

2013-14 | ANNUAL REPORT AND ACCOUNTS





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OUR BUSINESS



43.8m

PASSENGERS SERVED
ANNUALLY BY THE
ENLARGED GROUP

M.A.G is the largest UK-owned airport operator, serving 44 million passengers and handling 635,000 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 the nine remaining Greater Manchester local authorities (29%).

M.A.G refers to Manchester Airports Holdings Limited



CHAIRMAN'S STATEMENT



Mike Davies
Chairman

On behalf of M.A.G, I am pleased that we are able to report another year of strong financial and passenger growth across the airport group, exceeding last year's performance. At a Group level, M.A.G's operating profit before significant items grew by 11.4% on a like for like basis to £117.4m. We are now in a position to report a full financial year with London Stansted Airport as part of the Group, and it is clear to see the integration process has been effective.

On the financial front, the Group completed two bond issuances. The Group issued its debut £450m, 20-year bond at a rate of 4.750% in February and there was significant investor interest reflecting the strong performance of the Group. It led quickly to the next phase of our financing strategy with the second successful issue of bonds of £360m, in April 2014, with a tenor of 10 years, at a rate of 4.125%. The success of the two bond issuances keeps the Group on a strong financial footing and ready for our next stage of development.

As well as the strong commercial and financial performance of the business, I am proud to report we have continued our strong commitment to community work around our airports. During the year, Business in the Community (BITC) awarded M.A.G a Platinum Big Tick for Responsible Business of the Year on the Corporate

Responsibility Index. This is an area of considerable focus for the Group, and a key component of our future strategy.

This approach to the community has also extended beyond UK borders through our work with the charity, Medcare, which has also been strengthened over the last 12 months. This year saw the completion of an extension of a medical centre in Uganda, which has been a shared goal of the Group and the charity, during our three-year partnership. The extension doubles the size of their malaria ward where 50% of the children coming into the clinic are sufferers.

Across the whole Group, our airports are continuing to perform well, due to a focus on strong aviation development and master-planning activity, and that has led to a range of new destinations across the portfolio. We continue to invest in our infrastructure and support strong asset management to ensure our facilities are operated efficiently and effectively.

Overall M.A.G has seen passenger volume reach 43.8m, equivalent to over 5% growth, on a like for like basis, compared to the previous year, with Manchester Airport seeing the biggest growth and a return to over 20m annual passengers during May of last year.

London Stansted has also delivered strong performance since we acquired the airport last year. Our immediate objectives relating to the integration of the airport have been met and we continue to make good progress with our enhancements to security and retail facilities as we look to sponsor further growth at London Stansted.

East Midlands has maintained strong performance within the Group, through its freight and cargo operations, but passenger growth has also improved.

Bournemouth Airport has continued to play its part in the Group's overall offer for passengers in the South of England.

Looking at M.A.G Developments in more detail, it is clear to see 2013-14 was another strong year with a continued high level of lettings across the portfolio and with Airport City Manchester commencing work on-site and the first tenant being secured.

During the year we welcomed Baroness Elizabeth Symons, who joined the board in September 2013 and brings with her both knowledge of the aviation market and a wealth of international experience, particularly in the Middle East, which is an important target area of our future strategy.

Additionally, I have also advised the board of my intention to retire, after five eventful and positive years of progress for the Group. I have every confidence in the future prospects of the Group and its management team.

Finally, I would like to extend my gratitude and thanks to all the hard work and dedication from M.A.G employees over the past 12 months. Everyone's individual efforts have played an important role in helping us achieve our goals and objectives over the last year. M.A.G is moving in the right direction and at great pace and I wish everybody success for the coming years.

Mike Davies OBE
Chairman
M.A.G



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 2014, along with the key factors likely to impact the Group in 2015;
- **Financial Review** – presentation and explanation of the key drivers behind the financial performance reported for the year ended 31 March 2014 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 highlights of the key business risks.

STRATEGY

OUR AMBITION

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 and currently 100% of energy needs for our airport operations are achieved through renewable sources.

OUR VALUES

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.

10 STRATEGIC REPORT

M.A.G Annual Report and Accounts 2013-14

KEY PERFORMANCE INDICATORS

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

OUR PRINCIPAL KEY PERFORMANCE INDICATORS (KPIs)

Measure	Aim	Context	Progress in 2014 – Excluding London Stansted	Like-for-like Progress in 2014 %	Group Including London Stansted
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.	£426.1m 2013: £393.1m	+8.4%	£671.2m 2013: £411.5m
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	£153.0m 2013: £139.6m	+9.6%	£241.9m 2013: £144.4m
Operating profit²	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's result	£83.9m 2013: £75.3m	+11.4%	£117.4m 2013: £74.4m
ROCE³	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	-	-	5.80%
Occupancy rates⁴	Achieve a high level of occupancy on lettable property	We generate improved revenue by maximising occupancy of our existing property portfolio	92% 2013: 94%	-2.1%	93% 2012: 95%
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	£363.6m		£592.1m
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	£84.9m		£131.3m
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	£80.6m 2013: £60.6m	+33.0%	£124.4m 2013: £60.6m
Shareholder return⁶	Maintain distributions for shareholders at an appropriate level	We provide returns to reward the shareholders investment	-	-	£102.2m 2013: £40.5m
Market share⁷	Grow our share of the market	Measures the performance of M.A.G compared to the UK market	16.1% 2013: 15.9%	+1.3%	27.40%
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	25.8m 2013: 24.5m	+5.4%	43.8m 2013: 25.8m
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	220 2013: 222	¹² -0.9%	277 2013: 275
ASQ scores	Improve performance for our airports in their respective benchmark groups	We aim to ensure that customer satisfaction levels are at the highest possible standard	3.98 2013: 3.95	+0.8%	3.89 2013: 3.93
Departure punctuality⁸	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	83% 2013: 80.4%	+3.2%	87.1% 2013: 86.4
Carbon Reduction – CO₂ emissions⁹	Minimise the environmental impact of our operations	M.A.G has committed that its operations to become carbon neutral by 2015. We closely monitor our CO ₂ emissions and environmental impact.	13,447 2013 15,083	-10.2%	23,387 2013 44,284
Our Communities – volunteering hours	Contributing to the surrounding communities	M.A.G employees will voluntarily support our neighbouring communities	8,050 2013: 6,336	+27.0%	8,549 2013: 6,736 hours
Number of complaints per 1,000 air traffic movements¹⁰	Being good neighbours with our communities	Minimising the impact of our operations on the local community	9.24 2013: 5.17	+78.7%	8.07 2013: 5.17
Health and Safety RIDDOR – reportable accidents¹¹	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.	12 2013: 24	+50.0%	16 2013: 27

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. M.A.G legacy data not available for 2014.

4 Measured as let space as a percentage of full occupancy space.

5 Free Cash Flow is Net Cash from Operating Activities less Maintenance Capital Expenditure.

6 Shareholder return comprises dividends and returns from shareholder loans.

7 Market share excludes Heathrow airport.

8 Measured as percentage of departures within 15 minutes of scheduled departure time, M.A.G legacy for Manchester only, Group including London Stansted reports London Stansted only.

9 Gross direct and indirect emissions. Our carbon footprint has been calculated using the Department for Environment, Food and Rural Affairs (Defra) 2013 conversion factors and restated for 2012-13 in order to account for material changes to the conversion factors provided by Defra for company reporting purposes.

10 The reported figure is strongly influenced by the pattern of complaints by a small number of complainants. In the reporting period 30% of complaints received were from 3 individuals.

11 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.

12 Amber rating as destinations reflective of consistent performance.



43.8m

PASSENGER NUMBERS
+ 69.7% INCLUDING
LONDON STANSTED
+ 5.3% LIKE FOR LIKE

2013: 25.8m

£671.2m

REVENUE

2013: £411.5m

£241.9m

EBITDA

2013: £144.4m



CHIEF EXECUTIVE'S OPERATING REVIEW



Charlie Cornish
Chief Executive

It's been a year of great progress for M.A.G, as the enlarged airport group, with London Stansted continuing to add to our scale. M.A.G has continued its strong commercial performance, increasing revenues and yields but there is still more to do. In the year ahead, we want to continue to attract airlines to our airports, promote growth for the incumbent customers and continue to be the airport of choice for those passengers in our catchment areas.

MANCHESTER AIRPORT

Manchester has continued to make great strides in growing passenger volume with now over 20m passengers, which is a significant achievement. We have supported our airline partners as they have looked to grow into new markets and we have worked hard to attract passengers back to Manchester with the 'Fly Manchester' marketing campaign, which has helped to bring people back to Manchester from across the North of England.

Alongside the growth of the business, we have continued to invest in our supporting infrastructure and unveiled a new control tower at Manchester on the day of our 75th anniversary on the 25 June 2013.

LONDON STANSTED AIRPORT

We were pleased to secure a long term deal with Ryanair at London Stansted within our first few months of ownership and we are delighted they decided to continue their impressive growth performance alongside us. We have a long standing relationship with Ryanair from our other airports and believe our ability to support their ongoing growth was a key factor in their decision. We have already returned to growth moving the passenger numbers up from 17.5m to 18.0m.

The terminal transformation project also continues at pace as we look to improve the security process and revitalise the retail offering. We believe both projects are essential to the future success of the airport and will enable us to attract more scheduled carriers to the site.

2013 ended with the Airports Commission making its initial recommendation to Government on additional capacity. We are confident London Stansted will play a pivotal role in solving the capacity issues in the South East and we will continue to make representations to the Commission and the Government.

Also of importance is the need to improve the rail services between London Stansted and central London and we continue to lobby stakeholders and rail authorities to ensure investment in the line is prioritised as a matter of urgency. The airport is already a vital part of the airport offer in London but can do more and that opportunity will be strengthened by further investment in the rail links.

continued

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M.A.G Annual Report and Accounts 2013-14

Following a two year review, the Civil Aviation Authority (CAA) announced its decision to remove London Stansted from economic regulation from April 2014 onwards. The CAA has concluded that the airport should be free to compete with other airports without the need for price regulation. The decision will allow us to better compete in the London market and become the best airport in London.

EAST MIDLANDS AIRPORT

East Midlands Airport continues to perform strongly in the Midlands region and passenger numbers are continuing to improve, after the loss of bmi baby in 2012. Airline partners, such as Monarch, Ryanair, Flybe and Jet2.com continue to perform well, showing great confidence in the market.

Works have progressed well on the terminal redevelopment project, where £12 million has been invested to

improve the security and retail offer for passengers, while focussing on making the journey through the terminal as easy and intuitive as possible for passengers.

Additionally, this year M.A.G has invested over £2 million in its on-site car parking operation, increasing the capacity of its car parks by 1400 spaces.

BOURNEMOUTH AIRPORT

Bournemouth hosts important airlines including Thomson and Ryanair and the business park has performed well for the customers that are based on-site and for the Group.

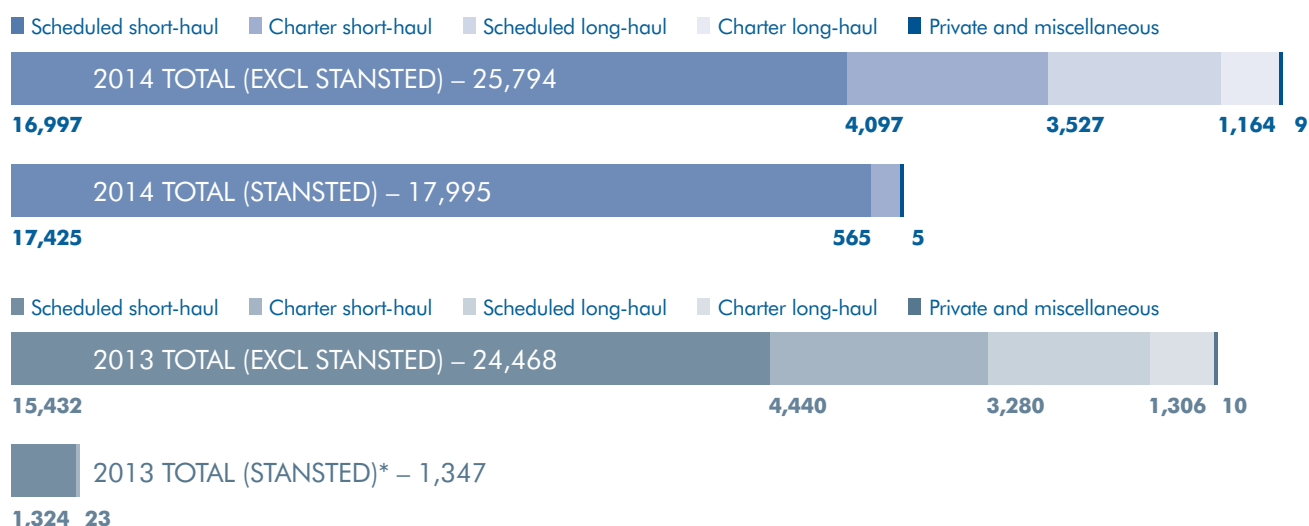
Large brands such as P&O Cruises also announced their intention to utilise Bournemouth during the year and we will continue to look for opportunities in the market that suit the passenger profile of the South West of England.

M.A.G DEVELOPMENTS

It's been a significant year for M.A.G Developments and the acquisition of London Stansted further boosted the size of the portfolio to over £500m of assets.

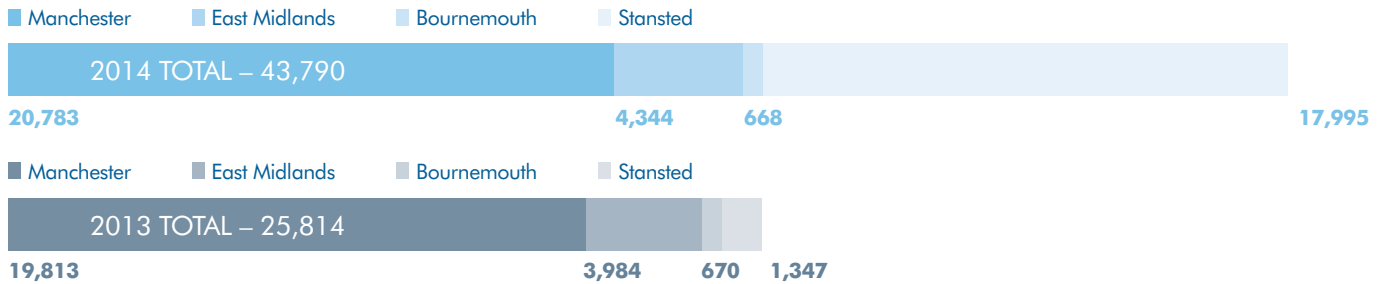
One of the biggest moves during the year was Airport City at Manchester, which took great strides forward with the announcement of a partnership forming around the project with Carillion, Greater Manchester Pension Fund and Beijing Construction and Engineering Group joining us on the project. Chancellor George Osborne announced the partnership in Beijing, further strengthening our links with this important area of the world. The first tenant, DHL, was announced and development commenced. Airport City is the next stage for Manchester's development and is vital for the future economic growth of the region and together with our partners we will ensure its success.

PASSENGER TRAFFIC BY SECTOR (000's)



*For one month period from date of acquisition.

PASSENGER TRAFFIC BY AIRPORT (000's)



OUTLOOK

The Group has made great strides and Manchester's passenger performance continues to outperform the market, adding a million passengers a year and approaching the 21m mark on an annual basis. We aim to go past Manchester's peak performance of 22m within the next year.

London Stansted has recently passed the 18m passenger mark for the first time since December 2011. We want to continue to drive our positive passenger performance and support the growth of airlines and retail partners on-site.

Customer service remains a priority for our future prospects as a growing company. It remains a topic of key discussion in the industry and we want to ensure our passengers are picking our airports because they know they will have the best overall experience flying from M.A.G airports.

Operational excellence is another area that we will continue to focus on ensuring our assets are well deployed and well invested. Our infrastructure strategy

will fit with the needs of the customers but as we continue to expand, we will be keen to share learnings and good practice across the airport sites. We want to have modern and customer focussed infrastructure at all of our sites.

The outlook remains strong and we will continue to build M.A.G's reputation on a global platform, adding to the success of the London Stansted integration and the addition of IFM Investors as shareholders. The Airport City partnership has also shown the strength of the M.A.G name in key growth markets like China and we will continue on our journey to become the premier airport services management company throughout the next year.

Charlie Cornish

Group Chief Executive
M.A.G

£671.2m

REVENUE

+8.4% INCREASE LIKE FOR LIKE
+57.5% INCREASE DUE TO
LONDON STANSTED
+63.1% TOTAL INCREASE

2013: £411.5m

£240.7m

CASH GENERATED
FROM OPERATIONS*

2013: £148.6M

*Before significant items

£241.9m

EBITDA*

+9.6% INCREASE LIKE FOR LIKE
+58.1% INCREASE DUE TO
LONDON STANSTED
+67.5% TOTAL INCREASE

2013: £144.4m

*Before significant items

£117.4m

OPERATING PROFIT*

+11.4% INCREASE LIKE FOR LIKE
+39.5% INCREASE DUE TO
LONDON STANSTED
+57.8% TOTAL INCREASE

2013: £74.4m

*Before significant items

FINANCIAL REVIEW



Neil Thompson ACA, CTA
Chief Financial Officer

The Group has delivered strong financial performance throughout 2013-14, meeting or exceeding its financial targets and delivering continued growth. The growth has been achieved through securing increased passenger numbers, continued improvement in commercial performance, rigorous cost control and process efficiency.

To support continued growth the long term funding structure of the Group has been significantly enhanced, through the conversion of the acquisition funding into long term bonds through two successful issuances in the UK bond market. The integration of London Stansted has also been successfully completed during the year.

A handwritten signature in black ink that reads "Neil Thompson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Neil Thompson
Chief Financial Officer
M.A.G

HIGHLIGHTS

The acquisition of London Stansted has added 18.0m passengers, £245.1m of Revenue and £88.9m of EBITDA to the Group in the full year to 31 March 2014. The financial highlights of the underlying business, excluding the impact of London Stansted are as follows:

- Passenger growth 1.3m
(+ 5.4% – ahead of UK market)
- Aviation income £207.9m (+11.9%)
- Commercial income £184.5 (+7.0%)
- Property income £33.7m (-3.2%)
- EBITDA £153.0m (+9.6%)
- Operating profit* £83.9m (+11.4%)
- Capital Investment £84.9m
- Net cash from operations**
£240.7 (+62.0%)
- Net debt £1,151.6m*

*Before significant items

**Includes impact London Stansted

SUMMARY PERFORMANCE

Performance of the Group excluding London Stansted

Passenger numbers across the Group, excluding London Stansted, have increased by 1.3m to 25.8m, which is predominantly driven by growth at Manchester. Aviation income is £207.9m, an increase of £22.1m (11.9%) on 2013, driven by growth in passenger volumes. Scheduled short-haul routes to Europe and development of hub networks with our airline partners have both contributed strongly to this growth trend. Aviation yields are ahead of the prior year through a combination of arriving and departing passenger mix and aeronautical price rises driven from investment in the infrastructure.

Cargo income, excluding London Stansted, represents 6.1% of aviation income and remains consistent with the prior year at approximately £20m. Retail

income, excluding London Stansted, has grown by £2.1m with passenger growth outweighing a small decline in average passenger yield due to changes in the mix of arriving and departing passengers from EU and Non-EU destinations.

Revenue from car parking, excluding London Stansted, is £67.1m, £7.3m greater than 2013 (£59.8m), reflecting the increase in parking spaces made available during the year to match the growing passenger numbers and a wider product offering. The Group now has over 72,000 car park spaces available for passengers. Car parking yields have also grown by 1.8% reflecting the continued development of the Group's parking offers – in particular the 'pre-book' and 'meet-and-greet' parking products. Further improvements to car parking capacity and offerings are planned in 2014-15.

SUMMARY OF THE YEAR'S RESULTS (£M)

	Group Incl London Stansted 2014	London Stansted	2014 Excl London Stansted	Change % Excl London Stansted	Group Incl London Stansted 2013	London Stansted ¹	2013 Excl London Stansted
Passenger numbers	43.8	18.0	25.8	5.4%	25.8	1.3	24.5
Revenue	671.2	245.1	426.1	8.4%	411.5	18.4	393.1
EBITDA	241.9	88.9	153.0	9.6%	144.4	4.8	139.6
Operating profit before significant items	117.4	33.5	83.9	11.4%	74.4	(0.9)	75.3
Operating profit after significant items	105.6	22.8	82.8	80.8%	44.9	(0.9)	45.8
Result before taxation and significant items	74.4	45.8	28.6	-23.5%	36.0	(1.4)	37.4
Cash generated from operations before significant items	240.7	N/A	N/A	-	148.6	N/A	N/A
Net debt	(1,151.6)	N/A	N/A	-	(1,117.4)	N/A	N/A
Equity shareholders' funds	1,588.1	N/A	N/A	-	1,523.7	N/A	N/A

NOTE: 1 For one month period from date of acquisition.

INCOME ANALYSIS (£M)

	Group Incl London Stansted 2014	London Stansted	2014 Excl London Stansted	Change % Excl London Stansted	Group Incl London Stansted 2013	London Stansted ¹	2013 Excl London Stansted
Aviation	342.7	134.8	207.9	11.9%	196.1	10.3	185.8
Retail	119.4	45.6	73.8	2.9%	75.0	3.3	71.7
Car parking	104.4	37.3	67.1	12.2%	62.4	2.6	59.8
Property	45.9	12.2	33.7	-3.2%	35.8	1.0	34.8
Other	58.8	15.2	43.6	6.3%	42.2	1.2	41.0
Total	671.2	245.1	426.1	8.4%	411.5	18.4	393.1

NOTE: 1 For one month period from date of acquisition.

Property income, excluding the impact of London Stansted, is £33.7m, a decline of £1.1m on the prior year. This is due largely as a result of the prior year benefiting from a net £2.3m of proceeds from a development property sale, removing this impact, underlying property income has increased by £2.7m (8.7%). 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.

Costs have increased by £20.7m (8.2%), excluding the impact of London Stansted due in part to increases in Air Traffic Control costs, higher marketing support costs which have been invested to support the development of new business and increases in staff and regulatory costs. Similarly, employment costs have increased to support volume growth and external infrastructure costs have seen the usual inflationary increases. Mitigating these increases are a wide range of ongoing efficiency improvements across the business to maintain a keen and efficient cost base for the business.

Depreciation costs, excluding London Stansted, are £4.8m higher than 2013 as a result of continued investment in infrastructure, notably terminal redevelopment at East Midlands and the commissioning of the new control tower in Manchester. Other departmental costs continue to be tightly controlled and are in line with 2013 through the implementation of various efficiency programmes.

As part of the acquisition of London Stansted Airport in February 2013 we have incurred a number of significant, one-off, acquisition related costs. These costs include professional fees and other directly attributable costs and have been expensed in accordance with International Financial Reporting Standards.

Further costs have been incurred to fully implement the new operating model for the enlarged Group and provide a strong platform for growth.

SUMMARY OF REVENUE BY DIVISION (£M)

	2014	2013	Change %
Manchester Airport	334.7	307.0	9.0%
M.A.G Developments	26.8	25.3	5.9%
East Midlands Airport	54.3	50.8	6.9%
Bournemouth Airport	10.2	10.1	1.0%
Other businesses and consolidation	0.1	(0.1)	-
	426.1	393.1	8.4%
London Stansted Airport	245.1	18.4	-
	671.2	411.5	63.1%

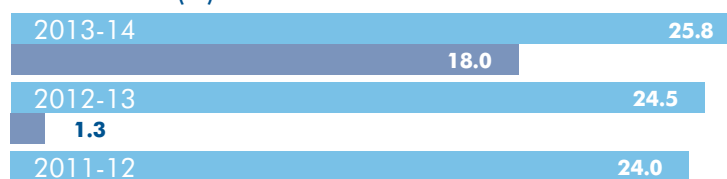
EBITDA BY DIVISION (£M)

	2014	2013	Change %
Manchester Airport	123.1	112.1	9.8%
M.A.G Developments	18.1	18.5	-2.2%
East Midlands Airport	16.4	13.0	26.2%
Bournemouth Airport	1.6	(0.7)	-328.6%
Other businesses and consolidation	(6.2)	(3.3)	87.9%
	153.0	139.6	9.6%
London Stansted Airport	88.9	4.8	-
	241.9	144.4	67.5%

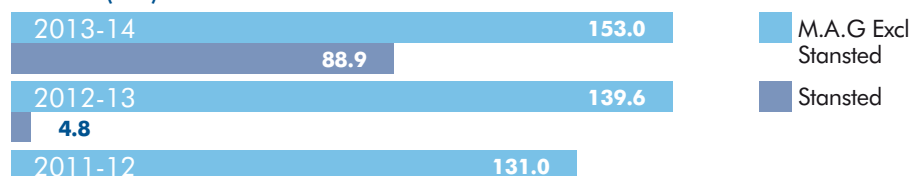
NOTE:

EBITDA is defined as earnings before interest, taxation, amortisation and significant items.

PASSENGERS (M)



EBITDA (£M)



EBIT (£M)



MANCHESTER AIRPORT

In June 2013, Manchester Airport celebrated its 75th anniversary and marked the occasion by fully commissioning its new control tower. The control tower, the result of £20.0m of capital investment, reflects the Group's continued investment in key infrastructure and includes the latest air traffic control technology.

Passenger numbers have increased by 4.9% on the prior year, outperforming the UK market.

4,000 new car parking spaces were added at Manchester in 2013-14 with 9,000 more planned in the coming year. Management of the capacity and promotion of new products has helped increase net car park yield despite the continued trend for our passengers to pre-book their parking.

EBITDA has increased by £11.0m (9.8%) to £123.1m, through growth in revenue and effective cost control.

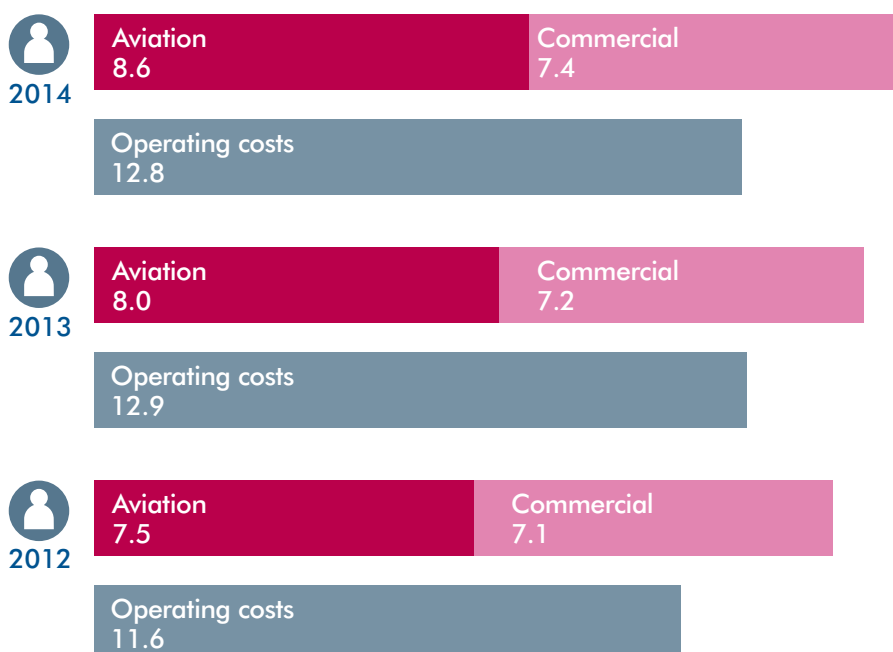


Manchester Airport from the control tower

REVENUE ANALYSIS FOR MANCHESTER AIRPORT

	2014	2013	Change %
Passengers (million)	20.8	19.8	4.9%
Revenue (£m)	334.7	307.0	9.0%
EBITDA (£m)	123.1	112.1	9.8%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)



LONDON STANSTED AIRPORT

London Stansted has contributed a full year of financial performance to the Group, being 18.0m passengers, £245.1m of revenue, £88.9m of EBITDA and an operating profit before significant items of £33.5m. This contribution takes the Group's total to 43.8m passengers, £671.2m revenue, £241.9m of EBITDA and £117.4m of operating profit before significant items.

Following acquisition, a significant terminal transformation project commenced. This project will revolutionise the passenger experience in the terminal and reflects a total £80m investment in the airport, of which £40m is provided by our retail partners. The ambitious project is scheduled to be completed during 2015. As part of the transformation project, certain assets at the terminal have become surplus to requirement. As a consequence, a non-cash impairment charge against the existing terminal of £7.2m is recorded as a significant item.

REVENUE ANALYSIS FOR LONDON STANSTED AIRPORT¹

	2014	2013 ¹
Passengers (million)	18.0	1.3
Revenue (£m)	245.1	18.4
EBITDA (£m)	88.9	4.8

NOTE:

¹ For one period month from date of acquisition.

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)



2014

Aviation
7.5

Commercial
5.4

Operating costs
11.8



London Stansted Airport food court



London Stansted Airport



London Stansted Airport Duty Free shopping

EAST MIDLANDS AIRPORT

Passenger numbers have increased by 9.0%, in part due to the replacement of volume lost in 2012-13 following the withdrawal of bmibaby. New carriers and new routes with existing carriers were added during the year in both Chartered and Scheduled services.

Revenue from cargo has increased to £9.9m from £9.2m in the prior year, as carriers have added new routes and increased the size of aircraft.

EBITDA is £16.4m, £3.4m higher than 2013 due to improved car parking revenues, and the benefit of insourcing security.

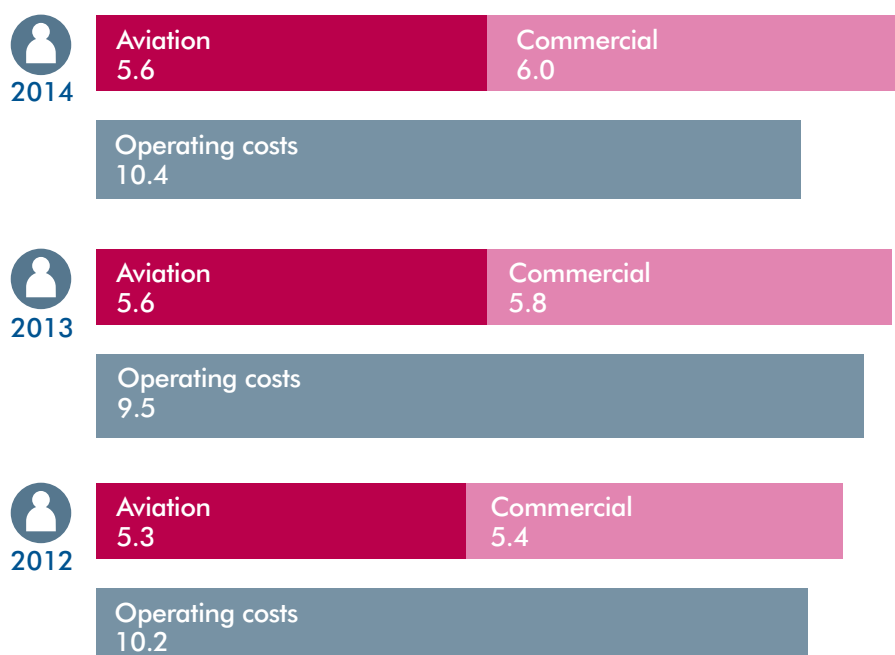


East Midlands Airport

REVENUE ANALYSIS FOR EAST MIDLANDS AIRPORT

	2014	2013	Change %
Passengers (million)	4.3	4.0	9.0%
Revenue (£m)	54.3	50.8	6.9%
EBITDA (£m)	16.4	13.0	26.2%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)



BOURNEMOUTH AIRPORT

Revenue was £10.2m, compared to £10.1m in 2013, and EBITDA has increased by £2.3m to £1.6m, reflecting improved car park performance and continued efforts to manage the cost base in line with trading activity.



Bournemouth Airport World Duty Free



Bournemouth Airport Departure Terminal

REVENUE ANALYSIS FOR BOURNEMOUTH AIRPORT

	2014	2013	Change %
Passengers (million)	0.7	0.7	-
Revenue (£m)	10.2	10.1	1.0%
EBITDA (£m)	1.6	-0.7	328.6%

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)



2014

Aviation
6.1

Commercial
7.5

Operating costs
14.1



2013

Aviation
5.9

Commercial
7.2

Operating costs
13.2



2012

Aviation
6.6

Commercial
8.2

Operating costs
20.7

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.

The decrease in revenue in the year is primarily the result of the disposal of developed property in the prior year. Adjusting for this item, property income has increased by £2.7m reflecting high yields and active tenant management.

EBITDA from the property business, excluding London Stansted, has decreased by £0.4m (-2.2%). The slight reduction was due to a short vacant period during the year in which a warehouse was being remodelled to meet future expected demand.

CASH FLOW, FINANCING AND INTEREST

Cash generated from operations before significant items has increased by £92.1m to £240.7m, (62.0%), allowing the Group to continue to invest in infrastructure and property development opportunities.

On 14 February 2014, Manchester Airport Group Funding plc, a member of the Group, issued a £450.0m publicly listed fixed rate secured bond with a coupon of 4.75%. The bond has a scheduled maturity of 2034.

The proceeds of the bond were used to repay a significant portion of the Group's bank debt. The bond is secured against the assets of the business and shares common security and covenants with the remaining bank debt. In securing this funding, from a range of blue-chip investors, the Group's positive strategy and growth potential has been recognised by the market and the Group has a strong financial platform to increase shareholder value by generating

further profitable growth. Following the year end the Group successfully issued a second bond of £360.0m, substantially completing the refinancing of the London Stansted acquisition funding.

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, (£5.9m) have been recognised in proportion to the level of debt repaid and are recognised in the Consolidated Income Statement as a Significant Item.

Following the repayment of a significant proportion of the Senior Secured Term Facility, the Group terminated certain derivative financial instruments. In terminating these instruments, the Group recognised a cash inflow of £4.1m and has retained interest rate swaps with a notional value of £360.0m.

Net Debt increased by £34.2m to £1,151.6m to support investment in capital projects and property development.

At 31 March 2014, M.A.G had £1,446.0m (2013: £1,456.9m) of committed facilities and a net debt position

of £1,151.6m (2013: £1,117.4m). M.A.G had financial headroom in excess of £316.0m 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 in excess of £250.0m throughout 2014-15.

Group net interest payable, before significant items, increased from £31.1m to £59.6m, reflecting a full year of interest costs for the enlarged Group following the restructuring and refinancing of the Group.

CAPITAL EXPENDITURE

Capital investment includes the continuing terminal transformation project at London Stansted and a further £12.0m on the terminal at East Midlands Airport. During the year Manchester Airport completed the construction of its new control tower, opened to coincide with the airport's 75th anniversary. Further investment is being made to increase car-parking capacity across the Group's airports.

GROUP CASH FLOW (£M)

	2014	2013	Change %
Cash generated from operations before significant items	240.7	148.6	62.0%
Cash generated from operations after significant items	230.2	118.7	93.9%
Interest, tax and dividends	(148.3)	(65.4)	126.8%
Net capital expenditure	(131.3)	(63.1)	108.1%
New share capital issued	-	799.6	100.0%
Acquisition of subsidiary net of cash acquired	-	(1,468.6)	100.0%
Gain on termination of interest rate swaps	4.1	-	
Non-cash movement	11.1	(38.0)	
Increase in net debt	(34.2)	(716.8)	-95.2%
Net debt	(1,151.6)	(1,117.4)	3.1%

PENSIONS

During the year the aggregate of the Group's defined benefit schemes moved from an IAS 19 accounting deficit of £77.5m to £40.2m.

The accounting deficit for all Group schemes is calculated by the scheme actuaries who incorporate a number of factors, but in particular are required to use a number of metrics taken from the financial markets at the date of the accounting year-end. The Greater Manchester Pensions Fund (GMPF) scheme comprises 94.3% (2013: 77.0%) of the net aggregate Group pension scheme deficit.

The decrease in the deficit is largely as a result of changes in the membership data of the GMPF scheme following a review of the pensioner demographic and asset returns more than offsetting decreases in discount rate, which is calculated with reference to the AA corporate bond rate.

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

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

	Total
Deficit as at 31 March 2013	77.5
Current and past service cost	11.9
Contributions	(16.0)
Other finance expenses	2.9
Actuarial gain	(36.1)
Deficit as at 31 March 2014	40.2

TAX

The tax credit for the year includes the benefit of an adjustment to the deferred tax liability as a result of a change in the UK corporation tax rate, which was enacted on 2 July 2013, that included a reduction in the rate of corporation tax from 1 April 2014 of 2% to 21% with a further 1% reduction on 1 April 2015 to 20%. This has reduced the deferred tax charge by £43.9m (2013 £8.6m) and has meant the Group's effective tax rate before significant items was a credit rate of 41.3% (2013: 1.1%).

EQUITY SHAREHOLDERS FUND AND DIVIDENDS

Equity shareholders funds are £1,588.1m (2013: £1,523.7m). The movement primarily comprises £117.4m result from operations before significant items, less £11.8m from non-recurring significant expenses, beneficial fair value adjustments of £39.9m less finance costs of £64.7m and a net £27.5m improvement recorded in reserves for actuarial pension movements.

The Group has a long-term objective of providing sustainable and on-going dividends to shareholders. During the year, the Group paid dividends of £72.0m reflecting an ongoing dividend of £42m, which reflected a 40% like for like increase on the prior year for our shareholders, and an additional one off dividend of £30m returning cash to the shareholders following the London Stansted acquisition.

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 dividend of £46m, an increase of £4m.





RISK MANAGEMENT

The Group's Enterprise Risk Management Framework covers all areas of our activity and is embedded in our day-to-day operations. We recognise the importance of ensuring that management, our Audit Committee and Board have a clear and current understanding of the key risks we face to facilitate not only the effective management of those risks but also to engender informed, risk-based decision making which drives the achievement of our business objectives. This is achieved through a combination of a robust risk management framework and regular, ongoing engagement by management and the Executive Committee in the risk management agenda.

Operating in a dynamic and rapidly evolving environment where change is considered 'Business As Usual' requires a flexible, responsive risk management framework which can match the pace of change and provide management with a clear, accurate and current view of the Group's risk profile at any given point in time.

Our risk management policy and processes provide the foundations for this and are clearly communicated to management and other risk stakeholders within the business. A range of risk appetites are defined across the various areas of our business, and combined with specific 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 quarterly risk review workshops facilitated by the Risk and Assurance Team covering all areas of the Group's activity. 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 reviewed risk registers in place for each one and a defined escalation process to ensure that new and emerging project risks are visible to the Executive Committee, Audit Committee and Board. The Risk and Assurance Team co-develop risk registers for all major projects to ensure consistency and visibility of key project risks across the Group.

EXCO, the Audit Committee and Board 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. 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 relation

to risk, in which colleagues feel they can discuss risk issues openly and receive the support they need to effectively manage or mitigate those risks. This is fostered through regular communications with risk owners and stakeholders.

Assurance on how effectively we manage our key risks is provided to management and the Audit Committee through a strategic assurance programme which is directly underpinned by the corporate risk framework. Our aim is to deliver comprehensive assurance over the Group's risk profile over a 3-year period.

The acquisition of London Stansted marks a change in the Group's risk profile and significant work has been undertaken to develop a clear picture of the new risks this presents to the Group, as well as integrating the airport's existing risk management framework into the Group's corporate framework.

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 operational disruptions.	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 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>	We are relentless in our focus on 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.

Risk	Mitigation Strategy	Opportunities
Major Health and Safety incident affecting our customers or colleagues	<p>We have rigorous Health and Safety policies, procedures and processes in place to ensure that Health and Safety risks are understood and effectively managed. Our experienced team of Health and Safety professionals provide a constant focus on ensuring the safety of our customers, partners and colleagues.</p> <p>The ongoing assessment of Health and Safety risks is embedded in daily management routines and monitored by a comprehensive committee structure which is in turn overseen by a corporate Health and Safety Committee with Board-level oversight.</p>	Our Health and 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 and Safety risk.
Threat of a downturn in demand due to adverse global economic factors	We continually monitor the economic environment through the gathering of 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.	Conversely, our strategy and business plans ensure we have the capacity and capability to maximise the benefits to the Group should economic conditions improve.
Political and regulatory	<p>Regulatory compliance is a priority for the Group, and we have dedicated compliance teams to ensure 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 monitor the political landscape and ensure 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 actively engage with Government agencies and other stakeholders to help create a sustainable framework for UK aviation.
Recruitment, development and retention of talented people	<p>Attracting and retaining talent is a priority for the Group, and we have clear 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 potential improvements are identified by our people.</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.
Failure to effectively integrate London Stansted and deliver associated business plan targets	<p>Having successfully added London Stansted to the Group, our focus is now on ensuring the smooth and successful integration of our businesses. We have detailed integration plans and business targets and are working closely with the London Stansted management team to ensure they are delivered.</p> <p>Our plans are fully risk assessed and supported by a robust audit programme to provide assurance to management and the Audit Committee on integration and the delivery of our business plan targets.</p>	<p>In London Stansted we saw a huge opportunity to grow our business, operate in new markets and move closer to our vision through the acquisition of a high quality, successful business.</p> <p>As we integrate our businesses further over the coming years we expect to identify many more opportunities to share best practice, improve our business and make our Group greater than the sum of its parts.</p>


Charlie Cornish

Chief Executive
M.A.G

For and on behalf of the Board of Directors
30 June 2014





CORPORATE SOCIAL RESPONSIBILITY

M.A.G's commitment to operating responsibly and contributing to the economic development of the regions in which it operates underpins how we run our business. We take full responsibility for the impact our activities have on our stakeholders and the environment. We ensure that our CSR strategy is fully integrated into the Group strategy and supporting governance structures.

We believe that implementing our CSR strategy is consistent with our business objectives; minimising our use of resources drives down operating costs and working for the long-term with all of our stakeholders ensures that we remain responsive to the rapidly changing business climate. By investing in our people we can create an environment where those people reach their full potential and we benefit from the full potential of their talent.

Our Group CSR strategy was developed after significant consultation with a wide range of our stakeholders. This has given us an appreciation of the CSR issues that are most material to our business, has formed the development of our strategic objectives, helped to focus our programmes and will influence the basis upon which we assess and report our progress.

Further information on M.A.G's CSR achievements can be found in the 2013-14 CSR Report, available on www.magworld.co.uk

OUR OBJECTIVES



OUR ENVIRONMENT

We will make best use of natural resources and minimise the environmental impact of our operations.



OUR COMMUNITY

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



OUR COLLEAGUES

We seek to create a healthy workplace, which attracts committed colleagues and we support and develop them throughout their careers with us so that they may maximise their contribution to our business.



OUR BUSINESS

We aim to maximise our economic contribution, whilst always maintaining a fair and respectful relationship with our supply chain and business partners.

MANAGING CORPORATE SOCIAL RESPONSIBILITY

Accountability for CSR starts at the top of our organisation, as part of our overall governance structure, we have a CSR Committee which is a subcommittee of the Group Board. It is chaired by a Non-Executive Director and consists of senior Directors from across the business. The Committee meets three times annually and, to guarantee oversight at the highest level, reports twice a year to the Group Board.

The CSR Committee's focus for the coming year is to review and re-launch M.A.G's CSR Strategy. Other areas of focus include Supply Chain programmes, the impact of the Social Value Act and how best to engage colleagues. To manage day-to-day CSR activities, each airport has dedicated teams which are embedded within the operations function at each airport.



Aircraft taking off from London Stansted.

SUPPORTING ECONOMIC DEVELOPMENT

We are committed to growing our business and in particular we aim to maximise our economic contribution

in the regions we serve and support local people and businesses to access these economic opportunities.

We estimate that our four airports contribute £4bn annually to the national economy. Our airports also have positive economic impact on their local regions through employment opportunities, the economic benefits of goods and services supplied to the airports and in turn the spending of increased income in the local area.

■ In 2013, it was estimated that **Manchester Airport** directly generated around £752 million of gross value added per annum in the North West, supporting around 20,600 direct full time equivalent jobs. If indirect and induced effects are included, it is estimated that the Airport supports around £1.5 billion in gross value added per annum and nearly 44,700 jobs across the region.

■ **London Stansted** is the largest single-site employer in the East of England, employing nearly 10,000 people across 200 on-airport companies, which demonstrates its importance to the East of England economy. London Stansted has the highest proportion of freight traffic among the London airports, and acts as a key hub for express freight services, in particular for Fed Ex and UPS. London Stansted generated £774m in gross value added to the region in 2013 and supports over 19,000 jobs with indirect and induced employment included.

■ **East Midlands Airport** makes a significant contribution to the regional economy, particularly to the three

SUPPORTING LOCAL EMPLOYMENT AND EDUCATION



Full time member of staff at Manchester Airport.

cities of Nottingham, Leicester and Derby and to the district of North West Leicestershire. In 2013, East Midlands Airport directly generated around £139 million of gross value added in the East Midlands, supporting around 5,000 direct full time equivalent (FTE) jobs. Across the East Midlands region, it is estimated that the Airport supports around £218 million in gross value added per annum and nearly 8,000 jobs across the region.

■ The contribution of **Bournemouth Airport** is smaller but still significant in the context of the local labour market. Bournemouth directly supports around £16 million of gross value added per annum and 600 direct full time equivalent jobs, including indirect and induced effects. Bournemouth supports around £27 million in gross value added per annum in Dorset and around 900 jobs.

We recognise that some local businesses and people experience barriers that prevent them from accessing the economic benefits of our airports. We are committed to tackling these barriers directly and with the support of our local partners through our Airport Academies and supporting local educational establishments.

We continue to support the Manchester Enterprise Academy, where we have been lead sponsor since 2009. In conjunction with our partners and an inspirational head teacher we have helped to shape the ethos of the school, to build a bridge between education and business, which will bring careers and prosperity to the children and the community as a whole.

It has been a rapid and successful journey of improvements, which is demonstrated by both improved results and the recent Ofsted inspection. Manchester Enterprise Academy is in the top 100 most improved schools in England on GCSE results and are delighted that OFSTED now consider that 'The Academy and its sponsors are at the heart of the local community and know it well. They are determined to provide the highest levels of care and education that the young people in this community need and deserve'.

We are determined that we will drive further improvement by continuing to provide leadership, to offer our people as mentors and more generally to ensure that we provide invaluable insight and experience of the world of work.

Airport Academies

We have developed specialised employment and skills academies at our three largest airports, Manchester, London Stansted and East Midlands. Our Academies aim to break down the barriers of local people gaining employment at the airport. These barriers may be associated with low levels of personal confidence due to long term unemployment, lack of awareness of availability of jobs at the airport, or the perceived inaccessibility of the airport.

All three academies are located on the airport sites, sponsored by M.A.G and run by specialist employment and training organisations. The most recent Airport Academy was opened in June 2013 at East Midlands Airport. This year alone 663 people have received specialist training at our Airport Academies and 1,194 people have been referred for jobs by them.

In addition, our academies run Jobs Fairs and invite employees from the local Job Centres to the airport to demonstrate its accessibility and the range of jobs available. This ensures they have relevant information which encourages them to refer candidates to the Airport Academies and jobs.

SUPPORTING LOCAL EDUCATION OUR ENVIRONMENT

Airports are an exciting and inspiring environment and we believe that by offering opportunities to the young people who attend local schools and colleges, we can support them to explore different career paths and improve their employment prospects.

Work Experience

The aim of M.A.G's work experience programme is to provide students with an insight into the world of work and the aviation industry.

Bournemouth Airport has been working with local Dorset schools to provide opportunities for a series of work placements for students. Four one-week placements were offered to students and each spent time with different airport departments, including customer services, the fire department and air traffic control.

Last year London Stansted Airport provided work experience to 25 young people from a variety of local schools. The students spent a week on work experience. For example, in June, ten young engineers from Harlow College spent two weeks experiencing working life at the airport. The partnership between London Stansted and the college is aimed at giving students an insight into the various engineering roles across the airport with the intention that some may apply for airport apprenticeships.

The work experience programme at East Midlands Airport continues to be very popular with two different experiences offered to thirteen students. One of the programmes is travel and tourism focussed and the other, science, technology, engineering and mathematics focussed. Both have received very positive feedback from students and teachers.

We are committed to minimising the environmental impacts of our operations. Our approach is active and direct. By working with partners from across the industry we seek to address issues such as noise and climate change which are inherently cross-sector.

ENVIRONMENTAL MANAGEMENT

All our airports have been certified to the international standard on environmental management ISO14001 and we have achieved the Carbon Trust Standard for carbon management at all four of our airports. These standards help provide us with the foundations for managing our environmental impacts. Our most significant environmental aspects are reducing carbon emissions, reducing energy usage, creating renewable energy options, waste management and noise abatement. We also monitor closely air quality, water and our ecological impacts.



Swan Rivers Pond at East Midlands Airport.

CARBON EMISSIONS

We are committed to reducing our climate change emissions. As part of the process of achieving this strategic objective, we are committed to the principles of our

carbon hierarchy: preventing carbon emissions; improving operational efficiency; generating renewable energy on-site; purchasing surplus energy requirements from offsite renewable projects and; making use of carbon offsets to compensate for any remaining emissions. By 2012-13 we achieved carbon neutral operations at Bournemouth Airport and East Midlands Airport and now are making good progress to achieve the same at Manchester Airport.

Improving Energy Efficiency

M.A.G firmly believes that monitoring consumption of energy and fuel is the first step in identifying potential carbon savings which also ultimately reduce costs. Monitoring is also important to M.A.G in verifying the success of schemes following implementation.

To improve data capture and streamline processes, including anomaly identification and billing, we have invested significantly in the installation of automated metering systems to monitor tenant energy consumption (supplied by M.A.G) and to sub-meter our own energy use.

In addition, each airport has developed an energy strategy to set out our plan for implementing projects to reduce energy use and emissions.

At Manchester Airport we are currently implementing five major energy reduction projects including intelligent building controls and improved lighting. The schemes are set to reduce annual electricity consumption by around 4.5 GWh and gas by more than 6 GWh, with total emission reductions of around 3,000 tonnes. Whilst these are all individual projects in their own right they are all linked to our future energy efficient building controls strategy "Intelligent Building Controls".

The Intelligent Buildings Controls project has been recognised by industry professionals and has won the energy management award at the BCIA awards.

Renewable Energy

Installing our own on-site renewable energy contributes not only to reducing our carbon emissions, but also supports energy security for our sites. It is also visible symbol of our commitment to sustainable aviation. To date, we have installed two commercial wind turbines at East Midlands Airport, 323 photovoltaic



Wind turbines at East Midlands Airport.

panels on the roof of Bournemouth Airport and a 2 MW woodchip biomass heating boiler at London Stansted Airport. No further renewable energy installations were made in 2013-14.

During 2013-14 we generated 631 MWh of green electricity. M.A.G also purchases 100% renewable energy for all our airports.

During 2013-14 M.A.G purchased carbon offsets credits for residual carbon emissions at Bournemouth and East Midlands Airports.. The credits are for independently verified Gold Standard Carbon offset projects.

WASTE MANAGEMENT

Our objective is to minimise waste and promote recycling, so that 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.

For example, in April 2013, the Environment Team at London Stansted Airport implemented a new waste management system for its on-site partners. All Partners now have to purchase waste collection bags, with separate bags for different waste types. The introduction of the new scheme was supported by a series of road shows across the airport and has resulted in the airport achieving over 93% of waste diverted from landfill, up from 74% in 2012.

As a result, London Stansted Airport was awarded the National Recycling Stars Gold Award for our recycling during 2013-14.

AIR QUALITY

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

The main airport sources are vehicle traffic (staff and passenger journeys and airport operational vehicles), aircraft engines (during taxiing, take-off and landing), energy generation (diesel generators and gas boilers), fugitive emissions (evaporation – during fuelling of aircraft and vehicles) and other activities such as fire training. We monitor air quality around all our sites.

NOISE ABATEMENT

M.A.G takes its responsibility for noise abatement seriously. We continue to find better ways to operate aircraft that reduce noise and to invest in sound insulation to support those that are most impacted by aircraft noise. Our work is supported by our airline partners who continue to invest in quieter aircraft types. Our track record in reducing the size of our noise contours, whilst simultaneously increasing flights, is seen as best practice of how airports can balance their commercial interests and community obligations.



Noise monitoring at Manchester Airport

Noise Action Plans

During the course of the year, all the M.A.G's airports have been required to review their five year Noise Action Plans. Noise Action Plans summarise the effect of noise from aircraft landing and departing from the airport; set out measures already in place to manage noise and any 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.

Working Together

We're working jointly with airlines, Air Traffic Control and ground handling companies on a number of projects to reduce operational impacts. Ensuring that all parties involved in the process of controlling aircraft have accurate information as an aircraft undertakes its flight can ensure that operations are more efficient, reducing emissions and improving punctuality.

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 the respective airport's Community Fund.

GROUND TRANSPORT

Surface access transport is critical to the operational efficiency of airports. Well-organised transport of passengers and airport site employees will help maximise the use of public transport and minimise the impacts of other modes of transport. 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 those businesses in the business parks around our sites.

London Stansted Airport remains the No 1 airport in the UK for public transport use and one of the best in Europe. Now over 51% of air passengers use public transport

at London Stansted and over 5 million passengers use bus and coach services to travel to the Airport, with bus and coach modal share grown to 29%.

We are committed to further improving our ground transport to our airports and look forward to the completion in 2016 of the £1.4 billion project to upgrade and extend the Manchester Metrolink to the airport. We also look forward to the approval of plans for a significant upgrade of the train line to London Stansted Airport from London to reduce journey times and improve the quality of the service.

ONE INDUSTRY – ONE VOICE

M.A.G is committed to collaborating across our sector to tackle the sustainability challenges that we face.

M.A.G is a founding Council Member and active contributor to the work of Sustainable Aviation. Sustainable Aviation is a world first in the transport sector in representing a proactive coalition of airlines, airports, engine and airframe manufacturers and air traffic management, and was established specifically to address sustainability issues.

In 2013-14 M.A.G worked with Sustainable Aviation to launch the industry's first Noise road Map, demonstrating how noise from UK aviation will not increase despite a near doubling in flights over the next 40 years. This will be achieved through the development and introduction of quieter aircraft alongside the implementation of better operating procedures and improved land-use planning. We are fully committed to the Noise road Map.

OUR COMMUNITY

Being a responsible neighbour is an integral part of our way of working. Our aim is to build long-lasting, collaborative relationships with our local communities, striving to understand the issues that are most important to them and seeking to contribute to local economic development.

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Ensuring we are a responsible business means more to us than reducing the impacts of our operations. We support sustained investment in our communities by providing funding, sponsorship, time and resources to education and community projects. We are proud to have received external recognition for our work in this area with two of our airports, Manchester and East Midlands's Airports, being awarded the Community Mark accreditation by Business in the Community. Our aspiration is that each one of our four airports will obtain the prestigious Community Mark and we will continue with our work in this area to ensure this target is achieved.

REGIONAL COMMUNITY FUNDS

We believe it is essential that our colleagues feel connected to the organisations they are supporting. That is why we are proud of our regional community funds which are managed independently by each airport within the Group. These funds are in place to help support local community groups and charities, consequently widening their offerings and benefiting many people within the region.

Throughout 2013-14, M.A.G airports invested £297,281 (including the London Stansted Airport Passenger Community Fund) in community groups and charities in the regions surrounding our airports, bringing much needed support to 229 separate organisations.

- Manchester Airport's Community Fund is now in its seventeenth year and since its inception has awarded over £2.9million to 1,208 different projects. This year it donated £137,931 to 69 groups for community, environmental or social projects.
- After 11 years in operation, the East Midlands Airport Community Fund has supported 146 different community organisations. This year the airport generously donated £39,888 to 57 charities and groups.
- This year, M.A.G is pleased to include the activities of London Stansted Airport's Community Fund which has donated £111,000 to local charities during this financial year.
- Bournemouth Airport has been supporting the local region through its Community Fund since 2008 and in that time has donated £51,796 to many regional organisations.

MANCHESTER AIRPORT – INVESTING IN THE ARTS

This year marks 25 years of M.A.G giving to the Arts. Through its long-standing commitment in this area, we are proud to have become one of the UK's largest and best known arts sponsors. This year we have invested £395,000 in arts and cultural initiatives. Examples of the major arts and cultural initiatives that we supported in 2013-14 were:

- Manchester International Festival – £200,000
- Hallé Orchestra – £70,000
- Library theatre – £10,000

COLLEAGUE VOLUNTEERING

Our people are encouraged to demonstrate M.A.G's values by supporting and contributing to local communities.



Airport staff volunteering in the community.

Throughout 2013-2014, 8,549 volunteering hours were volunteered by M.A.G colleagues. We are delighted to report that this is a 27% increase on last year's figures. At M.A.G we value colleague engagement in the community as a significant development tool and offer all our people the opportunity to be involved in our volunteer schemes. We seek to recognise and reward the achievements of those who choose to volunteer. Community Champions represent departments and lead many of our programmes. An initiative suggested by them to encourage and reward

volunteering, was the implementation of Champions reward badges for 15, 30 and 45 hours; to showcase volunteering to our customers and other colleagues.

- This year, Manchester Airport has recorded a 34% increase on last year's figures, with a total of 7,466 volunteer hours recorded. In recognition of the significant work done in this area, Manchester Airport was awarded the Business in the Community's 'North-West's Volunteering Company of the year'.
- At London Stansted Airport, a total of 499 volunteer hours were recorded on various volunteer schemes.
- East Midlands Airport employees have put significant efforts into supporting the Airport's on-site education centre 'Aerozone' and donated a substantial amount of volunteering time helping with student visits. A total 266 volunteer hours were recorded this year.
- Bournemouth Airport recorded 318 hours on various volunteering projects within the region.

SUPPLIER DEVELOPMENT

We have an extensive network of suppliers. By integrating our approach to CSR in our supply chain, we recognise the influence that we can have. To that end, M.A.G seeks suppliers who are committed to the same high standards as our organisation. We use a contract pre-qualification process to assess each company's approach to sustainability, which allows us to use this information as part of a balanced supplier appraisal.

SUPPORTING LOCAL BUSINESSES

London Stansted Airport has recently introduced a new sustainable procurement policy which has committed it to enhance its regional economic and social benefits by working with local suppliers and businesses, ensuring that they have access to opportunities to provide services to the airport's supply chain.

Since 2011, the airport has held a series of 'Meet the Buyer events'. Now in its third year, the quick-fire concept of Meet the Buyers enables local firms and entrepreneurs to pitch their products and services to a group of carefully selected senior buyers with multi-million pound buying requirements. In 2013, the event surpasses all expectations and there were 233 delegates from 199 companies engaged in the programme, which included 2 pre-event workshops and the Meet the Buyers event.

The total amount of business that local suppliers estimate will result from the event is £1,552,900 worth of new contracts – a £250,000 increase on the target and a £25,000 increase on last year's figure.



London Stansted Airport's 'Meet the Buyers' event

OUR PEOPLE

Our Colleagues are our most highly valued asset and are critical to the success and growth of our business. We are proud of our people and the blend of talent and experience that they bring. As a major employer in every region we serve, we aspire to recruit and retain the best people who are ambitious and forward-thinking.

This year we completed the integration of London Stansted Airport into the Group, which has seen M.A.G become a wider, more diverse organisation. We value the depth of experience and expertise our new colleagues have brought to the workforce and will continue with our ambition to think and act as one team across multiple sites. In total we now employ 4,194 people throughout the UK.



Staff at London Stansted Airport.

COLLEAGUE ENGAGEMENT AND COMMUNICATION

Engaging colleagues in the business and actively listening to what they have to say is a key component to the 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. Regular internal communication keeps our employees up-to-date with changes in the business and helps us to engage and motivate them.

LEARNING AND DEVELOPMENT

Providing opportunities for people to learn and grow is fundamental to ensuring we get the most from our people. We are focussed on making sure we have the right people with the right capabilities, now and for the future in order to develop a motivated, energetic and high performing workforce.

INVESTING IN OUR PEOPLE

Supporting our people with their career development is vital to realising our strategic aims. We endeavour to offer colleagues real opportunities to develop their skills so that they may achieve their goals and aspirations. We are proud that during 2013-14 M.A.G has continued to hold the Investors in People accreditation, a standard for businesses that are committed to supporting and developing their people.

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. Due to the diverse job portfolio across our airports, we recognise the importance of offering courses to support every area of the business.

Overall, across M.A.G, we have used 15,000 hours of business time to train 3,000 colleagues in to better equip them to deliver world class support to our customers. In addition, throughout the year we have developed and launched a new M.A.G wide Corporate Induction process which over 150 new colleagues have now experienced.



Community Relations staff at Manchester Airport.

We are continually looking at ways to improve our development programme and have had some successes during the 2013-14 reporting year. As a response to some of the feedback we received in last year's employee survey, we have rolled out a business-wide 'Getting better at Change programme.' Over 200 managers across our four airports attended this programme with the aim of improving our capabilities and effectiveness of delivering change across the organisation. This has been particularly important during the integration with London Stansted Airport.

To identify emerging talent within our business, the Group also offers two additional programmes to colleagues.

These are the Aspiring Leaders programme, which offers employees the chance to explore other areas of the business, and the early Talent programme offering colleagues greater learning and development to help them progress further and faster in their careers.

HEALTH AND SAFETY

M.A.G has a robust health and safety strategy in place to ensure our employees are engaged and protected and that they, as well as our numerous contractors, visitors and general public, remain safe on our sites.

Our people are trained to consider safety in everything they do and health and safety risk assessments are embedded into daily management routines. Safety performance is monitored by specific committees that are in turn overseen by a Group Health and Safety committee with Board level oversight.



Health and Safety checks with M.A.G

Last year we were proud to report that we had been accredited with the British Standard for health and safety

ISO 18001. This accreditation gives an assurance of the quality of our integrated safety management system and its relevance to the organisation. This year, the accreditation has been certified and the maximum 5 Star rating being awarded as part of the British Safety Council's 5 Star audit process.

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 with stakeholders 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. To build on the initial success of Vision Zero, we have committed to rolling out the campaign across all of our M.A.G Airport locations.

DIVERSITY AND INCLUSION

We want to reach the most talented professionals – whoever they are, and wherever they're from. A diverse workforce contributes to improved and more creative thinking and better represents our customers.

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.



Airport staff meeting.

In line with the Group's CSR vision, M.A.G is committed to maintaining an open culture with the highest standards of honesty and integrity, where Colleagues can report any genuine concerns in the strictest confidence. Last year we reported on the internal campaign to promote 'Safecall', an independent whistleblowing line, which provides employees with a safe and secure mechanism to report any matters relating to their working environment. M.A.G employs Safecall as a mechanism to allow staff members to easily report any confidential concerns, including; corruption, discrimination, health and safety and bullying.

Since the launch of Safecall, there have been a total of five low-level whistleblowing reports which have all been investigated and resolved. We deal with any such case in line with our Company policy and are strongly committed to tackling any occurrences of inappropriate behaviour, swiftly and resolutely to enable full equality in our place of work.

OUR CUSTOMERS

M.A.G is a customer-oriented business, dedicated to meeting the diverse needs of the many people that flow through our airports every day. We recognise that our strategic vision 'to become the premier airport management and services company' can only be achieved by delivering an exceptional service to our customers and building a world class approach to safety and security.

CUSTOMER SERVICES

To ensure our services are right, we continually monitor feedback and gather data that enables us to assess and improve on areas that our customers feel we need to. For passengers, we want to have clean, safe, efficient terminals and operations that allow them to progress through their journey easily. We want to provide excellent catering and retail outlets and ensure that the same level of customer service is experienced once they board their aircraft.



Customer Service staff at Manchester Airport.

We recognise that although we have control over our airport terminals, not all of the points that our customers interact

with in the airport are controlled by us. As a consequence, we work closely with our partners and instil M.A.G vision and values through training, guaranteeing a consistent level of customer excellence. To further support our approach to superior customer service, we are developing a Group-wide customer charter which will communicate to key stakeholders the standard of service they should expect from a M.A.G airport. We aim to have this published within the next reporting year.

IMPROVING CUSTOMER EXPERIENCE

We value the contribution our employees and business partners can make in improving the experience our customers have at our airports. To this end, we encourage them to become members of our Customer First programme, which enables them to put forward ideas and suggestions for improvement. Recent successes that have been implemented at Manchester Airport include, the placing of an information desk in Terminal 3, new digital signage and a children's play area. In addition, three specialised adult changing facilities have been introduced at each of the three terminals.

The £12 million redevelopment of East Midlands Airport terminal is key to delivering our strategic vision and enhancing the customer experience. The redevelopment will enrich the retail offering, making the journey more pleasurable and easy to navigate whilst reducing the time queuing in security by increasing the size of the security search area and installing new technology.

At London Stansted Airport, we are investing £80 million to redevelop the passenger terminal which will

result with a 60% increase of airside space. These renovations will increase the number of retail outlets and help to improve passenger flow.



New terminal at East Midlands Airport

LISTENING TO OUR CUSTOMERS

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 extremely 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. The survey is conducted by Airports Council International (ACI) and helps airports to benchmark their customer satisfaction results against other European airports of a similar size. It is our objective to ensure that customer satisfaction levels are the highest possible. We aim to achieve a top-quartile ranking for each airport in their respective benchmarking groups.

Our passengers are also surveyed through customer services if they have booked a product, such as parking directly through a M.A.G airport. The results of these surveys are fed back to the Customer Service Director who in turn cascades the data to customer facing managers to ensure any improvements required are implemented in a timely way.

ACCESSIBLE TRAVEL

We want all of our passengers to enjoy the same level of ease and comfort at our airports, so we work closely with regional disability organisations to ensure the highest levels of service are available to passengers with additional needs.

Manchester Airport has recently published a guide and series of videos for the parents and carers of children with autism as it is recognised how stressful it can be travelling through an airport for children on the autistic spectrum. The guide takes users on a journey through the different airport stages – from landside to airside and the return journey home. To support the guide, passengers can also request a free wristband for the child and accompanying party to wear on the day of travel to allow use of fast track security lanes in each terminal.

We provide specialist travel advice on our websites and passengers are now able to book assistance at all of our airports in advance of their journeys. Wheelchairs are available for any passengers that require them and dedicated assistance desks are in place landside in our terminals. For the hard of hearing, induction loops are fitted in certain areas of our terminals and are identifiable by the sympathetic ear symbol. Additionally, in some areas of our airports we have also provided the text phone facility.

ENSURING SAFETY AND SECURITY

The safety and security of our customers and employees is M.A.G's number one priority and underpins how we run our business. It is part of our Company culture to act with the highest standards of honesty, integrity and responsibility and always deliver on our commitments.

As described in previous year's CSR reports, there have been significant changes in the security provision at our airports. Manchester Airport, Bournemouth Airport and East Midlands Airport has fully integrated the security function in-house and M.A.G now has control of all security services across the Group. This has given us greater control over the customer service provided and we can more easily assess how it can be improved.



New security area at East Midlands Airport.

We invest heavily in training our security officers, ensuring the highest level of competency and customer service is delivered at all times. All security personnel must complete 12 hours of computer based training every year, as well as one day of refresher training every 13 months. These are in addition to other training courses such as regulatory and process updates, as well as on

the job coaching from line managers or trainers to ensure standards of professionalism and knowledge of the latest security developments are upheld.

We remain in close cooperation with Government agencies and the Police to ensure that our security regime is responsive to changes in external threats. All our airports have the appropriate security procedures to protect our passengers and colleagues, and are fully compliant with the Government's security requirements.

STAKEHOLDER ENGAGEMENT

Our Airports operate with a significant geographical footprint and as such, we have a varied and complex structure of stakeholders. We believe that applying a strategic and focused approach to stakeholder engagement and by collaborating with our local stakeholders through open and authentic dialogue, we are able to demonstrate the value we

are adding to the economy, how we are managing our impacts and creating an open channel for them to feedback directly to us.

We have a long history of engaging with our neighbours to share information and help us develop our policies. We meet regularly with elected representatives from city, borough, town and parish councils, both at structured meetings and at informal events. We make ourselves available to the wider public through a variety of opportunities; on the telephone, through our website, by e-mail or at our Outreach events. The feedback we have received has helped us to develop environmental policies on noise mitigation, formulate our CSR strategy and identify the issues that are most material to our business.

MATERIAL CSR ISSUES

Many different stakeholders have an interest in our social and environmental performance. To make sure our CSR















reporting serves the needs of a varied audience, we have undertaken a strategic materiality review of CSR issues to ensure our reporting focuses on those issues that are the most important to our business and stakeholders. This review has been completed by an independent sustainability consultancy and the source of this analysis consists of in-depth interviews with key stakeholders. This year's review builds on the work of the first independent materiality review completed in 2012-13.

The results of our materiality review can be found in our CSR Report. It confirms the importance of our approach to CSR and demonstrates the importance of providing a secure environment for our passengers, as well as addressing the environmental impact of our operations, particularly noise and climate change. We must also continue to develop the regions we serve by investing in our local communities and supporting economic development.

KEY PERFORMANCE INDICATORS

We measure our performance against our strategic CSR objectives through our key performance indicators. These are detailed in the table below.

Issue	Strategic CSR objective	Indicator	2013/14		Change %
Carbon reduction – CO ₂ emissions	Reduce climate change emissions by increasing efficiency and obtaining energy from renewable sources	Total net CO ₂ emissions	23,387 2012/13 44,284	▲	-47%
Carbon reduction – CO ₂ emissions	Reduce climate change emissions by increasing efficiency and obtaining energy from renewable sources	Carbon emission per traffic unit	1.67 2012/13: 1.9	▲	-9.7%
Water consumption	Ensure we protect the natural environment by operating responsibly within environmental limits	Total mains water used (m ³)	1,504,500 2012/13: 1,387,683	▼	+ 8%

Issue	Strategic CSR objective	Indicator	2013/14	Change %
Water quality	Ensure we protect the natural environment by operating responsibly within environmental limits	Samples within surface water consent limits (%)	94% 2012/13: 94% 	No change
Water quality	Ensure we protect the natural environment by operating responsibly within environmental limits	Samples within effluent discharge consent limits	89% 2012/13: 92% 	-3%
Waste generated	Minimise waste and promote recycling	Total waste tonnes	14,543 ¹ 2012/13: 14,178 	No change**
Waste recycled/recovered	Minimise waste and promote recycling	% waste recycled/recovered	80% 	+ 7%
Noise	Develop and adopt practices that minimise disturbing and intrusive noise	Departures within preferred noise routes	97% 2012/13: 98% 	-1%
Noise	Develop and adopt practices that minimise disturbing and intrusive noise	Flights using continuous descent approach	93% 2012/13: 91% 	+1%
Air quality	Ensure we protect the natural environment by operating responsibly within environmental limits	Total breaches of air quality limits	0 2012/13: 0 	Maintained zero breaches
Community engagement ²	Use outreach programmes to positively engage with our communities	Total community investment through community funds (£)	£297,281 2012/13: £425,747.65 	-30% ²
Community engagement ²	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 volunteering hours	8,576 2012/13: 6736 hours 	+ 27% ²
Health and Safety	Employ a certified and systematic management of health and safety	RIDDOR reportable accidents	16 2012/13: 27 	-41%
Customer satisfaction	Providing a safe, secure and accessible environment for our passengers that meets their travel needs	Overall ASQ ranking (in benchmarking group)*	Manchester: 3.93 2013: 3.89  Stansted: 3.74 2013: 3.77  East Midlands: 3.87 2013: 4.03  Bournemouth: 4.17 2013: 4.02 	

KEY  Green arrow – improved performance  Red arrow – reduction in performance  Yellow arrows – no change

NOTE:

1 Data not available for liquid waste at London Stansted Airport, East Midlands Airport and Bournemouth Airport. Hazardous waste data was not available at East Midlands Airport. Tyre data at London Stansted for March 2014 not available.

2 Our strategy for community engagement has changed to focus more on encouraging our people to support voluntary projects that benefit the local community, hence we

have increased the number of employee volunteering hours, rather than increasing investment in community funds.

* Data only available in calendar year.

** 2.6% increase in waste is due to the increased scope of Bournemouth waste monitoring data.

CORPORATE GOVERNANCE STATEMENT

The Group is committed to maintaining high standards of corporate governance and applies principles of the UK Corporate Governance Code (September 2012) ("the Code") so far as is reasonably practicable given its non-listed status.

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 50.

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 BOARD MEETINGS FY 2013-2014

	Board	Audit Committee	Remuneration and Review Committee	Nominations Committee
Total number of meetings in 2013/14	9	3	4	2
Number of meetings attended in 2013/14				
Non-Executive Directors				
Mike Davies	8	N/A	N/A	2
Vanda Murray	9	3	2	1
Angela Spindler	7	N/A	4	1
James Wallace	9	3	N/A	2
Kieran Quinn	7	2	N/A	2
Richard Leese	8	N/A	3	2
Christian Seymour	7	N/A	4	2
Manoj Mehta	9	3	N/A	2
Elizabeth Symons (Note 1)	3	N/A	N/A	1
Executive Directors				
Charlie Cornish	9	N/A	N/A	N/A
Ken O'Toole	9	N/A	N/A	N/A
Neil Thompson	9	N/A	N/A	N/A

NOTES:

1 Elizabeth Symons was appointed to the Board of Manchester Airports Holdings Limited in September 2013.

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 has also 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 (including the Chairman). 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. EXCO is currently 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
- Property Director

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.

CORPORATE GOVERNANCE STATEMENT *continued*

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 circulated formed the basis of one to one discussions with the directors. The Board considered feedback from the review and considered that it and the committees are operating in an effective manner.

BOARD COMMITTEES

The principal committees are as follows:

Audit Committee

The members of the Audit Committee at 31 March 2014 are James Wallace (Chairman), Vanda Murray, Manoj Mehta and Kieran Quinn.

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 in June and November without management present;
- The Head 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.

During the year under review an evaluation of the performance and effectiveness of the external auditors was undertaken via a questionnaire by members of the Committee and management who regularly attend meetings. The findings assured the Committee that the external auditors are performing strongly. The responses were shared with the external auditors.

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 Head of Risk Assurance regularly attend meetings with the Audit Committee. The Head of Risk Assurance also has the opportunity to meet with the Chairman of the Audit Committee without executive management being present.

Remuneration Committee

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.

At 31 March 2014 the Remuneration Committee's members are Angela Spindler (Chair), Christian Seymour, Richard Leese and Vanda Murray. All members of the Remuneration Committee are Non-Executive Directors.

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 Manchester Airport Group;
- 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 benefit;
- 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;
- To determine any termination and compensation settlements ensuring that failure is not rewarded and that the duty to mitigate loss is fully recognized.

The Chief Executive and the Group Human Resources and Transformation Director attend 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 2013-14 financial year by New Bridge Street (NBS).

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 GOVERNANCE STATEMENT *continued*

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 page 30.

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.

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 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;
- An internal audit function; and
- Implementation of Group wide procedures, policies, standards and processes on business activities, such as financial reporting, health and safety, whistle blowing 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, regulatory, strategy and human resource. Further details of the management of risks can be found in the Risk Management Report on pages 26 to 29.

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 preparation of these accounts and after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason 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 59 to 65.

BOARD OF DIRECTORS

CHAIRMAN

Mike Davies OBE

Appointed Non-Executive chairman of the Group in April 2009. 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.

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 the 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 Chief Commercial Officer in January 2012. Prior to that 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

Vanda Murray OBE FCIM BA (Hons)

Appointed in January 2010, Vanda holds a portfolio of Non-Executive Directorships: Exova plc, Microgen plc; Chemring plc and Fenner plc, where she is Senior Independent Director. She is also Deputy 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.

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 joins 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 as ASDA, most recently as MD of George Clothing.

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.

Sir Richard Leese

Appointed in March 2013. Leader of the City Council of Manchester since 1996. His other roles include Chair of the Greater Manchester Low Carbon Hub, 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.

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 multi-disciplinary teams.

Manoj Mehta

Appointed 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.

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.

Elizabeth Symons

Appointed in September 2013, 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 adviser to a number of commercial organisations including DLA Piper, the CCC Group, Rio Tinto, Blenheim Capital and Protection Group International.

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 incentives schemes aligned to both short and long term performance goals. Where the goals are not met it is also appropriate that this results in a considerably reduced level of remuneration received. Accordingly the annual and long-term incentives make up a significant part of each executive director's compensation package.

Remuneration packages comprise:

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

EXECUTIVE DIRECTORS' BASIC SALARIES AND INCENTIVES

Basic Salary

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

To assist in market comparison, NBS 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 the 80% of the maximum level 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.

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 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 Retirement and Death Benefit 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 pensions) was introduced in March 2010 in order to reduce National Insurance contributions payable by the Group and the members.

The Group 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 in April 2011 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 Group will pay a discretionary cash supplement in lieu of pension provision given up.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

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 2014.

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 and retail activities and property.

RESULTS REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated results for the year under review are set out on page 66. 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 profit for the year of £36.9m (2013: loss £43.7m) after dividends paid of £72.0m (2013: £20.1m) will be transferred to reserves. The Directors recommend the payment of a final dividend of 14.52 pence per share (2013: 22.73 pence), making a total dividend of £46.0m (2013: £72.0m).

THE BOARD OF DIRECTORS

At 31 March 2014, the Board comprised

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

During the period, the following Board changes took place:

Elizabeth Symons was appointed as a Non-Executive Director for a period of three years commencing 1 September 2013.

Vanda Murray was re-appointed as a Non-Executive Director for a period of three years from 28 February 2014.

On 28 March 2014 Mike Davies informed the Board of his intention to retire from the board. He will step down when the process for appointment of the new Chairman is completed.

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

There have been no changes to the Board of Directors since the year end.

CONTRACTS OF SIGNIFICANCE

Details of contracts of significance with The Council of the City of Manchester are set out in Note 3 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 26 to 29.

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 understands that employing a diverse workforce provides access to use a wider range of talents and skills, which can lead to creativity and innovation. The Group believes that by mirroring the communities and cultures that surround it, it can better understand and anticipate the diverse needs of its customers.

To get the best from employees and meet the varying needs of its diverse customer base, it is very important that diversity is managed positively. Accordingly, the Group has a Diversity Programme, which aims to ensure that these objectives are achieved.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014 continued**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 magazine, 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 2014 was 18 days (2013: 46 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 £0.3m (2013: £0.3m). 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

30 June 2014

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

30 June 2014

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 2014 set out on pages 59 to 103. 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 57, 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 2014 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 2014.

Jonathan Hurst (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St James' Square, Manchester M2 6DS

30 June 2014

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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 2014, the Group had £1,446.0m (2013: £1,456.9m) of committed facilities and a net debt position of £1,151.6m (2013: £1,117.4m). The Group had financial headroom of £316m (2013: £362m) at the year-end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the board approved four-year business plan M.A.G is forecast to have financial headroom in excess of £250m throughout 2014-15. 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 2014 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, amendment to standards and interpretations are adopted for the first time in the preparation of these financial statements:

- Amendment to IAS 19, 'Employee benefits': The amendment calculates finance costs on a net funding basis.
- Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). This amendment does not address which items are presented in OCI.
- Amendment to IFRS7, 'Financial instruments: Disclosures', on asset and liability offsetting: This amendment includes new disclosure to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

ACCOUNTING POLICIES *continued*

- Annual improvements to IFRSs, 2009-2011 reporting cycle.
- Amendment to IFRS1, 'First time adoption': The amendment clarifies that an entity may apply IFRS1 more than once under certain circumstances. Also an entity can choose to adopt IAS 23, 'Borrowing Costs', either from its date of transition or from an earlier date.
- Amendment to IAS1, 'Presentation of financial statements': The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.
- Amendment to IAS16, 'Property, plant and equipment': The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
- Amendment to IAS 32, 'Financial instruments': The amendment clarifies the treatment of income tax relating to distributions and transaction costs.
- Amendment to IAS 34, 'Interim financial reporting': The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

Effective for year ended 31 March 2015

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

BASIS OF CONSOLIDATION

These consolidated accounts include the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, and Statement of Cash Flows 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 govern the financial and operating policies 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.

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 arrival/departure, 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 govern the financial and operating policies 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 balance sheet and is subject to annual impairment reviews.

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.

ACCOUNTING POLICIES *continued*

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment constitutes 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.

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.

PROPERTY DEVELOPMENT CONSTRUCTION IN PROGRESS

Property development construction in progress represents the gross amount of construction completed for work performed to date on the development of properties specifically for sale to third parties. Costs include all expenditure incurred to date related specifically to development projects. Property development construction in progress is presented as part of inventories and is recognised at cost.

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 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 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 the 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.

ACCOUNTING POLICIES *continued*

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.

BOND ISSUE COSTS

Prepaid fees in relation to the future issuance of debt are held on the Statement of Financial Position on the basis that such issuance is considered probable. If issues do not occur, or are deemed not to be probable, such fees are recognised in the Income Statement.

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 effectiveness of any hedge is tested at each period end to ensure that the hedge remains effective. Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the Income Statement. Where derivatives qualify for hedge accounting, the change in fair value of these derivatives relating to the effective portion of the hedge is recognised directly in equity. Any ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are recycled to the Income Statement in the periods when the hedged items will affect profit or loss.

TAXATION

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 2014 (2013: 23%).

EMPLOYEE BENEFIT COSTS

The Group participates in four defined benefit schemes, which are contracted out of the state scheme as well as a defined contribution scheme. 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, adjusted for past service costs. 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. Interest costs, reflecting the unwinding of the discounted value of the scheme obligations, and return on assets, reflecting the long term expected return on scheme assets, are charged or credited to the Income Statement for the period to which they relate. Actuarial gains and losses are recognised in the Statement of Comprehensive Income. 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.

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 by the Group's Board of Directors.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £m Total Before Significant items	2014 £m Significant items	2014 £m Total After Significant items	2013 £m Total Before Significant items (Restated)	2013 £m Significant items (Restated)	2013 £m Total After Significant items (Restated)
Continuing operations							
Revenue	1	671.2	-	671.2	411.5	-	411.5
Result from operations before significant items	4	117.4	-	117.4	74.4	-	74.4
Significant items							
Integration costs	3	-	(2.4)	(2.4)	-	-	-
Impairment of property plant and equipment	3	-	(7.2)	(7.2)	-	-	-
Acquisition costs	3	-	-	-	-	(28.4)	(28.4)
Restructuring costs	3	-	(2.2)	(2.2)	-	(1.1)	(1.1)
Result from operations	4	117.4	(11.8)	105.6	74.4	(29.5)	44.9
Movement in investment property fair values	14	19.9	-	19.9	(3.6)	-	(3.6)
Movement in fair value of interest rate swaps	3	-	20.0	20.0	-	(6.0)	(6.0)
Finance costs							
Gain on settlement of interest rate swaps	3, 7	-	4.1	4.1	-	-	-
Finance costs	3, 7	(62.9)	-	(62.9)	(34.8)	-	(34.8)
Finance costs – amortisation of issue costs	3, 7	-	(5.9)	(5.9)	-	(2.0)	(2.0)
– settlement of previous financing	3, 7	-	-	-	-	(30.9)	(30.9)
Finance costs	7	(62.9)	(1.8)	(64.7)	(34.8)	(32.9)	(67.7)
Result before taxation	8	74.4	6.4	80.8	36.0	(68.4)	(32.4)
Taxation	3, 9	30.7	(2.6)	28.1	(0.4)	9.6	9.2
Result from continuing operations		105.1	3.8	108.9	35.6	(58.8)	(23.2)
Discontinued operations							
Result from discontinued operations (net of tax)	33	-	-	-	-	(0.4)	(0.4)
Result for the year		105.1	3.8	108.9	35.6	(59.2)	(23.6)
Earnings per share expressed in pence per share –							
Continuing operations	11	-	-	34.39	-	-	(10.86)
Discontinuing operations	11	-	-	-	-	-	(0.19)

The prior period comparatives have been restated for the impact of the amendment to IAS 19 "Employee Benefits" as described in Note 35.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £m	2013 £m (Restated)
Result for the year		108.9	(23.6)
Other comprehensive income/(expense)			
Actuarial gain on retirement benefit liabilities	25	36.1	8.3
Deferred tax on retirement benefits actuarial movements	9	(7.2)	(1.9)
Effect of change in rate of corporation tax	9	(1.4)	(0.5)
Other comprehensive income for the year		27.5	5.9
Total comprehensive income/(expense) for the year		136.4	(17.7)

The prior period comparatives have been restated for the impact of the amendment to IAS 19 "Employee Benefits" as described in Note 35.

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

	Note	Attributable to equity holders		Reserves	Total
		Share capital £m	Share premium £m	£m	£m
At 1 April 2013		316.7	687.2	519.8	1,523.7
Result for the year		-	-	108.9	108.9
Defined benefit actuarial gain 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		-	-	(1.4)	(1.4)
Balance At 31 March 2014		316.7	687.2	584.2	1,588.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013
(RESTATED)

	Note	Attributable to equity holders		Reserves	Total
		Share capital £m	Share premium £m	£m	£m
At 1 April 2012		204.3		557.6	761.9
Result for the year		-	-	(23.6)	(23.6)
Defined benefit actuarial gain net of tax		-	-	6.4	6.4
Issue of ordinary shares		112.40	687.2	-	799.6
Dividends paid to equity holders	10	-	-	(20.1)	(20.1)
Effect of change in rate of corporation tax		-	-	(0.5)	(0.5)
Balance At 31 March 2013		316.7	687.2	519.8	1,523.7

The prior period comparatives have been restated for the impact of the amendment to IAS 19 "Employee Benefits" as described in Note 35.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Notes	2014 £m	2013 £m
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,377.4	2,389.1
Intangible assets	13	40.0	30.0
Goodwill	13	166.3	166.3
Investment properties	14	592.1	566.4
Derivative financial assets	22	3.4	-
Deferred tax assets	26	12.2	26.2
		3,191.4	3,178.0
CURRENT ASSETS			
Inventories	15	1.3	1.5
Trade and other receivables	16	70.9	56.9
Cash and cash equivalents	17	19.0	56.9
		91.2	115.3
LIABILITIES			
Current liabilities			
Borrowings	18	(12.1)	-
Trade and other payables	24	(144.7)	(125.6)
Deferred income		(18.3)	(17.4)
Current tax liabilities		(4.5)	(3.7)
		(179.6)	(146.7)
NET CURRENT LIABILITIES			
		(88.4)	(31.4)
Non-current liabilities			
Borrowings	18	(1,141.0)	(1,137.0)
Derivative financial liabilities	22	(17.5)	(37.3)
Retirement benefit liabilities	25	(40.2)	(77.5)
Deferred tax liabilities	26	(302.0)	(355.4)
Other non-current liabilities	27	(14.2)	(15.7)
		(1,514.9)	(1,622.9)
TOTAL NET ASSETS			
		1,588.1	1,523.7
Shareholders' equity			
Share capital	28	316.7	316.7
Share premium	28	687.2	687.2
Retained earnings	29	584.2	519.8
Total equity		1,588.1	1,523.7

The financial statements on pages 59 to 103 were approved by the Board of Directors on 30 June 2014 and signed on its behalf by:



Mike Davies
Chairman
M.A.G



Charlie Cornish
Group Chief Executive
M.A.G

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014

Note	2014 £m Before significant items	2014 £m Significant items	2014 £m After significant items	2013 £m Before significant items (Restated)	2013 £m Significant items (Restated)	2013 £m After significant items (Restated)
Cash flows from operating activities:						
Result before taxation – continuing operations	74.4	6.4	80.8	36.0	(68.4)	(32.4)
Result before taxation – discontinuing operations	-	-	-	-	(0.4)	(0.4)
Change in value of investment properties	(19.9)	-	(19.9)	3.6	-	3.6
Movement in fair value of interest rate swaps	-	(20.0)	(20.0)	-	6.0	6.0
Gain on settlement of interest rate swaps	-	(4.1)	(4.1)	-	-	-
Finance income and expense	62.9	-	62.9	34.8	-	34.8
Amortisation of issue costs	5.9	-	5.9	-	2.0	2.0
Settlement of previous financing	-	-	-	-	30.9	30.9
Depreciation, amortisation and impairment	124.5	7.2	131.7	70.0	-	70.0
Profit on sale of property, plant and equipment	1.4	-	1.4	0.3	-	0.3
(Increase)/decrease in trade and other receivables and inventories	(13.9)	-	(13.9)	5.4	-	5.4
Release of grants	(0.7)	-	(0.7)	(0.7)	-	(0.7)
Increase in trade and other payables	7.3	-	7.3	0.8	-	0.8
Decrease in retirement benefits provision	(1.2)	-	(1.2)	(1.8)	-	(1.8)
Decrease in available for sale assets	-	-	-	0.2	-	0.2
Cash generated from operations	240.7	(10.5)	230.2	148.6	(29.9)	118.7
Interest paid			(63.4)			(30.4)
Tax paid			(12.9)			(14.9)
Net cash from operating activities			153.9			73.4
Cash flows from investing activities						
Purchase of property, plant and equipment			(122.2)			(55.0)
Purchase of intangible assets			(10.0)			(10.0)
Acquisition of subsidiary net of cash acquired			-			(1,468.7)
Proceeds from sale of investment properties			0.9			1.9
Net cash used in investing activities			(131.3)			(1,531.8)
Cash flows from financing activities						
Proceeds from issue of share capital			-			799.6
New proceeds from issue of new bank loans			-			881.7
Increase in bank loan borrowings			12.1			-
Increase in other borrowings			445.3			89.4
Repayment of loans and borrowings			(450.0)			(236.0)
Gain on settlement of interest rate swaps	-	4.1	4.1			-
Dividends paid to shareholders			(72.0)			(20.1)
Net cash used in/(arising from) financing activities			(60.5)			1,514.6
Net movement in cash and cash equivalents			(37.9)			56.2
Cash and cash equivalents at 1 April			56.9			0.7
Cash and cash equivalents at 31 March	34		19.0			56.9

Cash and cash equivalents includes overdrafts of £0m (2013: £0m).

The prior period comparatives have been restated for the impact of the amendment to IAS 19 "Employee Benefits" as described in Note 35.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. REVENUE

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

	Continuing operations	
	2014	2013
	£m	£m
		(Restated)
Aviation income	342.7	196.1
Commercial income		
Car parking	104.4	62.4
Property and property related income	45.9	35.8
Retail and commercial concessions	119.4	75.0
Other	58.8	42.2
Total commercial income	328.5	215.4
Total revenue	671.2	411.5

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.

The prior period comparatives have been restated to recognise £3.4 m of car rental income within car parking income, previously reported within retail and concessions income. This restatement reflects the income reported by division to management.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised into five main operating divisions: Manchester Airport, Manchester Airport Group Developments, East Midlands Airport, Bournemouth Airport and London Stansted Airport. (Humberside Airport which was classified as discontinued in the 2012).

The divisions are the basis of which the Group reports its primary information. London Stansted Airport was acquired on 28 February 2013, Segmental balance sheet information is presented as at 31 March.

2014	Manchester Airport	Manchester Airport Group Developments	East Midlands Airport	Bournemouth Airport	London Stansted Airport	Group consolidation and other ³	Consolidated – continuing operations	Discontinued operations – Humberside Airport
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue								
External sales	335.6	29.5	54.3	10.2	245.1	(3.5)	671.2	-
Inter-segment sales	(0.9)	(2.7)	-	-	-	3.6	-	-
Total revenue	334.7	26.8	54.3	10.2	245.1	0.1	671.2	-
Result								
Segment profit before significant items	68.0	12.8	9.2	0.8	33.5	(6.9)	117.4	-

2. BUSINESS AND GEOGRAPHICAL SEGMENTS *continued*

2014	Manchester Airport	Manchester Airport Group Developments	East Midlands Airport	Bournemouth Airport	London Stansted Airport	Group consolidation and other	Consolidated – continuing operations	Discontinued operations – Humberside Airport
	£m	£m	£m	£m	£m	£m	£m	£m
Other information								
Segment assets	1,168.7	(Note 1)	322.7	82.7	1,357.7	350.8	3,282.6	-
Segment liabilities	(238.2)	(Note 1)	(70.2)	(9.3)	(139.6)	(1,237.2)	(1,694.5)	-
Capital expenditure	54.1	(Note 1)	19.2	0.5	53.9		127.7	-
Depreciation	55.1	5.3	7.2	0.8	55.4	0.7	124.5	-
Taxation charge/(credit)	(18.8)	(Note 1)	(5.5)	(2.1)	0.5	(2.2)	(28.1)	-
Result – geographical location²								
Segment profit before significant items	75.5	(Note 2)	10.4	5.0	33.5	(7.0)	117.4	-
	-	-	-					
2013 (Restated)⁴	Manchester Airport	Manchester Airport Group Developments	East Midlands Airport	Bournemouth Airport	London Stansted Airport	Group consolidation and other ³	Consolidated	Humberside Airport
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue								
External sales	307.4	27.9	50.8	10.1	18.4	(3.1)	411.5	2.2
Inter-segment sales	(0.4)	(2.6)	0.0	0.0	-	3.0	-	-
Total revenue	307.0	25.3	50.8	10.1	18.4	(0.1)	411.5	2.2
Result^{2 & 4}								
Segment profit before exceptional items	56.5	17.5	6.3	(1.7)	(0.9)	(3.3)	74.4	0.2
Other information								
Segment assets	1,137.3	(Note 1)	302.1	92.1	1,355.4	406.4	3,293.3	-
Segment liabilities	(288.2)	(Note 1)	(76.0)	(10.3)	(129.6)	(1,265.5)	(1,769.6)	-
Capital expenditure	50.9	(Note 1)	5.2	0.4	2.2	-	58.7	-
Depreciation	55.6	1.0	6.7	1.0	5.7	-	70.0	-
Taxation charge/(credit)	(14.9)	(Note 1)	(0.2)	(0.4)	0.4	5.9	(9.2)	-
Result – geographical location^{2 & 4}								
Segment profit before significant items	69.2	(Note 2)	7.1	2.3	(0.9)	(3.3)	74.4	-

NOTES:

- The Group's reporting structure is such that the assets and liabilities of Manchester Airport Group Developments are included in The Manchester Airport Statement of Financial Position.
- For management accounting purposes The Group reports property income within The Manchester Airport Group 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 18 Borrowings and Derivative Financial Liabilities.
- The prior period comparatives have been restated for the segmental analysis of profit before exceptional items to align the reported values to those reported by management. Central costs incurred by the Group function have been re-charged to the operating divisions in the year ended March 2014, accordingly the prior period comparatives have been re-stated to show the re-charge on a like-for like basis.
The prior period comparatives have been restated for the impact of the amendment to IAS 19 "Employee Benefits" as described in Note 35.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

3. SIGNIFICANT ITEMS

	2014 £m	2013 £m
Recorded in result from operations:		
Integration costs ¹	2.4	-
Impairment of property plant and equipment ²	7.2	-
Acquisition costs ³	-	28.4
Restructuring costs ⁴	2.2	1.1
Total recorded in Result from operations	11.8	29.5
Recorded in Finance Cost:		
Amortisation of issue costs ⁵	5.9	2.0
Derivative recognised on refinancing ⁶	-	30.9
Total recorded in Finance Cost	5.9	32.9
Recorded in result before taxation:		
Gain on settlement of interest rate swaps ⁷	(4.1)	-
Movement in fair value of interest rate swaps ⁸	(20.0)	6.0
Total recorded in result before taxation	(24.1)	6.0
Total significant items	(6.4)	68.4
Taxation on significant items	(2.6)	9.6

NOTES:

1 Integration costs

Integration costs relate to the separation of London Stansted Airport processes and systems from its previous owner.

2 Impairment of property plant and equipment

A provision of £7.2m has been made against the carrying value of property plant and equipment at London Stansted Airport in relation to assets that will be removed as part of the wider terminal transformation project.

3 Acquisition costs

Acquisition costs of £nil (2013: £28.4m) relate to advisor costs incurred in relation to the London Stansted acquisition, contracts, due diligence procedures and stamp duty on the share purchase.

4 Restructuring costs

Restructuring costs of £2.2m (2013: £1.1m) have been incurred in respect of an organisational efficiency programme. The costs include severance pay and exceptional pension contributions.

5 Amortisation of issue costs

Following the restructuring and refinancing of the Group, unamortised issue costs of £5.9m were written off following settlement of £450m of the senior term facility (2013: £2m, settlement of the £75m previous facility). This charge has had no cash flow consequences in the period.

6 Settlement of previous financing

Following the restructuring of the Group, the previous term loan was settled. Settlement of this borrowing before the contractual maturity date resulted in the recognition of a financial liability in relation to interest cost. This financial liability was embedded into the derivative financial instrument entered into to hedge the interest exposure of the Group's new borrowing.

7 Gain on settlement of interest rate swaps

This represents the cash gain received on termination of interest rate swaps.

8 Movement in fair value of interest rate swaps

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

4. RESULT FROM CONTINUING OPERATIONS

	2014 £m	2013 £m (Restated)
Turnover	671.2	411.5
Wages and salaries ¹	(129.6)	(81.7)
Social security costs	(10.8)	(7.1)
Pension costs	(13.1)	(6.7)
Employee benefit costs	(153.5)	(95.5)
Depreciation	(124.5)	(70.0)
Profit on disposal of fixed assets	1.4	-
Other operating charges ²	(277.2)	(171.6)
Result from operations before significant items	117.4	74.4

NOTES:

1 Wages and salary costs are disclosed before restructuring costs amounting to £2.2m (2013 £1.1m) which are reported separately – see Note 3

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

The prior period comparatives have been restated for the impact of the amendment to IAS 19 “Employee Benefits”, as described in Note 35.

5. EMPLOYEE INFORMATION

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

	2014 Number	2013 Number
By location		
Manchester Airport	2,226	2,088
East Midlands Airport	534	481
Bournemouth Airport	165	181
London Stansted Airport	1,306	1,310
	4,231	4,060

6. DIRECTORS' EMOLUMENTS

A description of the Group's remuneration policy is set out on pages 52 to 53 in the Remuneration Report.

	2014 £m	2013 £m (Restated)
Aggregate emoluments	4.1	2.7

An amount of £123,561 (2013: £163,187) was paid in to money purchase schemes in respect of three directors. (2013: three)

	2014 £m	2013 £m (Restated)
Highest paid director		
Aggregate emoluments and benefits	1.6	1.0

The comparative values have been restated to reflect amounts receivable under the long term incentive plan (LTIP).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

7. FINANCE COSTS

	Note	2014 £m	2013 £m (Restated)
Interest payable on bank loans and overdrafts		26.6	10.7
Interest payable on bonds		2.7	-
Interest payable on other borrowings		30.3	20.4
Net interest cost on defined benefit pension schemes	25	3.3	3.7
		62.9	34.8
Shown within significant items:			
Amortisation of issued costs on previous financing		5.9	2.0
Settlement of previous financing		-	30.9
Gain on settlement of interest rate swaps		(4.1)	-
		1.8	32.9
Total finance costs		64.7	67.7

The prior period comparatives have been restated for the impact of the amendment to IAS 19 "Employee Benefits", as described in Note 35.

8. RESULT BEFORE TAXATION

	Note	2014 £m	2013 £m (Restated)
Result before taxation has been arrived at after charging/(crediting):			
Hire of plant and machinery – operating leases		0.3	0.2
Hire of other assets – operating leases		21.2	10.1
Release of capital based grants		(0.7)	(0.7)
Depreciation of property, plant and equipment:			
Owned assets – continuing operations	12	124.5	70.0
Impairment of property, plant and equipment		7.2	-
Profit on disposal of property, plant and equipment and investment properties		(1.4)	-
Integration costs		2.4	-
Acquisition costs		-	28.4
Restructuring costs		2.2	1.1
(Increase)/decrease in fair value of investment property	14	(19.9)	3.6
Employee benefit costs	4	153.5	95.5
Auditors remuneration:			
Audit of these financial statements		0.3	0.3
Amounts receivable by auditors and their associates in respect of:			
Other services relating to taxation		0.1	0.1
All other services		0.1	1.3

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

The prior period comparatives have been restated for the impact of the amendment to IAS 19 "Employee Benefits", as described in Note 35.

9. TAXATION

ANALYSIS OF CHARGE IN THE PERIOD

	2014 £m Before significant items	2014 £m Significant items	2014 £m After Significant items	2013 £m Before significant items (Restated)	2013 £m Significant items (Restated)	2013 £m After significant items (Restated)
Current taxation						
UK Corporation tax on profits for the year	26.5	(1.4)	25.1	18.5	(8.2)	10.3
Adjustment in respect of prior year	(5.2)	-	(5.2)	(0.4)	-	(0.4)
Total current taxation	21.3	(1.4)	19.9	18.1	(8.2)	9.9
Deferred taxation						
Temporary differences arising in the period	(3.7)	4.0	0.3	(8.9)	(1.4)	(10.3)
Adjustment in respect of prior year	(4.4)	-	(4.4)	(0.2)	-	(0.2)
Effect of change in rate of corporation tax	(43.9)	-	(43.9)	(8.6)	-	(8.6)
Total ordinary deferred taxation	(52.0)	4.0	(48.0)	(17.7)	(1.4)	(19.1)
Total taxation (credit)/charge	(30.7)	2.6	(28.1)	0.4	(9.6)	(9.2)

TAXATION ON ITEMS CHARGED TO EQUITY

	2014 £m	2013 £m
Deferred taxation on actuarial losses and gains	7.2	1.9
Effect of change in rate of corporation tax	1.4	0.5
	8.6	2.4

FACTORS AFFECTING THE TAXATION CHARGE FOR THE YEAR

The total taxation charge for the year ended 31 March 2014 is lower than the standard rate of corporation taxation in the UK of 23% (2013: 24%). The differences are explained below.

	2014 £m Before significant items	2014 £m Significant items	2014 £m After significant items	2013 £m Before significant items (Restated)	2013 £m Significant items (Restated)	2013 £m After significant items (Restated)
Result before taxation	74.4	6.4	80.8	36.0	(68.4)	(32.4)
Result before taxation multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	17.1	1.5	18.6	8.6	(16.3)	(7.7)
Effect of:						
Origination and reversal of timing differences	2.3	(0.6)	1.7	0.2	(0.1)	0.1
Non-taxable items	3.4	1.7	5.1	0.8	6.8	7.6
Adjustments to prior year taxation charge	(9.6)	-	(9.6)	(0.6)	-	(0.6)
Effect of change in rate of corporation tax	(43.9)	-	(43.9)	(8.6)	-	(8.6)
Total taxation credit	(30.7)	2.6	(28.1)	0.4	(9.6)	(9.2)

The Finance Bill 2013 was substantively enacted on 2 July 2013 and included a reduction in the rate of Corporation tax from 1 April 2014 of 2% to 21% with a further 1% reduction on 1 April 2015 to 20%. Deferred tax balances at 31 March 2014 have been calculated at 20% on the basis that they are expected to unwind at this rate.

The prior period comparatives have been restated for the impact of the amendment to IAS 19 "Employee Benefits", as described in Note 35.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

10. DIVIDENDS

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the year:		
Dividends paid in relation to the year ended 31 March 2013 of 22.73 pence (2012:9.79 pence) per share	72.0	20.1
Proposed normal dividend for the year ended 31 March 2014 of 14.52 pence (2013: 13.26 pence) per share	46.0	42.0
Proposed special dividend for the year ended 31 March 2013 9.47 pence per share	-	30.0
Total proposed dividend for the year ended 31 March 2014 of 14.52 pence (2013: 22.73 pence) per share	46.0	72.0

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.

	2014			2013		
	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	108.9	316.7	34.39	(23.2)	213.7	(10.86)
EPS attributable to ordinary shareholders – discontinuing operations	-	316.7	-	(0.4)	213.7	(0.19)
EPS attributable to ordinary shareholders – before significant items	105.1	316.7	33.19	35.6	213.7	16.66
EPS attributable to ordinary shareholders – after significant items	108.9	316.7	34.39	(23.6)	213.7	(11.04)

12. PROPERTY, PLANT AND EQUIPMENT

2014	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 2013	217.0	421.4	2,018.4	491.9	66.0	3,214.7
Additions	-	-	-	-	127.7	127.7
Reclassification (to investment properties) ¹⁴	-	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

12. PROPERTY, PLANT AND EQUIPMENT *continued*

2014	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
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
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Carrying amount

At 31 March 2013	158.2	324.1	1,710.9	129.9	66.0	2,389.1
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2013	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 2012	216.7	420.0	830.3	411.1	35.5	1,913.6
Additions	-	1.4	0.9	14.6	40.2	57.1
Acquisitions	0.3	-	1,180.0	42.0	23.2	1,245.5
Reclassification	-	-	7.2	25.5	(32.9)	(0.2)
Disposals	-	-	-	(1.3)	-	(1.3)
At 31 March 2013	217.0	421.4	2,018.4	491.9	66.0	3,214.7

Depreciation

At 1 April 2012	58.0	85.4	281.0	332.2	-	756.6
Charge for the period	0.8	11.9	26.5	30.8	-	70.0
Disposals	-	-	-	(1.0)	-	(1.0)
At 31 March 2013	58.8	97.3	307.5	362.0	-	825.6

Carrying amount

At 31 March 2013	158.2	324.1	1,710.9	129.9	66.0	2,389.1
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At 31 March 2012	158.7	334.6	549.3	78.9	35.5	1,157.0
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Impairment

The terminal transformation project at London Stansted forms a major part of the strategy for the airport.

To facilitate this project a review of all the related assets took place during the year. Following this review, £7.2m of long leasehold assets were identified as being subject to a possible impairment in year. The carrying amounts of the individual assets were reviewed and assessed as being zero. Therefore, an impairment loss of £7.2m has been recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

13. INTANGIBLE ASSETS

	Goodwill	Other Intangible assets £m	Total £m
Cost			
At 1 April 2013	166.3	30.0	196.3
Additions		10.0	10.0
At 31 March 2014	166.3	40.0	206.3
Amortisation			
At 1 April 2013	-	-	-
At 31 March 2014	-	-	-
Carrying amount			
At 31 March 2014	166.3	40.0	206.3
At 31 March 2013	166.3	30.0	196.3

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 the prior year follows the acquisition of London Stansted Airport Limited ("Stansted"), see Note 33 for further details.

The recoverable amount of the London 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 0.84 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 7.0%. 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, prepared to support the investment from the Group's new shareholder to review a period for a further 25 years. A terminal value is calculated beyond that point based on the growth rate described above. Sensitivity analysis shows that the discount rate would have to increase by over 400 basis points 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, planned to commence in 2016, will be operated for a period of 20 years. The cost of securing the rights is being capitalised pending the commencement of the operation. It is proposed that the contract-based intangible will be 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.

14. INVESTMENT PROPERTIES

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
2013	Investment properties £m
Cost or valuation	
At 1 April 2012	354.9
Additions	1.6
Acquisitions	215.2
Reclassification from assets in the course of construction ¹²	0.2
Disposals	(1.9)
Revaluation	(3.6)
At 31 March 2013	566.4
Carrying amount	
At 31 March 2013	566.4
At 31 March 2012	354.9

Investment properties

The fair value of the Group's commercial investment property at 31 March 2014 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 cashflow methods.

The rental income earned by the Group from its investment property, amounted to £32.6m (2013: £23.2m). Direct operating expenses arising on the investment property in the period amounted to £5.4m (2013: £2.5m). This includes £0.6m (2013: £0.3m) of operating costs where no income was derived.

15. INVENTORIES

	2014 £m	2013 £m
Consumables	1.3	1.5
	1.3	1.5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

16. TRADE AND OTHER RECEIVABLES

	2014	2013
	£m	£m
Trade receivables	38.4	33.9
Other receivables	1.0	-
Prepayments and accrued income	31.5	23.0
	70.9	56.9

The average credit period taken on sales is 17 days (2013: 16 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £1.2m (2013: £1.3m). This allowance has been determined by identifying all specific external debts where it is probable that they will not be recovered in full.

This 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:

	2014	2013
	£m	£m
Debt due over 90 days	0.8	1.0
Total	0.8	1.0

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

	£m
Balance at 1 April 2013	1.3
Provision utilised	(0.1)
Balance at 31 March 2014	1.2

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:

	2014	2013
	£m	£m
Less than 60 days	0.2	0.1
60 to 90 days	0.2	0.2
Over 90 days	0.8	1.0
Total	1.2	1.3

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 23.

17. CASH AND CASH EQUIVALENTS

	2014	2013
	£m	£m
Cash at bank and in hand	19.0	56.9
	19.0	56.9

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

18. BORROWINGS AND DERIVATIVE FINANCIAL LIABILITIES

	Notes	2014 £m	2013 £m
Bank loans	19	456.4	885.6
Bonds	20	445.3	-
Other borrowings	21	251.4	251.4
Derivative financial liabilities-interest rate swaps	22	17.5	37.3
		1,170.6	1,174.3
Borrowings are repayable as follows:			
In one year or less, or on demand			
Bank loans	19	12.1	-
		12.1	-
In more than two years, but no more than five years			
Bank loans		444.3	885.6
Derivative financial liabilities-interest rate swaps		17.5	37.3
		461.8	922.9
In more than five years – due other than by instalments			
Bonds		445.3	-
Other borrowings		251.4	251.4
		696.7	251.4
Non Current Borrowings		1,158.5	1,174.3
Total Borrowings and derivative financial liabilities		1,170.6	1,174.3

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

The Group migrated lenders of the existing Secured Senior Term Facility and Secured Revolving Credit Facility to the CTA with no material changes to the commercial terms.

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 a publicly listed fixed rate secured bond in February 2014.

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

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 issued a £450.0 million 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's borrowings are all secured via a fixed and floating charge over substantially all of the assets of the Group with the partial exception of a £12.1m term loan maturing on 31 July 2014, of which £5.1m is unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

19. BANK LOANS

	2014 £m	2013 £m
Secured Term Facility repayable on or before July 2014	12.1	-
Secured Senior Term Facility	450.0	900.0
Less: unamortised debt issue costs ¹	(5.7)	(14.4)
	456.4	885.6

At 31 March 2014 the Group had £282.0 million (2013: £300.0 million) 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 Revolving Credit Facility less certain carve-outs in respect of ancillary facilities of £18.0m. The Group also had access to £15.0m 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).

The bank loans are secured by a floating charge over the Group's assets.

See Note 18 for further information on financial liabilities, including maturity analysis.

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.

20. BONDS

	2014 £m	2013 £m
Repayable by other than by instalments		
M.A.G bond 4.75% £450 million due 2034	450.0	-
Less: discount on issue	(1.2)	-
Less: unamortised debt issue costs	(3.5)	-
	445.3	-

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

See Note 18 for further information on financial liabilities, including maturity analysis.

21. OTHER BORROWINGS

	2014 £m	2013 £m
Repayable by other than by instalments		
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	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.

22. DERIVATIVE FINANCIAL LIABILITIES

Notes	Notional 2014 £m	Assets 2014 £m	Liabilities 2014 £m	Notional 2013 £m	Assets 2013 £m	Liabilities 2013 £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)	675.0	-	(37.3)
Pay fixed, receive floating interest rate swaps – maturing 2024	135.0	-	(1.3)	-	-	-
	-	-	-	-	-	-
Total – derivative financial instruments	495.0	3.4	(17.5)	675.0	-	(37.3)

The interest rate swaps maturing in 2024 are forward starting and not effective until 2018. The forward starting swaps are effective from the point at which the interest rate swaps maturing 2018 terminate and extend the life of the hedge from 2018 to 2024.

23. FINANCIAL INSTRUMENTS

Risk management

Group 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 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 2014, M.A.G had £1,446.0m (2013 £1,456.9m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £1,151.6m (2013 £1,117.4m). M.A.G had financial headroom of £316.0m (2013 £361.9m) 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 £250m throughout 2014-15.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*23. FINANCIAL INSTRUMENTS *continued*

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 16 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 2014 was as follows:

	2014 £m	2013 £m
Fixed rate financial liabilities	696.7	288.7
Floating rate financial liabilities	456.4	885.6
Pay fixed, receive floating interest rate swaps	17.5	37.3
	1,170.6	1,211.6

The pay fixed, receive floating interest rate swaps have a notional amount of £360.0 million (2013: £675.0 million).

The Group has taken out derivative financial instruments such that 92% (2013: 81%) of the Group's gross debt is at fixed rate of interest or is converted to fixed rate as a result of interest rate swap arrangements.

The weighted average interest rate on the fixed interest rate swaps is 2.5% (2013: 1.7%). The instruments are for a weighted average period of 113 months (2013: 72 months).

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) profit and loss and equity for the period by the following amounts:

	2014 £m	2013 £m
Impact on profit and loss account	31.2	35.8
Impact on equity	(0.8)	(1.5)
	30.4	34.3

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

	2014	2013
Weighted average annual interest rate	6.43%	5.59%
Weighted average period for which interest rate is fixed	21yr 4 m	14yr 5m

The weighted average period for non-interest bearing liabilities as at 31 March 2014 was 1 year (2013: 1 year).

23. 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 2014 to the contract maturity date.

	Derivative Financial Liability	Non- derivative financial instruments	Total 2014	Derivative financial liabilities (Restated)*	Non-derivative financial instruments (Restated)*	Total 2013
	£m	£m	£m	£m	£m	£m
In one year or less, or on demand	6.9	72.9	79.8	8.1	48.3	56.4
In more than one year but not more than two years	4.3	65.5	69.8	8.0	48.3	56.3
In more than two years but not more than five years	3.3	648.9	652.2	15.3	1,080.8	1,096.1
In more than five years	8.6	2,095.6	2,104.2	14.3	1,355.2	1,369.5
	23.1	2,882.9	2,906.00	45.7	2,532.6	2,578.3

*The comparative maturity analysis values have been restated to reflect the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and the net settled derivative financial instruments.

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 2014, the Group had an undrawn committed borrowing facility available amounting to £282m (2013: £300m).

	2014 Floating rate £m	2013 Floating rate £m
Expiring in less than one year	-	-
Expiring in one to two years	-	-
Expiring in more than two years	282.0	300.0
	282.0	300.0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*23. FINANCIAL INSTRUMENTS *continued*

(d) Fair values versus carrying amounts of financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 2014 and 2013. 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.

	Carrying amount £m	2014 Fair value £m	Carrying amount £m	2013 Fair value £m
Financial liabilities:				
Instruments held at fair value				
Interest rate swaps used for hedging liabilities (net)	(17.5)	(17.5)	(37.3)	(37.3)
Instruments held at amortised cost				
Bank loans and overdrafts	(456.4)	(456.4)	(885.6)	(885.6)
Trade payables	(24.7)	(24.7)	(37.1)	(37.1)
Bonds	(445.3)	(455.2)	-	-
Other borrowings	(251.4)	(282.8)	(251.4)	(251.4)
	(1,195.3)	(1,236.6)	(1,211.4)	(1,211.4)
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	19.0	19.0	56.9	56.9
Trade receivables	38.4	38.4	33.9	33.9
	60.8	60.8	90.8	90.8
Net financial liabilities	(1,134.5)	(1,175.8)	(1,120.6)	(1,120.6)

Fair value hierarchy

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

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

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

23. FINANCIAL INSTRUMENTS *continued*

Summary of methods and assumptions used for determining fair values

Bonds	The fair value of publicly listed bonds is based on market prices or, if not available, brokers quotes. The carrying value is net of unamortised issue costs.
Bank loans	The fair value of the bank loans approximates the carrying value given their floating rate basis and interest setting frequency. The carrying value is net of unamortised issue costs.
Overdraft	The fair value of overdrafts approximates the carrying value given their on-demand and short-term nature.
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 2014 £m	Carrying amount 2013 £m
Trade receivables	38.4	33.9
Cash at bank and in hand	19.0	56.9
Derivate financial assets	3.4	-
Credit exposure	60.8	90.8

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in Note 16.

Post Balance Sheet Event

The Group issued a £360.0 million 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 Secured Senior Term Facility and following repayment £5.7m of capitalised issue costs were released to the Income Statement in April 2014. In April 2014 the Group terminated all of the fixed interest rate swaps recognised on the balance sheet as at 31 March 2014 for a cash payment to the swap counterparties of £18.3m.

24. TRADE AND OTHER PAYABLES

	2014 £m	2013 £m
Trade payables	24.7	37.1
Other taxation and social security	3.6	4.7
Other payables	10.5	6.1
Accruals	105.2	77.0
Capital-based grants	0.7	0.7
	144.7	125.6

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

25. RETIREMENT BENEFITS

Defined contribution schemes

The Group operates four 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 £2.7m (2013: £2.0m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2014, there was £0.4m (2013: £0.1m) 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
- The East Midlands International Airport Pension Scheme;
- The Airport Ventures Pension Scheme. (AVPS)

Under the Schemes, the employees are entitled to retirement benefits based on their final 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.

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 2014 amounted to £16m (2013: £7m), there were no one off contributions this financial year (2013: £nil).

Total employees pension contributions for defined benefit schemes across the Group during the year ended 31 March 2014 amounted to £2.7m (2013: £1.8m), there were no one off contributions this financial year (2013: £nil).

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

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 £6.1m (2013: £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 projected unit 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	2.5% 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 London 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 London 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. As a condition of the purchase, a full actuarial valuation of the M.A.G (STAL) pension scheme is currently being carried out with a review date of 30 September 2013.

Other Schemes

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

- East Midlands International Airport Pension Scheme (EMIA) – 6 April 2011
- Airport Ventures Pension Scheme – 6 April 2009.

The aggregate market value of the assets in the EMIA scheme at the date of the latest actuarial valuation was £39m, which represented approximately 82% of the present value of the liabilities. The fund was valued using the projected unit method.

25. 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 balance sheet. Furthermore, certain costs previously recorded as part of administrative expenses have now been presented within finance costs. The prior period comparatives have been restated for the impact of the amendment to IAS 19. The key assumptions used are as follows:

	GMPF		M.A.G (STAL)		EMIA		AVPS	
	2014	2013	2014	2013	2014	2013	2014	2013
Rate of increase in salaries	3.45%	2.20%	3.45%	3.60%	2.00%	2.00%	N/A	N/A
Rate of increase of pensions in payment	2.45%	2.50%	2.45%	3.40%	2.45%	2.50%	2.45%	2.50%
Discount rate	4.40%	4.40%	4.50%	4.60%	4.40%	4.40%	4.30%	4.40%
Inflation assumption	2.45%	2.50%	2.45%	2.50%	2.45%	2.50%	2.45%	2.50%
Longevity at age 65 for current pensioners								
Males	21.0 years	20.1 years	29.4 years	29.5 years	22.1 years	21.6 years	21.5 years	20.9 years
Females	23.5 years	22.9 years	32.7 years	32.9 years	24.5 years	24.4 years	23.8 years	23.6 years
Longevity at age 45 for current members								
Males	23.0 years	22.5 years	30.6 years	30.7 years	23.5 years	23.5 years	22.8 years	22.7 years
Females	25.7 years	25.0 years	33.9 years	34.1 years	26.0 years	26.2 years	25.3 years	25.5 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

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, 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 balance sheet. 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 outturn 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*25. RETIREMENT BENEFITS *continued*

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

	Fair value of plan assets £m	Defined benefit obligation £m	(Deficit)/Surplus in the scheme £m
GMPP¹			
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)
2010	288.5	(354.9)	(66.4)
M.A.G (STAL)			
2014	113.9	(107.1)	6.8
2013	105.7	(112.5)	(6.8)
EMIA			
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)
2010	35.7	(42.7)	(7.0)
AVPS²			
2014	3.1	(3.1)	-
2013	3.5	(3.5)	-
2012	3.0	(3.0)	-
2011	3.0	(3.0)	-
2010	2.8	(2.8)	-
	1.9	(1.3)	0.6
Total²			
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)
2010	336.3	(412.4)	(76.1)

NOTES:

¹ The figures as shown represent the proportion of the schemes which are attributable to the Group. £6.5m (2013 £6.7m) of the liabilities are unfunded.

² The AVPS has a surplus of £0.7m (2013: £1.1m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions. The M.A.G (STAL) scheme has a surplus of £6.8m (2013: deficit £6.8m). This surplus has been recognised in line with 'IFRIC 14' as the surplus can be recovered through reducing future contributions.

25. RETIREMENT BENEFITS *continued*

Plan Assets

	GMPF (1)		M.A.G (STAL) (2)		EMIA (3)		AVPS (4)		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Equities and other growth assets	268.4	237.8	82.9	83.8	29.7	26.9	-	3.0	381.0	351.5
Corporate bonds	24.7	28.9	11.3	-	11.8	13.2	3.0	0.3	50.8	42.4
Government bonds	23.4	27.3	-	-	-	-	-	-	23.4	27.3
Index linked gilts	-	-	17.2	21.0	-	-	-	-	17.2	21.0
Property	17.2	16.5	-	-	5.2	4.1	-	-	22.4	20.6
Other	12.3	19.8	2.5	0.9	1.8	2.4	0.1	0.2	16.7	23.3
Fair value of assets	346.0	330.3	113.9	105.7	48.5	46.6	3.1	3.5	511.5	486.1

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*25. RETIREMENT BENEFITS *continued*

Movement in net defined benefit asset – ALL schemes

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April*	(562.5)	(413.4)	486.1	339.3	(76.4)	(74.1)
Acquisition of subsidiary	-	(111.1)	-	102.4	-	(8.7)
	(562.5)	(524.5)	486.1	441.7	(76.4)	(82.8)
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	(11.1)	(4.7)	(0.8)	(0.3)	(11.9)	(5.0)
Past service cost	-	(0.2)	-	-	-	(0.2)
Interest income/(cost)	(24.8)	(20.6)	21.5	16.9	(3.3)	(3.7)
	(35.9)	(25.5)	20.7	16.6	(15.2)	(8.9)
Amount recognised in the statement comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	0.0	-	3.4	33.8	3.4	33.8
Experience (losses)/gains arising on scheme liabilities	31.3	0.1	-	-	31.3	0.1
Actuarial gain/(loss) due to financial assumption changes	4.6	(4.2)	-	-	4.6	(4.2)
Actuarial gain/(loss) due to demographic assumption changes	(3.2)	(21.4)	-	-	(3.2)	(21.4)
	32.7	(25.5)	3.4	33.8	36.1	8.3
Cash flows						
Contributions	(2.7)	(1.8)	18.7	8.8	16.0	7.0
Benefits Paid	17.4	14.8	(17.4)	(14.8)	-	-
	(0.7)	(1.1)	-	-	(0.7)	(1.1)
Closing Position as at 31 March	(551.7)	(563.6)	511.5	486.1	(40.2)	(77.5)

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

25. RETIREMENT BENEFITS *continued***Movement in net defined benefit asset – GMPF scheme**

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(389.7)	(359.9)	330.3	295.0	(59.4)	(64.9)
Acquisition of subsidiary	-	-	-	-	-	-
	(389.7)	(359.9)	330.3	295.0	(59.4)	(64.9)
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	(3.2)	(3.3)	-	-	(3.2)	(3.3)
Past service cost	-	(0.2)	-	-	-	(0.2)
Interest income/(cost)	(16.9)	(17.6)	14.3	14.4	(2.6)	(3.2)
	(20.1)	(21.1)	14.3	14.4	(5.8)	(6.7)
Amount recognised in the statement comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	10.1	27.8	10.1	27.8
Experience (losses)/gains arising on scheme liabilities	26.9	-	-	-	26.9	-
Actuarial gain/(loss) due to financial assumption changes	(11.4)	-	-	-	(11.4)	-
Actuarial gain/(loss) due to demographic assumption changes	(3.4)	(20.7)	-	-	(3.4)	(20.7)
	12.1	(20.7)	10.1	27.8	22.2	7.1
Cash flows						
Contributions	(1.2)	(1.3)	6.3	6.4	5.1	5.1
Benefits Paid	15.0	13.3	(15.0)	(13.3)	-	-
Closing Position as at 31 March	(383.9)	(389.7)	346.0	330.3	(37.9)	(59.4)

The fund liabilities have an average duration of 18 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*25. 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	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(112.5)	-	105.7	-	(6.8)	-
Acquisition of subsidiary	-	(111.1)	-	102.4	-	(8.7)
	(112.5)	(111.1)	105.7	102.4	(6.8)	(8.7)
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	(7.1)	(0.6)	(0.6)	-	(7.7)	(0.6)
Past service cost	-	-	-	-	-	-
Interest income/(cost)	(5.3)	(0.4)	5.1	0.4	(0.2)	-
	(12.4)	(1.0)	4.5	0.4	(7.9)	(0.6)
Amount recognised in the statement comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	(6.3)	2.1	(6.3)	2.1
Experience (losses)/gains arising on scheme liabilities	4.4	-	-	-	4.4	-
Actuarial gain/(loss) due to financial assumption changes	13.6	-	-	-	13.6	-
Actuarial gain/(loss) due to demographic assumption changes	0.1	(0.3)	-	-	0.1	(0.3)
	18.1	(0.3)	(6.3)	2.1	11.8	1.8
Cash flows						
Contributions	(1.2)	(0.1)	10.9	0.8	9.7	0.7
Benefits Paid	0.9	-	(0.9)	-	-	-
Closing Position as at 31 March	(107.1)	(112.5)	113.9	105.7	6.8	(6.8)

The fund liabilities have an average duration of 25 years.

25. RETIREMENT BENEFITS *continued***Movement in net defined benefit asset – EMIA scheme**

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(57.9)	(51.5)	46.6	41.2	(11.3)	(10.3)
Acquisition of subsidiary	-	-	-	-	-	-
	(57.9)	(51.5)	46.6	41.2	(11.3)	(10.3)
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	(0.8)	(0.8)	(0.2)	(0.3)	(1.0)	(1.1)
Past service cost	-	-	-	-	-	-
Interest income/(cost)	(2.5)	(2.5)	2.0	2.0	(0.5)	(0.5)
	(3.3)	(3.3)	1.8	1.7	(1.5)	(1.6)
Amount recognised in the statement comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	-	3.5	-	3.5
Experience (losses)/gains arising on scheme liabilities	-	0.1	-	-	-	0.1
Actuarial gain/(loss) due to financial assumption changes	2.4	(4.2)	-	-	2.4	(4.2)
Actuarial gain/(loss) due to demographic assumption changes	0.1	-	-	-	0.1	-
	2.5	(4.1)	-	3.5	2.5	(0.6)
Cash flows						
Contributions	(0.3)	(0.4)	1.5	1.6	1.2	1.2
Benefits Paid	1.4	1.4	(1.4)	(1.4)	-	-
Closing Position as at 31 March	(57.6)	(57.9)	48.5	46.6	(9.1)	(11.3)

The fund liabilities have an average duration of 20 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*25. RETIREMENT BENEFITS *continued*

Movement in net defined benefit asset – AVPS scheme

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(2.4)	(2.0)	3.5	3.1	1.1	1.1
Acquisition of subsidiary	-	-	-	-	-	-
	(2.4)	(2.0)	3.5	3.1	1.1	1.1
Included in the profit or loss						
Current Service Cost of Defined Benefit Schemes	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Interest income/(cost)	(0.1)	(0.1)	0.1	0.1	-	-
	(0.1)	(0.1)	0.1	0.1	-	-
Amount recognised in the statement comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	(0.4)	0.4	(0.4)	0.4
Experience (losses)/gains arising on scheme liabilities	-	-	-	-	-	-
Actuarial gain/(loss) due to financial assumption changes	-	-	-	-	-	-
Actuarial gain/(loss) due to demographic assumption changes	-	(0.4)	-	-	-	(0.4)
	-	(0.4)	(0.4)	0.4	(0.4)	-
Cash flows						
Contributions	-	-	-	-	-	-
Benefits Paid	0.1	0.1	(0.1)	(0.1)	-	-
Closing Position as at 31 March	(2.4)	(2.4)	3.1	3.5	0.7	1.1

25. RETIREMENT BENEFITS *continued***History of experience gains and losses**

	GMPF		M.A.G (STAL)		EMIA		AVPS		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Difference between actual and expected returns on assets amount	10.1	25.9	(6.3)	1.9	0.0	3.3	(0.4)	0.4	3.4	31.5
% of scheme assets	2.9%	7.1%	(5.5%)	1.8%	0.0%	7.1%	(12.9%)	11.8%	(0.1)	27.8%
Experience gains and losses on liabilities amount	26.9	-	4.4	-	-	-	-	-	31.3	-
% of scheme liabilities	0.0%	-	-	-	-	-	-	-	0.0%	-
Total amount recognised in SOCI	22.2	5.2	11.8	1.6	2.5	(0.8)	(0.4)	-	36.1	6.0
% of scheme liabilities	5.8%	1.3%	11.0%	1.4%	4.3%	(1.4%)	0.0%	0.0%	-6.5%	1.3%

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2015 is £13.4m (31 March 2014: £13.1m).

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
	2014	2014	2014	2014	2014
	£m	£m	£m	£m	£m
0.5% increase in real discount rate	(30.0)	(13.1)	(5.3)	(0.2)	(48.6)
0.5% decrease in real discount rate	33.9	15.5	6.0	0.2	55.6
0.5% increase in rate of RPI inflation	31.9	13.6	3.7	0.2	49.4
0.5% decrease in rate of RPI inflation	(28.7)	(11.9)	(3.4)	(0.2)	(44.2)
0.5% increase in the salary increase rate	6.1	6.2	0.0	N/A	12.3
0.5% decrease in the salary increase rate	(5.8)	(5.8)	0.0	N/A	(11.6)
1 year increase in life expectancy	10.0	3.0	1.5	0.1	14.6
1 year decrease in life expectancy	(10.0)	(3.0)	(1.5)	(0.1)	(14.6)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

26. 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 2013	167.1	122.9	(24.8)	65.4	(1.4)	329.2
Charge/(credit) to income	(29.7)	(16.8)	2.3	(10.1)	5.4	(48.9)
Charge/(credit) to equity	-	-	10.3	(0.8)	-	9.5
At 31 March 2014	137.4	106.1	(12.2)	54.5	4.0	289.8
At 1 April 2012	114.8	92.3	(18.0)	6.6	0.2	195.9
Arising on acquisitions	59.3	40.6	(9.3)	59.7	(0.3)	150.0
Charge/(credit) to income	(7.0)	(10.0)	(0.3)	(0.5)	(1.3)	(19.1)
Charge/(credit) to equity	-	-	2.8	(0.4)	-	2.4
At 31 March 2013	167.1	122.9	(24.8)	65.4	(1.4)	329.2

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:

	2014 £m	2013 £m
Deferred tax liabilities	(302.0)	(355.4)
Deferred tax assets	12.2	26.2
	(289.8)	(329.2)

27. OTHER NON-CURRENT LIABILITIES

	2014 £m	2013 £m
Accruals and deferred income	5.3	6.1
Capital-based grants	8.9	9.6
	14.2	15.7

28. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Ordinary shares of £1 each		Total
		£m	Share Premium	
Authorised, allotted, called up and fully paid				
At 31 March 2013	316.7	316.7	687.2	1003.9
At 31 March 2014	316.7	316.7	687.2	1,003.9

29. RESERVES

	Retained earnings
	£m
At 1 April 2013	519.8
Actuarial gains on retirement benefit liabilities	36.1
Deferred tax on retirement benefits actuarial movements	(7.2)
Effect of change in rate of Corporation tax on retirement benefits actuarial movements	(1.4)
Profit for the year after dividends	36.9
At 31 March 2014	584.2

	2014	2013
	£m	£m
Reconciliation of movements in shareholders' funds:		
Opening shareholders' funds	1,523.7	761.9
Total recognised income/(expense) for the year	136.4	(17.7)
Issue of ordinary shares relating to business combination	-	799.6
Dividends paid in the year	(72.0)	(20.1)
Equity shareholders' funds as at 31 March	1,588.1	1,523.7

30. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2014	2013
	£m	£m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	35.9	22.4

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 2014 (2013: £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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

31. OPERATING LEASE ARRANGEMENTS

At 31 March 2014 the Group has commitments under non-cancellable operating leases which expire as follows:

	Land £m	2014 Other £m	Land £m	2013 Other £m
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	-	0.6	-	0.4
Expiring in over five years.	40.7	-	42.1	-
	40.7	0.6	42.1	0.4

In addition to the amounts stated above the Group also has a commitment in respect of a land lease with The Council of the City of Manchester, a related party as described in Note 32. The amount payable on the lease is variable related to turnover and rental per sq foot receivable. The amount charged to operating profit in the year was £9.6m (2013: £9.3m). The lease expires in 2085.

The Group also has a commitment in respect of an electricity distribution agreement with UK Power Networks (formerly EDF Energy plc). The amount payable on the lease is a base fee of £7.2m, plus a volume and recharge element adjusted annually for inflation. The amount charged to operating profit in the year was £10.1m (2013: 9.9m). The lease expires in 2083.

32. 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 2014 the amount of loans outstanding owed to MCC was £83.2m (2013: £83.2m). Manchester Airport Finance Holdings Limited made loan repayments of £nilm (2013: £nil) to MCC during the year and paid interest of £10m (2013: £10m).

As at 31 March 2014 the amount of loans outstanding owed to the other nine councils was £79.4m (2013: £79.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2013: £nil) to the other nine councils during the year and paid interest of £9.5m (2013: £9.5m).

Included in external charges are charges for rent and rates amounting to £25.1m (2013: £23.7m) and other sundry charges of £1m (2013: £0.1m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

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

As at 31 March 2014 the amount of loans outstanding owed to IFM was £89.4m (2013: £89.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2013: £nil) to IFM during the year and paid interest of £10.7m (2013: £0.9m).

33. ACQUISITIONS AND DISPOSALS

Acquisitions

On 28 February 2013, the Group acquired 100% of the share capital of London Stansted Airport Limited from Heathrow Airport Holdings Limited for total consideration of £1,500m settled in cash.

London Stansted Airport is the UK's fourth largest airport, and its acquisition represented a strategic move for the Group which has provided new opportunities to enter into new markets in London and South East as well as providing additional scale and reach for the Group to generate synergies and efficiencies.

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisitions were as follows:

Acquiree's net assets/(liabilities) at the acquisition date

	Carrying Amounts	Accounting policy adjustments	Fair value adjustments	Fair value of assets acquired
	£m	£m	£m	£m
Property, plant and equipment	628.6	365.0	251.9	1,245.5
Investment property	577.0	(365.0)	3.1	215.1
Intangible assets	0.1		(0.1)	0.0
Inventories	1.8	(1.1)		0.7
Trade receivables	28.3			28.3
Cash and cash equivalents	31.3			31.3
Trade and other payables	(34.2)		5.5	(28.7)
Retirement benefit liabilities	0.0		(8.7)	(8.7)
Deferred tax asset/(liability)	(92.4)	0.3	(57.7)	(149.8)
Net identifiable assets and liabilities	1,140.5	(0.8)	194.0	1,333.7
Goodwill recognised on acquisition				166.3
Total consideration				1,500.0
Satisfied by:				
Cash				1,500.0

Accounting policy adjustments

The book values of acquired assets and Liabilities of London Stansted Airport Limited have been restated in accordance with the accounting policies adopted by the Group. The two policy adjustments relate to car park assets which have been reclassified from investment property to operational assets and the alignment of specific inventory provision policies. Reclassification of car park assets does not have an impact on the assets acquired. Alignment of the inventory provision policy reduced acquired assets by £0.8m. Inventory was recorded at its fair value on acquisition.

Fair value adjustments

An exercise was undertaken in accordance with IFRS 3 (Revised) "Business Combinations" by the Group to establish the fair value of the assets and liabilities which were acquired. As required under IFRS 3 (Revised), the valuation assigned to the assets and liabilities has been reassessed within 12 months of the acquisition date, there were no adjustments to the provisional valuations reported at 31 March 2013. The fair values shown above are the amendments necessary to the carrying values of the assets and liabilities to reflect the fair values established. The basis of the valuation is set out below:

- Investment Properties – Fair value in accordance with the Group's accounting policies
- Property, plant and equipment – depreciated replacement cost

Deferred profit from previous asset sales have been fair valued where there are no further performance conditions to satisfy and no future cash flows expected. Deferred tax has been provided for all fair value adjustments.

Intangible Assets and Goodwill

London Stansted Airport Limited works under a single-till model of regulation. Management do not consider it appropriate to separately calculate a fair value for the permission to levy charges ("right to operate") as the single-till regulation introduces too much inter-dependency on other variables and valuations to render its fair value measurable. These rights to operate which would have an indefinite life have been included, together with the associated deferred tax, within goodwill. Goodwill also represents the value of the workforce, efficiencies that the shareholders expect to achieve from operations, optimisation of financing structures of the Group and the ability to develop new commercial relationships.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*33. ACQUISITIONS AND DISPOSALS *continued*

Cash flows associated with this acquisition are included in the cash flow statement as follows:

	March 2013 £m
Total cash paid	1,138.3
Liabilities settled on behalf of acquiree	361.7
Total cash paid	1,500.0
Net cash and cash equivalents acquired	(31.3)
Net cash outflow on acquisition	1,468.7

Acquisition costs of £28.4m were incurred in relation to the acquisition contracts, due diligence procedures and stamp duty. These costs have been included as a "Significant Item" in the Income Statement, see Note 3.

Receivables are stated at their fair value. Gross contractual receivables are not materially different to fair value. All contractual cash flows have been collected.

In the period from acquisition to 31 March 2013, London Stansted Airport Limited contributed revenue of £18.4m and a reported loss after tax of £1.4m to the consolidated result for the year. If the acquisition had occurred on 1 April 2012, the Group's consolidated revenue would have been £635.5m and profit after tax would have been £26.9m for the year ended 31 March 2013.

Disposals

On 2 August 2012, the Group disposed of its entire shareholding in Humberside International Airport. The cash generating unit was classified as held for sale at 31 March 2012.

	March 2013 £m
Loss on disposal	(0.6)
Result from operations (net of tax)	0.2
Result from discontinued operations (net of tax)	(0.4)

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

	2013 £m	Cash flow £m	Other non-cash movements £m	2014 £m
Cash at bank and in hand	56.9	(37.9)	-	19.0
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed on the statement of financial position	56.9	(37.9)	-	19.0
Overdrafts	-	-	-	-
Total cash and cash equivalents (including overdrafts)	56.9	(37.9)	-	19.0
Current debt	-	(12.1)	-	(12.1)
Non-current debt	(1,137.0)	4.7	(8.7)	(1,141.0)
Interest rate swap derivatives	(37.3)	-	19.8	(17.5)
Net debt	(1,117.4)	(45.3)	11.1	(1,151.6)

35. CHANGE OF ACCOUNTING POLICY

Change of accounting policy:

Upon the adoption of the amendment to IAS 19 on 1 April 2013, the Group has restated prior year information with the following impact on reported profit:

Income Statement

	Year ended 31 March 2013
	£m
Result before tax as previously reported	(30.1)
Impact of amendment to IAS 19	
-Operating profit	1.4
-Net financial expense	(3.7)
Result before tax restated	(2.3)
Taxation as previously reported	8.7
Impact of amendment to IAS 19	0.5
Taxation restated	9.2
Result after tax restated	6.9

Statement of comprehensive income

	Year ended 31 March 2013	
	Actuarial gains/(losses)	Deferred tax
	£m	£m
As previously reported	6.0	1.4
Impact of amendment to IAS 19	2.3	0.5
As restated	8.3	1.9

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 balance sheet or statement of changes in equity. Furthermore, certain costs previously recorded as part of administrative expenses have now been presented within finance costs.

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 2014 set out on pages 105 to 109. 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 57 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 2014;
- 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 2014.

Jonathan Hurst (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
St James' Square, Manchester M2 6DS
30 June 2014

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 BALANCE SHEET

COMPANY BALANCE SHEET AT 31 MARCH 2014

	Note	2014 £m	2013 £m
Fixed assets			
Investments	3	2,253.1	2,253.1
		2,253.1	2,253.1
Current assets			
Debtors		-	-
Cash at bank and in hand		-	-
Creditors: amounts falling due within one year		-	-
Net current assets		-	-
Total assets less current liabilities		2,253.1	2,253.1
Creditors: amounts falling due after more than one year	4	(72.0)	-
Net assets		2,181.1	2,253.1
Capital and reserves			
Called up share capital	5	316.6	316.6
Share Premium	6	687.2	687.2
Profit and loss account	6	1,177.3	1,249.3
Equity shareholders' funds		2,181.1	2,253.1

The financial statements on pages 106 to 109 were approved by the Board of Directors on 30 June 2014 and signed on its behalf by:



Mike Davies
Chairman
M.A.G



Charlie Cornish
Group Chief Executive
M.A.G

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. AUDITORS' REMUNERATION

	2014 £m	2013 £m
Auditors remuneration:		
Audit of these financial statements	0.3	0.3
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	0.1	0.2
All other services	0.1	1.3

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 (2013: £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 2013 and 31 March 2014	2,253.1

Particulars of principal subsidiary undertakings are listed on page 108, which forms part of these financial statements.

4. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014 £m	2013 £m
Amounts owed to subsidiary undertakings	72.0	-
	72.0	-

5. SHARE CAPITAL

	Number (m)	£m
Authorised, allotted, called up and fully paid		
316,634,000 ordinary shares of £1 each	316.6	316.6
At 31 March 2013 and 31 March 2014	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 *continued*

6. RESERVES

	Share Premium	Profit and loss account	Total £m
At 1 April 2013	687.2	1,249.3	1,936.5
Movement in the year	-	(72.0)	(72.0)
At 31 March 2014	687.2	1,177.3	1,864.5

7. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2014 £m
Opening equity shareholders' funds	2,253.1
Dividends paid in the year	(72.0)
Closing equity shareholders' funds	2,181.1

PRINCIPAL 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 (Manchester) Limited	Ordinary £1 shares	100%	100%	Property holding company
Airport Petroleum Limited	Ordinary £1 shares	100%		Non trading
Bainsdown Limited Ordinary	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

PRINCIPAL 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 Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
East Midlands International Airport Limited	Ordinary £1 shares 9% cumulative redeemable preference shares	100% 100%		Airport operator
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%		Finance 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
Manchester Airport Group plc	Ordinary £1 shares	100%		Investment holding company
Manchester Airport plc	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited	Ordinary £1 shares	100%		Non trading
Manchester Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Non trading
Manchester Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Non trading
Manchester Airport Ventures Limited	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
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
Worknorth Limited	7% cumulative redeemable preference shares Ordinary £1 shares	100% 100%		Non trading
Worknorth II Limited	7% cumulative redeemable preference shares Ordinary £1 shares	100% 100%		Non trading

All the above companies operate in their country of incorporation or registration, which is England and Wales.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length.

A full list of subsidiary undertakings as at 31 March 2014 will be appended to the Company's next annual return.

