2014-15 | M.A.G INTERIM REPORT AND ACCOUNTS

Six months ended 30 September 2014

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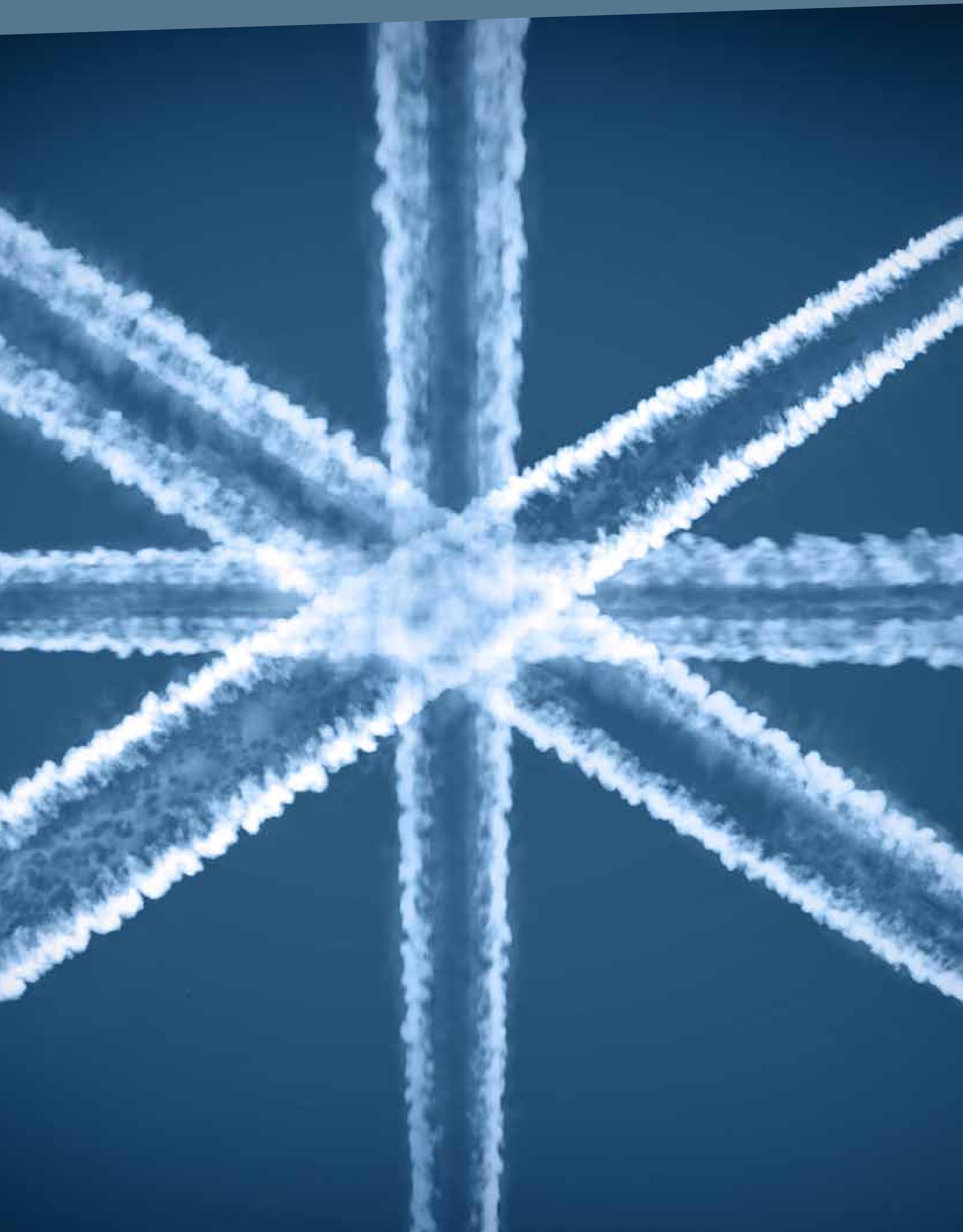

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OUR BUSINESS

M.A.G is the largest UK-owned airport operator, serving 46 million passengers and handling 640,000 tonnes of air freight every year through its ownership of Manchester, London Stansted, East Midlands and Bournemouth airports. Its property and facilities management arm, M.A.G Developments, is responsible for the Group's estate and also the development of Airport City.

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

M.A.G is a private company, with shareholdings held by the Council of the City of Manchester (35.5%), IFM Investors (35.5%) and the nine remaining Greater Manchester local authorities (29%).

DESTINATIONS

277

+4.1% INCREASE

2013: 266

PASSENGER NUMBERS

28.1m

+8.5% INCREASE

2013: 25.9m

REVENUE

£421.4m

+8.1% INCREASE

2013: £390.0m

CHIEF EXECUTIVE'S REVIEW

Charlie Cornish
Chief Executive

In the first half of the year the Group has continued to outperform the UK market and delivered a strong performance, driven by a busy summer period which saw more passengers than ever before using our four airports.

Manchester Airport continues to evolve on several fronts. Its passenger offering is becoming ever more diverse with a number of significant new routes introduced in the first six months. In addition to many new European destinations, we have also introduced new Saudia services to Jeddah, and have seen continued capacity growth on long haul routes to North America, the Middle East and Asia. Air Canada Rouge began operating from Manchester for the first time, offering new services to Toronto, whilst Monarch and Thomas Cook began new routes to North African holiday destinations of Agadir, Enfidha, Hurghada and Varadero in Cuba. This winter we look forward to welcoming Cathay Pacific's service to Hong Kong that will provide the North with a direct connection to China; the only such service outside London. Looking into 2015 we will see Delta Airlines and Thomas Cook commencing new services to New York and Thomas Cook connecting Manchester directly with Miami. The Airport has also benefited from positive performances from our scheduled carriers including Ryanair, Flybe, Jet2.com and easyJet.

Manchester Airport continues to strengthen its rail and road connections, ensuring that in the years ahead we will not only be better placed to serve passengers across the North but also those further afield around the UK. From a rail perspective, the extension of the Metrolink to the Airport has been completed a year early and construction of a fourth rail platform at the Airport's station is well underway as part of the Government's £600m Northern Hub scheme. We are also one of the only scheduled stops on the Government's proposed high speed rail link. On the roads, work on the much needed A6 link road project will commence before the end of the year.

Our Airport City project continues to progress well with our first client, DHL, now on-site. We have also announced a five year deal with PZ Cussons for 6,000 sq ft of office space and the overall level of interest is significantly up in recent months. Progress on the project has taken us on an international roadshow to China and our focus on international markets remains central to our future plans.

CHIEF EXECUTIVE'S REVIEW CONTINUED

We are especially pleased with London Stansted's performance, which has really begun to benefit from the operational and commercial benefits that come with being part of M.A.G We have seen an increase of 2 million passengers going through London Stansted since our acquisition in February 2013 and in September 2014 the airport delivered its largest monthly increase in passenger numbers in over eight years.

The Airport continues to make excellent progress with its £260 million investment programme that will transform passenger services and facilities. The first phase of the new departure lounge is now open and work will shortly commence on a new business lounge in the terminal.

We have achieved an incredible amount in a short space of time at London Stansted, and whilst there still remains much to do, I'm delighted our passengers are already getting a glimpse of what the future holds for the Airport.

At East Midlands Airport, the upgrade of the terminal and retail offering is nearing completion and we welcomed DHL's £90 million commitment to strengthening its freight operations through the site. Airlines such as Jet2.com, Ryanair and Flybe have also continued to deliver strong passenger numbers through their Midlands base and we are confident of attracting additional airlines in the coming months.

Down on the South coast at Bournemouth, the airport's business park was incorporated into the Government's recent Growth Deal for the South West that will further stimulate development at the site. In what is the largest property deal in the South West so far this year, AIM Aviation continued their on-site expansion by announcing the development of a new £11 million, 160,000 sq ft manufacturing facility. Passenger traffic has also increased as airlines such as Thomson and Ryanair have been joined by tour operators such as P&O Cruises.

Finally, I am delighted to welcome Sir Adrian Montague to the business as Chairman to replace Mike Davies. I would like to take this opportunity to thank Mike for the pivotal role he has played in helping transform M.A.G into the strong and prosperous company it is today. I'm grateful for his guidance and sound advice over the last five years and we wish him well for the future. Sir Adrian brings with him immense experience of public-private partnerships, financial services and infrastructure sectors that will help me and the rest of the Board guide M.A.G through the next phase of our development.

Charlie Cornish
Chief Executive
M.A.G

PERFORMANCE MEASURES

A number of key performance measures ensure we build value for our shareholders on a consistent basis over the long-term. The majority of our key performance measures have improved during the six months ended 30 September 2014. Further explanation of our performance is included in the following pages.

OUR PRINCIPAL KEY PERFORMANCE INDICATORS (KPIs)

Measure	Aim	Context	Group	Change %
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	**£421.4m** 2013: £390.0m	+8.1
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	**£182.9m** 2013: £168.3m	+8.7
Operating profit[2]	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's result	**£117.6m** 2013: £108.2m	+8.7
Net cash flow from operating activities	Maximise cash generation from operating activities	We focus on converting our operating profits into cash to fund further investment and returns to shareholders	**£174.4m** 2013: £128.7m	+35.5
Free cash flow[3]	Maintain a high level of free cash flow	We focus on converting our operating profits and maintenance capital expenditure into cash to fund further investment and returns to shareholders	**£97.3m** 2013: £112.7m	-13.7
Market share[4]	Grow our share of the market	Measures the performance of M.A.G compared to the UK market	**28.3%** 2013: 27.6%	+2.5
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	**28.1m** 2013: 25.9m	+8.5

NOTES:
1 *EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation, before significant items.*
2 *Operating profit is stated before significant items.*
3 *Free Cash flow is net cash from operations less maintenance capital expenditure.*
4 *Market share excludes Heathrow Airport.*

REVENUE

£421.4m

+8.1% INCREASE

2013: £390.0m

EBITDA*

£182.9m

+8.7% INCREASE

2013: £168.3m

*Before Significant items

OPERATING PROFIT*

£117.6m

+8.7% INCREASE

2013: £108.2m

*Before Significant items

CASH GENERATED FROM OPERATIONS*

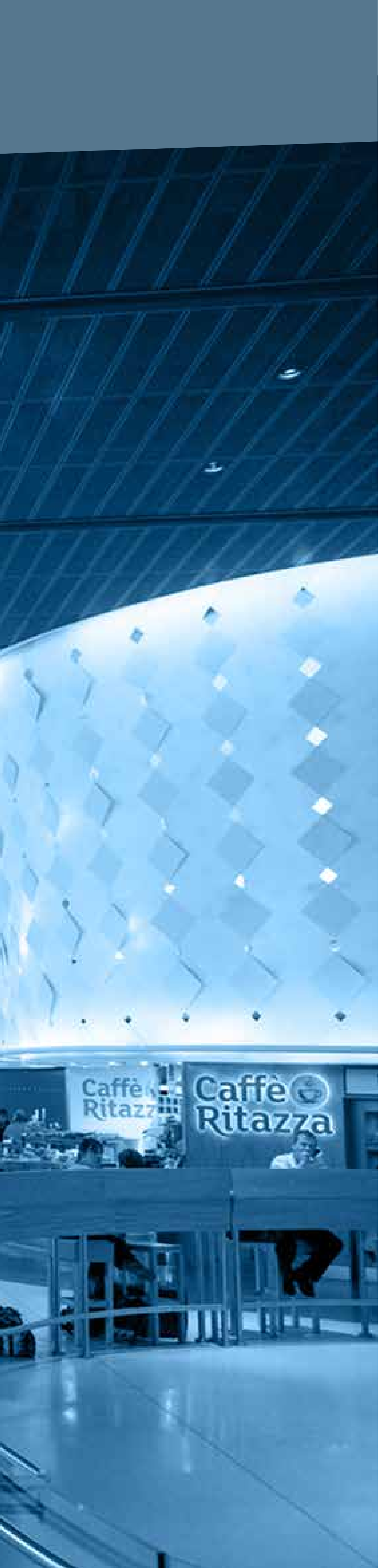
£174.4m

+35.5% INCREASE

2013: £128.7m

*Before Significant items

FINANCIAL REVIEW



Neil Thompson ACA, CTA
Chief Financial Officer

M.A.G has delivered an excellent financial performance for the first half of 2014-15. The significant growth in operating profit has come through both increased passengers and higher commercial revenues, whilst we have continued to invest in security and customer areas to maintain a high level of service as we grow.

Manchester Airport continues to generate strong earnings growth, and in our first full financial year of ownership, London Stansted is starting to generate significant and increasing returns on our investment, well ahead of acquisition plans.

Based on the strong performance and positive outlook for the second half of 2014-15 and into next year, we are pleased to declare an interim dividend payment of £31.0m to our shareholders.

Neil Thompson ACA, CTA
Chief Financial Officer
M.A.G

HIGHLIGHTS

- Passenger growth (+8.5%)
- Revenue of £421.4m (+8.1%)
- EBITDA £182.9m (+8.7%)
- Operating profit before significant items 117.6m (+8.7%)
- Cash investment in property, plant and equipment from cashflow £58.9m

SUMMARY OF PERIOD'S RESULTS

	Six months ended 30 September 2014	Six months ended 30 September 2013	% Change	Year ended 31 March 2014
Passenger numbers (million)	**28.1**	25.9	8.5	43.8
Revenue (£m)	**421.4**	390.0	8.1	671.2
EBITDA (£m)*	**182.9**	168.3	8.7	241.9
Operating profit (£m)*	**117.6**	108.2	8.7	117.4
Net cash flow from operating activities (£m)*	**174.4**	128.7	35.5	234.8
Net debt (£m)	**1,138.5**	1,078.8	5.5	1,148.2
Equity shareholders' funds (£m)	**1,563.4**	1,551.1	0.8	1,588.1

*Before significant items.

SUMMARY TRADING PERFORMANCE

The Group has delivered strong growth in the first half of the year. Revenue has increased to £421.4m for the first six months compared to £390.0m for the same period in 2013, an increase of 8.1%. EBITDA of £182.9m represents an 8.7% growth on the prior year. Operating profit before significant items amounted to £117.6m, an 8.7% improvement on the prior year.

The increase in revenue has been driven by a strong growth in passenger numbers across the Group, which have increased to 28.1 million for the six month period, an increase of 8.5% compared to 2013. Consequently, aviation, retail and car parking revenues have all seen increasing performance in the first six months of the year.

Cost control is a key on-going area of focus. However, the Group has invested in additional costs in security and customer areas, to support increased volumes whilst maintaining a high level of service. The Group has also increased its marketing supporting for the development of new routes and growth across the Group.

PROPERTY

The M.A.G Developments 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.

Airport City was formally constituted on 8 October 2014. In accordance with IFRS 10, M.A.G's investment will be accounted for under the equity method in the consolidated financial statements as at 31 March 2015.

CASH FLOW

Cash generated from operations before significant items is £174.4m. This is a 35% increase on 2013, reflecting strong translation of profits into cash and allows the Group to continue to invest in infrastructure and other development opportunities.

CAPITAL INVESTMENT

The Group is continuing with significant focused capital investment across all its airports of £45.2m during the first half of the year.

The London Stansted terminal is in the middle of a significant transformation programme and East Midlands Airport's new terminal development is complete. Manchester Airport continues to invest across its infrastructure, including additional security lanes to ease our customers' journeys whilst complying with increased security regulations.

Additional investment has also been made to increase car parking capacity and product offerings across the Group's airports.

FINANCING AND INTEREST

Group net interest payable, before significant items, increased from £30.5m to £36.4m reflecting the impact of the refinancing of the Group.

On 16 April 2014, Manchester Airport Group Funding Plc, a member of the Group, issued a £360m publicly listed fixed rate secured bond with a coupon of 4.125%. This was in addition to a £450m bond issued in February 2014, and substantially completes the refinancing of the London Stansted acquisition funding.

The proceeds of the bonds were used to repay a significant portion of the Group's bank debt. In securing this funding, from a range of blue-chip investors, the Group's positive strategy and growth potential has been recognised by the market and the Group has a strong financial platform to increase shareholder value by generating further profitable growth.

In repaying a significant element of the Senior Secured Term Facility, the Group has released a proportion of the unamortised debt issue costs. These costs of £4.6m during the first half of the year (£5.9m during 2013-14) have been recognised in proportion to the level of debt repaid and are recognised in the Consolidated Income Statement as a Significant Item.

Following the repayment of the majority of the Senior Secured Term Facility, the Group terminated certain derivative financial instruments. In terminating these instruments, the Group recognised a cash outflow of £18.3m to the swap counterparties.

PENSIONS

The accounting deficit for all Group schemes is calculated by the scheme actuaries who incorporate a number of factors, but in particular are required to use a number of metrics taken from the financial markets at 30 September 2014.

During the six month period the aggregate of the Group's defined benefit schemes moved from an IAS 19 accounting deficit of £40.2m to £70.9m.

The increase in the deficit is largely as a result of a decrease in discount rates of 0.5%, calculated with reference to the AA corporate bond rate, more than offsetting lower inflation expectations and positive investment returns in the period.

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

TAX

The effective tax rate for the year is higher than the actual corporation tax rate of 21%. This is predominantly due to depreciation on fixed assets, particularly buildings, which don't qualify for tax allowances.

EQUITY SHAREHOLDERS' FUND AND DIVIDENDS

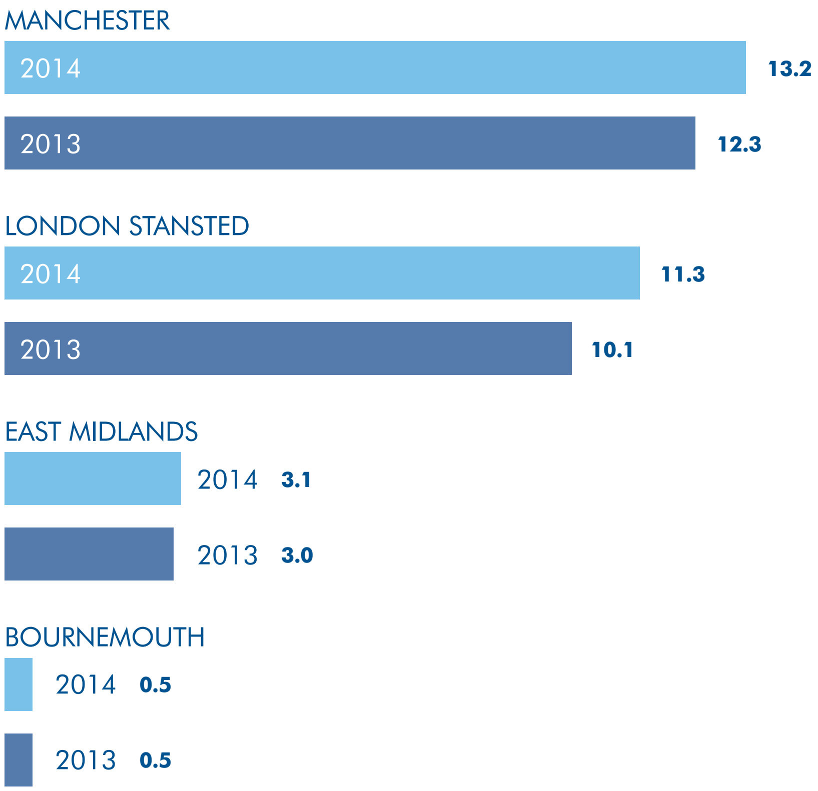
Equity shareholders' funds are £1,563.4m (2013: £1,551.1m).

During the first six months of the year, the Group paid dividends of £46.0m reflecting the dividend payable at 31 March 2014. In line with our dividend policy and in light of the growth achieved during the first six months of the financial year, and the strong outlook for the reminder of the financial year to 31 March 2015 and into 2016, an interim dividend of £31.0m has been declared.

PASSENGER TRAFFIC

	Six months ended 30 September 2014	Six months ended 30 September 2013	% Change	Year ended 31 March 2014
Manchester	**13.2**	12.3	+7.3	20.8
London Stansted	**11.3**	10.1	+11.9	18.0
East Midlands	**3.1**	3.0	+3.3	4.3
Bournemouth	**0.5**	0.5	-	0.7
Total passenger numbers	**28.1**	25.9	+8.5	43.8

PASSENGERS (M)



Total M.A.G passenger traffic increased by 8.5% on the prior period, in spite of continued challenging economic conditions.

Manchester and London Stansted continue to perform strongly, following the addition of a number of new carriers and destinations such as Toronto in Canada and Jeddah in Saudi Arabia at Manchester this year while significantly, long haul routes to the USA and Mexico have been announced and will return to London Stansted next year. In addition to new airlines, many incumbent carriers such as Ryanair, easyJet, Jet2.com, Flybe and Etihad have added additional capacity, either through the addition of extra services or by increasing the size of aircraft on an existing route.

East Midlands and Bournemouth are also performing well. East Midlands has a strong dual role with passenger aircraft and freight aircraft, while Bournemouth has added more charter connections, alongside services offered by Ryanair, Thomson and easyJet.

New routes and passenger volumes are growing sustainably with an eye on the long term success of the airports and M.A.G is aiming to ensure that profitability and customer service are balanced against passenger growth.

REVENUE

	Six months ended 30 September 2014 (£m)	Six months ended 30 September 2013 (£m)	% Change	Year ended 31 March 2014 (£m)
Aviation	**221.2**	204.7	+8.1	342.7
Retail concessions	**76.5**	70.5	+8.5	119.4
Car parking	**74.1**	62.6	+18.4	104.4
Property related income	**22.9**	23.0	-0.4	45.9
Other	**26.7**	29.2	-8.6	58.8
Total Income	**421.4**	390.0	+8.1	671.2

REVENUE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 (£m)

REVENUE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013 (£m)

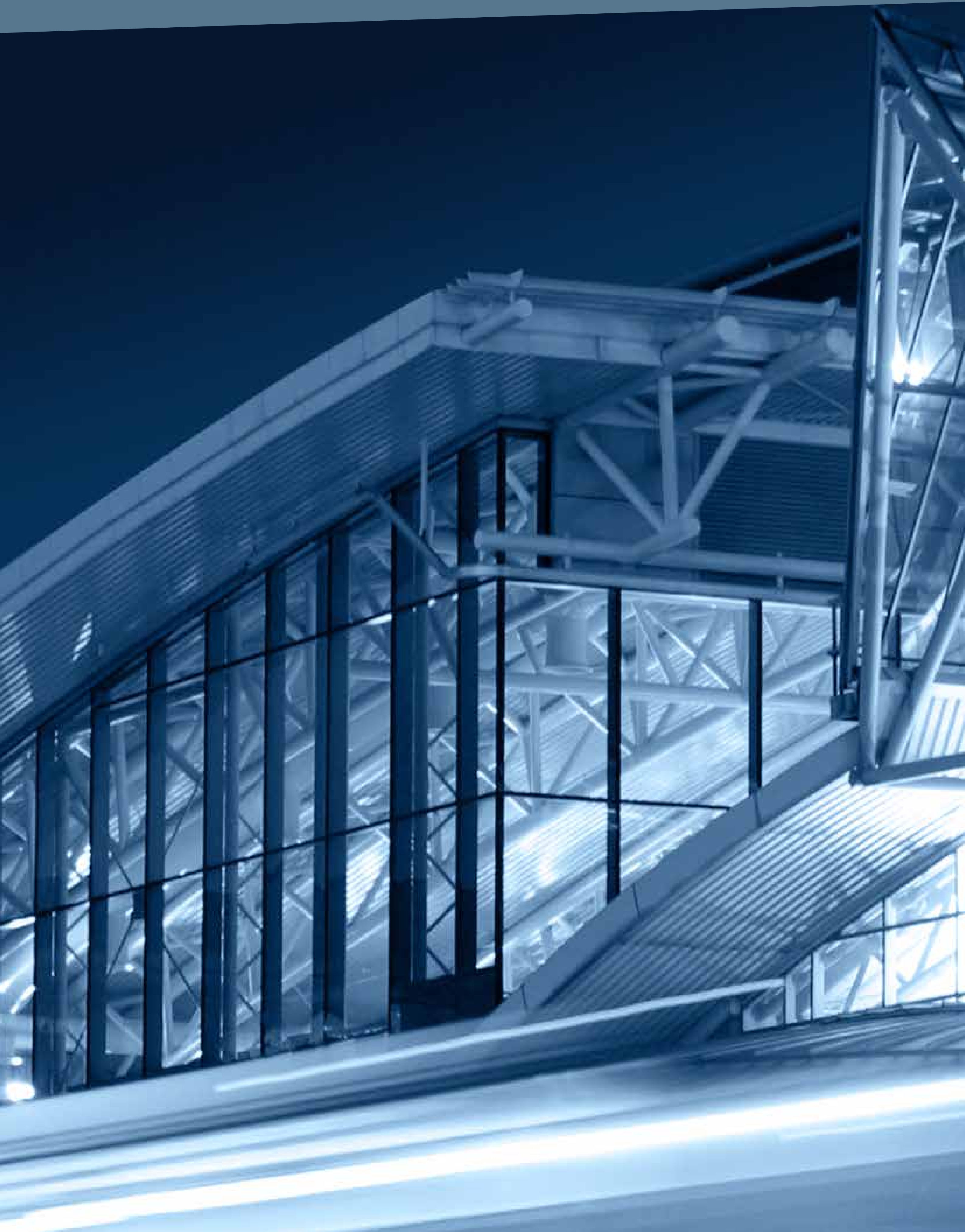
The Group's revenue of £421.4m represents an increase of 8.1% on the prior period with underlying revenue growth being delivered through improvements in commercial income.

Aviation income has grown in line with passenger numbers, whilst maintaining a strong aviation yield. Passenger numbers have grown by 8.5% on prior year which has supported income growth across various commercial income streams.

Retail income has grown by 8.5% on prior year. Yields have remained broadly consistent on prior year, being adversely affected by the change in passenger mix, as growth is delivered through short-haul passengers replacing the reduction in long haul passengers. This has been successfully mitigated by the continued improvement in retail and security facilities and further terminal investment to improve the customer journey. Further enhancements to our retail offering will continue, particularly as we complete our investment at London Stansted.

Car parking revenue has delivered significant improvements and yield compared to the six months to September 2013, with revenues 18.4% higher than the previous period at £74.1m. This growth reflects additional revenue from extra capacity following the extension of Meet & Greet at Manchester and ongoing development of car parking products and distribution channels, in order to provide more choice and maximise car park utilisation.

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



REPORT AND FINANCIAL STATEMENTS

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BASIS OF ACCOUNTING

These 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 condensed set of interim financial statements has been prepared by the Group applying the same accounting policies and significant judgments as were applied by the Group in its published consolidated financial statements as at 31 March 2014, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, except for the following standards and interpretations which are effective for the Group from 1 April 2014:

- IFRS 10, 'Consolidated financial statements': This aims to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity to present consolidated financial statements.
- IFRS 11, 'Joint arrangements': This aims to show a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12, 'Disclosures of interests in other entities': This explains the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement': This provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- IAS 27 (revised 2011), 'Separate financial statements': This outlines the accounting and disclosure requirements relating to separate financial statements, which are financial statements prepared by a parent or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments'.
- IAS 28 (revised 2011), 'Associates and joint ventures': This outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures.
- Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting: This amendment is to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendment to IAS 1, 'Presentation of items of other comprehensive income'

The adoption of these standards and interpretations hasn't had any material effect on the Group's results or net assets for the period ended 30 September 2014.

The results for the six months to 30 September 2014 have not been audited, but at the Group's request, have been reviewed by the auditors, KPMG LLP. The financial information for the full year to 31 March 2014 is an abbreviated version of the Group's annual report and accounts for that year, which has been delivered to the Registrar of Companies. The report of the Auditors was (i) unqualified, (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This statement was approved by the directors on 3 December 2014 and has been sent to all shareholders.

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 listed in full in the Group's annual report and accounts 31 March 2014. Unless stated otherwise, these have been applied on a consistent basis.

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

At the interim period ended 30 September 2014, M.A.G had £1,433.9m (31 March 2014: £1,446.0m) of committed facilities and a net debt position of £1,138.5m (31 March 2014: £1,148.2m). M.A.G had financial headroom in excess of £200m at 30 September 2014, a level comfortably in excess of the internal compliance target.

Under existing facilities and based on the board approved five-year business plan M.A.G is forecast to have financial headroom in excess of £200m throughout 2014-15.

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

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Note	Six months ended 30 September 2014 £m Before significant items	Six months ended 30 September 2014 £m Significant items	Six months ended 30 September 2014 £m After significant items
Continuing operations				
Revenue	1	421.4	-	421.4
Result from operations before significant items	4	117.6	-	117.6
Significant items				
Integration costs	3	-	-	-
Impairment of property, plant and equipment	3	-	-	-
Restructuring costs	3	-	(7.9)	(7.9)
Result from operations		117.6	(7.9)	109.7
Movement in investment property fair values		-	-	-
Movement in fair value of interest rate swaps		-	-	-
Finance income		0.1	-	0.1
Finance costs				
(Loss)/gain on settlement of interest rate swaps	3	-	(3.9)	(3.9)
Finance costs		(36.5)	-	(36.5)
Finance costs – amortisation of issue costs	3	-	(4.6)	(4.6)
Result before taxation		81.2	(16.4)	64.8
Taxation	5	(22.9)	3.4	(19.5)
Result from continuing operations		58.3	(13.0)	45.3
Earnings per share expressed in pence per share – Continuing operations				14.3

Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m Before significant items	Year ended 31 March 2014 £m Significant items	Year ended 31 March 2014 £m After significant items
390.0	671.2	-	671.2
108.2	117.4	-	117.4
(2.4)	-	(2.4)	(2.4)
-	-	(7.2)	(7.2)
-	-	(2.2)	(2.2)
105.8	117.4	(11.8)	105.6
-	19.9	-	19.9
22.8	-	20.0	20.0
0.2	-	-	-
-	-	4.1	4.1
(30.7)	(62.9)	-	(62.9)
-	-	(5.9)	(5.9)
98.1	74.4	6.4	80.8
(5.9)	30.7	(2.6)	28.1
92.2	105.1	3.8	108.9
29.1			34.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Note	Six months ended 30 September 2014 £m	Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m
Result for the period		45.3	92.2	108.9
Actuarial (loss)/gain on retirement benefit liabilities	10	(30.0)	10.2	36.1
Deferred tax on retirement benefits actuarial movements	5	6.0	(2.1)	(7.2)
Effect of change in rate of corporation tax on deferred tax	5	-	(0.9)	(1.4)
Other comprehensive (expense)/income for the period		(24.0)	7.2	27.5
Total comprehensive income for the period		21.3	99.4	136.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Attributable to equity holders of the Company			
	Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2014	316.7	687.2	584.2	1,588.1
Profit for the period	-	-	45.3	45.3
Defined benefit actuarial loss net of tax	-	-	(24.0)	(24.0)
Dividends paid to equity holders	-	-	(46.0)	(46.0)
Balance at 30 September 2014	**316.7**	**687.2**	**559.5**	**1,563.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Attributable to equity holders of the Company			
	Share capital £m	Share Premium £m	Reserves £m	Total £m
Balance at 1 April 2013	316.7	687.2	519.8	1,523.7
Profit for the period	-	-	92.2	92.2
Defined benefit actuarial gain net of tax	-	-	8.1	8.1
Dividends paid to equity holders	-	-	(72.0)	(72.0)
Effect of change in rate of corporation tax on deferred tax	-	-	(0.9)	(0.9)
Balance at 30 September 2013	**316.7**	**687.2**	**547.2**	**1,551.1**

FOR THE YEAR ENDED 31 MARCH 2014

	Attributable to equity holders of the Company			
	Share capital £m	Share Premium £m	Reserves £m	Total £m
At 1 April 2013	316.7	687.2	519.8	1,523.7
Profit for the year	-	-	108.9	108.9
Defined benefit actuarial gain net of tax	-	-	28.9	28.9
Dividends paid to equity holders	-	-	(72.0)	(72.0)
Effect of change in rate of corporation tax on deferred tax	-	-	(1.4)	(1.4)
Balance at 31 March 2014	**316.7**	**687.2**	**584.2**	**1,588.1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	Note	**Six months ended 30 September 2014 £m**	Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m
Assets				
Non-current assets				
Property, plant and equipment	6	**2,357.3**	2,373.9	2,377.4
Intangible assets		**40.0**	30.0	40.0
Goodwill		**166.3**	166.3	166.3
Investment properties		**593.0**	566.7	592.1
Derivative financial assets		**-**	-	3.4
Deferred tax assets	11	**16.5**	19.5	12.2
		3,173.1	3,156.4	3,191.4
Current assets				
Inventories		**1.4**	1.4	1.3
Trade and other receivables		**101.4**	91.6	70.9
Cash and cash equivalents		**3.3**	72.5	19.0
		106.1	165.5	91.2
Liabilities				
Current liabilities				
Borrowings	7	**-**	-	(12.1)
Trade and other payables		**(149.8)**	(160.6)	(144.7)
Deferred income		**(19.7)**	(21.5)	(18.3)
Current tax liabilities		**(26.3)**	(35.2)	(4.5)
		(195.8)	(217.3)	(179.6)
Net current liabilities		**(89.7)**	(51.8)	(88.4)
Non-current liabilities				
Borrowings	7	**(1,141.8)**	(1,138.4)	(1,141.0)
Derivative financial liabilities	7	**-**	(12.9)	(17.5)
Retirement benefit liabilities	10	**(70.9)**	(66.0)	(40.2)
Deferred tax liabilities	11	**(293.4)**	(321.4)	(302.0)
Other non-current liabilities		**(13.9)**	(14.8)	(14.2)
		(1,520.0)	(1,553.5)	(1,514.9)
Net assets		**1,563.4**	1,551.1	1,588.1
Shareholders' equity				
Share capital		**316.7**	316.7	316.7
Share premium		**687.2**	687.2	687.2
Retained earnings		**559.5**	547.2	584.2
Total equity		**1,563.4**	1,551.1	1,588.1

The financial statements on pages 18 to 35 were approved by the Board of Directors on 3 December 2014 and signed on its behalf by:

Charles T. Cornish

Charlie Cornish
Group Chief Executive

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 SEPTEMBER 2014

	Note	Six months ended 30 Sept 2014 £m Before significant items	Six months ended 30 Sept 2014 £m Significant items	Six months ended 30 Sept 2014 £m After significant items	Six months ended 30 Sept 2013 £m	Year ended 31 March 2014 £m Before significant items	Year ended 31 March 2014 £m Significant items	Year ended 31 March 2014 £m After significant items
Cash flows from operating activities:								
Result before taxation - continuing operations		81.2	(16.4)	64.8	98.1	74.4	6.4	80.8
Change in value of investment properties		-	-	-	-	(19.9)	-	(19.9)
Movement in fair value of interest rate swaps		-	-	-	(22.8)	-	(20.0)	(20.0)
Loss/(gain) on settlement of interest rate swaps		-	3.9	3.9	-	-	(4.1)	(4.1)
Net finance income and expense		36.4	-	36.4	30.5	62.9	-	62.9
Amortisation of issue costs		-	4.6	4.6	-	-	5.9	5.9
Depreciation and amortisation		65.3	-	65.3	60.1	124.5	7.2	131.7
(Loss)/profit on sale of property, plant and equipment		-	-	-	(0.1)	1.4	-	1.4
Increase in trade and other receivables and inventories		(29.3)	-	(29.3)	(34.7)	(13.9)	-	(13.9)
Release of grants		(0.4)	-	(0.4)	(0.3)	(0.7)	-	(0.7)
Increase/(decrease) in trade and other payables		20.5	-	20.5	(1.6)	7.3	-	7.3
Increase/(decrease) in retirement benefits provision		0.7	-	0.7	(2.9)	(1.2)	-	(1.2)
Cash generated from operations		174.4	(7.9)	166.5	126.3	234.8	(4.6)	230.2
Interest paid				(38.6)	(13.9)			(63.4)
Interest received				0.1	0.2			-
Tax paid				(4.5)	(4.7)			(12.9)
Net cash from operating activities				123.5	107.9			153.9
Cash flows from investing activities								
Purchase of property, plant and equipment				(58.9)	(32.3)			(122.2)
Purchase of intangible assets				-	(10.0)			(10.0)
Proceeds from sale of investment properties				-	-			0.9
Net cash used in investing activities				(58.9)	(42.3)			(131.3)

CONSOLIDATED STATEMENT OF CASH FLOWS continued
AS AT 30 SEPTEMBER 2014

	Note	Six months ended 30 Sept 2014 £m Before significant items	Six months ended 30 Sept 2014 £m Significant items	Six months ended 30 Sept 2014 £m After significant items	Six months ended 30 Sept 2013 £m	Year ended 31 March 2014 £m Before significant items	Year ended 31 March 2014 £m Significant items	Year ended 31 March 2014 £m After significant items
Cash flows from financing activities								
Increase in bank loan borrowings				-	-			12.1
Increase in other borrowings				355.8	-			445.3
Repayment of loans and borrowings				(372.1)	-			(450.0)
Cash (outflow)/inflow on settlement of interest rate swaps[1]				(18.0)	-			4.1
Dividends paid to shareholders				(46.0)	(50.0)			(72.0)
Net cash used in financing activities				(80.3)	(50.0)			(60.5)
Net (decrease)/increase in cash and cash equivalents	12			(15.7)	15.6			(37.9)
Cash and cash equivalents at beginning of period				19.0	56.9			56.9
Cash and cash equivalents at end of period				3.3	72.5			19.0

NOTE:

1 In April 2014 the Group terminated all of the remaining fixed interest rate swaps recognised on the Balance Sheet as at 31 March 2014 with a fair value net liability of £14.1m plus interest for the period prior to settlement of £0.3m for a total cash payment to the swap counterparties of £18.3m.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

1. REVENUE

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

	Six months ended 30 September 2014 £m	Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m
Aviation income	221.2	204.7	342.7
Commercial income			
Retail concessions	76.5	70.5	119.4
Car parking	74.1	62.6	104.4
Property and property related income	22.9	23.0	45.9
Other	26.7	29.2	58.8
Total commercial income	200.2	185.3	328.5
Total income	421.4	390.0	671.2

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised into five main operating divisions: Manchester Airport, M.A.G Developments, East Midlands Airport, Bournemouth Airport and London Stansted Airport. London Stansted Airport was acquired by the Group on 28 February 2013.
The divisions are the basis of which the Group reports its primary information.

September 2014	Manchester Airport	London Stansted Airport	East Midlands Airport	M.A.G Developments	Bournemouth Airport	Group, consolidation and other[3]	**Consolidated**
	£m	£m	£m	£m	£m	£m	**£m**
Revenue							
External sales	219.8	146.8	36.4	14.0	6.2	(1.8)	**421.4**
Inter-segment sales	(0.5)	-	-	(1.3)	-	1.8	**-**
Total revenue	219.3	146.8	36.4	12.7	6.2	-	**421.4**
Result							
Segment operating profit before significant items	64.9	37.4	11.2	5.2	1.4	(2.5)	**117.6**
Other information							
Segment assets	1,179.1	1,352.6	327.3	(Note 1)	83.6	336.6	**3,279.2**
Segment liabilities	(226.9)	(221.9)	(78.8)	(Note 1)	(9.6)	(1,178.6)	**(1,715.8)**
Capital expenditure	24.6	17.2	3.1	(Note 1)	0.3	-	**45.2**
Depreciation	(29.1)	(28.6)	(4.2)	(3.0)	(0.4)	-	**(65.3)**
Taxation	13.2	9.9	0.1	(Note 1)	0.7	(4.4)	**19.5**
Result – geographical location[2]							
Segment operating profit before significant items	67.0	37.4	12.4	(Note 2)	3.3	(2.5)	**117.6**

2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

September 2013	Manchester Airport	London Stansted Airport	East Midlands Airport	M.A.G Developments	Bournemouth Airport	Group, consolidation and other[3]	Consolidated
	£m	£m	£m	£m	£m	£m	**£m**
Revenue							
External sales	199.0	138.4	33.8	14.2	6.4	(1.8)	**390.0**
Inter-segment sales	(0.4)	-	-	(1.4)	-	1.8	**-**
Total revenue	198.6	138.4	33.8	12.8	6.4	-	**390.0**
Result							
Segment operating profit before significant items	60.3	31.5	9.6	7.7	1.4	(2.3)	**108.2**
Other information							
Segment assets	1,148.6	1,360.6	310.2	(Note 1)	84.2	418.3	**3,321.9**
Segment liabilities	(287.3)	(136.8)	(72.1)	(Note 1)	(10.2)	(1,264.4)	**(1,770.8)**
Capital expenditure	17.2	20.5	7.7	(Note 1)	0.1	-	**45.5**
Depreciation	(27.7)	(27.8)	(3.4)	(0.8)	(0.4)	-	**(60.1)**
Taxation	(4.0)	(1.7)	1.4	(2.6)	0.3	0.7	**(5.9)**
Result – geographical location[2]							
Segment operating profit before significant items	65.0	31.5	10.8	(Note 2)	3.2	(2.3)	**108.2**

NOTES:

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

2 *For management accounting purposes M.A.G reports property income (excluding London Stansted) within the M.A.G Developments division. For statutory purposes property income is reported in the subsidiary companies depending on the geographical location of the investment properties. The table shows how profit from operations would appear with property reported by geographical location.*

3 *Group consolidation and other includes "Groupco" and "Head Office", 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 and derivative financial liabilities, further details of these items are in Note 7 Borrowings and Derivative Financial Liabilities.*

3. SIGNIFICANT ITEMS

	Six months ended 30 September 2014 £m	Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m
Recorded in result from operations:			
Integration costs[1]	-	2.4	2.4
Impairment of property, plant and equipment[2]	-	-	7.2
Restructuring costs[3]	7.9	-	2.2
Total recorded in result from operations	7.9	2.4	11.8
Recorded in finance cost:			
Amortisation of issue costs[4]	4.6	-	5.9
Total recorded in finance cost	4.6	-	5.9
Recorded in result before taxation:			
Net loss/(gain) on settlement of interest rate swaps[5]	3.9	-	(4.1)
Movement in fair value of interest rate swaps[6]	-	(22.8)	(20.0)
Total recorded in result before taxation	3.9	(22.8)	(24.1)
Total significant items	16.4	(20.4)	(6.4)

NOTES:

1 ***Integration costs***
Integration costs of £nil (31 March 2014: £2.4m) relate to the separation of London Stansted processes and systems from its previous owner.

2 ***Impairment of property plant and equipment***
Impairment of £7.2m in the prior year following the assets being removed at London Stansted as part of the wider terminal transformation project.

3 ***Restructuring costs***
Restructuring costs of £7.9m (31 March 2014: £2.2m) have been incurred in respect of an organisational efficiency programme. The costs include severance pay and exceptional pension contributions.

4 ***Amortisation of issue costs***
Following the restructuring and refinancing of the Group, unamortised issue costs of £4.6m (31 March 2014: £5.9m) were written off following settlement of £360.0m (31 March 2014: £450.0m) of the Senior Secured Term Facility. This charge has had no cash flow consequences in the period.

5 ***Net loss/(gain) on settlement of interest rate swaps***
This represents the net loss/(gain) on settlement of interest rate swaps – see cash flow.

6 ***Movement in fair value of interest rate swaps***
This represents the fair value of interest rate swaps that are classified as fair value through the profit and loss.

4. RESULT FROM OPERATIONS

	Six months ended 30 September 2014 £m	Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m
Turnover	421.4	390.0	671.2
Wages and salaries[1]	(68.7)	(60.9)	(129.6)
Social security costs	(5.8)	(5.5)	(10.8)
Pension costs	(8.7)	(6.0)	(13.1)
Employee benefit costs	(83.2)	(72.4)	(153.5)
Depreciation	(65.3)	(60.1)	(124.5)
(Loss)/profit on disposal of fixed assets	-	(0.1)	1.4
Other operating charges[2]	(155.3)	(149.2)	(277.2)
Result from operations before significant items	117.6	108.2	117.4

NOTES:

1 Wages and salary costs are disclosed before restructuring costs amounting to £7.9m (31 March 2014: £2.2m) which are reported separately – see Note 3.

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

5. TAXATION

ANALYSIS OF CHARGE IN THE PERIOD

	Six months ended 30 September 2014 £m	Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m
Current taxation			
UK corporation tax on profits for the period	26.4	36.5	25.1
Adjustment in respect of prior period	-	(0.3)	(5.2)
Total current taxation	26.4	36.2	19.9
Deferred taxation			
Temporary differences arising in the period	(7.1)	(0.6)	0.3
Adjustment in respect of prior period	0.2	-	(4.4)
Effect of change in rate of corporation tax	-	(29.7)	(43.9)
Total ordinary deferred taxation	(6.9)	(30.3)	(48.0)
Total ordinary taxation charge/(credit)	19.5	5.9	(28.1)

Of the total tax charge in the period, £3.4m credit relates to Significant items in the Consolidated Income Statement (six months ended 30 September 2013: £4.2m charge, year ended 31 March 2014: £2.6m charge).

TAXATION ON ITEMS CHARGED TO EQUITY

	Six months ended 30 September 2014 £m	Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m
Deferred taxation on actuarial losses and gains	(6.0)	2.1	7.2
Effect of change in rate of Corporation tax	-	0.9	1.4
Total taxation charge	(6.0)	3.0	8.6

The Finance Bill 2013 was substantively enacted on 2 July 2013 and included a reduction in the rate of Corporation tax from 1 April 2015 of 1% to 20%. Deferred tax balances have been calculated at 20% on the basis that they are expected to unwind at this rate.

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and property	Long leasehold property	Airport infrastructure	Plant, fixtures and equipment	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2014	216.7	428.0	2,015.8	502.4	82.9	3,245.8
Additions	-	10.0	0.3	0.7	34.2	45.2
Reclassification	-	-	5.6	6.6	(12.2)	-
Disposals	-	-	-	-	-	-
At 30 September 2014	**216.7**	**438.0**	**2,021.7**	**509.7**	**104.9**	**3,291.0**
Depreciation						
At 1 April 2014	62.7	110.0	333.2	362.5	-	868.4
Charge for the period	1.8	21.0	20.7	21.8	-	65.3
Reclassification	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 30 September 2014	**64.5**	**131.0**	**353.9**	**384.3**	**-**	**933.7**
Carrying amount						
At 30 September 2014	**152.2**	**307.0**	**1,667.8**	**125.4**	**104.9**	**2,357.3**
At 31 March 2014	154.0	318.0	1,682.6	139.9	82.9	2,377.4

7. BORROWINGS AND DERIVATIVE FINANCIAL LIABILITIES

	Note	30 September 2014 £m	30 September 2013 £m	31 March 2014 £m
Bank loans	8	**89.0**	887.0	456.4
Bonds	9	**801.4**	-	445.3
Other borrowings		**251.4**	251.4	251.4
Derivative financial liabilities – interest rate swaps		**-**	12.9	17.5
		1,141.8	1,151.3	1,170.6
Borrowings are repayable as follows:				
In one year or less, or on demand				
Bank loans	8	**-**	-	12.1
Other borrowings		**-**	-	-
Derivative financial liabilities – interest rate swaps		**-**	-	-
		-	-	12.1
In more than one year				
Bank loans	8	**89.0**	887.0	444.3
Bonds	9	**801.4**	-	445.3
Other borrowings		**251.4**	251.4	251.4
Derivative financial liabilities – interest rate swaps		**-**	12.9	17.5
		1,141.8	1,151.3	1,158.5

8. BANK LOANS

	30 September 2014 £m	30 September 2013 £m	31 March 2014 £m
Secured Term Facility repayable on or before July 2014	-	-	12.1
Secured Senior Term Facility	90.0	900.0	450.0
Less: unamortised debt issue costs	(1.0)	(13.0)	(5.7)
	89.0	887.0	456.4

9. BONDS

	30 September 2014 £m	30 September 2013 £m	31 March 2014 £m
Repayable by other than by instalments			
M.A.G bond 4.125% £360.0m due 2024	360.0	-	-
Less: discount on issue	(1.1)	-	-
Less: unamortised debt issue costs	(2.9)	-	-
M.A.G bond 4.75% £450.0m due 2034	450.0	-	450.0
Less: discount on issue	(1.2)	-	(1.2)
Less: unamortised debt issue costs	(3.4)	-	(3.5)
	801.4	-	445.3

The Group issued a £450.0m publicly listed fixed rate secured bond on 14 February 2014 with a scheduled and legal maturity of 2034. All proceeds from the issue of the bond (net of certain issuance fees) were used to repay a portion of the Term Facility.

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

10. RETIREMENT BENEFITS

	Six months ended 30 September 2014 £m	Six months ended 30 September 2013 £m	Year ended 31 March 2014 £m
Balance in scheme at start of period	(40.2)	(77.5)	(77.1)
Movement in period:			
Current service cost recognised in Income Statement	(5.6)	(5.8)	(11.9)
Past service cost recognised in Income Statement	(0.6)	-	-
Contributions	6.3	8.7	16.0
Net interest expense recognised in Income Statement	(0.8)	(1.6)	(3.3)
Total re-measurements in Statement of Comprehensive Income	(30.0)	10.2	36.1
Balance in scheme at end of period	(70.9)	(66.0)	(40.2)

Related deferred tax assets on any pension deficits are reported separately under the requirements of IAS 12, 'Income taxes'.

11. DEFERRED TAXATION

	Deferred taxation asset £m	Deferred taxation liability £m	Total £m
At 1 April 2014	12.2	(302.0)	(289.8)
(Charge)/credit to income	(1.7)	8.6	6.9
Credit to equity	6.0	-	6.0
At 30 September 2014	**16.5**	**(293.4)**	**(276.9)**

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

	At 1 April 2014 £m	Cash flow £m	Other non-cash movements £m	**30 September 2014 £m**
Cash at bank and in hand	19.0	(15.7)	-	**3.3**
Total cash and cash equivalents	19.0	(15.7)	-	**3.3**
Current debt	(12.1)	12.1	-	**-**
Non-current debt	(1,141.0)	4.2	(5.0)	**(1,141.8)**
Net interest rate swap derivatives[1]	(14.1)	18.3	(4.2)	**-**
Net debt	(1,148.2)	18.9	(9.2)	**(1,138.5)**

NOTE:

1 In April 2014 the Group terminated all of the remaining fixed interest rate swaps recognised on the Balance Sheet as at 31 March 2014 with a fair value net liability of £14.1m plus interest for the period prior to settlement of £0.3m for a total cash payment to the swap counterparties of £18.3m.

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