(30.0)	-	(30.0)
Loss on settlement of interest rate swaps		-	-	-	-	3.9	3.9
Share of result of associate		0.7	-	0.7	0.4	-	0.4
Net finance income and expense		74.2	-	74.2	73.0	-	73.0
Amortisation of issue costs		-	-	-	-	4.6	4.6
Depreciation, amortisation and impairment		130.8	8.4	139.2	130.0	-	130.0
Profit on sale of property, plant and equipment		(10.6)	-	(10.6)	-	-	-
Increase in trade and other receivables and inventories		(1.0)	-	(1.0)	(3.3)	-	(3.3)
Release of grants		(0.6)	-	(0.6)	(0.7)	-	(0.7)
Increase in trade and other payables		17.2	-	17.2	28.2	-	28.2
Increase in retirement benefits provision		2.6	-	2.6	1.7	-	1.7
Cash generated from operations		325.3	(2.9)	322.4	309.5	(11.4)	298.1
Interest paid				(73.2)			(74.8)
Tax paid				(30.4)			(17.7)
Net cash from operating activities				218.8			205.6
Cash flows from investing activities							
Purchase of property, plant and equipment				(123.7)			(114.9)
Purchase of intangible assets				-			(10.5)
Investment in associate				(6.5)			(7.7)
Proceeds from transfer of assets to associate				3.2			10.0
Proceeds (net of selling costs) from sale of property, plant & equipment & investment properties				18.8			-
Net cash used in investing activities				(108.2)			(123.1)
Cash flows from financing activities							
(Repayment)/increase in bank loan borrowings				(20.0)			7.9
Increase in other borrowings (net of issue costs)	21			-			355.9
Repayment of loans and borrowings				-			(360.0)
Cash outflow on settlement of interest rate swaps				-			(18.0)
Dividends paid to shareholders				(100.6)			(77.0)
Net cash used in financing activities				(120.6)			(91.2)
Net decrease in cash and cash equivalents	33			(10.0)			(8.7)
Cash and cash equivalents at beginning of period				10.3			19.0
Cash and cash equivalents at end of period				0.3			10.3

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. REVENUE

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

	2016 £m	2015 £m
Aviation income	387.4	378.8
Commercial income		
Retail concessions	143.8	134.3
Car parking	137.6	122.4
Property and property related income	47.5	46.4
Other	62.5	56.5
Total commercial income	391.4	359.6
Total income	778.8	738.4

Other income includes utilities recharges and fees for airline services and aviation fuel sales.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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

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

2016	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Bournemouth Airport £m	Group consolidation and other[3] £m	Consolidated £m
Revenue							
External sales	395.6	285.6	60.2	29.3	11.3	(3.2)	778.8
Inter-segment sales[4]	(0.6)	-	-	(2.6)	-	3.2	-
Total revenue	395.0	285.6	60.2	26.7	11.3	-	778.8
Result							
Segment operating profit/(loss) before significant items	85.2	78.4	12.5	21.1	0.5	(10.8)	186.9
Significant items	-	-	(0.2)	(1.2)	(8.6)	(1.3)	(11.3)
Segment operating profit/(loss) after significant items	85.2	78.4	12.3	19.9	(8.1)	(12.1)	175.6
Share of result of associate							(0.7)
Movement in investment property fair values							16.5
Finance costs							(74.2)
Result before taxation							117.2

2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

2016	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Bournemouth Airport £m	Group consolidation and other[3] £m	Consolidated £m
Other information							
Segment assets	1,167.8	1,010.7	329.6	(Note 1)	75.4	698.4	**3,281.9**
Segment liabilities	(261.2)	(161.6)	(71.2)	(Note 1)	(9.3)	(1,189.9)	**(1,693.2)**
Capital expenditure	73.3	42.6	8.7	(Note 1)	0.7	-	**125.3**
Depreciation	58.8	54.6	8.5	5.2	1.2	-	**128.3**
Amortisation	2.5	-	-	(Note 1)	-	-	**2.5**
Taxation	0.6	16.6	1.8	(Note 1)	(0.8)	(17.7)	**0.5**
Result – geographical location[2]							
Segment operating profit/(loss) before significant items	93.7	84.0	14.5	(Note 2)	6.6	(11.9)	**186.9**

2015	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Bournemouth Airport £m	Group consolidation and other[3] £m	Consolidated £m
Revenue							
External sales	370.9	271.7	59.4	28.9	11.1	(3.6)	**738.4**
Inter-segment sales[4]	(1.0)	-	-	(2.6)	-	3.6	**-**
Total revenue	369.9	271.7	59.4	26.3	11.1	-	**738.4**
Result							
Segment operating profit/(loss) before significant items	78.8	59.2	11.2	11.0	0.9	(7.5)	**153.6**
Significant items	(1.9)	(7.9)	(0.6)	(0.6)	-	(0.4)	**(11.4)**
Segment operating profit/(loss) after significant items	76.9	51.3	10.6	10.4	0.9	(7.9)	**142.2**
Share of result of associate							**(0.4)**
Movement in investment property fair values							**30.0**
Finance costs (including significant items)							**(81.5)**
Result before taxation							**90.3**
Other information							
Segment assets	1,181.3	1,021.2	325.6	(Note 1)	82.5	689.3	**3,299.9**
Segment liabilities	(267.4)	(171.0)	(74.4)	(Note 1)	(10.3)	(1,222.2)	**(1,745.3)**
Capital expenditure	58.6	45.9	7.4	(Note 1)	0.8	-	**112.7**
Depreciation	58.0	55.3	8.4	5.7	1.1	0.5	**129.0**
Amortisation	1.0	-	-	(Note 1)	-	-	**1.0**
Taxation	15.5	18.1	(1.7)	(Note 1)	0.3	(10.5)	**21.7**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

2015	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group consolidation and other[3]	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Result – geographical location[2]							
Segment operating profit before significant items	85.8	59.2	12.0	(Note 2)	4.1	(7.5)	**153.6**

NOTES:

1 *The Group's reporting structure is such that the assets and liabilities of MAG Property are included in the Manchester Airport Statement of Financial Position.*

2 *For management accounting purposes MAG reports property income and profit on sale of property assets (excluding London Stansted) within the MAG Property division. For statutory purposes property income and profit on disposal of property assets is reported in the subsidiary companies depending on the geographical location of the investment properties and property, plant and equipment. The table shows how profit from operations would appear with property reported by geographical location.*

3 *Group consolidation and other includes, "Groupco", "Head Office" "MAG-USA" and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include the borrowings, further details of these items are in Note 19 Borrowings.*

4 *Sales between segments are at arm's length.*

3. SIGNIFICANT ITEMS

	2016	2015
	£m	£m
Recorded in result from operations:		
Impairment of property, plant and equipment[1]	**8.4**	-
Restructuring costs[2]	**2.9**	11.4
Total recorded in result from operations	11.3	11.4
Recorded in finance cost:		
Amortisation of issue costs[3]	-	4.6
Net loss on settlement of interest rate swaps[4]	-	3.9
Total recorded in result before taxation	-	8.5
Total significant items	11.3	19.9

NOTES:

1 ***Impairment of property, plant and equipment***
An impairment provision of £8.4m has been made against the carrying values of property, plant and equipment at Bournemouth Airport following a review of the carrying values. An impairment loss has been calculated on a value-in use basis and further details of the impairment testing are set out in Note 12.

2 ***Restructuring costs***
Restructuring costs of £2.9m (2015:£11.4m) have been incurred in respect of restructuring programmes across the Group..

3 ***Amortisation of issue costs***
Following the restructuring and refinancing of the Group in the prior year, unamortised issue costs of £4.6m were written off following issue of the associated financial liability of £360.0m.

4 ***Net loss on settlement of interest rate swaps***
This represents the net loss on settlement of interest rate swaps.

4. RESULT FROM OPERATIONS

	2016 £m	2015 £m
Turnover	**778.8**	738.4
Wages and salaries[1]	**(147.8)**	(140.4)
Social security costs	**(12.4)**	(11.5)
Pension costs (Note 25)	**(14.0)**	(14.0)
Employee benefit costs	**(174.2)**	(165.9)
Depreciation and amortisation	**(130.8)**	(130.0)
Profit on disposal of property, plant and equipment and investment property	**10.6**	-
Other operating charges[2]	**(297.5)**	(288.9)
Result from operations before significant items	**186.9**	153.6

NOTES:

1 Wages and salary costs are disclosed before restructuring costs amounting to £2.7m (2015: £11.4m) which are reported separately – see Note 3.

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

5. EMPLOYEE INFORMATION

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

	2016 Number	2015 Number
By location		
Manchester Airport	**2,819**	2,433
London Stansted Airport	**1,385**	1,301
East Midlands Airport	**540**	532
Bournemouth Airport	**164**	160
	4,908	4,426

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

The increase in employee numbers during the year relates to investment in front line resources to support the growth in passenger numbers and a greater proportion of employees with part time and annualised hours contracts, partially offset by the impact of efficiency programmes.

6. DIRECTORS' EMOLUMENTS

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 47 to 48 in the Remuneration Report.

	2016	2015
Directors' emoluments	**£m**	£m
Aggregate emoluments	**4.8**	4.3

An amount of £88,933 (2015: £94,952) was paid into money purchase schemes in respect of two directors (2015: two). Included within the amounts above is £1.7m (2015: £1.3m paid in July 2015) payable in July 2016 relating to the 2013-2016 LTIP plan after certain targets were met over the three year period. As the financial performance in relation to the 2014 and 2015 LTIP plans is so uncertain at this stage, no value is attributed above to any prospective awards under those plans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

6. DIRECTORS' EMOLUMENTS continued

	2016	2015
Key Management compensation	**£m**	£m
Aggregate emoluments	**8.7**	7.6

Key management for the Group are the Board of Directors and the members of the Executive Committee (EXCO) who control and direct the Group's operational activities and resources. Included within the amounts above is £2.8m (2015: £1.9m paid in July 2015) payable in July 2016 relating to the 2013-2016 LTIP plan after certain targets were met over the three year period. As the financial performance in relation to the 2014 and 2015 LTIP plans is so uncertain at this stage, no value is attributed above to any prospective awards under those plans.

	2016	2015
Highest paid director	**£m**	£m
Aggregate emoluments and benefits	**2.0**	1.7

7. FINANCE COSTS

		2016	2015
		£m	£m
	Note		
Interest payable on bank loans and overdrafts		**4.5**	4.7
Interest payable on bonds		**36.9**	36.3
Interest payable on other borrowings		**30.3**	30.3
Interest cost on defined benefit pension schemes	25	**2.5**	1.7
		74.2	73.0
Shown within significant items:			
Amortisation of issued costs on previous financing		**-**	4.6
Loss on settlement of interest rate swaps		**-**	3.9
		-	8.5
Total finance costs		**74.2**	81.5

8. RESULT BEFORE TAXATION

	Note	2016	2015
		£m	£m
Result before taxation has been arrived at after charging/(crediting):			
Hire of plant and machinery – operating leases		**0.4**	0.4
Hire of other assets – operating leases		**22.7**	22.0
Release of capital based grants		**(0.6)**	(0.7)
Depreciation of property, plant and equipment:			
Owned assets – continuing operations	12	**128.3**	129.0
Amortisation of intangible assets	13	**2.5**	1.0
Profit on disposal of property, plant and equipment and investment properties		**(10.6)**	-
Significant items	3	**11.3**	11.4
Increase in fair value of investment property	15	**(16.5)**	(30.0)
Employee benefit costs	4	**174.2**	165.9

8. RESULT BEFORE TAXATION continued

	Note	2016 £m	2015 £m
Auditor's remuneration:			
Fees payable to the Company's Auditor and its associates for the audit of the parent company, Consolidated Financial Statements and subsidiaries' accounts		**0.2**	0.2
Amounts receivable by the Company's Auditor and its associates in respect of:			
Other services relating to taxation		**0.2**	0.2
Total Auditor's remuneration		**0.4**	0.4

Impairment of property, plant and equipment and restructuring costs have been shown as exceptional items on the face of the Income Statement. Further details of these items are shown in Note 3 Significant items.

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

9. TAXATION

ANALYSIS OF CHARGE IN THE PERIOD

	2016 £m Before significant items	2016 £m Significant items	2016 £m After significant items	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items
Current taxation						
UK Corporation tax on profits for the year	**35.9**	**(0.8)**	**35.1**	31.6	(1.2)	30.4
Adjustment in respect of prior year	**0.5**	**-**	**0.5**	(5.2)	-	(5.2)
Total current taxation	**36.4**	**(0.8)**	**35.6**	26.4	(1.2)	25.2
Deferred taxation						
Temporary differences arising in the period	**(4.0)**	**(0.9)**	**(4.9)**	(2.4)	(2.8)	(5.2)
Adjustment in respect of prior year	**(1.3)**	**-**	**(1.3)**	1.7	-	1.7
Effect of change in rate of corporation tax	**(28.9)**	**-**	**(28.9)**	-	-	-
Total ordinary deferred taxation	**(34.2)**	**(0.9)**	**(35.1)**	(0.7)	(2.8)	(3.5)
Total taxation charge/(credit)	**2.2**	**(1.7)**	**0.5**	25.7	(4.0)	21.7

TAXATION ON ITEMS CHARGED TO EQUITY

	2016 £m	2015 £m
Deferred taxation on remeasurements of retirement benefit liabilities	**4.2**	(6.4)
Effect of change in rate of corporation tax	**0.9**	-
	5.1	(6.4)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

9. TAXATION continued

FACTORS AFFECTING THE TAXATION CHARGE FOR THE YEAR

The total taxation charge for the year ended 31 March 2016 is lower (2015: higher) than the standard rate of corporation taxation in the UK of 20% (2015: 21%). The differences are explained below.

	2016 £m Before significant items	2016 £m Significant items	2016 £m After significant items	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items
Result before taxation	128.5	(11.3)	117.2	110.2	(19.9)	90.3
Result before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	25.7	(2.3)	23.4	23.1	(4.1)	19.0
Effect of: Origination and reversal of temporary differences	(0.2)	(0.1)	(0.3)	(0.3)	0.1	(0.2)
Non-taxable items	6.4	0.7	7.1	6.4	-	6.4
Adjustments to prior year taxation charge	(0.8)	-	(0.8)	(3.5)	-	(3.5)
Effect of change in rate of corporation tax	(28.9)	-	(28.9)	-	-	-
Total taxation debit/(credit)	2.2	(1.7)	0.5	25.7	(4.0)	21.7

The Finance (No. 2) Bill 2015 was substantively enacted on 16 October 2015 and included reductions in the rate of corporation tax from 1 April 2017 of 1% to 19% and a further 1% to 18% from 1 April 2020.

The March 2016 Budget announced that the rate of corporation tax from 1 April 2020 will reduce by a further 1% to 17%. This further 1% reduction to 17% had not been substantively enacted by the balance sheet date.

Deferred tax balances at 31 March 2016 have therefore been calculated at 18%, 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.

The effect of a further 1% reduction to the rate of corporation tax when deferred tax liabilities reverse would be an additional credit of £13.9m.

10. DIVIDENDS

	2016 £m	2015 £m
Final dividend for the year ended 31 March 2015 of 19.58 pence (2014: 14.52 pence) per share	62.0	46.0
Interim dividend for the year ended 31 March 2016 of 12.19 pence (2015: 9.79 pence) per share	38.6	31.0
Amounts recognised as distributions to equity holders in the year:	100.6	77.0
Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend for the year ended 31 March 2016 of 24.38 pence (2015: 19.58 pence) per share	77.2	62.0

11. EARNINGS PER SHARE

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

	2016			2015		
	Earnings £m	Weighted average number of shares m	Per share amount Pence	Earnings £m	Weighted average number of shares m	Per share amount Pence
EPS attributable to ordinary shareholders – continuing operations	116.7	316.7	36.85	68.6	316.7	21.66
EPS attributable to ordinary shareholders – before significant items	126.3	316.7	39.88	84.5	316.7	26.68
EPS attributable to ordinary shareholders – after significant items	116.7	316.7	36.85	68.6	316.7	21.66

12. PROPERTY, PLANT AND EQUIPMENT

2016	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2015	219.4	451.3	2,030.3	545.8	96.5	3,343.3
Additions	-	-	-	-	125.3	125.3
Reclassification	-	32.2	13.6	52.0	(97.8)	-
Reclassification (to investment properties)[15]	(2.2)	-	-	-	(1.9)	(4.1)
Disposals	(2.2)	(1.9)	(4.7)	(0.3)	-	(9.1)
Transfer to associate	-	-	-	-	(3.2)	(3.2)
At 31 March 2016	**215.0**	**481.6**	**2,039.2**	**597.5**	**118.9**	**3,452.2**
Depreciation						
At 1 April 2015	66.3	147.5	375.4	403.8	-	993.0
Charge for the period	3.6	41.8	39.5	43.4	-	128.3
Impairment	-	2.3	4.1	2.0	-	8.4
Disposals	(0.1)	(1.8)	(1.0)	(0.3)	-	(3.2)
At 31 March 2016	**69.8**	**189.8**	**418.0**	**448.9**	**-**	**1,126.5**
Carrying amount						
At 31 March 2016	**145.2**	**291.8**	**1,621.2**	**148.6**	**118.9**	**2,325.7**
Carrying amount						
At 31 March 2015	153.1	303.8	1,654.9	142.0	96.5	2,350.3

2015	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2014	216.7	428.0	2,015.8	502.4	82.9	3,245.8
Additions	-	-	-	-	112.7	112.7
Reclassification	-	26.7	14.5	44.4	(85.6)	-
Reclassification (to investment properties)[15]	-	-	-	-	(3.5)	(3.5)
Reclassification (from investment properties)[15]	2.7	-	-	-	-	2.7
Disposals	-	(3.4)	-	(1.0)	-	(4.4)
Transfer to associate	-	-	-	-	(10.0)	(10.0)
At 31 March 2015	**219.4**	**451.3**	**2,030.3**	**545.8**	**96.5**	**3,343.3**
Depreciation						
At 1 April 2014	62.7	110.0	333.2	362.5	-	868.4
Charge for the period	3.6	40.9	42.2	42.3	-	129.0
Disposals	-	(3.4)	-	(1.0)	-	(4.4)
At 31 March 2015	**66.3**	**147.5**	**375.4**	**403.8**	**-**	**993.0**
Carrying amount						
At 31 March 2015	**153.1**	**303.8**	**1,654.9**	**142.0**	**96.5**	**2,350.3**
At 31 March 2014	154.0	318.0	1,682.6	139.9	82.9	2,377.4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

12. PROPERTY, PLANT AND EQUIPMENT continued

Impairment

As a result of challenging conditions at Bournemouth Airport, most notably the withdrawal of Flybe with effect from April 2016 coupled with the loss of the Royal Mail contract during the second half of the year impacting the cargo operations, the Group has revised its expectations about future activity levels.

An impairment loss has been calculated on a value-in-use basis, resulting in a write-down in the value of the long-leasehold property, airport infrastructure and plant, fixtures and equipment amounting to £8.4m.

Key assumptions for the value-in-use calculation are those regarding discount rates, terminal value growth, expected changes to passenger and revenue growth rates, EBITDA margin and the level of capital expenditure required to support trading, which management estimates based on past experience and currently available information.

The value-in-use calculations use the Group's cash flow projections, derived from the most recent financial budgets approved by the Board covering 3 years to March 2019, and a long-term growth rate of 2.5% beyond the detailed 3 year period up to a 50 year life for the airport. The discount rate has been estimated based on pre-tax rates that reflect current market assessment of the time value of money resulting in a 'Group-wide' discount rate of 6.4%.

13. INTANGIBLE ASSETS

	Goodwill £m	Other Intangible assets £m	Total £m
Cost			
At 1 April 2015	166.3	50.5	216.8
Additions	-	-	-
At 31 March 2016	**166.3**	**50.5**	**216.8**
Amortisation			
At 1 April 2015	-	1.0	1.0
Charge for the period	-	2.5	2.5
At 31 March 2016	**-**	**3.5**	**3.5**
Carrying amount			
At 31 March 2016	**166.3**	**47.0**	**213.3**
At 31 March 2015	**166.3**	**49.5**	**215.8**

Goodwill

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

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

Discount rates have been estimated based on pre-tax rates that reflect current market assessment of the time value of money. In determining the discount rate, management have sought to arrive at a Group-wide Weighted Average Cost of Capital (WACC) using the capital asset pricing model for a market participant. The key assumptions in calculating the discount rate have been a 0.81 unlevered beta and a risk free rate based on long-term UK Government gilts. Consequently, the rate used to discount the forecast cash flows was calculated as 6.4%. The long-term growth rate used in calculating the terminal value was 2.5%.

13. INTANGIBLE ASSETS continued

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering 3 years. The Group used detailed longer term forecasts to review a period for a further 25 years. A terminal value is calculated beyond that point based on the growth rate described above. Sensitivity analysis shows that the discount rate would have to increase by over 300 basis points, in addition to limiting growth to 2.5% from year 4 onwards, and restricting the assets to a 50 year remaining life for an impairment to be triggered.

Other intangible assets

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

14. INVESTMENT IN ASSOCIATE

2016

	£m
Cost and carrying value	
At 1 April 2015	7.3
Investment in associate	6.5
Group's share of associate's loss for the year	(0.7)
At 31 March 2016	**13.1**

NOTE:

1 Included within the investment in associate balance is an amount of £3.5m (2015 : £2.7m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This will be released to the Income Statement on a proportional basis on the sale of plots within the Airport City development.

Airport City, a partnership with 3 other partners to develop part of the land around Manchester Airport for hotels, offices, logistics and advanced manufacturing, was formally constituted on 8 October 2014. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 revised 'Investment in Associates' in classifying the Group's 50% share in Airport City as an Associate, determining that MAG has significant influence over Airport city by virtue of its shareholding, but not control given that all key matters require a super-majority of more than 79.9%, such that MAG plus all but one other party must be in agreement to exercise control.

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

	2015
	£m
Total Assets	27.5
Total Liabilities	(8.5)
Net Assets	19.0
Group's share of Net Assets	**9.5**
Revenue	-
Loss for the year	(1.4)
Group's share of Associate's loss for the year	**(0.7)**

As part of the Airport City partnership, the Group has agreed to pay an equity contribution of up to a maximum of £30m if required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

15. INVESTMENT PROPERTIES

2016	Investment properties £m
Cost or valuation	
At 1 April 2015	622.9
Reclassification from assets in the course of construction (Note 12)	1.9
Reclassification from operational assets (Note 12)	2.2
Disposals	(2.2)
Revaluation	16.5
At 31 March 2016	**641.3**
Carrying amount	
At 31 March 2016	**641.3**
At 31 March 2015	**622.9**

2015	Investment properties £m
At 1 April 2014	592.1
Reclassification from assets in the course of construction (Note 12)	3.5
Reclassification to operational assets (Note 12)	(2.7)
Revaluation	30.0
At 31 March 2015	**622.9**
Carrying amount	
At 31 March 2015	**622.9**
At 31 March 2014	**592.1**

Investment properties

The fair value of the Group's commercial investment property at 31 March 2016 has been arrived at on the basis of a valuation carried out at that date by Drivers Jonas Deloitte Chartered Surveyors. Strutt & Parker carried out the valuation of the London Stansted residential property portfolio, Mellor Braggins carried out the valuation of the Manchester residential property portfolio. The valuers are independent and are not connected with the Group. 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.

Under IAS 40 a fair value method has been taken to revalue Investment Properties that become occupied by the Group that are transferred to Property, Plant and Equipment.

The rental income earned by the Group from its investment property, amounted to £37.2m (2015: £36.3m). Direct operating expenses arising on the investment property in the period amounted to £3.7m (2015: £5.4m). This includes £0.6m (2015: £0.4m) of operating costs where no income was derived.

16. INVENTORIES

	2016 £m	2015 £m
Consumables	2.1	1.5
	2.1	1.5

17. TRADE AND OTHER RECEIVABLES

	2016	2015
	£m	£m
Trade receivables	41.4	46.4
Other receivables	1.0	1.3
Prepayments and accrued income	28.0	27.3
Amounts receivable from associate	5.3	0.3
	75.7	75.3

The average credit period taken on sales is 16 days (2015: 19 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £2.5m (2015: £0.6m). This allowance has been determined by identifying all specific external debts where it is probable that they will not be recovered in full.

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

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

	2016	2015
	£m	£m
Debt due over 90 days	2.5	0.5
Total	2.5	0.5

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

	£m
Balance at 1 April 2015	0.6
Increase in allowance for impaired receivables	2.2
Provision utilised	(0.3)
Balance at 31 March 2016	**2.5**

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the Income Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows:

	2016	2015
	£m	£m
Less than 60 days	-	-
60 to 90 days	-	0.1
Over 90 days	2.5	0.5
Total	2.5	0.6

The Group is not exposed to foreign currency exchange risk as all trade and other receivables are denominated in pounds sterling. There are no credit quality issues with receivables that are not past their due date. Additional disclosure on financial risk management is included in Note 23.

18. CASH AND CASH EQUIVALENTS

	2016	2015
	£m	£m
Cash at bank and in hand	0.3	10.3
	0.3	10.3

The carrying value of these assets approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

19. BORROWINGS

	Note	2016 £m	2015 £m
Bank loans	20	89.4	109.1
Bonds	21	802.4	801.8
Other borrowings	22	251.5	251.4
		1,143.3	1,162.3
Borrowings are repayable as follows:			
In one year or less, or on demand			
Bank loans	20	-	20.0
		-	20.0
In more than one year, but no more than two years			
Bank loans	20	89.4	-
		89.4	-
In more than two years, but no more than five years			
Bank loans	20	-	89.1
In more than five years – due other than by instalments			
Bonds	21	802.4	801.8
Other borrowings	22	251.5	251.4
		1,053.9	1,053.2
Non Current Borrowings		1,143.3	1,142.3
Total Borrowings		1,143.3	1,163.3

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

The CTA together with a Master Definitions Agreement covers, inter alia, both the Initial Authorised Credit Facility Agreement (ACF), an Initial Liquidity Facility Agreement (LF), and the Group's issue of publicly listed fixed rate secured bonds in February 2014 and April 2014 respectively.

At the year end the Initial ACF Agreement had total facilities of £390.0m (2015: £390.0m), comprising a Secured Senior Term Facility of £90.0m (2015: £90.0m) and a Senior Secured Revolving Credit Facility of £300.0m (2015: £300.0m). Subsequent to the year end, the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500 million revolving credit facility and £60 million in standby liquidity facilities, each with a five year term, maturing in June 2021, with optional extensions. The remaining £90m balance on the Secured Senior Term Facility has been repaid from this new facility.

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

The Group issued a £360.0m publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 2 April 2024.
All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay a large portion of the Secured Senior Term Facility.

The Initial LF Agreement had total facilities of £60.0m and was sized to cover 12 months' interest on secured debt. The LF Agreement was a 364-day revolving facility with a 5 year term on each annual renewal.

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

20. BANK LOANS

	2016 £m	2015 £m
Secured Senior Term Facility	90.0	90.0
Secured Revolving Credit Facility	-	20.0
Less: unamortised debt issue costs[1]	(0.6)	(0.9)
	89.4	109.1

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

At 31 March 2016 the Group had £285.0m (2015: £267.0m) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £300.0m Secured Revolving Credit Facility (£nil drawn at 31 March 2016) less certain carve-outs in respect of ancillary facilities of £15.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the overdraft, Term Facility, Revolving Credit Facility and Liquidity Facility is linked to LIBOR plus a margin (dependent on facility).

See Note 19 for further information on financial liabilities, including maturity analysis.

21. BONDS

	2016 £m	2015 £m
Repayable other than by instalments		
MAG bond 4.125% £360.0m due 2024	360.0	360.0
MAG bond 4.75% £450.0m due 2034	450.0	450.0
Less: discount on issue	(2.0)	(2.2)
Less: unamortised debt issue costs	(5.6)	(6.0)
	802.4	801.8

See Note 19 for further information on financial liabilities, including maturity analysis.

22. OTHER BORROWINGS

	2016 £m	2015 £m
Repayable other than by instalments		
Shareholders' loan at an interest rate of 12% per annum expiring on 9 February 2055	251.9	251.9
Less: unamortised debt issue costs	(0.4)	(0.5)
	251.5	251.4

The Shareholders' loan bears interest at 12% per annum and expires on 9 February 2055. The loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

23. FINANCIAL INSTRUMENTS

Risk management

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

Interest rate risk

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

Liquidity risk

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

At 31 March 2016, MAG had £1,436.9m (2015 £1,438.9m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £1,143.0m (2015: £1,152.0m). MAG had financial headroom of £295.3m (2015: £287.3m) at the year end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the Board-approved business plan MAG is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100.0m throughout 2016-17.

Foreign Exchange Risk

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

Capital Management

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

Credit risk

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

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

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

An analysis of trade receivables, including the value of those past their due dates and the provision for impairment, is included in Note 17 Trade and Other Receivables.

Financial liabilities

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2016 was as follows:

	2016 £m	2015 £m
Fixed rate financial liabilities	1,053.9	1,053.2
Floating rate financial liabilities	89.4	109.1
	1,143.3	1,162.3

The Term Facility bore an interest rate based on LIBOR (either 3 month or 6 month) plus a credit margin. The overdrafts bore interest at Bank of England Base Rate plus a credit margin. The Revolving Credit Facility bore interest based on LIBOR plus a credit margin (where LIBOR can vary, at the Group's discretion, between 1 week and 12 months).

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

23. FINANCIAL INSTRUMENTS continued

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

	2016 £m	2015 £m
Impact on Income Statement	(1.0)	(1.0)
Impact on equity	-	-
	(1.0)	(1.0)

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

	2016	2015
Weighted average annual interest rate	6.26%	6.26%
Weighted average period for which interest rate is fixed	19yr 6m	21yr 4m

The weighted average period for non-interest bearing liabilities as at 31 March 2016 was 1 year (2015: 1 year).

(c) Maturity analysis of financial liabilities

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's financial liabilities as at 31 March 2016 to the contract maturity date.

	Total £m	Total £m
In one year or less, or on demand	69.0	88.6
In more than one year but not more than two years	159.6	69.3
In more than two years but not more than five years	199.4	293.0
In more than five years	2,412.1	2,478.5
	2,840.1	2,929.4

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

Undrawn committed borrowing facilities

As at 31 March 2016, the Group had an undrawn committed borrowing facility available amounting to £285.0m (2015: £267.0m).

	2016 Floating rate £m	2015 Floating rate £m
Expiring in less than one year	-	-
Expiring in one to two years	285.0	-
Expiring in more than two years	-	267.0
	285.0	267.0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

23. FINANCIAL INSTRUMENTS continued

(d) Fair values versus carrying amounts of financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 2016 and 2015. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

	Note	Carrying amount	2016 Fair value	Carrying amount	2015 Fair value
		£m	£m	£m	£m
Financial liabilities:					
Instruments held at amortised cost					
Bank loans and overdrafts	20	(89.4)	(89.4)	(109.1)	(109.1)
Trade payables	24	(30.0)	(30.0)	(30.8)	(30.8)
Bonds	21	(802.4)	(922.8)	(801.8)	(930.1)
Other borrowings	22	(251.5)	(341.3)	(251.4)	(326.5)
		(1,173.3)	(1,383.5)	(1,193.1)	(1,396.5)
Financial assets:					
Instruments held at amortised cost					
Cash at bank and in hand	18	0.3	0.3	10.3	10.3
Trade receivables	17	41.4	41.4	46.4	46.4
Other assets held at fair value:					
Investment properties	15	641.3	641.3	622.9	622.9
		683.0	683.0	679.6	679.6
Net financial liabilities		(490.3)	(700.5)	(513.5)	(716.9)

Fair value hierarchy

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

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

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

23. FINANCIAL INSTRUMENTS continued

Summary of methods and assumptions used for determining fair values

Bonds	The fair value of publicly listed bonds is based on market prices or, if not available, brokers' quotes. The carrying value is net of unamortised issue costs.
Bank loans	The fair value of the bank loans approximates to the carrying value given their floating rate basis and interest rate setting frequency. The carrying value is net of unamortised issue costs.
Other borrowings	The fair value of other borrowings is based on a discounted cash flow methodology that reflects movements in underlying market rates.
Cash at bank and in hand	The fair value of cash at bank and in hand approximates to the carrying value as all deposits have same day access.
Trade receivables and payables	The fair value of trade receivables and trade payables approximates to the carrying value given their short-term nature.

(e) Credit risk exposure

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

	Carrying amount 2016 £m	Carrying amount 2015 £m
Trade receivables	41.4	46.4
Cash at bank and in hand	0.3	10.3
Credit exposure	41.7	56.7

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in Note 17.

24. TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Trade payables	30.0	30.8
Other taxation and social security	10.8	6.5
Other payables	5.1	8.0
Accruals	144.6	123.7
Amount owing to associate	0.4	1.5
Capital-based grants	0.6	0.7
	191.5	171.2

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

25. RETIREMENT BENEFITS

Defined contribution schemes

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

The total cost charged to the income statement of £3.3m (2015: £3.1m) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2016, there was £nil (2015: £nil) contributions due in respect of the reporting period then ended that had not been paid over to the schemes.

Defined benefit schemes

The Group is a participating employer in four defined benefit pension schemes as follows:

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

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

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

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

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

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2016 amounted to £10.5m (2015: £10.7m), and there were no one-off contributions during this period (2015: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2016 amounted to £2.8m (2015: £2.9m), and there were no one-off contributions during this period (2015: £nil).

Actuarial gains or losses are recognised immediately in the Statement of Recognised Income and Expense, included with remeasurements.

The Greater Manchester Pension Fund (GMPF)

Certain employees of the Group participate in the GMPF, administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £5.4m (2015: £5.6m) related to payments into the GMPF.

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

The last full valuation of the Fund was undertaken on 31 March 2013 by an independent actuary. The Fund was valued using the attained age method. The purposes of the valuation were to determine the financial position of the Fund and to recommend the contribution rate to be paid by Manchester Airport PLC and the other participating employers. The market value of the Fund's assets at 31 March 2013 was £12,590m (previous valuation in 2010: £10,445m). The funding level of the scheme as measured using the actuarial method of valuation was 90.5% (previous valuation in 2010: 96.4%).

The principal assumptions used in the 2013 valuation were as follows:

Salary increase	3.55% per annum
Pensions increase/Price inflation	2.50% per annum

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

MAG (STAL) Pension Scheme

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme be set up in order 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.

Other Schemes

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

- E.M.I.A Pension Scheme (EMIA) – 6 April 2014
- Airport Ventures Pension Scheme – 1 August 2013.

25. RETIREMENT BENEFITS continued

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

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

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

The key assumptions used are as follows:

	GMPF		MAG (STAL)		EMIA		AVPS	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Rate of increase in salaries	**3.05%**	3.05%	**3.05%**	3.05%	**2.00%**	2.00%	**N/A**	N/A
Rate of increase of pensions in payment	**2.05%**	2.05%	**2.05%**	2.05%	**2.05%**	2.05%	**2.05%**	2.05%
Discount rate	**3.60%**	3.30%	**3.70%**	3.40%	**3.65%**	3.30%	**3.55%**	3.20%
Inflation assumption	**2.05%**	2.05%	**2.05%**	2.05%	**2.05%**	2.05%	**2.05%**	2.05%
Life expectancy from 65								
Longevity at age 65 for current pensioners								
Males	**20.9 years**	21.0 years	**24.5 years**	24.7 years	**23.7 years**	23.9 years	**21.3 years**	21.5 years
Females	**23.4 years**	23.5 years	**27.6 years**	27.8 years	**26.0 years**	26.2 years	**26.6 years**	23.8 years
Longevity at age 45 for current members								
Males	**22.8 years**	23.0 years	**25.8 years**	26.0 years	**25.1 years**	25.3 years	**22.6 years**	22.7 years
Females	**25.7 years**	25.7 years	**29.2 years**	29.4 years	**27.5 years**	27.7 years	**25.1 years**	25.3 years

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

Risk and risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

25. RETIREMENT BENEFITS continued

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

	Fair value of scheme assets £m	Present value of defined benefit obligation £m	(Deficit)/Surplus in the scheme £m
GMPF[1]			
2016	**363.1**	**(402.6)**	**(39.5)**
2015	377.7	(432.5)	(54.8)
2014	346.0	(383.9)	(37.9)
2013	330.3	(389.7)	(59.4)
2012	295.0	(359.9)	(64.9)
MAG (STAL)			
2016	**131.8**	**(133.4)**	**(1.6)**
2015	130.3	(134.9)	(4.6)
2014	113.9	(107.1)	6.8
2013	105.7	(112.5)	(6.8)
EMIA			
2016	**52.9**	**(64.7)**	**(11.8)**
2015	55.1	(69.1)	(14.0)
2014	48.5	(57.6)	(9.1)
2013	46.6	(57.9)	(11.3)
2012	41.2	(51.5)	(10.3)
AVPS[2]			
2016	**3.5**	**(3.5)**	**-**
2015	3.6	(3.6)	-
2014	3.1	(3.1)	-
2013	3.5	(3.5)	-
2012	3.0	(3.0)	-
Total[2]			
2016	**551.3**	**(604.2)**	**(52.9)**
2015	566.7	(640.1)	(73.4)
2014	511.5	(551.7)	(40.2)
2013	486.1	(563.6)	(77.5)
2012	339.2	(414.4)	(75.2)

NOTES:

1 *The figures as shown represent the proportion of the schemes which are attributable to the Group. £6.1m (2015: £6.7m) of the liabilities are unfunded.*

2 *The AVPS has a surplus of £0.9m (2015: £0.8m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.*

25. RETIREMENT BENEFITS continued

Plan Assets

	GMPF (1)		MAG (STAL) (2)		EMIA (3)		AVPS (4)		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Equities and other growth assets	**266.1**	262.5	**97.4**	98.5	**31.7**	33.2	**0.6**	-	**395.8**	394.2
Corporate bonds	**31.0**	26.1	**33.6**	12.6	**13.5**	13.6	**2.8**	3.5	**80.9**	55.8
Government bonds	**28.8**	40.5	**-**	-	**-**	-	**-**	-	**28.8**	40.5
Index linked gilts	**-**	-	**-**	18.5	**-**	-	**-**	-	**-**	18.5
Property	**21.6**	21.8	**-**	-	**5.3**	5.9	**-**	-	**26.9**	27.7
Other	**15.6**	26.8	**0.8**	0.7	**2.4**	2.4	**0.1**	0.1	**18.9**	30.0
Fair value of assets	**363.1**	377.7	**131.8**	130.3	**52.9**	55.1	**3.5**	3.6	**551.3**	566.7

Movement in net defined benefit liability – ALL schemes

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April*	**(639.3)**	(551.0)	**566.7**	511.5	**(72.6)**	(39.5)
Included in the income statement						
Current service cost of defined benefit schemes	**(9.5)**	(8.6)	**(0.9)**	(1.4)	**(10.4)**	(10.0)
Past service cost	**(0.1)**	(0.6)	**-**	-	**(0.1)**	(0.6)
Interest (cost)/income	**(21.1)**	(24.1)	**18.6**	22.4	**(2.5)**	(1.7)
	(30.7)	(33.3)	**17.7**	21.0	**(13.0)**	(12.3)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	**-**	-	**(25.3)**	41.1	**(25.3)**	41.1
Experience gains arising on scheme liabilities	**5.9**	5.2	**-**	-	**5.9**	5.2
Remeasurement gain/(loss) due to financial assumption changes	**38.6**	(88.5)	**-**	-	**38.6**	(88.5)
Remeasurement gain due to demographic assumption changes	**3.9**	10.7	**-**	-	**3.9**	10.7
	48.4	(72.6)	**(25.3)**	41.1	**23.1**	(31.5)
Cash flows						
Contributions	**(2.8)**	(2.9)	**13.3**	13.6	**10.5**	10.7
Benefits paid	**21.1**	20.5	**(21.1)**	(20.5)	**-**	-
Impact of asset ceiling	**(0.9)**	(0.8)	**-**	-	**(0.9)**	(0.8)
Closing Position as at 31 March	**(604.2)**	(640.1)	**551.3**	566.7	**(52.9)**	(73.4)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

25. RETIREMENT BENEFITS continued

Movement in net defined benefit liability – GMPF scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April	**(432.5)**	(383.9)	**377.7**	346.0	**(54.8)**	(37.9)
Included in the income statement						
Current service cost of defined benefit schemes	**(3.5)**	(2.8)	**-**	-	**(3.5)**	(2.8)
Past service cost	**(0.1)**	(0.6)	**-**	-	**(0.1)**	(0.6)
Interest (cost)/income	**(14.0)**	(16.6)	**12.2**	15.0	**(1.8)**	(1.6)
	(17.6)	(20.0)	**12.2**	15.0	**(5.4)**	(5.0)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	**-**	-	**(15.8)**	26.5	**(15.8)**	26.5
Experience gains arising on scheme liabilities	**5.6**	2.6	**-**	-	**5.6**	2.6
Remeasurement gain/(loss) due to financial assumption changes	**22.9**	(50.7)	**-**	-	**22.9**	(50.7)
Remeasurement gain due to demographic assumption changes	**2.6**	4.1	**-**	-	**2.6**	4.1
	31.1	(44.0)	**(15.8)**	26.5	**15.3**	(17.5)
Cash flows						
Contributions	**(1.2)**	(1.3)	**6.6**	6.9	**5.4**	5.6
Benefits paid	**17.6**	16.7	**(17.6)**	(16.7)	**-**	-
Closing Position as at 31 March	**(402.6)**	(432.5)	**363.1**	377.7	**(39.5)**	(54.8)

The fund liabilities have a duration of approximately 18 years.

25. RETIREMENT BENEFITS continued

Movement in net defined benefit liability – MAG (STAL) scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April	**(134.9)**	(107.1)	**130.3**	113.9	**(4.6)**	6.8
Included in the income statement						
Current service cost of defined benefit schemes	**(5.1)**	(5.1)	**(0.5)**	(0.9)	**(5.6)**	(6.0)
Past service cost	**-**	-	**-**	-	**-**	-
Interest (cost)/income	**(4.7)**	(4.9)	**4.5**	5.2	**(0.2)**	0.3
	(9.8)	(10.0)	**4.0**	4.3	**(5.8)**	(5.7)
Amount recognised in the statement of comprehensive income (SOCI)						-
Actual return less expected return on pension scheme assets	**-**	-	**(6.3)**	9.2	**(6.3)**	9.2
Remeasurement gain/(loss) due to financial assumption changes	**10.5**	(26.4)	**-**	-	**10.5**	(26.4)
Remeasurement gain due to demographic assumption changes	**0.8**	7.5	**-**	-	**0.8**	7.5
	11.3	(18.9)	**(6.3)**	9.2	**5.0**	(9.7)
Cash flows						
Contributions	**(1.2)**	(1.2)	**5.0**	5.2	**3.8**	4.0
Benefits paid	**1.2**	2.3	**(1.2)**	(2.3)	**-**	-
Closing Position as at 31 March	**(133.4)**	(134.9)	**131.8**	130.3	**(1.6)**	(4.6)

The fund liabilities have a duration of approximately 25 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

25. RETIREMENT BENEFITS continued

Movement in net defined benefit liability – EMIA scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April	**(69.1)**	(57.6)	**55.1**	48.5	**(14.0)**	(9.1)
Included in the income statement						
Current service cost of defined benefit schemes	**(0.9)**	(0.7)	**(0.4)**	(0.5)	**(1.3)**	(1.2)
Past service cost	**-**	-	**-**	-	**-**	-
Interest (cost)/income	**(2.3)**	(2.5)	**1.8**	2.1	**(0.5)**	(0.4)
	(3.2)	(3.2)	**1.4**	1.6	**(1.8)**	(1.6)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	**-**	-	**(3.1)**	4.9	**(3.1)**	4.9
Experience gains arising on scheme liabilities	**0.3**	2.6	**-**	-	**0.3**	2.6
Remeasurement gain/(loss) due to financial assumption changes	**5.0**	(11.0)	**-**	-	**5.0**	(11.0)
Remeasurement gain/(loss) due to demographic assumption changes	**0.5**	(0.9)	**-**	-	**0.5**	(0.9)
	5.8	(9.3)	**(3.1)**	4.9	**2.7**	(4.4)
Cash flows						
Contributions	**(0.4)**	(0.4)	**1.7**	1.5	**1.3**	1.1
Benefits paid	**2.2**	1.4	**(2.2)**	(1.4)	**-**	-
Closing Position as at 31 March	**(64.7)**	(69.1)	**52.9**	55.1	**(11.8)**	(14.0)

The fund liabilities have a duration of approximately 20 years.

25. RETIREMENT BENEFITS continued

Movement in net defined benefit asset – AVPS scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April	**(2.8)**	(2.4)	**3.6**	3.1	**0.8**	0.7
Included in the income statement						
Current service cost of defined benefit schemes	**-**	-	**-**	-	**-**	-
Past service cost	**-**	-	**-**	-	**-**	-
Interest (cost)/income	**(0.1)**	(0.1)	**0.1**	0.1	**-**	-
	(0.1)	(0.1)	**0.1**	0.1	**-**	-
Amount recognised in the statement of comprehensive income (SOCI)						-
Actual return less expected return on pension scheme assets	**-**	-	**(0.1)**	0.5	**(0.1)**	0.5
Experience (losses)/gains arising on scheme liabilities	**-**	-	**-**	-	**-**	-
Remeasurement gain/(loss) due to financial assumption changes	**0.2**	(0.4)	**-**	-	**0.2**	(0.4)
Remeasurement gain/(loss) due to demographic assumption changes	**-**	-	**-**	-	**-**	-
	0.2	(0.4)	**(0.1)**	0.5	**0.1**	0.1
Cash flows						
Contributions	**-**	-	**-**	-	**-**	-
Benefits paid	**0.1**	0.1	**(0.1)**	(0.1)	**-**	-
Closing Position as at 31 March	**(2.6)**	(2.8)	**3.5**	3.6	**0.9**	0.8

The AVPS has a surplus of £0.9m (2015: £0.8m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

25. RETIREMENT BENEFITS continued

History of experience gains and losses

	GMPF		MAG (STAL)		EMIA		AVPS		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Difference between actual and expected returns on assets amount	**(15.8)**	26.5	**(6.3)**	9.2	**(3.1)**	4.9	**(0.1)**	0.5	**(25.3)**	41.1
% of scheme assets	**(4.4%)**	7.0%	**(4.8%)**	7.1%	**(5.9%)**	8.9%	**(2.9%)**	13.9%	**(4.6%)**	7.3%
Experience gains on liabilities amount	**5.6**	2.6	**-**	-	**0.3**	2.6	**-**	-	**5.9**	5.2
% of scheme liabilities	**1.4%**	0.6%	**-**	-	**0.5%**	3.8%	**-**	-	**1.0%**	0.8%
Total amount recognised in SOCI	**15.3**	(17.5)	**5.0**	(9.7)	**2.7**	(4.4)	**0.1**	0.1	**23.1**	(31.5)
% of scheme liabilities	**3.8%**	(4.0%)	**3.7%**	(7.2%)	**4.2%**	(6.4%)	**3.8%**	3.6%	**3.8%**	(4.9%)

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2017 is £10.1m (2016: £10.1m).

Sensitivity Analysis

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

	GMPF	MAG (STAL)	EMIA	AVPS	Total
	2016	2016	2016	2016	2016
	£m	£m	£m	£m	£m
0.5% increase in real discount rate	(33.8)	(15.4)	(6.3)	(0.3)	(55.8)
0.5% decrease in real discount rate	38.3	18.1	7.2	0.3	63.9
0.5% increase in rate of RPI inflation	38.6	15.8	4.6	0.3	59.3
0.5% decrease in rate of RPI inflation	(34.3)	(14.7)	(4.6)	(0.3)	(53.9)
0.5% increase in the salary increase rate	7.7	8.4	-	-	16.1
0.5% decrease in the salary increase rate	(7.3)	(6.5)	-	-	(13.8)
1 yr increase in life expectancy	11.2	4.4	1.9	0.1	17.6
1 yr decrease in life expectancy	(11.2)	(4.4)	(1.9)	(0.1)	(17.6)

26. DEFERRED TAXATION

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

	Accelerated capital allowances	Investment properties and operational assets carried at deemed cost	Retirement benefit obligations	Fair value acquisition adjustment	Short term timing differences	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2015	137.3	107.3	(16.5)	50.8	1.1	280.0
(Credit)/charge to income	(16.4)	(12.2)	0.4	(6.8)	(0.1)	(35.1)
Charge/(credit) to equity	-	-	5.7	(0.6)	-	5.1
At 31 March 2016	**120.9**	**95.1**	**(10.4)**	**43.4**	**1.0**	**250.0**
At 1 April 2014	137.4	106.1	(12.2)	54.5	4.0	289.8
(Credit)/charge to income	(0.1)	1.2	2.1	(3.7)	(2.9)	(3.4)
(Credit) to equity	-	-	(6.4)	-	-	(6.4)
At 31 March 2015	**137.3**	**107.3**	**(16.5)**	**50.8**	**1.1**	**280.0**

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

	2016	2015
	£m	£m
Deferred tax liabilities	**(260.4)**	(296.5)
Deferred tax assets	**10.4**	16.5
	(250.0)	(280.0)

27. OTHER NON-CURRENT LIABILITIES

	2016	2015
	£m	£m
Accruals and deferred income	**5.1**	5.3
Capital-based grants	**7.8**	8.2
	12.9	13.5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

28. SHARE CAPITAL AND SHARE PREMIUM

		Ordinary shares of £1 each		
	Number of shares	Share Capital	Share Premium	Total
		£m	£m	£m
Issued, called up and fully paid				
At 31 March 2015	316.7	316.7	687.2	1,003.9
At 31 March 2016	**316.7**	**316.7**	**687.2**	**1,003.9**

29. RESERVES

	Retained earnings
	£m
At 1 April 2015	550.7
Remeasurements on retirement benefit liabilities	23.1
Deferred tax on remeasurements of retirement benefit liabilities	(4.2)
Effect of change in rate of corporation tax on deferred tax	(0.9)
Result for the year	116.7
Dividends paid in the year	(100.6)
At 31 March 2016	**584.8**

	2016	2015
	£m	£m
Reconciliation of movements in shareholders' funds:		
Opening shareholders' funds	1,554.6	1,588.1
Total recognised income for the year	134.7	43.5
Dividends paid in the year	(100.6)	(77.0)
Equity shareholders' funds as at 31 March	1,588.7	1,554.6

30. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2016	2015
	£m	£m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	30.3	34.6

A contingent liability exists under Part 1 of the Land Compensation Act 1973 relating to claims that may be made by individual property owners in respect of alleged diminution in the value of their homes as a result of development works carried out at Stansted Airport in the 1999-2007 period. Any claims made will raise complex matters of expert evidence in relation to historic noise levels and property values in the immediate vicinity of the airport and, accordingly, both the existence of any liability for the Group and, were such liability to be demonstrated, the extent of it remain uncertain. In any event, it is the directors’ opinion based on professional advice to date that any liability incurred will not be material to the Group.

In addition the Group has performance bonds and other items arising in the normal course of business amounting to £2.6m at 31 March 2016 (2015: £2.7m). As part of the Airport City partnership the Group has agreed to pay an equity contribution of up to a maximum of £30m if required.

31. OPERATING LEASE ARRANGEMENTS

At 31 March 2016 the Group had commitments under non-cancellable operating leases which expire as follows:

	2016 Land £m	2016 Other £m	2015 Land £m	2015 Other £m
Expiring within one year	2.8	7.8	2.7	8.1
Expiring in more than one year but within five years	10.9	28.6	11.0	29.4
Expiring in over five years.	57.0	216.3	59.8	223.2
	70.7	252.7	73.5	260.7

A significant portion of the commitments stated as 'other' relates to an electricity distribution agreement with UK Power Networks. The amounts disclosed within the table are the minimum amounts payable (base fee) under the agreement, and have been discounted at the Group's incremental borrowing rate. The prior year balances have been restated to re-classify the land lease with The Council of the City of Manchester, within 'Land', having previously been included within 'Other'.

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in Note 32. The amount payable under the ground rent leases is a base fee of £1.0m (included within the table above and increasing with inflation linked to CPI). The main lease with MCC is variable based on turnover and rental per sq foot with no base fee or minimum commitment, and therefore is not included in the table above. The amount charged to operating profit across all leases with MCC in the year was £10.4m (2015: £9.8m). The lease expires in 2085.

As noted above, the Group also has a commitment in respect of an electricity distribution agreement with UK Power Networks (formerly EDF Energy PLC). The total amount payable on the lease is a base fee of £7.7m (included within the table above and increasing with inflation), plus a volume and recharge element adjusted annually for inflation. The total amount charged to operating profit in the year was £10.2m (2015: £10.3m). The lease expires in 2083.

32. RELATED PARTY TRANSACTIONS

The ultimate parent entity is Manchester Airports Holdings Limited, a company registered in England and Wales. The ultimate controlling entity is Manchester Airports Holdings Limited.

Transactions involving The Council of the City of Manchester and the other council shareholders

The Council of the City of Manchester ('MCC') is a related party to The Company as MCC owns 35.5% of the share capital of the Company. During the year the Group was party to the following transactions with MCC.

As at 31 March 2016 the amount of loans outstanding owed to MCC by the Group was £83.2m (2015: £83.2m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2015: £nil) to MCC during the year and paid interest of £10.0m (2015: £10.0m).

As at 31 March 2016 the amount of loans outstanding owed to the other nine councils (each of which is a related party to The Company by virtue of its shareholding) by the Group was £79.4m (2015: £79.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2015: £nil) to the other nine councils during the year and paid interest of £9.5m (2015: £9.5m).

Included within purchase of property, plant and equipment is a lease premium paid in respect of the land assembly relating to Airport City amounting to £4.0m (2015: £nil). Included in external charges are charges for rent and rates amounting to £26.7m (2015: £25.8m) and other sundry charges of £0.4m (2015: £0.4m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Transactions involving IFM

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

As at 31 March 2016 the amount of loans outstanding owed to IFM was £89.4m (2015: £89.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2015: £nil) to IFM during the year and paid interest of £10.7m (2015: £10.7m).

Transactions involving associate

As at 31 March 2016 the amounts owing were £0.4m (2015: £1.5m) and amounts owed were £5.3m (2015 : £0.3m). Assets of £3.2m (2015 : £10.0m) were transferred to the associate from the Group during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

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

	2015	Cash flow	Other non-cash movements	**2016**
	£m	£m	£m	**£m**
Cash at bank and in hand	10.3	(10.0)	-	**0.3**
Cash on short term deposit	-	-	-	**-**
Cash and cash equivalents disclosed on the Statement of Financial Position	10.3	(10.0)	-	**0.3**
Overdrafts	-	-	-	**-**
Total cash and cash equivalents (including overdrafts)	10.3	(10.0)	-	**0.3**
Current debt	(20.0)	20.0	-	**-**
Non-current debt	(1,142.3)	-	(1.0)	**(1,143.3)**
Net debt	(1,152.0)	10.0	(1.0)	**(1,143.0)**

Company Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORTS HOLDINGS LTD

We have audited the Parent Company financial statements of Manchester Airports Holdings Limited for the year ended 31 March 2016 set out on pages 96 to 102. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 53, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the Group financial statements of Manchester Airports Holdings Limited for the year ended 31 March 2016.

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester M2 3AE
29 June 2016

ACCOUNTING POLICIES

Manchester Airports Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in England.

These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £100,000.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Company, including the impact of a restatement of prior year comparative figures prior to transition, is provided in Note 8.

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 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation
- Related parties

Further, as the consolidated financial statements of the Group include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

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

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

Measurement convention
The financial statements are prepared on the historical cost basis.

Functional Currency
The Company's functional and presentation currency is the Pound Sterling.

Investments in subsidiaries
Investments in subsidiaries are carried at cost less provision for diminution in value.

Inter-company balances
Inter-company balances are stated at historic cost.

Interest payable
Interest payable is recognised in the income statement as it accrues, using the effective interest method.

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m	2015 £m
ASSETS			
Non-current assets			
Investments	3	2,253.1	2,253.1
		2,253.1	2,253.1
LIABILITIES			
Current liabilities	4	(256.3)	(151.5)
NET CURRENT ASSETS/(LIABILITIES)		(256.3)	(151.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,996.8	2,101.6
NET ASSETS		1,996.8	2,101.6
Capital & Reserves			
Share Capital	5	316.6	316.6
Share Premium	6	687.2	687.2
Retained earnings	6	993.0	1,097.8
Total equity		1,996.8	2,101.6

The accompanying notes form an integral part of the financial statements.
The financial statements on pages 95 to 102 were approved by the Board of Directors on 28 June 2016 and signed on its behalf by:

Sir Adrian Montague, CBE
Chairman, MAG

Charlie Cornish
Chief Executive, MAG

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Share capital	Share premium	Profit and loss account	Total
	£m	£m	£m	£m
Balance at 1 April 2015	316.6	687.2	1,097.8	2,101.6
Dividends paid	-	-	(100.6)	(100.6)
Result for the year	-	-	(4.2)	(4.2)
Total comprehensive expense for the period	**-**	**-**	**(104.8)**	**(104.8)**
Balance at 31 March 2016	**316.6**	**687.2**	**993.0**	**1,996.8**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Share capital	Share premium	Profit and loss account	Total
	£m	£m	£m	£m
Balance at 1 April 2014	316.6	687.2	1,177.3	2,181.1
Dividends paid	-	-	(77.0)	(77.0)
Result for the year	-	-	(2.5)	(2.5)
Total comprehensive expense for the period	**-**	**-**	**(79.5)**	**(79.5)**
Balance at 31 March 2015	**316.6**	**687.2**	**1,097.8**	**2,101.6**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. AUDITOR'S REMUNERATION

Amounts receivable by the Company's auditor and the auditor's associates in respect of services to the Company and the Company's subsidiaries, have not been disclosed as the information has been disclosed on a consolidated basis as noted on page 69.

2. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE COMPANY

As permitted by Section 408 of the Companies Act, the Company is exempt from the requirements to present its own profit and loss account.
As shown in Note 6, the result attributable to the Company is a loss of £4.2m (2015: £2.5m) before payment of dividends.

3. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost and net book value	
At 31 March 2016 and 31 March 2015	2,253.1

4. TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Amounts owed to subsidiary undertakings	**256.3**	151.5
	256.3	151.5

Amounts owed to subsidiary undertakings represented a loan from Manchester Airport PLC and were interest bearing at 31 March 2016, calculated as a rate of 1.5% per annum above base rate.

5. CALLED UP SHARE CAPITAL

	Number (m)	2016 £m	2015 £m
Issued, called up and fully paid			
Ordinary shares of £1 each	316.6	**316.6**	316.6
		316.6	316.6

A and B Shares carry equal voting rights but do not carry any rights to receive dividends or distributions.
Non-Voting ordinary shares carry equal rights to receive dividends and distributions.

6. OTHER COMPREHENSIVE INCOME

	Share Premium £m	Profit and loss account £m
At the beginning of the year	687.2	1,097.8
Result for the year	-	(4.2)
Dividends paid	-	(100.6)
At the end of the year	**687.2**	**993.0**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

7. SUBSIDIARY UNDERTAKINGS

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by Group	Company	Principal activities
Airport Advertising Limited	Ordinary £1 shares	100%		Non trading
Airport City (Asset Manager) Limited (Note 1)	Ordinary £1 shares	50%		Property holding company
Airport City (General Partner) Limited (Note 1)	Ordinary £1 shares	50%		Property holding company
Airport City Limited Partnership (Note 1)	Ordinary £1 shares	50%		Property holding company
Airport City Management Company (South) Limited	Ordinary £1 shares	100%		Property management company
Airport City (Manchester) Limited	Ordinary £1 shares	100%	100%	Property holding company
Airport City (Manchester) Investments Limited	Ordinary £1 shares	100%		Property holding company
Airport Petroleum Limited	Ordinary £1 shares	100%		Non trading
Bainsdown Limited	Ordinary £1 shares	100%		Property holding company
Bournemouth Airport Core Property Investments Limited	Ordinary £1 shares	100%		Non trading
Bournemouth Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
Bournemouth Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
Bournemouth International Airport Limited	Ordinary £1 shares	100%		Airport operator
East Midlands Airport Core Property Investments Limited	Ordinary £1 shares	100%		Non trading
East Midlands Airport Nottingham Derby Leicester Limited	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Bournemouth International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
East Midlands International Airport Limited	Ordinary £1 shares	100%		Airport operator
	9% cumulative redeemable preference shares	100%		
EMIA Pension Trustee Limited	Ordinary £1 shares	100%	100%	Pension trustee
Manchester Airport Aviation Services Limited	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Finance Holdings Limited	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Finance Limited	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Funding PLC	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Investments Limited	Ordinary £1 shares	100%		Investment holding company

7. SUBSIDIARY UNDERTAKINGS continued

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by Group	Company	Principal activities
Manchester Airport Group Property Developments Limited	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited	Ordinary £1 shares	100%		Property management company
The Manchester Airport Group PLC	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group US Holdings Inc *	Ordinary $0.01 shares	100%		Investment holding company
Manchester Airport PLC	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Ventures Limited	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
MAG Investments US Limited	Ordinary £1 shares	100%		Investment holding company
MAG Overseas Investments Limited	Ordinary £1 shares	100%	100%	Investment holding company
MAG US Lounge Management LLC *	N/A	100%		Non trading
MAG US Parking Management LLC *	N/A	100%		Non trading
MAG US Terminal Management LLC *	N/A	100%		Non trading
MAG DC Pension Trustee Limited	Ordinary £1 shares	100%	100%	Pension trustee
MAG Pension Trustee Limited	Ordinary £1 shares	100%	100%	Pension trustee
Ringway Developments PLC	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited	Ordinary £1 shares	100%		Non trading
Ringway Handling Services Limited	Ordinary £1 shares	100%		Non trading
Stansted Airport Limited	Ordinary £1 shares	100%		Airport operator
Worknorth Limited	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		
Worknorth II Limited	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		

NOTE:
1. These reflect the Group's 50% investment in Airport City shown within the Group Financial Statements as an investment in associate.

All the above companies operate in their country of incorporation or registration, which is England and Wales except where indicated (*) is United States of America.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

8. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP

These are the Company's first financial statements prepared in accordance with FRS 102. The accounting policies set out on page 96 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015. In preparing its FRS 102 statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting, UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance, including the impact of a restatement of prior year comparative figures prior to transition, is set out in the following table and the notes that accompany the table.

	Note	1 April 2014			31 March 2015			
		£m	£m	£m	£m	£m	£m	£m
		UK GAAP as previously reported	Effect of transition to FRS 102	FRS102	UK GAAP as previously reported	Effect of transition to FRS 102	Effect of Restatement	FRS 102
Non-current assets								
Investments		2,253.1	-	2,253.1	2,253.1	-	-	2,253.1
		2,253.1	-	2,253.1	2,253.1	-	-	2,253.1
Current liabilities		(72.0)	-	(72.0)	(149.0)	-	(2.5)	(151.5)
Net current liabilities	a	(72.0)	-	(72.0)	(149.0)	-	(2.5)	(151.5)
Total assets less current liabilities		2,181.1	-	2,181.1	2,104.1	-	(2.5)	2,101.6
NET ASSETS		2,181.1	-	2,181.1	2,104.1	-	(2.5)	2,101.6
Capital & Reserves								
Share Capital		316.6	-	316.6	316.6	-	-	316.6
Share Premium		687.2	-	687.2	687.2	-	-	687.2
Retained earnings		1,177.3	-	1,177.3	1,100.3	-	(2.5)	1,097.8
Shareholders' funds		2,181.1	-	2,181.1	2,104.1	-	(2.5)	2,101.6

Notes to the reconciliation of equity

a) Interest payable balances have been restated to include interest charged on amounts due to group undertakings, calculated at an interest rate of 1.5% per annum above base. Such balances had not previously been reported in the financial statements for the year ended 31 March 2015.

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