

2014-15

ANNUAL REPORT AND ACCOUNTS





Contents

OUR BUSINESS.....	04
CHAIRMAN'S STATEMENT.....	06
STRATEGIC REPORT	
Strategy	08
Key performance indicators.....	10
Chief Executive's operating review.....	12
Financial review.....	18
Risk management.....	28
CORPORATE SOCIAL RESPONSIBILITY.....	34
REPORTS AND FINANCIAL STATEMENTS	
Corporate governance statement	44
Board of Directors.....	48
Remuneration report.....	50
Directors' report for the year ended 31 March 2015	52
Statement of Directors' responsibilities	55
GROUP FINANCIAL STATEMENTS	
Independent Auditor's Report	56
Accounting policies.....	57
Consolidated Income Statement.....	64
Consolidated statement of comprehensive income.....	65
Consolidated statement of changes in equity	65
Consolidated statement of financial position	66
Consolidated statement of cash flows	67
Notes to the consolidated financial statements	68
COMPANY FINANCIAL STATEMENTS	
Independent Auditor's Report	102
Accounting policies.....	103
Company balance sheet.....	104
Notes to the financial statements	105
Subsidiary undertakings	106



Our Business

M.A.G is the largest UK-owned airport operator, serving 48.5 million passengers and handling 650,000 tonnes of air freight every year through its ownership of Manchester, London Stansted, East Midlands and Bournemouth airports.

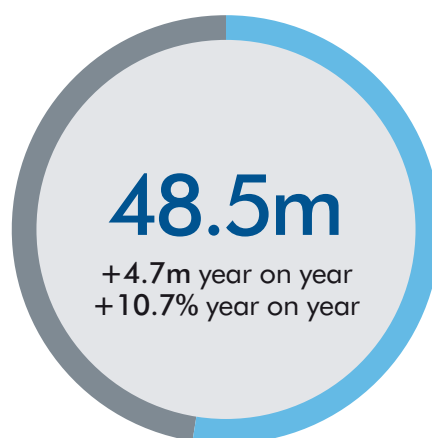
Its property and facilities management arm, M.A.G Developments, is responsible for the Group's estate and also the management of the Group's investment in Airport City.

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 nine other Greater Manchester local authorities (29%).

PASSENGER NUMBERS (m)

2014: 43.8m



M.A.G refers to Manchester Airports Holdings Limited

"I am pleased to report that M.A.G has delivered another successful year of strong growth, measured both by passenger numbers and financial performance."



Chairman's Statement

I am pleased to report that M.A.G has delivered another successful year of strong growth, measured both by passenger numbers and financial performance. The Group has again exceeded its financial targets, while at the same time achieving industry-leading rates of growth and improvements in the range of destinations served by its airports. This success has been underpinned by significant investment in airport facilities during the year, and a commitment to meeting the diverse needs of our stakeholders.




Sir Adrian Montague, CBE
Chairman, M.A.G

M.A.G's strong performance has been achieved against a backdrop of challenging economic conditions across Europe, and is founded on a successful approach to meeting the ever-evolving needs of airlines and passengers. We know that people overwhelmingly prefer to fly from their local airport, and it is important that M.A.G's airports respond to this by developing new facilities and working closely with airlines to develop new services.

Following the Airports Commission's submission to Government of its Final Report outlining how the UK should meet future capacity needs, the focus on UK aviation has probably never been greater. The Group's airports will make a huge contribution over the coming decades, through the development of a strong network of competing airports. However, any new runway capacity is likely to be

at least 10-15 years in the future. It is therefore vital for Government and other stakeholders to focus on the practical steps needed to maximise the potential of existing airport capacity, and the Group's Airports are ready to play a full part in this.

Since becoming Chairman in September 2014, I have seen at first hand the strong relationships M.A.G has with its many stakeholders and the increasingly vital role its four UK airports continue to play at a national, regional and local level. M.A.G's airports not only enable people to go holiday and connect with their friends and family, they also provide British businesses with important access to overseas markets and bring tourists to the UK. Our airports directly employ 40,000 people, with another 21,000 people employed through our supply chain. In terms of economic value, they contribute £4 billion in Gross Value Added to the UK economy each year.

M.A.G is committed to investing in our airport infrastructure and the communities in which we operate. Over the last year, we have completed a major upgrade in terminal facilities at East Midlands Airport, and made significant progress with our £80 million terminal transformation project at London Stansted Airport. In early June, we launched the 'Manchester Airport Transformation Programme' which will see £1 billion of investment in new facilities and infrastructure at Manchester Airport over the next 10 years. Looking further afield, the Group is also investing in the future by looking overseas for new development

opportunities, including the provision of airport services to airports in North America.

From day one, I have been struck by the passion and commitment of our people and I would like to thank all of our colleagues for their efforts in providing excellent service to our customers. Our people are the face of our airports and are central to our success. We continue to invest in their training and development, and in ensuring M.A.G is a great place to work.

I would also like to pay a special tribute to my predecessor, Mike Davies, who stepped down in September 2014. He led the Board with great distinction, seeing the Group through a major transformation, and we wish him well in his retirement.

The Group has a long-term objective of providing sustainable dividends to shareholders. During the year, the Group paid dividends of £77.0m reflecting a £46.0m dividend payable at 31 March 2014, and an additional interim dividend of £31.0m. 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 Group remains strong and we will continue to focus on delivering further growth by attracting new routes and successfully delivering investment in our UK airports and growing our new US business. This report highlights the opportunities for growth and performance improvements in each area of our business, as we continue on our journey to become the premier airport management and services company.



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 2015, along with the key factors likely to impact the Group in 2016;
- **Financial Review** – presentation and explanation of the key drivers behind the financial performance reported for the year ended 31 March 2015 and analysis of the financial position of the Group as at that date;
- **Risk Management** – outline of the Group's internal controls, approach to risk management, sources of assurance and a summary 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 communities in which we work, while maintaining the highest safety and security standards.

OUR SUSTAINABLE FUTURE

M.A.G 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. We are striving towards being operationally carbon neutral by 2015-16 and currently 100% of energy needs for our airport operations are achieved through renewable sources.

OUR STRATEGIC PRIORITIES

There are six key priorities within our strategy which underpin our vision:

1. Delivering great service at every touch point;
2. Achieve profitable growth in all our businesses;
3. Focus on operational excellence;

4. Energise and unlock the potential of our people;
5. Provide modern and customer focussed infrastructure;
6. Enhance the reputation and profile of M.A.G.

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 the values that underpin our strategy.

Finger on the pulse

M.A.G 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?

M.A.G 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 M.A.G's forward-looking, innovative spirit. We give people permission to think and act differently.

Power of teamwork

M.A.G 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

M.A.G 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








M.A.G 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.

Strategic Report continued

KEY PERFORMANCE INDICATORS

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

Measure	Aim	Context	Progress in 2015	Like-for-like Progress in 2015
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.	£738.4m 2014: £671.2m	 +10.0%
EBITDA¹	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	£283.6m 2014: £241.9m	 +17.2%
Operating profit²	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's result	£153.6m 2014: £117.4m	 +30.8%
ROCE³	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	7.1% 2014: 5.8%	 +21.9%
Occupancy rates⁴	Achieve a high level of occupancy on lettable property	We generate improved revenue by maximising occupancy of our existing property portfolio	92.8% 2014: 92.0%	 +0.9%
Investment Property Value	Generate growth in capital value of our property portfolio	We manage our property portfolio to realise maximum value from disposals and re-invest in new developments	£622.9m 2014: £592.1m	 +5.2%
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	£112.7m 2014: £127.7m	-11.7%
Free cash flow⁵	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	£162.1m 2014: £124.4m	 +30.3%
Shareholder return⁶	Maintain distributions for shareholders at an appropriate level	We provide returns to reward the shareholders investment	£107.3m 2014: £102.3m	 +4.9%
Market share⁷	Grow our share of the market	Measures the performance of M.A.G compared to the UK market	28.4% 2014: 27.4%	 +3.6%
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	48.5m 2014: 43.8m	 +10.7%

Measure	Aim	Context	Progress in 2015	Like-for-like Progress in 2015
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	272 2014: 272	 0.0%
ASQ scores⁸	Improve performance for our airports in their respective benchmark groups	We aim to ensure that customer satisfaction levels are at the highest possible standard	3.81 2014: 3.91	 -2.6%
Departure punctuality⁹	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	81% 2014: 85%	 -4.7%
Carbon Reduction – CO₂ emissions¹⁰	Minimise the environmental impact of our operations	M.A.G has committed that its operations are to become carbon neutral by 2015-16. We closely monitor our CO ₂ emissions and environmental impact.	19,690 2014: 23,387	 -15.8%
Our Communities – volunteering hours	Contributing to the surrounding communities	M.A.G employees will voluntarily support our neighbouring communities	8,759 2014: 8,576	 +2.1%
Number of complaints per 1,000 air traffic movements¹¹	Being good neighbours with our communities	Minimising the impact of our operations on the local community	7.93 2014: 8.07	 -1.7%
Health and Safety RIDDOR – reportable accidents¹²	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.	3 2014: 16	 -81.3%

NOTES:

- 1 EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation, before significant items.
- 2 Operating profit is stated before significant items.
- 3 ROCE 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 Free Cash Flow is Net Cash from Operating Activities before significant items less Maintenance Capital Expenditure.
- 6 Shareholder return comprises dividends and interest payments on shareholder loans.
- 7 Market share excludes Heathrow airport.
- 8 Performance in the year has been impacted by construction works to deliver the major improvements in terminal facilities at both East Midlands and London Stansted and increased security regulations at Manchester. This remains a key area of focus for FY16 as part of our overall customer strategy.
- 9 Measured as a percentage of departures within 15 minutes of scheduled departure time. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.
- 10 Gross direct and indirect emissions measured in tonnes. Our carbon footprint has been calculated using the Department for Environment, Food and Rural Affairs (Defra) 2014 conversion factors.
- 11 Almost all our complaints are with respect to noise, and therefore noise complaints are used as a proxy for measuring this KPI, consistent with prior year.
- 12 RIDDOR stands for the reporting of injuries, disease and dangerous occurrences regulations. The regulations stipulate the most serious types of incidents, which must be reported to the Health and Safety Executive.



"A year of growth,
investment, transition
and development."

Chief Executive's Operating Review

It has been another year of excellent progress for M.A.G, both in terms of delivering day to day performance and ensuring the long term prosperity of the Group.



Charlie T. Cornish

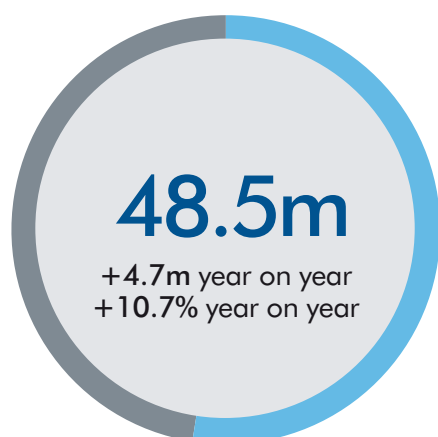
Charlie Cornish
Chief Executive, M.A.G

We have exceeded expectations across many of our key measures, with industry-leading rates of passenger growth and financial performance, as well as a strong record on health and safety and community engagement.

During the last 12 months, our airports have seen overall passenger numbers grow from 43.8m to 48.5m, an increase of 10.7%. Importantly for passengers, by forging strong commercial partnerships with airlines, our airports have been able to increase choice and convenience and make a stronger contribution to economic growth.

We have also been improving the look and feel of our airports. In such a rapidly evolving industry, it is vital that our infrastructure responds to the changing needs of customers, and Manchester, London Stansted and East Midlands have all benefitted from significant investment. Delivering enhancements in continuously live operational environments is never an easy task and the teams have worked hard to ensure disruption has been kept to a minimum.

PASSENGER NUMBERS (m)
2013-14: 43.8m



REVENUE (£m)
2013-14: £671.2m



EBITDA (£m)
2013-14: £241.9m



Chief Executive's Operating Review continued

MANCHESTER AIRPORT

Manchester Airport is the UK's third largest airport and has never been busier. With two runways, the Airport already serves over 70 airlines and around 200 short and long haul destinations. This year the Airport topped its annual all-time record with 22.32 million passengers, and it still has significant capacity for further growth.

The launch of direct services to Hong Kong with Cathay Pacific represented a particularly significant milestone for the Airport. The North West has long-standing connections with China and this route means that Manchester is the only UK airport outside London with direct links to China. Similarly, Manchester is also the only UK airport outside London with direct routes to a host of long-haul destinations including Miami, Jeddah, Singapore and Atlanta, with services to Los Angeles and Boston scheduled to commence in 2016.

Manchester Airport is thriving as a national asset and represents a key component of the UK's aviation infrastructure at a time when airport capacity is at a premium across the country. As the UK's global gateway from the North, the Airport will play a key role in delivering the Northern Powerhouse by providing world-class international connectivity for businesses in the region.

Recognising this, we recently set out our long term vision for the Airport in the form of the 'Manchester Airport Transformation Programme'. The £1 billion investment programme will provide passengers and airlines with airport facilities that combine a contemporary look and feel, with state of the art services. The improvements will be delivered inside the existing footprint of the Airport and are in-line with the guidance previously provided by the Manchester Airport Master Plan. In particular, the 10 year programme will support phased growth which will make best use of the existing terminal campus area.

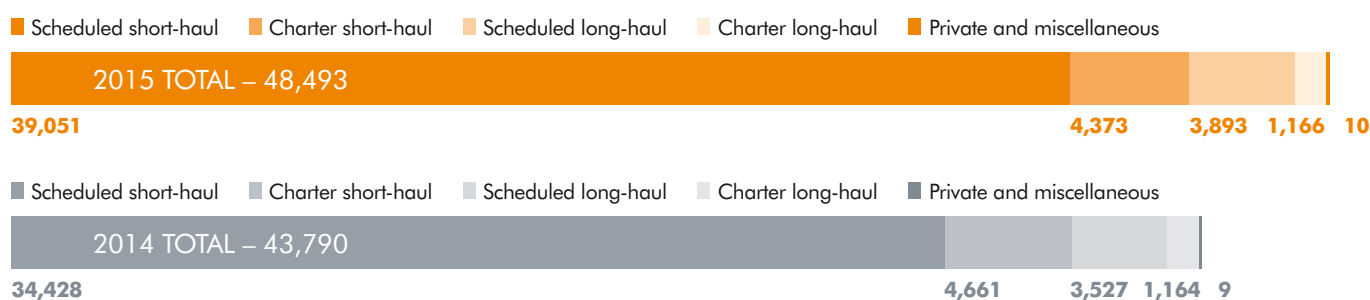
To ensure the economic stimulus impact of Manchester Airport is maximised it needs to be fully integrated into plans for a new high speed rail network in the North, both in terms of HS2 and the Trans-North proposals for improving East-West connectivity. Connecting Manchester Airport directly to both these lines will provide key population centres in the North with fast and convenient access to global connections. Better international connectivity will support economic growth and regeneration across the region, and promote an overall rebalancing of the UK economy.

LONDON STANSTED AIRPORT

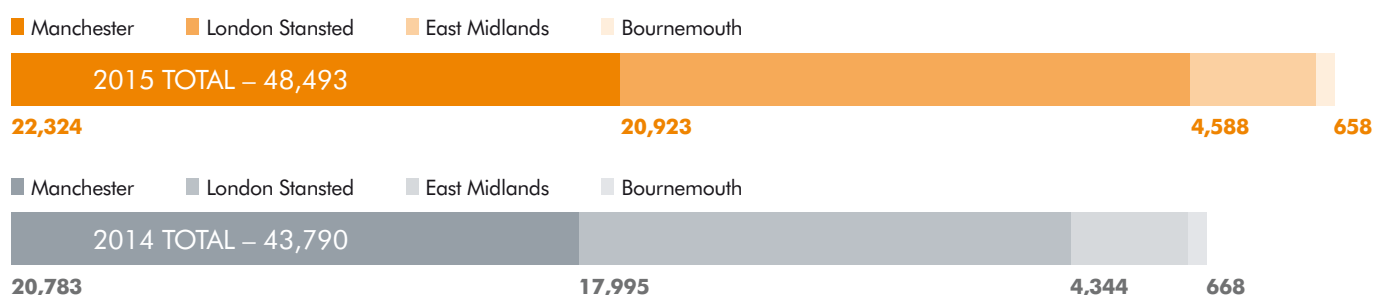
In February this year we celebrated the second anniversary of our acquisition of London Stansted Airport. It was hugely rewarding to see the Airport not only as the fastest growing in the Group but also for it to top the league in terms of growth rates across major UK airports. This success has been achieved by working closely with airlines to develop new routes and offer increased frequencies to key destinations.

It is worth reflecting on the scale of the transformation that has occurred at London Stansted in the last 24 months. Since we acquired the Airport, we have embarked on an ambitious project to improve the passenger experience and signed long term agreements with airlines that have delivered over 30 new routes and an additional three million passengers. London Stansted is now the fastest growing major airport in the UK. Later this year, we will be putting the finishing touches to an £80 million terminal transformation project that will double the size of the security area, see the introduction of our first executive lounge and provide the Airport with 50 new shops, bars and restaurants.

PASSENGER TRAFFIC BY SECTOR (000's)



PASSENGER TRAFFIC BY AIRPORT (000's)



The transformed Airport will provide passengers with a much better range of products and services, and put us in a stronger position to attract new long-haul carriers to the Airport.

Uniquely amongst London airports, London Stansted has substantial spare runway capacity today and significant room to grow in the future. As other airports become increasingly congested, London Stansted's capacity for growth will be vital to meeting increased demand for air travel in London and the wider South East. This year we consulted local and regional stakeholders on a Sustainable Development Plan (SDP) for London Stansted, which set out how the Airport will grow to the full capacity of its single runway. The SDP was supported by neighbouring local authorities, residents and key businesses in the region. Many stakeholders highlighted the pivotal role London Stansted plays in the local economy and how making best use of its current infrastructure should be a central theme in the Government's response to the Airports Commission's final report that is expected later this year.

Our plans for London Stansted can only be delivered successfully by working in partnership with stakeholders, and over

the last two years we have developed a new CSR programme that meets local and regional needs. For example, we have created an airport community network to work with other airport companies to support local educational partnerships, and the airport academy continues to help unemployed people get back into work by providing training and work experience. Building on our long standing commitment to 'Meet the Buyer' events, we are helping local smaller companies to share the benefits of our growth and success. In 2015 we will be launching our flagship project, the London Stansted Aerozone, which provides an on-site education centre for young people that will use aviation-based examples to bring subjects like science, technology, engineering and maths to life, and inspire children to follow careers in these areas.

London Stansted is perfectly positioned to serve a thriving part of the country, sitting at the heart of the London-Stansted-Cambridge growth corridor which is home to some of the UK's most dynamic and fast growing sectors. London Stansted's long term potential is also clear, with London's economic growth increasingly weighted to the east, and significant potential for

employment and population growth across its core catchment. Over the next fifteen years, demand within London Stansted's catchment is likely to reach the capacity of the Airport's single runway and we will consider bringing forward plans for new runway capacity at the appropriate time.

Over the last year we have worked with the Department for Transport, Network Rail and train operators with a view to delivering faster, more frequent and reliable services between the Airport, London and Cambridge. To make the most efficient use of London Stansted's capacity and attract new airlines, we have identified a package of investments that would materially improve the rail connectivity to London in the next five years. We continue to work with Government to secure the necessary investment deliver these improvements as the first step in a programme of investment on the West Anglia Mainline.



Chief Executive's Operating Review continued

EAST MIDLANDS AIRPORT

East Midlands Airport has also continued to perform well this year, seeing passenger numbers grow and demonstrating the value that a high performing local airport can bring to a region and the cities of Nottingham, Derby and Leicester.

The Airport also reached a significant milestone as it celebrated its 50th birthday in early April 2015. Over 95 million passengers have flown through the Airport during this time, with approximately half of these coming in the last ten years alone. Passenger numbers have steadily increased over the past year, working with existing airline partners.

In addition to delivering significant improvements in passenger numbers and a range of new routes during the year, the Airport has also handled around 312,000 tonnes of freight, but more importantly recognises the key importance of the midlands hub to its global cargo operators. Over the coming year, the Airport will also hope to see the beginning of a £90 million investment by DHL into its sorting facility, which is the largest site operated by DHL in the UK.

Other highlights included welcoming back Aer Lingus to the Airport after an 18 year absence, the completion of a £12 million redevelopment of the terminal building, which has heavily focussed on improving the customer experience and the passenger journey, and the conclusion of the Airport's Sustainable Development Plan, which outlines the Airports targets for sustainable growth until 2030.

BOURNEMOUTH AIRPORT

Bournemouth Airport has continued to grow and play a key role in the Group. This includes growth through M.A.G Property with AIM Aviation taking circa 160,000sq ft on site in the summer, and Flybe adding 10 new routes and setting up a southern base on site, which will significantly increase passenger numbers in 2015-16.

M.A.G PROPERTY

Managing property based at international airports takes knowledge and expertise to ensure that the businesses that choose our airports get the most out of their location. M.A.G Property has had a strong year and achieved a total of 92.8% occupancy across the 5.67m sq ft investment portfolio.

We have continued to see a consistent flow of positive news from Airport City Manchester, including the early opening of DHL's flagship logistics hub and the announcement of further projects, with planning consents granted for a new 75,000 sq ft office scheme, a 270 bedroom hotel and two logistics developments totalling 448,265 sq ft. This financial year will be an important one for Airport City and one where we should see more announcements as businesses look to take advantage of the benefits of this unique project and the unrivalled connectivity it offers.

M.A.G US

Looking overseas, we announced a new venture for M.A.G with the appointment of Rosie Andolino as Chief Executive Officer and President of M.A.G US.

I am delighted to welcome Rosie to the business and am confident that she will be the driving force in building a successful airport services business for M.A.G in North America. The combination of Rosie's experience of major US aviation projects and M.A.G's existing expertise drawn from its running of four UK airports, makes me confident that we will have a unique offering for the North American market.

LOOKING FORWARD

I look forward to leading M.A.G through the years ahead as we continue to invest, innovate and rejuvenate our products, seize opportunities for growth and increase the efficiency of our operations.

With this approach I believe we are well placed to continue to deliver strong and growing returns for shareholders.

“M.A.G has delivered an excellent financial performance in 2014-15, post the acquisition of London Stansted.”



Financial Review



Neil Thompson

Neil Thompson

Chief Financial Officer, M.A.G

M.A.G has delivered an excellent financial performance in 2014-15, post the acquisition of London Stansted, with a 17% increase in EBITDA and 31% increase in Operating profit, reflecting continued focus on delivery and outperformance of our Business Plan. Earnings growth has been driven by strong commercial and passenger performance ahead of the UK market, supplemented by continued work on operating cost efficiencies, and investment for growth across the business.

Earlier in the year we completed the successful issuance of a second £360m bond, which substantially

completes the refinancing of the London Stansted acquisition funding, and provides a strong financial platform for our future growth plans.

REVENUE (£m)

2014: £671.2m



EBITDA* (£m)

2014: £241.9m



OPERATING PROFIT* (£m)

2014: £117.4m



CASH GENERATED FROM OPERATIONS* (£m)

2014: £234.8m



*Before significant items

Financial Review continued

HIGHLIGHTS

- Passenger growth 4.7m
(+10.7% – ahead of UK market)
- Aviation income £378.8m (+10.5%)
- Commercial income £313.2m (+10.8%)
- Property income £46.4m (+1.1%)
- EBITDA* £283.6m (+17.2%)
- Operating profit* £153.6m (+30.8%)
- Capital Investment £112.7m
- Net Cash from operations* £309.5m
(+31.8%)
- Net debt £1,152.0m (+0.3%)

* Before significant items

SUMMARY TRADING PERFORMANCE

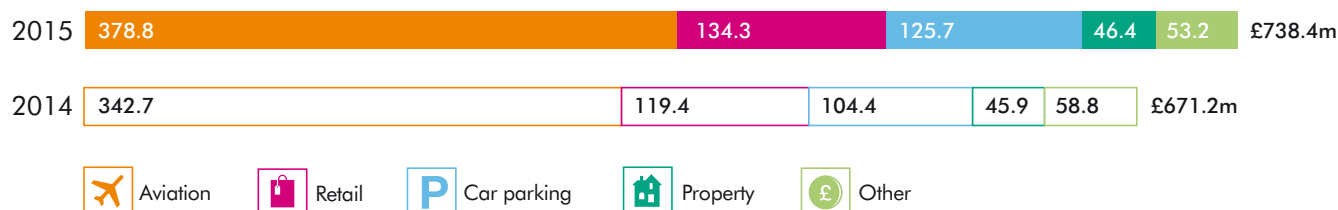
The Group has delivered further growth in the year, with all airport divisions exceeding the prior year in both revenue and EBITDA. This has been driven by a 10.7% increase in passenger numbers, significantly outperforming the rest of the UK market, which in addition to careful management of costs, has seen an increase of 17.2% in EBITDA to £283.6m. The largest increases in passenger numbers are at 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 £738.4m representing an increase of 10.0% on the prior year.

Aviation income of £378.8m has grown broadly in line with passenger numbers, maintaining a strong aviation yield. Cargo Income represents c6% of aviation income and remains broadly consistent with prior year at approximately £21m.

Retail income of £134.3m has grown by 12.5% on prior year, with passenger growth partially offset by the adverse effect of a change in passenger mix as growth is delivered through short-haul passengers. Retail yield is a key on going area of focus to ensure we maximise the returns from our significant investments in the terminal and our retail offerings, in particular at London Stansted and East Midlands, coupled with improvements in security facilities at Manchester, to improve the customer journey.

INCOME ANALYSIS (£M)



SUMMARY OF THE YEAR'S RESULTS (£M)

	2015	2014	Change %
Passenger numbers	48.5	43.8	+10.7%
Revenue	738.4	671.2	+10.0%
EBITDA before significant items	283.6	241.9	+17.2%
Operating profit before significant items	153.6	117.4	+30.8%
Result before taxation and significant items	110.2	74.4	+48.1%
Cash generated from operations before significant items	309.5	234.8	+31.8%
Net debt	(1,152.0)	(1,148.2)	-0.3%
Equity shareholders' funds	1,554.6	1,588.1	-2.1%

Car parking has performed strongly, with revenue of £125.7m, £21.3m higher (20.4% increase) than the prior year, reflecting returns from investment in additional car parking capacity and continued development of the Group's product mix and distribution channels, notably at Manchester, following the extension of the Meet & Greet offer.

Property income across the portfolio is £46.4m with a small year on year growth reflecting a mature tenant portfolio. The development of our existing property estate by our in-house specialists, M.A.G Developments, for future deals continues to be part of our property strategy to realise the best value from our estate.

Overall costs, excluding depreciation and profit on disposal on PPE, have increased by £24.1m (5.6%) with the increase largely driven by careful investment in security and customer service in support of the additional passenger volumes and the increased security regulations introduced during the summer at Manchester Airport. Other costs continue to be tightly controlled, mitigating these increases through a wide range of ongoing efficiency improvements across the Group to maintain an efficient cost base for the business.

Depreciation costs are £4.5m higher than 2013-14 as a result of continued investment in infrastructure, notably terminal redevelopment at East Midlands and London Stansted and increases in car parking capacity at Manchester.

During the year the Group undertook a planned significant restructuring and organisational efficiency programme, most notably at London Stansted, resulting in a total of £11.4m being recognised as a significant item within the Consolidated Income Statement, the benefits of which will come through results for next year.

SUMMARY OF REVENUE BY DIVISION (£M)

	2015	2014	Change %
Manchester Airport	369.9	334.7	+10.5%
London Stansted Airport	271.7	245.1	+10.9%
East Midlands Airport	59.4	54.3	+9.4%
M.A.G Developments	26.3	26.8	-1.9%
Bournemouth Airport	11.1	10.2	+8.8%
Other businesses and consolidation	-	0.1	-100.0%
	738.4	671.2	+10.0%

EBITDA BY DIVISION (£M)

	2015	2014	Change %
Manchester Airport	137.8	123.1	+11.9%
London Stansted Airport	114.5	88.9	+28.8%
East Midlands Airport	19.6	16.4	+19.5%
M.A.G Developments	16.7	18.1	-7.7%
Bournemouth Airport	2.0	1.6	+25.0%
Other businesses and consolidation	(7.0)	(6.2)	+12.9%
	283.6	241.9	+17.2%

NOTE: EBITDA is defined as earnings before interest, taxation, depreciation and significant items

3 YEAR PERFORMANCE

PASSENGERS (M)

2014-15	48.5	+10.7%
2013-14	43.8	
2012-13	25.8	

EBITDA (£M)

2014-15	283.6	+17.2%
2013-14	241.9	
2012-13	144.4	

EBIT (£M)

2014-15	153.6	+30.8%
2013-14	117.4	
2012-13	74.4	

Financial Review continued

MANCHESTER AIRPORT

Manchester Airport has had a record year, with 22.3m passengers travelling through the Airport, representing a 7.2% increase on prior year. This has been driven through continued focus on the 'fly Manchester' campaign, coupled with working closely with incumbent and new airline partners to increase capacity and frequency on existing routes as well as new services, in particular in the long-haul market, such as Hong Kong and Jeddah in Saudi Arabia.

The growth in passengers has driven increases in aviation, retail and in particular car parking revenues, with total revenue of £369.9m growing by 10.5% on prior year. Investment in additional capacity and the management and promotion of new car park products has driven strong growth in car park yield.

Underlying EBITDA has increased by £14.7m (11.9%) to £137.8m, through growth in revenue and focused cost management.

The Airport spur of the Metrolink line became operational from November 2014, being the trigger for the commencement of amortisation of M.A.G's £50.5m investment in the route, which will open up a wider employee catchment area and improved access links to the Airport.

Significant investment in the infrastructure is planned over the next few years as part of the Manchester Airport Transformation Programme. The Transformation Programme will adopt a phased approach to implementation of the improvements so as to ensure minimal disruption to airport operations, passengers and airlines.

The £1 billion programme updates and re-profiles existing long term capital investment plans and reflects the Group's ongoing commitment to maintaining its strong investment-grade credit rating.

REVENUE ANALYSIS FOR MANCHESTER AIRPORT

	2015	2014	Change %
Passengers (million)	22.3	20.8	+7.2%
Revenue (£m)	369.9	334.7	+10.5%
EBITDA (£m)	137.8	123.1	+11.9%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2015

Aviation 9.0

Commercial 7.5

Operating costs 13.1

2014

Aviation 8.6

Commercial 7.4

Operating costs 12.8

2013

Aviation 8.0

Commercial 7.2

Operating costs 12.9



Airport Spur of the Metrolink line



Manchester Airport

©Hufton + Crow

LONDON STANSTED AIRPORT

London Stansted has continued to show significant and increasing growth post acquisition by M.A.G, with passenger growth of 16.1% on prior year to 20.9m passengers. This growth is driven through increasing the frequency of flights particularly with Ryanair, as part of a long-term agreement, but also expanding the breadth of other carriers at the Airport.

This growth has contributed to an increase in revenue of £26.6m to £271.7m, and EBITDA of £114.5m, an increase of 28.8% on prior year.

A significant restructuring and efficiency programme was undertaken during the year, resulting in costs of £7.8m being included as a significant item in the Consolidated Income Statement.

The terminal transformation project has now been substantially completed, with the benefits expected to be seen in 2015-16. This will revolutionise the passenger experience in the terminal and reflects a total £80m investment in the Airport, of which £40m has been provided by our retail partners.

REVENUE ANALYSIS FOR LONDON STANSTED AIRPORT

	2015	2014	Change %
Passengers (million)	20.9	18.0	+16.1%
Revenue (£m)	271.7	245.1	+10.9%
EBITDA (£m)	114.5	88.9	+28.8%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

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 Retail



London Stansted Airport Security Lanes



London Stansted Airport Escape Lounge

Financial Review continued

EAST MIDLANDS AIRPORT

East Midlands Airport celebrated its 50th Anniversary in early April 2015, and has delivered a promising year of growth.

Passenger numbers of 4.6m have increased by 7.0%, driven by improved load factors, which has driven strong returns in revenue across all streams, with total revenue of £59.4m, a 9.4% increase on prior year. This also includes increases in cargo revenue of £0.7m, as carriers have added new routes and increased the size of aircraft.

EBITDA is £19.6m, £3.2m (19.5%) higher than 2013-14, with the income growth being supported by tight cost control and operational efficiencies, which have mitigated the investment in costs in supporting the additional passenger volumes.

A restructuring and efficiency programme was undertaken during the year, resulting in costs of £0.6m being included as a significant item in the Consolidated Income Statement, the benefits of which will flow into 2015-16.

REVENUE ANALYSIS FOR EAST MIDLANDS AIRPORT

	2015	2014	Change %
Passengers (million)	4.6	4.3	+7.0%
Revenue (£m)	59.4	54.3	+9.4%
EBITDA (£m)	19.6	16.4	+19.5%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2015

Aviation 5.7

Commercial 6.4

Operating costs 10.5

2014

Aviation 5.6

Commercial 6.0

Operating costs 10.4

2013

Aviation 5.6

Commercial 5.8

Operating costs 9.5



East Midlands Airport



East Midlands Airport Escape Lounge



East Midlands Airport Retail

BOURNEMOUTH AIRPORT

Passenger levels were broadly in line with prior year at 0.7m, although this is expected to increase significantly in 2015-16 following the return of Flybe to Bournemouth from March 2015.

Revenue of £11.1m was 8.8% higher than in the prior year, with EBITDA increasing by 25% to £2.0m, reflecting improved yields and continued efforts to manage the cost base.

REVENUE ANALYSIS FOR BOURNEMOUTH AIRPORT

	2015	2014	Change %
Passengers (million)	0.7	0.7	+0.0%
Revenue (£m)	11.1	10.2	+8.8%
EBITDA (£m)	2.0	1.6	+25.0%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2015

Aviation 6.4

Commercial 7.9

Operating costs 14.6

2014

Aviation 6.1

Commercial 7.5

Operating costs 14.1

2013

Aviation 5.9

Commercial 7.2

Operating costs 13.2



Bournemouth Airport



Bournemouth Airport Departure Terminal



Bournemouth Airport World Duty Free

Financial Review continued

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 at £26.3m, reflecting a solid portfolio of tenants. EBITDA from the property business decreased by £1.4m (7.7%).

Airport City was formally constituted on 8 October 2014. In accordance with IFRS 10, M.A.G's investment has been accounted for under the equity method in the consolidated financial statements as at 31 March 2015, with M.A.G's share of the costs expensed to the Consolidated Income Statement of £0.4m. Airport City is expected to deliver significant returns in the next few years as plots are developed and sold as part of the overall business plan.

CASH FLOW

Cash generated from operations before significant items has increased by £74.7m to £309.5m (31.8%) reflecting strong trading performance in the year, allowing the Group to continue to invest in infrastructure and property development opportunities.

FINANCING AND INTEREST

Group net interest payable, before significant items, increased from £62.9m to £73.0m, reflecting the impact of the refinancing of the Group into long-term debt as part of its financing strategy.

Following the successful issuance of the first publicly listed bond of £450.0m in February 2014, with a coupon rate of 4.75%, we returned to the market in April 2014 with a second bond of £360.0m with a fixed coupon rate of 4.125%.

The proceeds of the second bond were used to repay another significant portion of the Group's bank debt relating to the London Stansted acquisition funding, with only £90m of the original £900m facility outstanding.

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 (£5.9m in 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.

In addition, the Group terminated certain derivative financial instruments. In terminating these instruments, the Group recognised a cash outflow of £18.0m to the swap counterparties, resulting in a loss of £3.9m (£4.1m gain 2013-14). Consistent with the prior year, this has been recognised in the Consolidated Income Statement as a Significant Item within Finance costs.

Net debt has remained broadly consistent with prior year at £1,152.0m which allows significant headroom to support investment in capital projects and property development.

At 31 March 2015, M.A.G had £1,438.9m (2014: £1,446.0m) of committed facilities and a net debt position of £1,152.0m (2014: £1,148.2m).

M.A.G had financial headroom in excess of £287.3m at the year end, a level comfortably above the internal compliance target. Under existing facilities and based on the Board approved three year business plan, the Group is forecast to have financial headroom at appropriate levels throughout 2015-16.

The Group remains committed to its long-term financing strategy, including maintenance of its strong investment grade ratings with Fitch and Moody's.

GROUP CASH FLOW (£M)

	2015	2014	Change %
Cash generated from operations before significant items	309.5	234.8	+31.8%
Cash generated from operations after significant items	298.1	230.2	+29.5%
Interest, tax and dividends	(169.5)	(148.3)	+14.3%
Net capital expenditure	(123.1)	(131.3)	-6.2%
Non-cash movement	(9.3)	18.6	-150.2%
Increase in net debt	(3.8)	(30.8)	-87.5%
Net debt	(1,152.0)	(1,148.2)	+0.3%

CAPITAL EXPENDITURE

The Group has continued to invest in infrastructure across all its airports during the year.

The London Stansted and East Midlands terminal transformations are now substantially complete and Manchester has invested in both the car parking capacity and additional security lanes to improve the customer journey and experience, whilst complying with increased security regulations.

The final £10.5m tranche of the £50.5m investment in the Airport spur of the Metrolink was paid in the year, with the line becoming fully operational from November 2014.

PENSIONS

The accounting deficit for all Group schemes is calculated by the scheme actuaries who incorporate a number of factors, but in particular incorporate data taken from the financial markets at the date of the accounting year end in order to calculate the discount rate and inflation assumptions. The Greater Manchester Pension Fund (GMPF) scheme comprises 80% (2014: 94.3%) of the net aggregate Group pension scheme deficit.

During the year, the aggregate of the Group's defined benefit schemes moved from an IAS19 accounting deficit of £40.2m to £73.4m.

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

	TOTAL
Deficit as at 31 March 2014	40.2
Current and past service cost	10.6
Contributions	(10.7)
Other finance expenses	1.8
Actuarial loss	31.5
Deficit as at 31 March 2015	73.4

The increase in the deficit is largely as a result of actuarial losses of £31.5m. This has been driven by the significant decreases in the discount rate by 1.1% across all the various schemes, calculated with reference to the AA corporate bond rate, more than offsetting lower inflation expectations and positive investment returns.

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, in particular buildings, which don't qualify for tax allowances.

The prior year showed a net credit of £28.1m, benefitting from a £43.9m deferred tax credit on remeasurement of the deferred tax balances to the enacted rate of 20%.

EQUITY SHAREHOLDERS FUND AND DIVIDENDS

Equity shareholders funds are £1,554.6m (2014: £1,588.1m). The movement primarily comprises £153.6m result from operations before significant items, less £11.4m from non-recurring significant expenses, beneficial fair value adjustments on investment properties of £30.0m less finance costs of £73.0m and a net actuarial loss net of tax of £25.1m recorded in reserves for actuarial pension movements.

The Group has a long-term objective of providing sustainable and growing dividends to shareholders. During the year, the Group paid dividends of £77.0m reflecting a £46.0m dividend payable for the year to 31 March 2014, and an interim dividend for 2015 of £31.0m reflecting the strong performance both in the current year and the future outlook.

The directors consider an increase in the dividend is appropriate in light of the growth achieved and consistent with the strong long-term growth prospects and therefore propose a final dividend for 2014-15 of £62.0m.

This final dividend together with the £31.0m interim dividend paid, represents a total dividend of £93.0m in relation to the 2014-15 year. (2013-14: £46.0m excluding a special one-off dividend of £30.0m in relation to the acquisition of London Stansted Airport).

“Our aim is to deliver
comprehensive assurance
over the Group’s risk profile.”



A vertical photograph on the left side of the page showing the tail and engines of a large aircraft at night. A person in a bright yellow safety vest is blurred in the foreground, suggesting movement. The scene is illuminated by airport lights.

Risk Management

Our business and operational risk profiles are dynamic and continuously evolving. In an environment where change is considered 'Business As Usual' our risk management approach is both proactive and responsive with a strong focus on ensuring that there is always a clear, accurate and current view of the Group's risk profile and strategies are in place to manage and mitigate risk at any given time.

M.A.G's Enterprise Risk Management Framework, which covers all aspects of our business, is embedded in day-to-day operations and is underpinned by a high level of ownership and engagement by management.



Risk Management continued

M.A.G's Enterprise Risk Management Framework is designed to provide a comprehensive view of the Group's risk profile across all areas of our business. The strong link between effective risk management and the achievement of strategic and business objectives is well understood by management as it is embedded in our decision-making processes, programme management approach and business as usual. It is vital that management and our Audit Committee have a clear and current understanding of the key risks we face and our strategies for managing them. This is achieved through a combination of a robust risk framework and regular active engagement by management and EXCO, enabling the business to manage risk dynamically and effectively, making informed, risk-based decisions which drive the achievement of our business objectives.

Our risk management framework and supporting processes provide the foundations for this and are clearly communicated to management and other risk stakeholders within the business. Specialists in our Risk Team work continually with management to promote understanding of the framework and its effective application in our business and operational environments.

A range of risk appetites are defined across the various areas of our business, and combined with designated risk tolerances, this promotes a consistent approach to risk evaluation aligned to the Group's stated appetite for risk.

A high level of engagement in risk management is expected of all members of the Senior Leadership Team and EXCO, and this is promoted through a programme of regular risk review workshops, facilitated by the Risk Team, covering all areas of the Group's activity. Between scheduled risk reviews there is a monthly monitoring and reporting process in place to ensure that changes to the risk profile are captured and agreed mitigating actions are driven through to completion. In addition, regular ongoing liaison with management and risk stakeholders throughout the year promotes a continuous process of identification, evaluation and management of risk.

With a wide range of change projects in progress at all times, there are regularly updated risk registers in place for each project and a defined escalation process to ensure that new and emerging project risks are visible to EXCO, and escalated to the Audit Committee when necessary. The Risk & Assurance Team co-develop risk registers for all major projects to ensure consistency and visibility of key project risks across the Group.

EXCO receive regular detailed reports on the Group's risk profile, including details of new and emerging risks, net risk exposures which are outside the Group's defined risk appetite, and details of the actions being taken to mitigate or manage those exposures. In addition the management boards at each of our airports receive a monthly Risk & Assurance update to facilitate understanding of the airport risk profile

and ensure that agreed mitigating actions are promptly followed through. Management are accustomed to regular constructive challenge on their strategies to manage key risk exposures and are held to their target deadlines to implement the required controls.

We are committed to promoting a culture of openness and transparency in which colleagues feel that they can discuss risk issues openly and receive the support they need to effectively manage or mitigate those risks. This is fostered through regular interaction between the Risk Team, risk owners and stakeholders across the business.

Management and the Audit Committee receive independent assurance on the adequacy and effectiveness of the internal control environment through the delivery of a risk-based strategic assurance programme which is derived directly from the Group's risk profile. Our aim is to deliver comprehensive assurance over the Group's risk profile.

Risk Management continued

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

RISK	MITIGATION STRATEGY	OPPORTUNITIES
Material sustained disruption to operations	A wide range of robust multi-agency business continuity, crisis management and emergency response plans are regularly tested, reviewed and updated to ensure that we are able to respond rapidly and effectively to disruptions to our operations.	Our process of regular testing and review provides opportunities for us to continually improve and enhance our response strategies in the event of disruption to operations.
Breach in security	<p>We continually invest in innovative approaches to the management of security screening at our airports, with a focus on ensuring that our customers, partners and colleagues are safe whilst providing a positive customer experience through efficient passenger processing.</p> <p>We work closely with Government agencies and the Police to ensure that our security regime is robust and responsive to new security threats.</p> <p>In addition to a rigorous programme of regulatory inspections and audits, we employ both internal and external quality assurance specialists to test our security processes and identify opportunities for improvement.</p>	<p>We are committed to providing the best possible security regime to our customers, and as such we take every available opportunity to make improvements to our processes and the customer experience wherever we can.</p> <p>We have made major enhancements to our security facilities as part of terminal redevelopment schemes at London Stansted and East Midlands and schemes to increase capacity at Manchester. These have delivered significant improvements to the customer journey through our security areas using innovative technology and security lane design whilst maintaining the high standards of security screening required to protect our passengers.</p>
Major Health & Safety incident affecting our customers or colleagues	<p>We have rigorous Health & Safety policies, procedures and processes in place to ensure that Health & Safety risks are understood and effectively managed. Our experienced team of Health & Safety professionals provide a constant focus on ensuring the safety of our customers, partners and colleagues.</p> <p>The ongoing assessment of Health & Safety risks is embedded in daily management routines and monitored by a comprehensive committee structure which is in turn overseen by a corporate Health & Safety Committee with Board-level oversight.</p>	<p>Our Health & Safety arrangements are under continuous review, enabling us to identify and implement opportunities for improvement as they arise and respond quickly to changes in Health & Safety risk.</p> <p>London Stansted's successful 'Vision Zero' Health & Safety strategy has been adopted across the Group, reflecting our approach to sharing and adopting good practices across the portfolio.</p>
Threat of a downturn in demand due to adverse global economic factors	We continually monitor the economic environment by gathering and evaluating business intelligence. We apply a prudent approach to our business and financial planning processes and fully risk assess our business targets. In addition, we have contingency strategies in place to enable us to respond to economic shocks.	Improved economic conditions have enabled us to achieve significant passenger growth over the past year. We will seek to continue to capitalise on the economic recovery by attracting more passengers, routes and airlines to our airports. Our business plans set out how we will continue to build on our success in increasing passenger numbers and routes whilst ensuring we have the capacity and capability to fully meet our customers' and stakeholders' needs.

RISK	MITIGATION STRATEGY	OPPORTUNITIES
Political and regulatory	<p>Regulatory compliance is a priority for the Group, and we have specialist compliance teams to ensure that we meet all of our regulatory requirements. These are underpinned by rigorous policies and procedures and strong relationships with our regulators.</p> <p>Our Corporate Affairs Team monitors the political landscape and ensures we are able to engage and influence the agenda on issues directly affecting the Group and its strategy.</p>	M.A.G will continue to engage actively with Government agencies and other stakeholders to help create a sustainable framework for UK aviation.
Recruitment, development and retention of talented people	<p>We recognise the importance of attracting and retaining talent, and have detailed strategies in place to achieve this. Internally we have a process to identify colleagues with high potential and provide them with the support they need to develop their careers and achieve their potential. In addition, succession plans are in place to enable us to respond should colleagues with business critical roles leave the Group.</p> <p>We conduct employee engagement surveys annually and develop action plans where opportunities for improvement are identified by our colleagues.</p> <p>Our performance management and reward schemes are continually evaluated to ensure they create the right incentives for a high performing organisation.</p>	Our Human Resource strategies and processes are geared towards identifying and taking opportunities to attract and retain talent wherever possible.
Cyber Security	<p>The security of our customer and stakeholder data is critically important to us. We have a wide range of multilayered defences within our IT and network infrastructure to continually monitor cyber threats, secure our data and minimise the risks of hacking, malware infection and data loss. These are subject to ongoing review, testing and updates designed to ensure that the Group is resilient to cyber attacks.</p>	We have increased our focus on cyber security over the past year and will continue to improve cyber resilience through the delivery of a programme of upgrades to infrastructure and systems.



Charlie Cornish

Chief Executive

M.A.G

For and on behalf of the Board of Directors

1 July 2015



Corporate Social Responsibility

This reporting year, M.A.G achieved 97% in the annual Business in the Community (BITC) Benchmarking Index – the highest score in our sector – earning an outstanding four star rating for our commitment to acting responsibly towards all stakeholders.

We also received two BITC Big Tick Awards and the Manchester Airport Academy has been shortlisted for the national BITC 'Work Inclusion' Responsible Business Award.

These achievements reflect our clear, consistent and focused approach to corporate social responsibility (CSR), helping us to remain distinctive at the same time as adding value. By setting out a clear strategy, which supports our enduring values, we have provided a clear focus and a firm foundation for our work.

We are not only an integral part of the regions we serve, contributing to the economic development of the regions we are based in, we also work as a trusted partner with all our stakeholders. In this way, we are continually building a more sustainable and secure business, helping us achieve our vision of being the premier airport management and services company.

UPDATED CSR STRATEGY

Over the past year we have taken time to reflect on the progress we have made with strong growth in passenger demand and the acquisition of London Stansted, and have updated our CSR Strategy accordingly.

Our new strategy places increased emphasis on ensuring that our growth generates local social and economic value. We are committed to building local supply chains, developing local skills and offering wide-ranging local employment opportunities.

This new strategy also recognises the importance of trust, serving passengers who have different needs, and embracing international culture. We also draw on the views of our stakeholders through a materiality review. We plot the economic, social and environmental issues that are of most concern, against the impacts they may have on our reputation, operations

and finances. Together, the results highlight the significant issues that are facing our business, which may be ongoing, evolving or new. In 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.

The objectives and targets we set ourselves ensure we continue to take a broad view of corporate responsibility that reflects our business priorities and our determination to continue to deliver outstanding performance.

Our programme is intentionally wide ranging and we will regularly review it to ensure we are on track. We believe that continual dialogue between all stakeholders builds confidence, understanding and trust.

Openness and accessibility is at the centre of the strategy, so we always welcome feedback.



**SUSTAINABLE
AVIATION**



Corporate Social Responsibility continued

CSR 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 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 contribution in the regions we serve

Further information on M.A.G's CSR aspirations and achievements can be found in the M.A.G CSR Strategy, available on www.magworld.co.uk

GENERATING OPPORTUNITY

The UK Aviation Industry delivers a significant share of GDP which generates employment opportunities and tax revenue. Recent analysis has found that the collective UK aviation industry contributes £52bn in GDP, provides in excess of 961,000 jobs, as well as paying nearly £8.7bn in tax¹.

In a modern developed economy airports are one of a region's most vital pieces of infrastructure. They are an essential link to the rest of the world, providing fast, efficient connectivity for business and leisure passengers. M.A.G's airports play a major role in enhancing the country's economy by supporting jobs and businesses locally, regionally and nationally. We are committed to sustainably growing our business and, in particular, we aim to actively maximise our economic contribution in the regions we serve.

The UK is part of a global market place and we are proud that our airports deliver access to these markets, country-wide. We estimate that our four airports contribute £4bn annually to the national economy. A well connected airport improves the economic attractiveness of the region as a place to live, work, visit and do business.

Manchester Airport is by some margin the largest airport in the north of England, providing the broadest range of destinations, including by far the most developed long haul network. It is recognised by economic stakeholders as one of the most important economic drivers in the north of England. In 2014,

Manchester Airport's direct economic contribution to the North West region was £847 million, supporting around 21,500 full time equivalent (FTE) jobs.

London Stansted Airport was acquired by M.A.G in 2013. It is the third largest of the London airports, handling around 20.9 million passengers in 2014-15. It is one of the largest low cost airline bases in Europe. It has the highest proportion of freight traffic of the London airports, and acts as a key hub for express freight services. This year London Stansted's direct economic contribution to the region was £600 million, supporting around 11,600 FTE jobs

East Midlands Airport is the third largest of the M.A.G airports in terms of passenger throughput. In 2014-15, it handled around 4.6 million passengers. It is, however, the UK's air freight hub and base to a number of key express freight companies. It is, therefore, the largest of the M.A.G airports in terms of cargo throughput, handling around 312,000 tonnes last year. In 2014 it directly contributed £168 million to the regional economy, supporting 5,100 FTE jobs.

The economic impact of Bournemouth Airport is smaller but is still significant in the context of the local labour market. In addition to the Airport operations, the Airport is also central to a substantial employment cluster with a mixture of non-airport related, aerospace and other companies located on the Airport business park. It directly adds £17 million to the economy and supports 600 FTE jobs.

DIRECT ECONOMIC CONTRIBUTION TO OUR REGIONS

	Direct on site employment FTE jobs	Direct economic contribution to the region (£m)
Manchester Airport	21,500	847
London Stansted Airport	11,600	600
East Midlands Airport	5,100	168
Bournemouth Airport	600	17

¹Oxford Economics Report, Nov 2014.

SUPPORTING LOCAL SMES

We recognise that small businesses make a significant contribution to the local economy. To support the growth of local small and medium sized enterprises (SME), M.A.G facilitates and is involved with events such as 'Meet the Buyer' which enables them 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, which have increased in size and scope each year. We are proud that these events have led to a total of nearly £7m of sales leads. The 2014 event attracted 257 local businesses and 41 purchasing managers from 26 buying organisations.

Building on our 'Meet the Buyer' events, we will commit to support local, small and disadvantaged businesses so that they are better equipped to supply our airports.

SUPPORTING LOCAL EMPLOYMENT AND TRAINING

If we are to realise our ambition of long-term, responsible growth, we will need to take a strategic approach to how we grow the number of people we employ. Recruiting from the areas in which we operate is important to M.A.G, so we seek to support local people to build the capability that will allow them to capitalise on the opportunity, to ensure the local population have the requisite skills. This is best achieved by working with local partners through our airport academies and supporting local educational establishments.

We have therefore 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



Matthew Hancock MP visiting the Young People's Skills Academy

work at the airport, as well as a bespoke recruitment service for airport employers.

This year, 509 people have received specialist training at our Academies and 6,360 job referrals have been made by them.

To take up employment at our airports it is also important that local people are able to access our site using public transport modes. This minimises environmental impacts, including congestion and can remove one of the key barriers to entering the workplace. As part of a consistent support for sustainable surface access, this year we have been delighted to see the completion of the 14.5km extension to the Metrolink system, which now provides direct access to Manchester Airport.

PROMOTING EMPLOYMENT OPPORTUNITIES

M.A.G's airports are large employers with an enormous range of jobs and careers. It is essential we promote our airports and get the message out that M.A.G is an attractive and inclusive employer. We hold annual jobs fairs and invite employees from local Job Centres to our airport's to demonstrate their accessibility and the range of jobs available.

SUPPORTING LOCAL EDUCATION AND YOUTH UNEMPLOYMENT

Airports are exciting and inspiring environments. We believe that by offering opportunities to experience the world of work at an airport to young people in local schools and colleges, we can help them improve their employment prospects.

By way of example, with the support of an 'Employee Ownership of Skills Programme' grant, we were able to set up a Young People's Skills Academy at Manchester Airport. M.A.G matched over £1.3m of public money from our Employer Ownership Fund to establish the Academy, which was created to offer career opportunities to local unemployed people. From September 2014 until March 2015, 69 have taken part in the programme, with 43 successfully moving into work.

Our partnership with Manchester Enterprise Academy, where we are lead sponsor, continues to go from strength to strength. This year saw record results with 61% of students achieving five A* to C grades, an increase of 13% on the previous year.

In addition, London Stansted has partnered the youth charity, The Prince's Trust since 2013. Through the charity's 'Get into Airports' programme, London Stansted has helped nine young people move into work, education or training.

CUSTOMERS

High standards of customer service are integral to the success of our airports. We recognise that we must provide a distinctive and exceptional service to our diverse customer base.

We want to improve the experience our customers have at each airport, so throughout 2014 we have placed particular emphasis on developing an enriched customer experience strategy.

Corporate Social Responsibility continued



Part of the customer experience

Our new vision for customers is to 'ensure they are well informed, empowered and vested with the ability to personalise their own trip, underpinned by an efficient and friendly experience'.

Embedding our new strategy will take time and will involve a cultural shift, collaborating with colleagues and business partners from across the group to ensure that customer service is a focus and all staff are working to a common standard.

SUPPORTING ALL OUR CUSTOMERS' NEEDS

We want all of our passengers to enjoy the same ease and comfort at 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.

This year at Manchester Airport, we have installed facilities which have been designed to meet the needs of passengers who have profound disabilities and need the support of at least one carer, providing them with safe and easy toilet facilities to use when travelling through the Airport.

In addition, we recognise that travelling with young children can be stressful, which is why we have been working with the Childcare Trust at London Stansted Airport. So far we have introduced baby changing facilities in both male and female toilets, as well as an additional nursing room in the airside area.

We recognise these initiatives are just the start of the work we must complete to ensure all our passengers have the best experience at our airports. Our new customer strategy places emphasis on guaranteeing all passengers have a successful journey, and we will work hard to deliver this objective throughout the coming year.

MANAGING SAFETY AND SECURITY

Safety and security remains a top priority. We invest heavily in our security officers and security processes as part of a comprehensive and multilayered intelligence led approach to maintaining security, ensuring we operate to the highest standards.

This year we ran our first 'TRAVEL SAFE WEEK', a Manchester Airport initiative, to help identify vulnerable passengers and put a stop to human trafficking through UK airports. The exercise aims to train the 19,000 people who work on site at Manchester Airport to look out for tell-tale signs and puts Manchester at the forefront of the fight against trafficking in the UK.

LISTENING TO OUR CUSTOMERS

It is our objective to ensure that customer satisfaction levels are the highest possible. Listening and responding to what our customers think about us is integral to how we operate. We offer numerous ways in which passengers can offer feedback, and every comment is taken seriously.

In addition to the customer feedback sheets which are placed throughout our

terminals, we use the Airport Service Quality (ASQ) Survey – the world's leading airport customer satisfaction benchmark programme. It provides the industry standard for passenger satisfaction data.

For example, as a result of customer feedback we are working to improve car parking services, customer's access to Wi-Fi and facilities at individual departure gates.

OUR ENVIRONMENT

Airports, and the aircraft operations they support, result in a number of important environmental impacts. As a responsible airport operator, we accept our obligation to do all we can to minimise the environmental impacts created as a result of our operations.

We can only be successful in our aspirations of long-term growth if we are committed to reducing the environmental impacts our industry generates. By working



Air quality monitoring station

with partners from across the industry, we are addressing issues such as noise and climate change which are inherently cross-sector. Together it is possible to grow our operations without increasing the impact

on the environment.

ENVIRONMENTAL MANAGEMENT

All our airports are certified to the international ISO 14001 Environmental Management Standard. We have a system which is designed to ensure we have measures in place to manage our environmental effects, continually analyse our environmental performance and ensure continual improvement.

We also undertake regular audits of our own, our service partners' and our contractors' facilities to check compliance with our standards. If necessary, we will work with them to deliver improvements. Working together to a consistently high standard.

CARBON EMISSIONS

Reducing carbon emissions by increasing energy efficiency and obtaining energy from renewable and low carbon sources remains a priority. Our efforts in this area have been yielding results and we are delighted that our operations at East Midlands and Bournemouth Airports have achieved our carbon neutral goal. We are working towards the same goal at Manchester and London Stansted.

We will make 2015-16 the first year of carbon neutral operation at Manchester Airport, consistent with our long-standing target. This will still mean we have to offset the residual emissions. We have maintained the Airport Carbon Accreditation at Level 3 (Optimisation) for Manchester Airport and have achieved a first time accreditation for London Stansted at Level 2 (Reducing).

Our work in this area has been recognised and we have been awarded the Carbon Trust Standard for carbon management at each of our four airports.

This year we have also undertaken a project to assess the carbon emissions that result from our supply chain spend at

London Stansted Airport. This work, which will continue to evolve, will provide us with a methodology to apply across the Group, and we will update our finding in our 2015 report.

M.A.G is a founding member of Sustainable Aviation, which was the first alliance of its type in the world representing a cross section of the UK aviation industry, including aircraft and engine manufacturers, airlines, airports and air navigation service providers.

ENERGY EFFICIENCY

At each of our airports, energy efficiency and carbon emissions are considered at every stage of a project and it is our policy to install energy efficient technology in new developments and refurbishment projects.

We are committed to taking advantage of opportunities for implementing new, more energy efficient and low carbon technologies. The reductions that we have achieved to date are the result of a sustained effort to challenge traditional ways of working in all parts of our operation, focussing in particular on areas of high consumption.

At Manchester Airport we are currently implementing cutting edge LED lighting. We have achieved the required lighting levels whilst using, on average, 60% less energy than previous technologies, and have also extended asset life and reduced maintenance costs. Our work in this area has been commended and we were thrilled to have won two 2014 BCIA (Building Controls Industry Association) awards, one for "Technical Innovation of the Year – Products" and the other as a collaboration with our partner 'Building Environment Controls', winning the "Energy Management" award.

Throughout the first stage of the redevelopment and refurbishment of the



East Midlands Airport wind turbine

London Stansted terminal building, we have installed LED lighting systems in the passenger search area and the new toilet block in the international departure lounge. We will continue to install LED lighting wherever possible in the building upgrades planned for 2015-16 and are developing plans to change more of our existing traditional lighting to LEDs.

At East Midlands Airport, as part of the £12m terminal redevelopment, we have invested in energy efficient HVAC (heating, ventilation, and air conditioning) solutions and lighting.

During the 2014-15 financial year, across our airports we were able to reduce our net carbon emissions by 16% compared to the previous year, from 23,387 tonnes in 2013-14 to 19,690 in 2014-15.

RENEWABLE ENERGY

The majority of our energy will continue to be procured from the UK power network. However, there remains potential to meet more of our energy needs from on-site generation using renewable fuels and technologies. We are undertaking a wide-ranging review of options, including biomass

Corporate Social Responsibility continued

and combined heat and power systems.

Whilst it is premature to establish a target, we will use this work to set out a new strategy for renewable energy use. This approach can reduce emissions and could significantly increase our operating resilience. To date our work has included installing two wind turbines at East Midlands Airport and 323 photovoltaic panels on the roof of Bournemouth Airport.

WASTE MANAGEMENT

By improving efficiency, we can do a lot more with fewer resources and less waste. Our objective is to minimise waste and promote recycling, so we send zero waste to landfill. Our waste management is complex with waste streams arising from our own operations, our partners' operations (tenants and retailers) and from aircraft. This has driven us to take an innovative partnership approach to waste management to successfully minimise waste to landfill.

In 2014-15 we achieved 82% diversion rate from landfill, with 14,970 tonnes of waste created in total.

NOISE ABATEMENT

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

Overall the picture for 2014-15 has been good. The number of aircraft movements has grown, but the number



Monitoring airport air quality

of noise fines has declined, whilst we continue to maintain our CDA (Continuous Descent Approach) and track performance.

NOISE ACTION PLANS

During the course of the year, all M.A.G's airports have been required to review their published Noise Action Plans. Noise Action Plans, which are reviewed and updated every five years, summarise the effect of noise from aircraft landing and departing, set out measures already in place to manage noise and set out measures we intend to introduce over the next five years. In preparing our revised Noise Action Plans, we have worked with our consultative committees and Environmental Health Officers from local authorities. All of our Noise Action Plans are available to view on our corporate website www.magworld.co.uk

Our use of procedures such as Preferred Noise Routes concentrate aircraft operations away from built up areas so that any noise impact is minimised. We also continue to successfully promote the use of Continuous Descent Approach by arriving aircraft, as this technique

reduces both noise and emissions.

We also enforce maximum noise limits. Where limits are not adhered to, we impose fines. The money raised is donated to an Airport Community Fund.

AIR QUALITY

We are committed to the monitoring of local air quality around each of our sites. We know that measuring and reporting local air quality is important to reassure our local communities, our colleagues and the environment.

The main airport sources of pollution are ground vehicles, aircraft engines, energy generation, fugitive emissions (evaporation during fuelling of aircraft and vehicles) and activities such as fire training. We are pleased to say we have 100% compliance with Air Quality Limits.

GROUND TRANSPORT

We are committed to delivering a high quality and reliable transport infrastructure with sustainable travel choices for both passengers and employees. Enhanced surface access is a key element of our plans to attract more airlines, passengers and employees to our airports. It is also central to giving on-site companies access to the widest possible pool of labour and to ensure that local residents have access to jobs.

Each airport has a surface access strategy which seeks to encourage the use of public transport. This is not only beneficial to the airport site, but also to companies in the business parks around our sites. At London Stansted employees are offered the opportunity to purchase an 80% subsidised travel card or take advantage of our cycle to work scheme.

We have invested in Manchester's Metrolink to provide an extension to

Manchester's light rail network to the Airport. It will provide further local connections (5 trams per hour during the day) and was completed in November 2014. In addition, as part of the Northern Hub scheme, a fourth platform will be provided at Manchester Airport's railway station in 2016, to increase the number of services and cater for longer trains.

COMMUNITY

M.A.G is committed to supporting sustainable economic growth in the communities surrounding our airports. We understand that supporting education, employment, skills and business development will help us achieve our long-term goals. We support sustained investment in our communities by providing funding, sponsorship, time and resources to education and community projects in particular. In 2014-15 we donated £775,092 to charitable organisations.



Trust fund play area opening

By engaging with our local stakeholders through open and constructive dialogue, we are able to explain the value our airports bring to the community and how we are managing our operations sensitively to minimise impacts. It is always

important that we listen and this feedback, as well as our local impact studies, have been essential tools in the formation of our community strategy.

We are proud to have received external recognition for our work in this area with two of our airports, Manchester and East Midlands, being awarded the prestigious Community Mark accreditation by Business in the Community. At present, only 52 companies across the UK have been awarded the Community Mark, this makes the accolade even more significant. This year we have received two BITC Big Tick Awards for our Manchester Airport Community initiatives.

COMMUNITY CONSULTATION

By engaging with our local stakeholders through open and constructive dialogue, we are able to demonstrate the value our airports bring to the community and further improve how we manage our operations sensitively to minimise impacts. Our Manchester Airport community relations teams attend regular meetings in the communities close to our airports.

They give us an opportunity to listen to any issues and concerns there may be in relation to our operations. The effectiveness of these types of interventions is tested in impact studies every year rotating around three local geographical areas, and once every two years at East Midlands Airport. Our newest airport, London Stansted has completed its first Community Impact Survey in which over 700 stakeholders were consulted.

COMMUNITY NETWORKS

At Manchester Airport the Airport Community Network (ACN) is in its 10th year. It is a partnership of businesses based on the Manchester Airport

site, developed by the Airport. The ACN is a networking opportunity for airport businesses working together to improve the education and employment opportunities in the most deprived areas of Manchester. This year we have taken, adapted and introduced the Airport Community concept at London Stansted. The network is initially focussing on providing mock interview support work experience opportunities and mentoring at two local schools, with a particular focus on Harlow, an area with acute social challenges.

CHARITABLE INVESTMENT

Throughout 2014-15 we committed our corporate fundraising support to Medcare, our chosen 'Corporate Charity'. The Charity, which delivers children's hospital facilities in Uganda, has provided an international dimension to our Corporate Responsibility work. We have used a range of events to raise the profile of the Charity and to raise much needed funding. This year our donations have funded the development of a new extension to the Charity's clinic in Uganda, which has been a shared goal of the Group and the Charity over our three year partnership. We have donated £121,500 for Medcare in 2014-15.

COMMUNITY FUNDS

M.A.G's airports have a long history of investing in their local communities. Each airport operates its own community fund to help support local community groups and charities. During the past financial year, M.A.G's airports invested £281,143 in 197 local organisations that required our help.

Corporate Social Responsibility continued

VOLUNTEERING

M.A.G recognises the strategic value volunteering can bring to the local community and can contribute to the business. We believe it is an important tool which builds skills and colleague engagement across the Group. As an important component of our CSR strategy, we have set a stretching target of 30% participation across the Group. This year, employees gave 8,759 volunteering hours to local organisations.

OUR PEOPLE

Our colleagues play a vital role in helping M.A.G to achieve competitive advantage, and we seek to provide them with the skills and a working environment they need to flourish. To deliver our aims, we strive to maintain a culture of open and constructive dialogue with all employees and external stakeholders, believing it helps us make better decisions and develop stronger relations with our workforce.



M.A.G Customer Service Colleagues

We recognise that the needs of our workforce continue to develop and change over time. To ensure we are listening to our employees, we canvass their opinions

through regular surveys. In total we now employ 4,588 people throughout the UK.

EMPLOYEE WELLBEING

At M.A.G we believe that when colleagues are healthy and happy, they are more able to face the challenges of daily life. When we feel better, we work better. To help deliver a better working culture which reflects our aspirations in this area, we are developing a 'Wellbeing Model' that we aim to roll out across the business in 2015-16. In essence, the model will set out a clear framework of best practice for both our business and our employees.

DIVERSITY AND INCLUSION

Diversity and inclusion is central to our business success. Our 48 million passengers are diverse and we need to ensure that, if we are to be successful, we understand and can meet their needs. Reflecting the diversity of the UK in our own workforce helps us to achieve that goal.

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 at leadership level by 10%. In 2014-15, 24% of the senior leadership team, including EXCO, were female.

Our diversity and inclusion activities are based on valuing everyone as a unique individual and celebrating their individual characteristics. We believe this kind of positive environment enhances the contribution our people can make to our business results, our customers and society in general.

COLLEAGUE ENGAGEMENT AND COMMUNICATION

Engaging colleagues in the business and actively listening is a key component to the



M.A.G Colleague

success of M.A.G. We seek to create a positive environment where our people are actively engaged, understand their role in the business and the value they add. We achieve this by being a responsible employer and maintaining engagement with our staff. This is a two way process by which we understand what is important to our employees, their challenges and how we can improve the business. We believe employee engagement must be addressed as a holistic view and we have developed our 2014-15 engagement strategy based on our Employee Insight survey, quarterly pulse checks and focus groups.

COLLEAGUE LEARNING AND DEVELOPMENT

Led by a dedicated in-house team, M.A.G has a well-established learning and development programme which we believe helps us to retain our current colleagues, build their skills and attract the best new people at every level of our organisation. We have a range of roles across our airports and recognise the importance of offering courses to support every area of the business.

During 2014-15, across the Group, we have used 44,973 hours of business time

to train 4,588 colleagues in order to better equip them to deliver world class support to our customers.

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.

Apprenticeships offer talented and committed career starters a great opportunity to gain qualifications whilst working. This year we have had a record year for hiring apprentices, we have recruited 19 applicants who are working across the Group in a variety of disciplines. We are currently completing recruitment of 17 apprenticeship customer service positions and hope to have filled

them by June 2015. Each year, we review our succession plans which determine how many apprentices we plan to recruit and for which areas.

HEALTH & 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 newest airport, London Stansted, takes an exemplary approach to health and safety, having launched the strategic campaign 'Vision Zero' in 2012. Vision Zero was developed after significant consultation and commits to achieving zero fatalities, disabling injuries, long-term harm to health injuries, impact to environment and lost time due to injuries by 2017. This year we have held Vision Zero workshops at Manchester, East Midlands and Bournemouth Airports. The success of the initiative is demonstrated by the 81% reduction in RIDDOR reportable accidents, from 16 in 2013-14 to 3 in 2014-15.

KEY PERFORMANCE INDICATORS

Issue	Strategic CSR Objective	Indicator	2014-15	2013-14	Change %
Carbon Reduction – CO₂ emissions	Reduce climate change emissions by increasing efficiency and obtaining energy from renewable sources	Total net CO ₂ emissions	19,689	23,387	-15.8%
Noise	Limit and where possible reduce the number of people significantly affected by aircraft noise	Number of complaints per 1,000 air traffic movements	7.93	8.07	-1.7%
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	8,759	8,576	+2.1%

Carbon Reduction – M.A.G supports the Government's drive towards mandatory greenhouse gas emission reporting. Although the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 do not require greenhouse gas reporting of M.A.G, we have reported on all of the emissions sources required by the Regulations. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated statement.

Our emissions are calculated based on data gathered for voluntary emissions reporting and compliance with the CRC Energy Efficiency scheme and EU ETS. UK Government Conversion factors for Company Reporting published by Defra and DECC in 2014 were used with historic emissions re-calculated where required.

Reports and Financial Statements

CORPORATE GOVERNANCE STATEMENT

The Group is committed to maintaining high standards of corporate governance and voluntarily uses the UK Corporate Governance Code (September 2012) ("the Code") as a guide to best practice.

We substantively comply with the code so far as is practicable and appropriate and in the context of the Group's shareholders being directly represented by directors on the main Board, including Nominations and Remuneration committees.

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 page 48-49.

The non-executive directors contribute extensive knowledge and experience. Their role is also to bring independent, objective judgement to the Board and committees of the Board as the case may be and constructive challenge to management.

The Board meets formally at least six times a 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 being present, such meetings are held as and when required.

Directors' attendance at Board and committee meetings is set out below:

DIRECTORS ATTENDANCE AT MEETINGS 2014-2015

	Board	Audit Committee	Remuneration and Review Committee	Nominations Committee
Total number of meetings in 2014-15	6	3	1	2
Number of meetings attended in 2014-15				
Non-Executive Directors				
Sir Adrian Montague ¹	3	N/A	N/A	1
Mike Davies ²	3	N/A	N/A	1
Sir Richard Leese	6	N/A	1	2
Manoj Mehta	6	3	N/A	2
Vanda Murray	5	3	1	1
Kieran Quinn	3	0	N/A	0
Christian Seymour	5	N/A	1	1
Angela Spindler	5	N/A	1	1
Baroness Elizabeth Symons	6	N/A	N/A	1
James Wallace	6	3	N/A	2
Executive Directors				
Charlie Cornish	6	N/A	N/A	N/A
Ken O'Toole	6	N/A	N/A	N/A
Neil Thompson	6	N/A	N/A	N/A

NOTES:

¹ Sir Adrian Montague was appointed to the Board of Manchester Airports Holdings Limited in September 2014.

² Mike Davies resigned from the Board of Manchester Airports Holdings Limited in September 2014.

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

GOVERNANCE SUMMARY

The Board is accountable to the shareholders for delivery of Group performance and is responsible for developing and setting the strategic direction of the Group. Each month the Board receives a comprehensive executive report covering commercial matters, operations and health and safety for the Group and a Group finance report. Directors receive timely and accurate information that allows them to discharge their duties effectively.

The Board also ensures that succession planning at Board and executive and senior manager level compliments the needs of our business via the Nominations Committee.

The Board has established a number of committees with specific delegated authority; more information on the membership and the terms of reference 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.

BOARD BALANCE AND INDEPENDENCE

The Board comprises the Chairman, three executive directors and nine non-executive directors. It is considered that the size of the Board is sufficient for the requirements of the business and that there is an appropriate balance of non-executive and executive directors on the Board.

All non-executive directors are appointed subject to objective capability criteria. The Board considers that all the non-executive directors are independent of management.

Since the roles of the Chairman and Chief Executive are not held by the same person and since there are only a small number of shareholders thus facilitating communication between the Group and its owners, a senior independent director is not considered necessary. The prior approval of the shareholders is required in respect of all Board appointments.

The day to day management of the Group and the delivery of Group financial and operational objectives is the responsibility of the Chief Executive who is supported by EXCO. During the year EXCO was structured as follows:

Chief Executive
Chief Financial Officer
Chief Commercial Officer
Chief Operating Officer
Group HR and Transformation Director
Divisional CEO M.A.G Developments

Corporate Affairs Director
Managing Director, Stansted
General Counsel and Company Secretary

CONFLICTS OF INTEREST

Since 1 October 2008, directors have been 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. The procedures permit any authorisation to be subject to any limits and/or conditions that the directors think fit.

BOARD PROCESSES AND PROCEDURES

The Group has a formal induction programme for all new directors joining the Board which comprises key written information, meetings with members of the senior management team and site visits. The Group undertakes to provide the necessary resources for updating directors' knowledge by providing them with relevant information concerning both the Group and their responsibilities as directors. In addition, there is a procedure whereby the directors are able to take independent advice in relation to their duties at the Group's expense, if appropriate.

During the year an evaluation of the effectiveness of the Board's performance and its committees was carried out. This was an internal exercise. A questionnaire was prepared, circulated and formed the basis of one to one discussions with the directors. The review found that directors are generally satisfied with the operation of the Board and its committees. However, they have adopted recommendations on the structure of the meetings to ensure the most efficient use of Board time.

BOARD COMMITTEES

The principal committees are as follows:

Audit Committee

The members of the Audit Committee at 31 March 2015 are James Wallace (Chairman), Vanda Murray, Manoj Mehta and Kieran Quinn.

Reports and Financial Statements

CORPORATE GOVERNANCE STATEMENT **continued**

The Audit Committee is responsible for reviewing the Group's financial statements, internal control procedures, legal and regulatory compliance, risk management assessments, controls and procedures and matters including the appointment, independence, performance and cost effectiveness of the Group's external auditors. 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;
- the Director of Group Risk Assurance presents a report on risk management and internal audit (including matters relating to the whistle blowing policy) to each meeting;
- Board control procedures and the effectiveness of Internal Audit are reviewed in March each year.

The Audit Committee has established a policy on the engagement of the external auditors for non-audit services. The Audit Committee receives a report providing details of non-audit services (and related fees) carried out by the external auditors. This report is used by the Committee to monitor and review the independence and objectivity of the external auditors. An analysis of the fees earned by the Group's auditors for audit and non-audit services is disclosed in Note 8 of the financial statements.

All members of the Audit Committee are non-executive directors. The Board is satisfied that James Wallace has recent and relevant financial experience. The Audit Committee meets at least three times a year. The external auditors, the Chief Executive, the Chief Financial Officer and the Director of Group Risk Assurance regularly attend meetings with the Audit Committee. The Director of Group Risk Assurance also has the opportunity to meet with the Chairman of the Audit Committee without executive management being present.

Remuneration Committee

At 31 March 2015 the Remuneration Committee's members are Angela Spindler (Chair), Christian Seymour, Sir Richard Leese and Vanda Murray. All members of the Remuneration Committee are non-executive directors.

The Remuneration Committee is responsible for reviewing and formulating remuneration policy (including bonuses, long term incentives and pension benefits) for executive directors and senior executives within the Group.

In addition, it sets annual performance targets for the Chief Executive and appraises performance against these targets.

This committee meets at least twice a year and at other times as it sees fit. The terms of reference for the Committee are as follows;

- to develop and establish policy on executive remuneration and to set the remuneration packages of individual executive directors and senior executives within M.A.G;
- to determine the total individual remuneration packages for the Chief Executive, executive directors and senior executives;
- to determine short term incentives and long term incentives for executive directors and senior executives;
- to determine the policy for and scope of pension arrangements and employee benefits;
- to set annual performance targets for the Chief Executive and to review the performance of the Chief Executive against such targets, including approving the total annual payments made against such targets;
- to review and agree the performance targets proposed by the Chief Executive for the executive directors and senior executives and monitor the appraisals carried out by the Chief Executive against such targets, including approving any payments made in relation to such targets; and
- to determine any termination and compensation settlements ensuring that failure is not rewarded and that the duty to mitigate loss is fully recognised.

The Chief Executive attends meetings with the Committee as and when appropriate. No director has any involvement in any decisions 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 2014-15 financial year by PricewaterhouseCoopers LLP. The Group HR and Transformation 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, to lead the process for potential appointments and to oversee succession planning in respect of the Board and senior executives. The appointment of the Chairman is managed by the shareholders. The Committee meets at least once a 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 SOCIAL RESPONSIBILITY

The Group recognises the increasing importance of effective management of corporate social responsibility (CSR) and the link between CSR and corporate governance. The Group acknowledges its responsibilities to its stakeholders, shareholders, employees, customers and the wider communities its airports serve and endeavours to inform them of the way it conducts its business.

Corporate, social and ethical risks are identified and managed pursuant to the Group's risk assessment and management process. More information on the Group's commitment to CSR can be found in the Corporate Social Responsibility Report on pages 34 to 43.

INTERNAL CONTROL

The directors are responsible for the Group's system of internal control, which aims to safeguard assets and shareholders' investment, to ensure that proper accounting records are maintained, to ensure compliance with statutory and regulatory requirements and to ensure the effectiveness and efficiency of operations. A system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

On behalf of the M.A.G Group Board, the Audit Committee has received the Chief Executive's annual report and Director of Risk & Assurance's annual report and has conducted its annual review of the effectiveness of the system of internal control. For 2014-15, the internal assurance team have concluded that the risk management activities and controls in the areas examined were found to be suitably designed to achieve the Group's risk management and governance objectives. Based on sample testing, in-year follow up work, and management's commitment to implement agreed control improvement recommendations, M.A.G's internal controls were operating with sufficient effectiveness to provide reasonable assurance that the Group's risk management, control and governance objectives were achieved by the end of the period under review.

CONTROL ENVIRONMENT

The Group's overall 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;
- regular Board meetings;
- 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 performance on a monthly basis against budget and 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;
- Group Finance subjecting various levels of review to each business unit and make 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 review 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 the consolidated financial statements;
- 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.

RISK MANAGEMENT

The management of risks rests ultimately with the Board. These risks include health and safety, security, environmental, global economy, political and regulatory, strategy, cyber security and human resource. Further details of the management of risks can be found in the Risk Management Report on pages 28 to 33.

The Risk Assurance function, covering Risk Management, Internal Audit and Security, Quality Assurance, reports directly to the Chief Financial Officer.

Risk Registers are managed by individual risk owners and are updated on a regular basis. 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 enhanced risk management procedures have promoted greater awareness and that there is an ongoing process for the identification, evaluation and management of significant risks faced by the Group that is regularly reviewed by the Board.

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 signing of these accounts and after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these accounts. Further details of going concern review can be found in the Accounting Policies on pages 57 to 63.

Reports and Financial Statements

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 and 3i Group. He will be retiring from 3i Group in June 2015. 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, 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. Prior to joining M.A.G, Charlie was Managing Director of Utility Solutions, the commercial business of United Utilities (UU) with operations in UK, Middle East, Australia, Bulgaria, Poland, Estonia and 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 Managing Director, Manchester Airport in April 2015. Prior to this he was Chief Commercial Officer for M.A.G from January 2012. 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

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

NON-EXECUTIVE DIRECTORS

Mike Davies OBE

Retired as non-executive chairman of the Company in September 2014. Formerly chairman of Baxi Group, Marshalls plc, the Royal Mint and Non-executive Chairman of Pendragon PLC. Mike is a director of the Landau Forte Charitable Trust.

Sir Richard Leese

Appointed in March 2013. Leader of the City Council of Manchester since 1996. His other roles include Chair of Rail North and Transport for the North, Chair of LGA City Regions Board, Vice Chair of the Greater Manchester Combined Authority (GMCA), Chair of the North West Regional Leaders' Board and the Chair of the Core Cities Cabinet.

Manoj Mehta

Appointed in March 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 FCIM BA (Hons)

Appointed in January 2010, Vanda holds a portfolio of non-executive directorships: Bunzl plc; Exova plc; Microgen plc; and Fenner plc, where she is Senior Independent Director. She is also 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 appointed OBE in 2002 for services to industry and to export.

Kieran Quinn

Appointed in July 2012, 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 in March 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 in January 2008. 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, most recently as MD of George Clothing.

Baroness Elizabeth Symons

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 in January 2008. He is currently Chairman of Scapa Group PLC. He was formerly Chairman of Bodycote PLC.

Reports and Financial Statements

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; and
- link rewards to both individual and corporate performance, responsibility and contribution.

The policy seeks to provide total remuneration packages that position the Group competitively in the principal markets (both private and listed companies) where it competes for talent and which assist in attracting and retaining high-calibre management.

The Committee utilises the appropriate market intelligence to support this process and 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 executives have the opportunity to be rewarded for their contribution. This is achieved via participation in incentive 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 Remuneration 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 M.A.G 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 and will 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.

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 and the LTIP. This provision enables the Group to reduce awards or reclaim payments made, in the event of a material misstatement or error in the financial results, 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 Sir Richard Leese, Kieran Quinn, 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 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 Group provides pension benefits to eligible employees through legacy defined benefit arrangements or the M.A.G 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 SMART pension) was introduced in March 2010 in order to reduce National Insurance contributions payable by the Company and the 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.

Reports and Financial Statements

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

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 2015.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries comprise the Group ('the Group'). The principal activities of 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, together with income from airport commercial, retail activities and property.

RESULTS REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated results for the year under review are set out on page 64. The Company intends to continue its development of the Group as an operator of high quality airports and airport facilities, meeting the demand for air travel arising in the regions served, 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 including a Review of Operations and the Financial Review.

DIVIDENDS AND TRANSFERS TO RESERVES

The retained loss of for the year of £33.5m (2014: profit of £64.4m) after dividends paid of £77.0m (2014: £72.0m) will be transferred from (2014: to) reserves.

THE BOARD OF DIRECTORS

At 31 March 2015, the Board comprised

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

During the period, the following Board changes took place:

On 25 September 2014, Sir Adrian Montague was appointed Chairman following the retirement of Mike Davies.

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

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.

CHANGES TO THE BOARD OF DIRECTORS SINCE THE YEAR END

In April 2015, James Wallace informed the Board of his intention to step down following approval of the 2014-15 annual report and accounts.

Angela Spindler has been reappointed for a further term of one year with effect from 28 February 2015.

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 management of risks rests ultimately with the Board. These risks include health and safety, security, environmental, global economy, political, regulatory, strategy and human resource. Further details of the management of risks can be found in the Risk Management Report on pages 28 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 gender, sexual orientation, age, race, nationality, physical ability, political beliefs or religion. The Group does not tolerate harassment or discrimination of any kind. People with disabilities are given the same consideration as others when applying for jobs. 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 understand that diversity in its workforce provides access to a wider range of talents and skills, promoting greater creativity and innovation. By mirroring the communities and culture that surround it the Group believes it can better understand and anticipate the diverse needs of its customer base.

M.A.G is committed to promoting inclusion and creating a positive environment where individuals are valued and respected. With this in mind, M.A.G will be increasing its focus through a new diversity and inclusion agenda with a strong emphasis on leadership awareness and capability. We will be seeking to establish greater diversity in our talent pools at all levels of the business, providing access to, and visibility of, a better mix of potential individuals. The introduction of diversity and inclusion forums will further enhance M.A.G's position as an inclusive workplace with opportunity for the talents of all employees to create value, deliver a superior client experience and develop innovative solutions for the passengers and communities we serve.

The table below shows the split at different levels within the Group as at 31 March 2015.

	Male	Female	Total	% Male	% Female
Group Board	9	3	12	75	25
Executive Committee	7	3	10	70	30
Senior Management	42	13	55	76	24
Whole Company	2,885	1,703	4,588	63	37

Consultation and Communication

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole. During the year under review an employee survey was undertaken in which all employees had the opportunity to participate and provide their views.

The Group is constantly looking for ways to ensure that employees are able to participate and engage in the business. As part of the Trade Union recognition arrangements various employee forums exist for each business area, more information on consultation is provided in the report on corporate responsibility. In addition, briefings are cascaded throughout the organisation to communicate key business and operational issues and there is a Group wide in-house M.A.Gazine, which is produced on a quarterly basis.

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, Centre Point, 103 New Oxford Street, London, WC1A 1DU). 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 2015 was 22 days (2014: 19 days), which has been calculated in accordance with the average number of days between date of invoice and the payment of the invoice.

Indemnity

The Company's Articles of Association provide that to the extent permitted by the Companies Acts the Company can indemnify any director or former director of the Company or of any associated companies against any liability.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group and its subsidiaries during the year totalled £0.8m (2014: £0.9m). 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 will be proposed within the relevant period set out in section 485 or KPMG LLP will be deemed to be re-appointed where no such resolution is proposed following the period set out in section 485 in accordance with section 487.



Charlie Cornish

Chief Executive

M.A.G

For and on behalf of the Board of Directors

1 July 2015



Reports and Financial Statements continued

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).

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.

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



Charlie Cornish

Chief Executive
M.A.G

For and on behalf of the Board of Directors
1 July 2015

Group Financial Statements

INDEPENDENT AUDITOR'S REPORT

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 2015 set out on pages 57 to 100. 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 55, 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 2015 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 2015.

David Bills (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Peter's Square, Manchester M2 3AE

1 July 2015

ACCOUNTING POLICIES

GENERAL INFORMATION

Manchester Airport Holdings Limited 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 1 July 2015.

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 program according to affordability and business performance. At the year ended 31 March 2015, the Group had £1,438.9m (2014: £1,446.0m) of committed facilities and a net debt position of £1,152.0m (2014: £1,148.2m). The Group had financial headroom in excess of £250m at the year end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the board approved three-year business plan M.A.G is forecast to have financial headroom in excess of the Treasury Policy minimum target of £100m throughout 2015-16.

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 2015, 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 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 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 2014:

- IFRS 10, 'Consolidated financial statements': This amendment establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements.
- IFRS 11, 'Joint arrangements': This amendment shows 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.

Group Financial Statements continued

ACCOUNTING POLICIES **continued**

- IFRS 12, 'Disclosures of interests in other entities': This amendment clarifies the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IAS 27 (revised 2011), 'Separate financial statements': This amendment 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 amendment outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures.

These amendments have been incorporated as part of the assessment and disclosures in relation to M.A.G's investment in Airport City as an investment in Associate, as disclosed in Note 14.

In addition to the above, the adoption of the standards and interpretations detailed below hasn't had any material effect on the Group's results or net assets for the year ended 31 March 2015.

- IFRS 13, 'Fair value measurement': This amendment provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- 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 Statement of Financial Position.
- IAS 36, 'Impairment of Assets': Amendments arising from Recoverable Amount Disclosure for Non-Financial Assets.
- IAS 39, 'Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting'.

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 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 Directors do not anticipate that the adoption of these standards and interpretations 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.

BASIS OF CONSOLIDATION

These consolidated accounts include the Consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, and Statement of Cash Flows for Manchester Airports Holdings Limited and all of its subsidiaries.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power 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 Group 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 point of departure;
- aircraft departure and arrival charges levied according to weight and time of departure/arrival, recognised at point of departure;
- aircraft parking charges based upon a combination of weight and time parked, recognised at 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;
- rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term; and
- development profits are recognised upon legal completion of contracts.

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 to 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 acquisitions 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 is brought into use.

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful economic life, 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 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.

Group Financial Statements continued

ACCOUNTING POLICIES **continued**

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 to either earn rental income or for capital growth. The Group has elected to use the fair value model and therefore investment properties are initially recognised at cost and then revalued to fair value at the reporting date by an Independent Property Valuer. Investment properties are not depreciated. Gains or losses in 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 assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

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.

Group Financial Statements continued

ACCOUNTING POLICIES **continued**

TAXATION

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 taxation 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 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. Taxation and deferred tax, relating to items recognised directly in equity, are also recognised directly in equity. Deferred taxation 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 21% applicable to accounting periods ending 31 March 2015 (2014: 23%).

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, 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 plan 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 Group'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 Group's Board of Directors.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, the Group have 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 2015 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 year end and future returns on pension scheme assets and charges to the Income Statement. The factors have been determined in consultation with the Group's independent actuary taking into account market and economic conditions. Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in Note 26.

GOODWILL

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

Group Financial Statements continued

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £m Total Before Significant items	2015 £m Significant items	2015 £m Total After Significant items	2014 £m Total Before Significant items	2014 £m Significant items	2014 £m Total After Significant items
Continuing operations							
Revenue	1	738.4	-	738.4	671.2	-	671.2
Result from operations before significant items	4	153.6	-	153.6	117.4	-	117.4
Significant items							
Integration costs	3	-	-	-	-	(2.4)	(2.4)
Impairment of property, plant and equipment	3	-	-	-	-	(7.2)	(7.2)
Restructuring costs	3	-	(11.4)	(11.4)	-	(2.2)	(2.2)
Result from operations		153.6	(11.4)	142.2	117.4	(11.8)	105.6
Share of results of associate	14	(0.4)	-	(0.4)	-	-	-
Movement in investment property fair values		30.0	-	30.0	19.9	-	19.9
Movement in fair value of interest rate swaps		-	-	-	-	20.0	20.0
Finance costs							
(Loss)/gain on settlement of interest rate swaps	3	-	(3.9)	(3.9)	-	4.1	4.1
Finance costs		(73.0)	-	(73.0)	(62.9)	-	(62.9)
Finance costs – amortisation of issue costs	3	-	(4.6)	(4.6)	-	(5.9)	(5.9)
Result before taxation		110.2	(19.9)	90.3	74.4	6.4	80.8
Taxation	9	(25.7)	4.0	(21.7)	30.7	(2.6)	28.1
Result from continuing operations		84.5	(15.9)	68.6	105.1	3.8	108.9
Earnings per share expressed in pence per share – Continuing operations				21.66			34.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £m	2014 £m
Result for the year		68.6	108.9
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurements of retirement benefit liabilities	26	(31.5)	36.1
Deferred tax on remeasurements of retirement benefit liabilities	9	6.4	(7.2)
Effect of change in rate of corporation tax on deferred tax	9	-	(1.4)
Other comprehensive (expense)/income for the year		(25.1)	27.5
Total comprehensive income for the year		43.5	136.4

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

	Note	Attributable to equity holders of the Company			Total
		Share capital £m	Share premium £m	Reserves £m	£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		-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

	Note	Attributable to equity holders of the Company			Total
		Share capital £m	Share premium £m	Reserves £m	£m
Balance at 1 April 2013		316.7	687.2	519.8	1,523.7
Profit for the year		-	-	108.9	108.9
Remeasurements of retirement benefit liabilities net of tax		-	-	28.9	28.9
Dividends paid to equity holders	10	-	-	(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

Group Financial Statements continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Note	2015 £m	2014 £m
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,350.3	2,377.4
Intangible assets	13	49.5	40.0
Goodwill	13	166.3	166.3
Investment in associate	14	7.3	-
Investment properties	15	622.9	592.1
Derivative financial assets	23	-	3.4
Deferred tax assets	27	16.5	12.2
		3,212.8	3,191.4
CURRENT ASSETS			
Inventories	16	1.5	1.3
Trade and other receivables	17	75.3	70.9
Cash and cash equivalents	18	10.3	19.0
		87.1	91.2
LIABILITIES			
Current liabilities			
Borrowings	19	(20.0)	(12.1)
Trade and other payables	25	(171.2)	(144.7)
Deferred income		(18.7)	(18.3)
Current tax liabilities		(9.7)	(4.5)
		(219.6)	(179.6)
NET CURRENT LIABILITIES		(132.5)	(88.4)
Non-current liabilities			
Borrowings	19	(1,142.3)	(1,141.0)
Derivative financial liabilities	23	-	(17.5)
Retirement benefit liabilities	26	(73.4)	(40.2)
Deferred tax liabilities	27	(296.5)	(302.0)
Other non-current liabilities	28	(13.5)	(14.2)
		(1,525.7)	(1,514.9)
NET ASSETS		1,554.6	1,588.1
Shareholders' equity			
Share capital	29	316.7	316.7
Share premium	29	687.2	687.2
Retained earnings	30	550.7	584.2
Total equity		1,554.6	1,588.1

The financial statements on pages 57 to 100 were approved by the Board of Directors on 1 July 2015 and signed on its behalf by:



Charlie Cornish
Group Chief Executive
M.A.G

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

Note	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items	2014 £m Before significant items	2014 £m Significant items	2014 £m After significant items
Cash flows from operating activities:						
Result before taxation – continuing operations	110.2	(19.9)	90.3	74.4	6.4	80.8
Change in value of investment properties	(30.0)	-	(30.0)	(19.9)	-	(19.9)
Movement in fair value of interest rate swaps	-	-	-	-	(20.0)	(20.0)
Loss/(gain) on settlement of interest rate swaps	-	3.9	3.9	-	(4.1)	(4.1)
Share of results of associate	0.4	-	0.4	-	-	-
Net finance income and expense	73.0	-	73.0	62.9	-	62.9
Amortisation of issue costs	-	4.6	4.6	-	5.9 ²	5.9
Depreciation and amortisation	130.0	-	130.0	124.5	7.2	131.7
Profit on sale of property, plant and equipment	-	-	-	1.4	-	1.4
Increase in trade and other receivables and inventories	(3.3)	-	(3.3)	(13.9)	-	(13.9)
Release of grants	(0.7)	-	(0.7)	(0.7)	-	(0.7)
Increase in trade and other payables	28.2	-	28.2	7.3	-	7.3
Increase/(decrease) in retirement benefits provision	1.7	-	1.7	(1.2)	-	(1.2)
Cash generated from operations	309.5	(11.4)	298.1	234.8	(4.6)	230.2
Interest paid			(74.8)			(63.4)
Tax paid			(17.7)			(12.9)
Net cash from operating activities			205.6			153.9
Cash flows from investing activities						
Purchase of property, plant and equipment			(114.9)			(122.2)
Purchase of intangible assets			(10.5)			(10.0)
Investment in associate			(7.7)			-
Proceeds from transfer of assets to associate			10.0			-
Proceeds from sale of investment properties			-			0.9
Net cash used in investing activities			(123.1)			(131.3)
Cash flows from financing activities						
Increase in bank loan borrowings			7.9			12.1
Increase in other borrowings (net of issue costs)	21		355.9			445.3
Repayment of loans and borrowings			(360.0)			(450.0)
Cash (outflow)/inflow on settlement of interest rate swaps ¹			(18.0)			4.1
Dividends paid to shareholders			(77.0)			(72.0)
Net cash used in financing activities			(91.2)			(60.5)
Net decrease in cash and cash equivalents	34		(8.7)			(37.9)
Cash and cash equivalents at beginning of period			19.0			56.9
Cash and cash equivalents at end of period			10.3			19.0

NOTE:

- ¹ In April 2014 the Group terminated all of the remaining fixed interest rate swaps recognised on the Consolidated Statement of Financial Position as at 31 March 2014 of £14.1m for a total cash payment to the swap counterparties of £18.0m.
- ² The prior year balance of £5.9m has been categorised to be included within the significant items column within the cash flow, consistent with the presentation on the Consolidated Income Statement.

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. REVENUE

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

	2015 £m	2014 £m
Aviation income	378.8	342.7
Commercial income		
Retail concessions	134.3	119.4
Car parking	125.7	104.4
Property and property related income	46.4	45.9
Other	53.2	58.8
Total commercial income	359.6	328.5
Total income	738.4	671.2

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

Property related income includes rental income and income from the sale of property developments. Development profits are recognised upon completion of contracts.

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.

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.

2015	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	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 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 after significant items	76.9	51.3	10.6	10.4	0.9	(7.9)	142.2
Share of results of associate							(0.4)
Movement in investment property fair values							30.0
Movement in fair value of interest rate swaps							-
Finance costs (including significant items)							(81.5)
Result before taxation							90.3

2. BUSINESS AND GEOGRAPHICAL SEGMENTS *continued*

2015	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
Other information							
Segment assets	1,181.3	1,269.2	325.6	(Note 1)	82.5	441.3	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
Result – geographical location²							
Segment operating profit before significant items	85.8	59.2	12.0	(Note 2)	4.1	(7.5)	153.6
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	335.6	245.1	54.3	29.5	10.2	(3.5)	671.2
Inter-segment sales ⁴	(0.9)	-	-	(2.7)	-	3.6	-
Total revenue	334.7	245.1	54.3	26.8	10.2	0.1	671.2
Result							
Segment operating profit before significant items	68.0	33.5	9.2	12.8	0.8	(6.9)	117.4
Significant items	-	(11.8)	-	-	-	-	(11.8)
Segment operating profit after significant items	68.0	21.7	9.2	12.8	0.8	(6.9)	105.6
Share of results of associate							-
Movement in investment property fair values							19.9
Movement in fair value of interest rate swaps							20.0
Finance costs (including significant items)							(64.7)
Result before taxation							80.8
Other information							
Segment assets	1,168.7	1,357.7	322.7	(Note 1)	82.7	350.8	3,282.6
Segment liabilities	(238.2)	(139.6)	(70.2)	(Note 1)	(9.3)	(1,237.2)	(1,694.5)
Capital expenditure	54.1	53.9	19.2	(Note 1)	0.5	-	127.7
Depreciation	55.1	55.4	7.2	5.3	0.8	0.7	124.5
Taxation	(18.8)	0.5	(5.5)	(Note 1)	(2.1)	(2.2)	(28.1)

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

2. BUSINESS AND GEOGRAPHICAL SEGMENTS *continued*

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
Result – geographical location²							
Segment operating profit before significant items	75.5	33.5	10.4	(Note 2)	5.0	(7.0)	117.4

NOTES:

- 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.
- 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.
- 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.
- Sales between segments are at arm's length.

3. SIGNIFICANT ITEMS

	2015 £m	2014 £m
Recorded in result from operations:		
Integration costs ¹	-	2.4
Impairment of property, plant and equipment ²	-	7.2
Restructuring costs ³	11.4	2.2
Total recorded in result from operations	11.4	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	-	(20.0)
Total recorded in result before taxation	3.9	(24.1)
Total significant items	19.9	(6.4)

NOTES:

- Integration costs**
Integration costs of £nil (2014: £2.4m) relate to the separation of London Stansted Airport processes and systems from its previous owner.
- Impairment of property, plant and equipment**
Impairment of £7.2m in the prior year following the assets being removed at London Stansted Airport as part of the wider terminal transformation project.
- Restructuring costs**
Restructuring costs of £11.4m (2014: £2.2m) have been incurred in respect of an organisational efficiency programme.
- Amortisation of issue costs**
Following the restructuring and refinancing of the Group, unamortised issue costs of £4.6m (2014: £5.9m) were written off following issue of the associated financial liability of £360.0m (2014: £450.0m).
- Net loss/(gain) on settlement of interest rate swaps**
This represents the net loss/(gain) on settlement of interest rate swaps.
- 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

	2015	2014
	£m	£m
Turnover	738.4	671.2
Wages and salaries ¹	(140.4)	(129.6)
Social security costs	(11.5)	(10.8)
Pension costs	(14.0)	(13.1)
Employee benefit costs	(165.9)	(153.5)
Depreciation	(130.0)	(124.5)
Profit on disposal of fixed assets	-	1.4
Other operating charges ²	(288.9)	(277.2)
Result from operations before significant items	153.6	117.4

NOTES:

¹ Wages and salary costs are disclosed before restructuring costs amounting to £11.4m (2014: £2.2m) 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:

	2015	2014
	Number	Number
By location		
Manchester Airport	2,433	2,226
London Stansted Airport	1,301	1,306
East Midlands Airport	532	534
Bournemouth Airport	160	165
	4,426	4,231

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

6. DIRECTORS' EMOLUMENTS

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 50 to 51 in the Remuneration Report.

	2015	2014
	£m	£m
Directors' emoluments		
Aggregate emoluments	4.3	4.1

An amount of £94,952 (2014: £123,561) was paid in to money purchase schemes in respect of three directors (2014: three). Included within the amounts above is £1.3m (2014: £1.2m paid in July 2014) payable in July 2015 relating to the 2012-2015 LTIP plan after certain targets were met over the three year period. As the financial performance in respect to the 2013 and 2014 plans is so uncertain at this stage, no value in relation to these awards is included above.

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

6. DIRECTORS' EMOLUMENTS *continued*

	2015	2014
	£m	£m
Key Management compensation		
Aggregate emoluments	7.6	6.4

Key management for the Group is the Board of Directors and members of the Executive Committee (EXCO) who control and direct the Group's operational activities and resources. Included within the amounts above is £1.9m (2014: £1.6m paid in July 2014) payable in July 2015 relating to the 2012-2015 LTIP plan after certain targets were met over the three year period. As the financial performance in respect to the 2013 and 2014 plans is so uncertain at this stage, no value in relation to these awards is included above.

	2015	2014
	£m	£m
Highest paid director		
Aggregate emoluments and benefits	1.7	1.6

7. FINANCE COSTS

	Note	2015	2014
		£m	£m
Interest payable on bank loans and overdrafts		4.7	26.6
Interest payable on bonds		36.3	2.7
Interest payable on other borrowings		30.3	30.3
Interest cost on defined benefit pension schemes	26	1.7	3.3
		73.0	62.9
Shown within significant items:			
Amortisation of issued costs on previous financing		4.6	5.9
Loss/(gain) on settlement of interest rate swaps		3.9	(4.1)
		8.5	1.8
Total finance costs		81.5	64.7

8. RESULT BEFORE TAXATION

	Note	2015	2014
		£m	£m
Result before taxation has been arrived at after charging/(crediting):			
Hire of plant and machinery – operating leases		0.4	0.3
Hire of other assets – operating leases		22.0	21.2
Release of capital based grants		(0.7)	(0.7)
Depreciation of property, plant and equipment:			
Owned assets – continuing operations	12	129.0	124.5
Amortisation of intangible assets	13	1.0	-
Profit on disposal of property, plant and equipment and investment properties		-	(1.4)
Significant items	3	11.4	11.8
Increase in fair value of investment property	15	(30.0)	(19.9)
Employee benefit costs	4	165.9	153.5

8. RESULT BEFORE TAXATION *continued*

	Note	2015 £m	2014 £m
Auditors remuneration:			
Fees payable to Company's Auditors and its associates for the audit of the parent company, Consolidated Financial Statements and subsidiaries accounts		0.2	0.3
Amounts receivable by auditors and their associates in respect of:			
Other services relating to taxation		0.2	0.1
All other services		-	0.1
Total Auditors remuneration		0.4	0.5

Impairment of property plant and equipment, restructuring costs and integration costs have been shown as significant items on the face of the Income Statement. Further details of these items is 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

	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items	2014 £m Before significant items	2014 £m Significant items	2014 £m After significant items
Current taxation						
UK Corporation tax on profits for the year	31.6	(1.2)	30.4	26.5	(1.4)	25.1
Adjustment in respect of prior year	(5.2)	-	(5.2)	(5.2)	-	(5.2)
Total current taxation	26.4	(1.2)	25.2	21.3	(1.4)	19.9
Deferred taxation						
Temporary differences arising in the period	(2.4)	(2.8)	(5.2)	(3.7)	4.0	0.3
Adjustment in respect of prior year	1.7	-	1.7	(4.4)	-	(4.4)
Effect of change in rate of corporation tax	-	-	-	(43.9)	-	(43.9)
Total ordinary deferred taxation	(0.7)	(2.8)	(3.5)	(52.0)	4.0	(48.0)
Total taxation charge/(credit)	25.7	(4.0)	21.7	(30.7)	2.6	(28.1)

TAXATION ON ITEMS CHARGED TO EQUITY

	2015 £m	2014 £m
Deferred taxation on remeasurements of retirement benefit liabilities	(6.4)	7.2
Effect of change in rate of corporation tax	-	1.4
	(6.4)	8.6

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

9. TAXATION *continued*

FACTORS AFFECTING THE TAXATION CHARGE FOR THE YEAR

The total taxation charge for the year ended 31 March 2015 is lower than the standard rate of corporation taxation in the UK of 21% (2014: 23%). The differences are explained below.

	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items	2014 £m Before significant items	2014 £m Significant items	2014 £m After significant items
Result before taxation	110.2	(19.9)	90.3	74.4	6.4	80.8
Result before taxation multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	23.1	(4.1)	19.0	17.1	1.5	18.6
Effect of:						
Origination and reversal of temporary differences	1.3	0.1	1.4	2.3	(0.6)	1.7
Non-taxable items	4.8	-	4.8	3.4	1.7	5.1
Adjustments to prior year taxation charge	(3.5)	-	(3.5)	(9.6)	-	(9.6)
Effect of change in rate of corporation tax	-	-	-	(43.9)	-	(43.9)
Total taxation debit/(credit)	25.7	(4.0)	21.7	(30.7)	2.6	(28.1)

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 at 31 March 2015 have therefore been calculated at 20%.

10. DIVIDENDS

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the year:		
Dividends paid in relation to the year ended 31 March 2014 of 14.52 pence (2013: 22.73 pence) per share	77.0	72.0
Interim dividend for the year ended 31 March 2015 of 9.79 pence (2014: nil pence) per share	31.0	-
Proposed normal dividend for the year ended 31 March 2015 of 19.58 pence (2014: 14.52 pence) per share	62.0	46.0
Total dividends for the year ended 31 March 2015 of 29.37 pence (2014: 14.52 pence) per share	93.0	46.0

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 outstanding 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.

	2015			2014		
	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	68.6	316.7	21.66	108.9	316.7	34.39
EPS attributable to ordinary shareholders – before significant items	84.5	316.7	26.68	105.1	316.7	33.19
EPS attributable to ordinary shareholders – after significant items	68.6	316.7	21.66	108.9	316.7	34.39

12. PROPERTY, PLANT AND EQUIPMENT

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 (to investment properties) ¹⁵	-	26.7	14.5	44.4	(89.1)	(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
Carrying amount						
At 31 March 2014	154.0	318.0	1,682.6	139.9	82.9	2,377.4
2014						
Cost						
At 1 April 2013	217.0	421.4	2,018.4	491.9	66.0	3,214.7
Additions	-	-	-	-	127.7	127.7
Reclassification	-	38.2	15.6	49.6	(110.8)	(7.4)
Impairment	-	(19.7)	-	(1.1)	-	(20.8)
Disposals	(0.3)	(11.9)	(18.2)	(38.0)	-	(68.4)
At 31 March 2014	216.7	428.0	2,015.8	502.4	82.9	3,245.8
Depreciation						
At 1 April 2013	58.8	97.3	307.5	362.0	-	825.6
Charge for the period	3.9	37.1	43.9	39.6	-	124.5
Impairment	-	(12.5)	-	(1.1)	-	(13.6)
Disposals	-	(11.9)	(18.2)	(38.0)	-	(68.1)
At 31 March 2014	62.7	110.0	333.2	362.5	-	868.4
Carrying amount						
At 31 March 2014	154.0	318.0	1,682.6	139.9	82.9	2,377.4
At 31 March 2013	158.2	324.1	1,710.9	129.9	66.0	2,389.1

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

13. INTANGIBLE ASSETS

	Goodwill £m	Other Intangible assets £m	Total £m
Cost			
At 1 April 2014	166.3	40.0	206.3
Additions	-	10.5	10.5
At 31 March 2015	166.3	50.5	216.8
Amortisation			
Charge for the period	-	1.0	1.0
At 31 March 2015	-	1.0	1.0
Carrying amount			
At 31 March 2015	166.3	49.5	215.8
At 31 March 2014	166.3	40.0	206.3

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 arising in 2013 followed the acquisition of London Stansted Airport Limited ("London Stansted").

The recoverable amount of the Stansted cash generating unit has been determined from value in use calculations. Key assumptions for the value in the calculation are those regarding discount rates, terminal value growth rates and 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 and the risks specific to the cash generating unit. In determining the discount rate, management have sought to arrive at a pre-tax 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 0.82 unlevered beta and a risk free rate based on long term UK Government gilts. The assumption for the cost of debt is consistent with the current cost of debt throughout the forecast period. Consequently, the rate used to discount the forecast cash flows was calculated as 6.7%. The long term growth rate used in calculating the terminal value was 2.5%.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering five years. The Group used detailed longer term forecasts, to review a period for a further 20 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 250 basis points, in addition to limiting growth to 2.5% from year 5 onwards, for an impairment to be triggered.

Other intangible assets

The Group has secured rights to ensure that the Greater Manchester Metrolink light rail system is 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 have been capitalised and are being amortised over 20 years, which the directors believe to be the foreseeable period over which the majority of the benefits from the service will accrue to the Airport.

The Airport spur of the Metrolink became fully operational in November 2014, which was the trigger for the commencement of amortisation.

14. INVESTMENT IN ASSOCIATE

2015

	£m
Cost and carrying value	
At 1 April 2014	-
Investment in associate	7.7
Group's share of associate ¹ loss for the year	(0.4)
At 31 March 2015	7.3

NOTE:

- 1 Included within the investment in associate balance is an amount of £2.7m relating to M.A.G'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 and logistics and advanced manufacturing, was formally constituted on 8 October 2014. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 revised 'Investment in Associates' in classifying the Group's 50% share in Airport City as an Associate, determining that M.A.G 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%, meaning that M.A.G 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 agree to the Airport City financial statements prepared to the same date. Summarised financial information in respect to the investment in Airport City is as follows.

	2015
	£m
Total Assets	12.1
Total Liabilities	(2.9)
Net Assets	9.2
Group's share of Net Assets	4.6
Revenue	-
Loss for the year	(0.8)
Group's share of Associates loss for the year	(0.4)

In addition to the investment detailed above, as part of the Airport City partnership the Group will guarantee Airport City's obligation to pay its equity contribution of up to £30m if required.

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

15. INVESTMENT PROPERTIES

2015	Investment properties £m
Cost or valuation	
At 1 April 2014	592.1
Reclassification from assets in the course of construction ¹²	3.5
Reclassification to operational assets 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
2014	Investment properties £m
Cost or valuation	
At 1 April 2013	566.4
Reclassification from assets in the course of construction ¹²	7.4
Disposals	(1.6)
Revaluation	19.9
At 31 March 2014	592.1
Carrying amount	
At 31 March 2014	592.1
At 31 March 2013	566.4

Investment properties

The fair value of the Group's commercial investment property at 31 March 2015 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 £36.3m (2014: £32.6m). Direct operating expenses arising on the investment property in the period amounted to £5.4m (2014: £5.4m). This includes £0.4m (2014: £0.6m) of operating costs where no income was derived.

16. INVENTORIES

	2015 £m	2014 £m
Consumables	1.5	1.3
	1.5	1.3

17. TRADE AND OTHER RECEIVABLES

	2015	2014
	£m	£m
Trade receivables	46.4	38.4
Other receivables	1.3	1.0
Prepayments and accrued income	27.3	31.5
Amounts receivable from associate	0.3	-
	75.3	70.9

The average credit period taken on sales is 19 days (2014: 17 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £0.6m (2014: £1.2m). 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:

	2015	2014
	£m	£m
Debt due over 90 days	0.5	0.8
Total	0.5	0.8

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

	£m
Balance at 1 April 2014	1.2
Increase in allowance for impaired receivables	0.1
Provision utilised	(0.7)
Balance at 31 March 2015	0.6

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:

	2015	2014
	£m	£m
Less than 60 days	-	0.2
60 to 90 days	0.1	0.2
Over 90 days	0.5	0.8
Total	0.6	1.2

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

18. CASH AND CASH EQUIVALENTS

	2015	2014
	£m	£m
Cash at bank and in hand	10.3	19.0
	10.3	19.0

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

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

19. BORROWINGS AND DERIVATIVE FINANCIAL LIABILITIES

	Note	2015 £m	2014 £m
Bank loans	20	109.1	456.4
Bonds	21	801.8	445.3
Other borrowings	22	251.4	251.4
Derivative financial liabilities – interest rate swaps	23	-	17.5
		1,162.3	1,170.6
Borrowings are repayable as follows:			
In one year or less, or on demand			
Bank loans	20	20.0	12.1
		20.0	12.1
In more than one year, but no more than two years			
Bank loans		-	-
Derivative financial liabilities – interest rate swaps		-	-
		-	-
In more than two years, but no more than five years			
Bank loans		89.1	444.3
Derivative financial liabilities – interest rate swaps		-	17.5
		89.1	461.8
In more than five years – due other than by instalments			
Bonds		801.8	445.3
Other borrowings		251.4	251.4
		1,053.2	696.7
Non Current Borrowings		1,142.3	1,158.5
Total Borrowings and derivative financial liabilities		1,162.3	1,170.6

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.

The Initial ACF Agreement has total facilities of £390.0m (2014: £750.0m), comprising a Secured Senior Term Facility of £90.0m (2014: £450.0m) and a Senior Secured Revolving Credit Facility of £300.0m (2014: £300.0m). The Initial ACF Agreement terminates in February 2018.

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. All proceeds from the issue of the bond (net of certain issuance fees) were used to repay a portion of the Secured Senior 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 current Secured Senior Term Facility.

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

The Group's borrowings, with the exception of the shareholder loan which is unsecured, are all secured via a fixed and floating charge over substantially all of the assets of the Group.

20. BANK LOANS

	2015 £m	2014 £m
Secured Term Facility repayable on or before July 2014	-	12.1
Secured Senior Term Facility	90.0	450.0
Secured Revolving Credit Facility	20.0	-
Less: unamortised debt issue costs ¹	(0.9)	(5.7)
	109.1	456.4

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 2015 the Group had £267.0m (2014: £282.0m) 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 (£20.0m drawn at 31 March 2015) less certain carve-outs in respect of ancillary facilities of £13.0m. 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

	2015 £m	2014 £m
Repayable other than by instalments		
M.A.G bond 4.125% £360.0m due 2024	360.0	-
M.A.G bond 4.75% £450.0m due 2034	450.0	450.0
Less: discount on issue	(2.2)	(1.2)
Less: unamortised debt issue costs	(6.0)	(3.5)
	801.8	445.3

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.

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

22. OTHER BORROWINGS

	2015 £m	2014 £m
Repayable by other than by instalments		
Shareholders' loan	251.9	251.9
Less: unamortised debt issue costs	(0.5)	(0.5)
	251.4	251.4

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

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

23. DERIVATIVE FINANCIAL LIABILITIES

	Notional 2015 £m	Assets 2015 £m	Liabilities 2015 £m	Notional 2014 £m	Assets 2014 £m	Liabilities 2014 £m
Derivative financial assets						
Pay fixed, receive floating interest rate swaps – maturing 2018	-	-	-	135.0	3.4	-
Derivative financial liabilities						
Pay fixed, receive floating interest rate swaps – maturing 2023	-	-	-	225.0	-	(16.2)
Pay fixed, receive floating interest rate swaps – maturing 2024	-	-	-	135.0	-	(1.3)
Total – derivative financial instruments	-	-	-	495.0	3.4	(17.5)

In April 2014 the Group terminated all of the pay fixed, receive floating interest rate swaps recognised on the Statement of Financial Position as at 31 March 2014 for a cash payment to the swap counterparties of £18.0m.

24. FINANCIAL INSTRUMENTS

Risk management

The Group's activities expose it to a variety of financial risks. The Group's funding, liquidity and exposure to interest rate risks are 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 has an exposure to interest rate risk, arising principally on changes in sterling interest rates. To mitigate interest rate risk, 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. The cash balances attract interest at floating rates.

Liquidity risk

The principal sources of the Group's liquidity risk is 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 no more than 35% of gross borrowings less cash and cash equivalents. All cash and cash equivalents are held on short-term deposit with Board limits in respect of term limits. Moreover, debt facilities are maintained at a level that is sufficient to provide a reasonable surplus beyond the future needs of the Group.

At the year ended 31 March 2015, M.A.G had £1,438.9m (2014: £1,446.0m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £1,152.0m (2014: £1,148.2m). M.A.G had financial headroom of £287.3m (2014: £316.0m) 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 M.A.G is forecast to have financial headroom in excess of the minimum treasury policy target of £100.0m throughout 2015-16.

Foreign Exchange Risk

The Group is not materially exposed to foreign exchange risk as all material transactions and financial instruments are in sterling.

Capital Management

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

24. FINANCIAL INSTRUMENTS *continued*

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 our 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 past due debts 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 2015 was as follows:

	2015 £m	2014 £m
Fixed rate financial liabilities	1,053.2	696.7
Floating rate financial liabilities	109.1	456.4
Pay fixed, receive floating interest rate swaps	-	17.5
	1,162.3	1,170.6

The pay fixed, receive floating interest rate swaps have a notional amount of £nil (2014: £360.0m).

The Term Facility bears an interest rate based on LIBOR (either 3 month or 6 month) plus a credit margin. The overdrafts bear interest at Bank of England Base Rate plus a credit margin. The Revolving Credit Facility bears 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. The impact of a change in interest rates on the fair value of derivative financial instruments has been taken into account when calculating the potential impact.

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

	2015 £m	2014 £m
Impact on the Income Statement	(1.0)	31.2
Impact on equity	-	(0.8)
	(1.0)	30.4

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

	2015	2014
Weighted average annual interest rate	6.26%	6.43%
Weighted average period for which interest rate is fixed	20yr 6m	21yr 4m

The weighted average period for non-interest bearing liabilities as at 31 March 2015 was 1 year (2014: 1 year).

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

24. FINANCIAL INSTRUMENTS *continued*

(c) Maturity analysis of financial liabilities

The table below shows the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and the net settled derivative financial instruments as at 31 March 2015 to the contract maturity date.

	Derivative financial liabilities	Non- derivative financial instruments	Total 2015	Derivative financial liabilities	Non-derivative financial instruments	Total 2014
	£m	£m	£m	£m	£m	£m
In one year or less, or on demand	-	88.6	88.6	6.9	72.9	79.8
In more than one year but not more than two years	-	69.3	69.3	4.3	65.5	69.8
In more than two years but not more than five years	-	425.9	425.9	3.3	648.9	652.2
In more than five years	-	2,345.7	2,345.7	8.6	2,095.6	2,104.2
	-	2,929.5	2,929.5	23.1	2,882.9	2,906.0

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 2015, the Group had an undrawn committed borrowing facility available amounting to £267.0m (2014: £282.0m).

	2015 Floating rate £m	2014 Floating rate £m
Expiring in less than one year	-	-
Expiring in one to two years	-	-
Expiring in more than two years	267.0	282.0
	267.0	282.0

24. 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 2015 and 2014. 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 £m	2015 Fair value £m	Carrying amount £m	2014 Fair value £m
Financial liabilities:					
Instruments held at fair value					
Interest rate swaps used for hedging liabilities (net)		-	-	(17.5)	(17.5)
Instruments held at amortised cost					
Bank loans and overdrafts		(109.1)	(109.1)	(456.4)	(456.4)
Trade payables		(30.8)	(30.8)	(24.7)	(24.7)
Bonds		(801.8)	(930.1)	(445.3)	(455.2)
Other borrowings		(251.4)	(326.5)	(251.4)	(282.8)
		(1,193.1)	(1,396.5)	(1,195.3)	(1,236.6)
Financial assets:					
Instruments held at fair value					
Derivative financial assets		-	-	3.4	3.4
Instruments held at amortised cost					
Cash at bank and in hand		10.3	10.3	19.0	19.0
Trade receivables		46.4	46.4	38.4	38.4
Other assets held at fair value					
Investment Properties	15	622.9	622.9	592.1	592.1
		679.6	679.6	652.9	652.9
Net financial liabilities		(513.5)	(716.9)	(542.4)	(583.7)

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.

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

24. 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 the carrying value given their floating rate basis and interest setting frequency. The carrying value is net of unamortised issue costs.
Derivative financial instruments	The fair value of the Group's interest rate swaps is determined using the present value of the estimated future cash flows based on observable yield curves.
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 the carrying value as all deposits have same day access.
Trade receivables and payables	The fair value of trade receivables approximates 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 2015 £m	Carrying amount 2014 £m
Trade receivables	46.4	38.4
Cash at bank and in hand	10.3	19.0
Derivative financial assets	-	3.4
Credit exposure	56.7	60.8

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

25. TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
Trade payables	30.8	24.7
Other taxation and social security	3.7	3.6
Other payables	10.8	10.5
Accruals	123.7	105.2
Amount owing to associate	1.5	-
Capital-based grants	0.7	0.7
	171.2	144.7

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

26. RETIREMENT BENEFITS

Defined contribution schemes

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

The total cost charged to income of £3.1m (2014: £2.7m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2015, there was £nil (2014: £0.4m) of contributions due in respect of the current reporting period that had not been paid over to the schemes.

Defined benefit schemes

The Group operates four defined benefit pension schemes as follows:

- The Greater Manchester Pension Fund;
- M.A.G (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 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.

M.A.G participates in the Greater Manchester Pension Fund 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 obligations measured using prudent assumptions (relative to those used to measure accounting liabilities).

The trustees' other duties included managing the investment of scheme assets, administration of scheme benefits and exercising of 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 2015 amounted to £10.7m (2014: £16.0m), there were no one off contributions this financial year (2014: £nil).

Total employees pension contributions for defined benefit schemes across the Group during the year ended 31 March 2015 amounted to £2.9m (2014: £2.7m), there were no one off contributions this financial year (2014: £nil).

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

The Greater Manchester Pension Fund (GMPF)

Certain employees of the Group in defined benefit pension schemes, participate in the Greater Manchester Pension Fund (GMPF) administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £5.6m (2014: £5.1m) related to payments into the Greater Manchester Pension Fund.

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 the service lives of the members. These costs are determined by an independent qualified actuary and any variations from regular costs, and are spread over the remaining working lifetime of the current members.

M.A.G (STAL) Pension Scheme

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. As part of the condition of the purchase, a new defined benefit pension scheme was set up in order to provide mirror benefits to those employees who had previously participated in the BAA pension scheme prior to Stansted Airport Limited's disposal from the Heathrow Airport Holdings Limited Group. Current employees transferred their accrued benefits to the M.A.G (STAL) Pension Scheme. So no liability for pensioners or deferred members was transferred. A full actuarial valuation of the M.A.G (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 the latest actuarial valuation was £104.9m, which represented approximately 104.9% of the present value of the liabilities. The Fund 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 – 6 April 2014
- Airport Ventures Pension Scheme – 1 August 2013.

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

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 **continued**

26. RETIREMENT BENEFITS **continued**

The other schemes are not significant to the Group and details of their valuations 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 amendment to IAS 19 has changed the accounting for defined benefit schemes and termination benefits. The interest cost and expected

return on scheme assets used in the previous version of IAS 19 have been replaced with a "net interest" amount which is calculated by applying a discount rate to the net defined benefit obligation. This amendment has a corresponding impact on actuarial gains and losses recognised in the statement of comprehensive income, with no overall change to the net retirement benefit liability in the Statement of Financial Position.

The key assumptions used are as follows:

	GMPF		M.A.G (STAL)		EMIA		AVPS	
	2015	2014	2015	2014	2015	2014	2015	2014
Rate of increase in salaries	3.05%	3.45%	3.05%	3.45%	2.00%	2.00%	N/A	N/A
Rate of increase of pensions in payment	2.05%	2.45%	2.05%	2.45%	2.05%	2.45%	2.05%	2.45%
Discount rate	3.30%	4.40%	3.40%	4.50%	3.30%	4.40%	3.20%	4.30%
Inflation assumption	2.05%	2.45%	2.05%	2.45%	2.05%	2.45%	2.05%	2.45%
Longevity at age 65 for current pensioners								
Males	21.0 years	21.0 years	24.7 years	24.6 years	23.9 years	22.1 years	21.5 years	21.5 years
Females	23.5 years	23.5 years	27.8 years	27.6 years	26.2 years	24.5 years	23.8 years	23.8 years
Longevity at age 45 for current members								
Males	23.0 years	23.0 years	26.0 years	26.1 years	25.3 years	23.5 years	22.7 years	22.8 years
Females	25.7 years	25.7 years	29.4 years	29.1 years	27.7 years	26.0 years	25.3 years	25.3 years

The longevity assumptions for the M.A.G (STAL) scheme reflect the higher profile of active scheme members, compared 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, M.A.G (STAL) and EMIA hold a significant proportion of their assets in return-seeking fund. The returns on these assets may be volatile and are not 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 scheme's 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 out turn level 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 scheme's 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.

26. RETIREMENT BENEFITS *continued*

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

	Fair value of plan assets £m	Present value of defined benefit obligation £m	(Deficit)/Surplus in the scheme £m
GMPP¹			
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)
2011	297.7	(335.3)	(37.6)
M.A.G (STAL)			
2015	130.3	(134.9)	(4.6)
2014	113.9	(107.1)	6.8
2013	105.7	(112.5)	(6.8)
EMIA			
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)
2011	38.7	(45.8)	(7.1)
AVPS²			
2015	3.6	(3.6)	-
2014	3.1	(3.1)	-
2013	3.5	(3.5)	-
2012	3.0	(3.0)	-
2011	3.0	(3.0)	-
Total²			
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)
2011	339.4	(384.1)	(44.7)

NOTES:

1 The figures as shown represent the proportion of the schemes which are attributable to the Group. £6.7m (2014: £6.5m) of the liabilities are unfunded.

2 The AVPS has a surplus of £0.8m (2014: £0.7m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 continued

26. RETIREMENT BENEFITS continued

Plan Assets

	GMPF (1)		M.A.G (STAL) (2)		EMIA (3)		AVPS (4)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Equities and other growth assets	262.5	268.4	98.5	82.9	33.2	29.7	-	-	394.2	381.0
Corporate bonds	26.1	24.7	12.6	11.3	13.6	11.8	3.5	3.0	55.8	50.8
Government bonds	40.5	23.4	-	-	-	-	-	-	40.5	23.4
Index linked gilts	-	-	18.5	17.2	-	-	-	-	18.5	17.2
Property	21.8	17.2	-	-	5.9	5.2	-	-	27.7	22.4
Other	26.8	12.3	0.7	2.5	2.4	1.8	0.1	0.1	30.0	16.7
Fair value of assets	377.7	346.0	130.3	113.9	55.1	48.5	3.6	3.1	566.7	511.5

NOTES:

- (GMPF) – Equities and other growth assets comprise investments in UK and overseas equities together with Pooled Investment Vehicles. These are actively managed funds with the objective of achieving growth above the market average, whilst maintaining a relatively low volatility. Index-linked Government Bonds have payouts linked to inflation and offer a degree of matching to the inflation linked liabilities of the Scheme. The property asset is a Managed Property Fund, which, like the equity growth funds, will typically have the objective of achieving property like returns, but with less risk and exposure to volatility than investing directly in the property market.
- (M.A.G (STAL)) – The equities and other growth assets comprise UK and global equities and Diversified Growth Funds, which are actively managed funds that invest in a wide range of asset classes, typically with the objective of achieving equity like returns but with the expectation of reduced long term volatility. Index-linked Government Bonds have payouts linked to inflation and offer a degree of matching to the inflation linked liabilities of the Scheme.
- (EMIA) – The equities and other growth assets comprise UK and global equities and growth funds, which are actively managed funds that invest in a wide range of asset classes, typically with the objective of achieving equity like returns but with the expectation of reduced long term volatility. Index-linked Government Bonds have payouts linked to inflation and offer a degree of matching to the inflation linked liabilities of the Scheme. Corporate bonds have fixed payouts and are lower risk than equity like investments. The property asset is a Managed Property Fund, which, like the equity growth funds, will typically have the objective of achieving property like returns, but with less risk and exposure to volatility than investing directly in the property market. The other asset class includes an insurance contract which provides an exact match to the corresponding liabilities and a small cash holding.
- (AVPS) – The assets of the Scheme are invested in low risk bonds, with the aim of matching the cost of annuities.

26. RETIREMENT BENEFITS *continued*

Movement in net defined benefit asset – ALL schemes

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April*	(551.0)	(562.5)	511.5	486.1	(39.5)	(76.4)
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	(8.6)	(11.1)	(1.4)	(0.8)	(10.0)	(11.9)
Past service cost	(0.6)	-	-	-	(0.6)	-
Interest (cost)/income	(24.1)	(24.8)	22.4	21.5	(1.7)	(3.3)
	(33.3)	(35.9)	21.0	20.7	(12.3)	(15.2)
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	-	-	41.1	3.4	41.1	3.4
Experience (losses)/gains arising on scheme liabilities	5.2	31.3	-	-	5.2	31.3
Remeasurement gain/(loss) due to financial assumption changes	(88.5)	4.6	-	-	(88.5)	4.6
Remeasurement gain/(loss) due to demographic assumption changes	10.7	(3.2)	-	-	10.7	(3.2)
	(72.6)	32.7	41.1	3.4	(31.5)	36.1
Cash flows						
Contributions	(2.9)	(2.7)	13.6	18.7	10.7	16.0
Benefits Paid	20.5	17.4	(20.5)	(17.4)	-	-
	(0.8)	(0.7)	-	-	(0.8)	(0.7)
Closing Position as at 31 March	(640.1)	(551.7)	566.7	511.5	(73.4)	(40.2)

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

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

26. RETIREMENT BENEFITS *continued*

Movement in net defined benefit asset – GMPF scheme

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(383.9)	(389.7)	346.0	330.3	(37.9)	(59.4)
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	(2.8)	(3.2)	-	-	(2.8)	(3.2)
Past service cost	(0.6)	-	-	-	(0.6)	-
Interest (cost)/income	(16.6)	(16.9)	15.0	14.3	(1.6)	(2.6)
	(20.0)	(20.1)	15.0	14.3	(5.0)	(5.8)
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	-	-	26.5	10.1	26.5	10.1
Experience (losses)/gains arising on scheme liabilities	2.6	26.9	-	-	2.6	26.9
Remeasurement gain/(loss) due to financial assumption changes	(50.7)	(11.4)	-	-	(50.7)	(11.4)
Remeasurement gain/(loss) due to demographic assumption changes	4.1	(3.4)	-	-	4.1	(3.4)
	(44.0)	12.1	26.5	10.1	(17.5)	22.2
Cash flows						
Contributions	(1.3)	(1.2)	6.9	6.3	5.6	5.1
Benefits Paid	16.7	15.0	(16.7)	(15.0)	-	-
Closing Position as at 31 March	(432.5)	(383.9)	377.7	346.0	(54.8)	(37.9)

The fund liabilities have a duration of 18 years.

26. RETIREMENT BENEFITS *continued*

Movement in net defined benefit asset – M.A.G (STAL) scheme

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(107.1)	(112.5)	113.9	105.7	6.8	(6.8)
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	(5.1)	(7.1)	(0.9)	(0.6)	(6.0)	(7.7)
Past service cost	-	-	-	-	-	-
Interest (cost)/income	(4.9)	(5.3)	5.2	5.1	0.3	(0.2)
	(10.0)	(12.4)	4.3	4.5	(5.7)	(7.9)
Amount recognised in the statement of comprehensive income (SOCl)						-
Actual return less expected return on pension scheme assets	-	-	9.2	(6.3)	9.2	(6.3)
Experience (losses)/gains arising on scheme liabilities	-	4.4	-	-	-	4.4
Remeasurement gain/(loss) due to financial assumption changes	(26.4)	13.6	-	-	(26.4)	13.6
Remeasurement gain/(loss) due to demographic assumption changes	7.5	0.1	-	-	7.5	0.1
	(18.9)	18.1	9.2	(6.3)	(9.7)	11.8
Cash flows						
Contributions	(1.2)	(1.2)	5.2	10.9	4.0	9.7
Benefits Paid	2.3	0.9	(2.3)	(0.9)	-	-
Closing Position as at 31 March	(134.9)	(107.1)	130.3	113.9	(4.6)	6.8

The fund liabilities have a duration of 25 years.

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

26. RETIREMENT BENEFITS *continued*

Movement in net defined benefit asset – EMIA scheme

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(57.6)	(57.9)	48.5	46.6	(9.1)	(11.3)
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	(0.7)	(0.8)	(0.5)	(0.2)	(1.2)	(1.0)
Past service cost	-	-	-	-	-	-
Interest (cost)/income	(2.5)	(2.5)	2.1	2.0	(0.4)	(0.5)
	(3.2)	(3.3)	1.6	1.8	(1.6)	(1.5)
Amount recognised in the statement of comprehensive income (SOC)						
Actual return less expected return on pension scheme assets	-	-	4.9	-	4.9	-
Experience (losses)/gains arising on scheme liabilities	2.6	-	-	-	2.6	-
Remeasurement gain/(loss) due to financial assumption changes	(11.0)	2.4	-	-	(11.0)	2.4
Remeasurement gain/(loss) due to demographic assumption changes	(0.9)	0.1	-	-	(0.9)	0.1
	(9.3)	2.5	4.9	-	(4.4)	2.5
Cash flows						
Contributions	(0.4)	(0.3)	1.5	1.5	1.1	1.2
Benefits Paid	1.4	1.4	(1.4)	(1.4)	-	-
Closing Position as at 31 March	(69.1)	(57.6)	55.1	48.5	(14.0)	(9.1)

The fund liabilities have a duration of 20 years.

26. RETIREMENT BENEFITS *continued*

Movement in net defined benefit asset – AVPS scheme

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(2.4)	(2.4)	3.1	3.5	0.7	1.1
Included in the profit or loss						
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 (SOCl)						
Actual return less expected return on pension scheme assets	-	-	0.5	(0.4)	0.5	(0.4)
Experience (losses)/gains arising on scheme liabilities	-	-	-	-	-	-
Remeasurement gain/(loss) due to financial assumption changes	(0.4)	-	-	-	(0.4)	-
Remeasurement gain/(loss) due to demographic assumption changes	-	-	-	-	-	-
	(0.4)	-	0.5	(0.4)	0.1	(0.4)
Cash flows						
Contributions	-	-	-	-	-	-
Benefits Paid	0.1	0.1	(0.1)	(0.1)	-	-
Closing Position as at 31 March	(2.8)	(2.4)	3.6	3.1	0.8	0.7

The AVPS has a surplus of £0.8m (2014: £0.7m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

26. RETIREMENT BENEFITS *continued*

History of experience gains and losses

	GMPF		M.A.G (STAL)		EMIA		AVPS		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Difference between actual and expected returns on assets amount	26.5	10.1	9.2	(6.3)	4.9	-	0.5	(0.4)	41.1	3.4
% of scheme assets	7.0%	3.1%	7.1%	(5.5%)	8.9%	-	13.9%	(12.9%)	7.3%	(15.3%)
Experience gains and losses on liabilities amount	2.6	26.9	-	4.4	2.6	-	-	-	5.2	31.3
% of scheme liabilities	0.6%	-	-	-	3.8%	-	-	-	0.8%	-
Total amount recognised in SOCI	(17.5)	22.2	(9.7)	11.8	(4.4)	2.5	0.1	(0.4)	(31.5)	36.1
% of scheme liabilities	(4.0%)	5.8%	(7.2%)	11.0%	(6.4%)	4.3%	3.6%	-	(4.9%)	21.1%

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2016 is £13.6m (2015: £13.4m).

Sensitivity Analysis

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

	GMPF	M.A.G (STAL)	EMIA	AVPS	Total
	2015	2015	2015	2015	2015
	£m	£m	£m	£m	£m
0.5% increase in real discount rate	(36.5)	(18.1)	(6.7)	(0.3)	(61.6)
0.5% decrease in real discount rate	41.4	21.6	7.7	0.4	71.1
0.5% increase in rate of RPI inflation	41.7	18.8	5.0	0.4	65.9
0.5% decrease in rate of RPI inflation	(37.0)	(18.3)	(5.4)	(0.3)	(61.0)
0.5% increase in the salary increase rate	7.7	8.2	-	-	15.9
0.5% decrease in the salary increase rate	(7.3)	(7.7)	-	-	(15.0)
1yr increase in life expectancy	12.0	4.4	2.0	0.1	18.5
1yr decrease in life expectancy	(12.0)	(4.4)	(2.0)	(0.1)	(18.5)

27. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon 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 2014	137.4	106.1	(12.2)	54.5	4.0	289.8
Charge/(credit) to income	(0.1)	1.2	2.1	(3.7)	(2.9)	(3.4)
Charge/(credit) to equity	-	-	(6.4)	-	-	(6.4)
At 31 March 2015	137.3	107.3	(16.5)	50.8	1.1	280.0
At 1 April 2013	167.1	122.9	(24.8)	65.4	(1.4)	329.2
Charge/(credit) to income	(29.7)	(16.8)	3.2	(10.1)	5.4	(48.0)
Charge/(credit) to equity	-	-	9.4	(0.8)	-	8.6
At 31 March 2014	137.4	106.1	(12.2)	54.5	4.0	289.8

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:

	2015 £m	2014 £m
Deferred tax liabilities	(296.5)	(302.0)
Deferred tax assets	16.5	12.2
	(280.0)	(289.8)

28. OTHER NON-CURRENT LIABILITIES

	2015 £m	2014 £m
Accruals and deferred income	5.3	5.3
Capital-based grants	8.2	8.9
	13.5	14.2

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

29. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Ordinary shares of £1 each		Total
		Share Capital £m	Share Premium £m	£m
Allotted, called up and fully paid				
At 31 March 2014	316.7	316.7	687.2	1,003.9
At 31 March 2015	316.7	316.7	687.2	1,003.9

30. RESERVES

	Retained earnings £m
At 1 April 2014	584.2
Remeasurements of retirement benefit liabilities	(31.5)
Deferred tax on remeasurements of retirement benefit liabilities	6.4
Result for the year	68.6
Dividends paid in the year	(77.0)
At 31 March 2015	550.7

	2015 £m	2014 £m
Reconciliation of movements in shareholders' funds:		
Opening shareholders' funds	1,588.1	1,523.7
Total recognised income for the year	43.5	136.4
Dividends paid in the year	(77.0)	(72.0)
Equity shareholders' funds as at 31 March	1,554.6	1,588.1

31. CAPITAL COMMITMENTS

	2015 £m	2014 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	34.6	35.9

The Group has external contingent liabilities, performance bonds and other items arising in the normal course of business amounting to £2.7m at 31 March 2015 (2014: £2.7m). As part of the Airport City partnership the Group will guarantee Airport City's obligation to pay its equity contribution of up to £30m if required.

32. OPERATING LEASE ARRANGEMENTS

At 31 March 2015 the Group has commitments under non-cancellable operating leases which expire as follows:

	2015 Land £m	2015 Other £m	2014 Land £m	2014 Other £m
Expiring within one year	1.9	8.9	1.4	8.7
Expiring between two and five years inclusive	7.6	32.8	5.5	32.1
Expiring in over five years.	35.7	247.3	33.8	242.9
	45.2	289.0	40.7	283.7

A significant portion of the commitments classified 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 reflect the comparable balances in the prior year.

The Group has a commitment in respect of leases with The Council of the City of Manchester, a related party as described in Note 33. The amount payable on the ground rent leases is a fee of £0.9m (included within the table above and increasing with inflation linked to CPI). The main city lease is variable based on turnover and rental per sq foot with no base fee or minimum commitment, and therefore isn't included in the table above. The amount charged to operating profit in the year was £9.8m (2014: £9.6m). The leases expire 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 £10.3m (2014: £10.1m). The lease expires in 2083.

33. RELATED PARTY TRANSACTIONS

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

Transactions involving The Council of the City of Manchester

The Council of the City of Manchester 'MCC' is a related party to Manchester Airports Holdings Limited as MCC owns 35.5% of the share capital of the Company. During the year the Group entered into the following transactions with MCC.

As at 31 March 2015 the amount of loans outstanding owed to MCC was £83.2m (2014: £83.2m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2014: £nil) to MCC during the year and paid interest of £10.0m (2014: £10.0m).

As at 31 March 2015 the amount of loans outstanding owed to the other nine councils was £79.4m (2014: £79.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2014: £nil) to the other nine councils during the year and paid interest of £9.5m (2014: £9.5m).

Included in external charges are charges for rent and rates amounting to £25.8m (2014: £25.1m) and other sundry charges of £0.4m (2014: £1.0m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Transactions involving IFM

IFM Investors (IFM) through its subsidiary is a related party to MAHL as IFM owns 35.5% of the share capital of the Company. During the year, the Group entered into the following transactions with IFM:

As at 31 March 2015 the amount of loans outstanding owed to IFM was £89.4m (2014: £89.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2014: £nil) to IFM during the year and paid interest of £10.7m (2014: £10.7m).

Transactions involving associate

As at 31 March 2015 the amounts owing were £0.3m and amounts owed were £1.5m. Assets of £10.0m were transferred during the year.

Group Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

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

	2014	Cash flow	Other non-cash movements	2015
	£m	£m	£m	£m
Cash at bank and in hand	19.0	(8.7)	-	10.3
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed on the Statement of Financial Position	19.0	(8.7)	-	10.3
Overdrafts	-	-	-	-
Total cash and cash equivalents (including overdrafts)	19.0	(8.7)	-	10.3
Current debt	(12.1)	(7.9)	-	(20.0)
Non-current debt	(1,141.0)	4.1	(5.4)	(1,142.3)
Interest rate swap derivatives ¹	(14.1)	18.0	(3.9)	-
Net debt	(1,148.2)	5.5	(9.3)	(1,152.0)

NOTES:

- ¹ In April 2014 the Group terminated all of the remaining fixed interest rate swaps recognised on the Statement of Financial Position as at 31 March 2014 with a fair value net liability of £14.1m for a total cash payment to the swap counterparties of £18.0m.



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 2015 set out on pages 103 to 107. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 55 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 2015;
- 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 matter 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Manchester Airports Holdings Limited for the year ended 31 March 2015.

David Bills (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Peter's Square, Manchester M2 3AE

1 July 2015

ACCOUNTING POLICIES

These financial statements are prepared on a going concern basis and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. The accounting policies that the Company has adopted in respect of the material items shown in the Balance Sheet, and also to determine profit and loss as shown below. Unless stated otherwise, these have been applied on a consistent basis. The Company has taken advantage of the exemption from preparing a Cash flow Statement under the terms of Financial Reporting Standards ('FRS 1') (revised 1996). Furthermore, the Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of Manchester Airports Holdings Limited.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Intercompany accounting

Intercompany balances are stated at historic cost.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for diminution in value.

Company Financial Statements continued

COMPANY BALANCE SHEET

COMPANY BALANCE SHEET AT 31 MARCH 2015

	Note	2015 £m	2014 £m
Fixed Assets			
Investments	3	2,253.1	2,253.1
Current Assets			
Debtors		-	-
Cash at bank and in hand		-	-
		-	-
Creditors: amounts falling due within one year	4	(149.0)	(72.0)
Net current liabilities		(149.0)	(72.0)
Total assets less current liabilities		2,104.1	2,181.1
Net Assets		2,104.1	2,181.1
Capital & Reserves			
Share Capital	5	316.6	316.6
Share Premium	6	687.2	687.2
Profit & Loss account	6	1,100.3	1,177.3
Shareholders' funds		2,104.1	2,181.1

The financial statements on pages 103 to 107 were approved by the Board of Directors on 1 July 2015 and signed on its behalf by:



Sir Adrian Montague, CBE
Chairman, M.A.G



Charlie Cornish
Group Chief Executive, M.A.G

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. AUDITORS' REMUNERATION

	2015 £m	2014 £m
Auditors remuneration:		
Audit of these financial statements	0.2	0.3
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	0.2	0.1
All other services	-	0.1

2. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE COMPANY

As permitted by Section 230 of the Companies Act, the Company's profit and loss account has not been included in these financial statements. As showing in Note 6, the result attributable to the shareholders is £nil (2014: £nil) before dividends and is dealt with in the financial statements of the Company.

3. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost and net book value	
At 31 March 2015 and 31 March 2014	2,253.1

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £m	2014 £m
Amounts owed to subsidiary undertakings	149.0	72.0
	149.0	72.0

5. CALLED UP SHARE CAPITAL

	Number (m)	2015 £m	2014 £m
Allotted, 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.

Company Financial Statements continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 *continued*

6. RESERVES

	Share Premium £m	Profit and loss account £m
At the beginning of the year	687.2	1,177.3
Result for the year	-	-
Dividend paid in the year	-	(77.0)
At end of year	687.2	1,100.3

7. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2015 £m
Opening equity shareholders' funds	2,181.1
Dividend paid in the year	(77.0)
Closing equity shareholders' funds	2,104.1

SUBSIDIARY UNDERTAKINGS

Name of undertaking	Description of shares held	Proportion of nominal value of issues shares held by Group	Company	Principal activities
Airport Advertising Limited	Ordinary £1 shares	100%		Non trading
Airport City (Asset Manager) Limited	Ordinary £1 shares	50%		Property Holding Company
Airport City (General Partner) Limited	Ordinary £1 shares	50%		Property Holding 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

SUBSIDIARY UNDERTAKINGS *continued*

Name of undertaking	Description of shares held	Proportion of nominal value of issues shares held by Group	Company	Principal activities
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%		Intermediate holding company for Ringway Handling Services Limited and Ringway Handling Limited
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
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
M.A.G Investments US Limited	Ordinary £1 shares	100%		Investment holding company
M.A.G 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
M.A.G DC Pension Trustee Limited	Ordinary £1 shares	100%	100%	Pension trustee
M.A.G 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%		

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.

