Manchester Airport Group Investments Limited

Directors' report and financial statements

Registered number 08338555

Year ended 31 March 2013

Contents

Directors' report

The Directors present their report to shareholders on the affairs of Manchester Airport Group Investments Limited ("the Company") from incorporation on 20th December 2012 through to 31 March 2013 together with the audited financial statements of the Group covering the year ended 31 March 2013.

The formation of Manchester Airport Group Investments Limited, prior to the acquisition of Stansted Airport Limited, was not a business combination involving a third party, and as such, the financial statements of Manchester Airport Group Investments Limited have been presented as a continuation of The Manchester Airport Group Plc. To do so, the principles of reverse acquisition accounting in IFRS 3 have been applied and therefore, although Manchester Airport Group Investments Limited (the company) was incorporated on 20 December 2012, the accounts present results for the whole year to 31 March 2013.

Principal activities

Manchester Airport Group Investments Limited ('the Group') comprises the Company and its subsidiaries. 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 are set out on page 6.

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.

Dividends and transfers to reserves

The retained loss for the year of £39.2m (2012: loss £29.2m) after dividends paid of £20.0m (2012: £20.0m) will be transferred to reserves.

The Board of Directors

Charlie Cornish and Neil Thompson were appointed Directors of the Company on incorporation on 20th December 2012.

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

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 31 to these financial statements.

Directors' report *(continued)*

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.

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. 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 2013 was 46 days (2012: 47 days), which has been calculated in accordance with the average number of days between date of invoice and the payment of the invoice.

Charitable and political donations

Charitable donations made by the Group and its subsidiaries during the year totalled £0.3m (2012: £0.4m). 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.

Directors' report *(continued)*

Auditors

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

N Thompson
Director
For and on behalf of the Board of Directors
29 July 2013

Statement of directors' responsibilities in respect of the directors' 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.

KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Manchester Airport Group Investments Limited

We have audited the group financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2013 set out on pages 7 to 54. 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 4, 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 2013 and of its loss 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 Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Independent auditor's report to the members of Manchester Airport Group Investments Limited *(continued)*

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 Airport Group Investments Limited for the year ended 31 March 2013.

Jonathan Hurst

Jonathan Hurst (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
29 July 2013

Consolidated Income Statement
for year ended 31 March 2013

	Note	2013 £m Total before significant items	2013 £m Significant items	2013 £m After Significant items	2012 £m Before Significant items	2012 £m Significant items	2012 £m After Significant items
Continuing operations							
Revenue	*1*	411.5	-	411.5	373.2	-	373.2
Result from operations before significant items	*4*	73.0	-	73.0	65.5	-	65.5
Significant items							
Acquisition costs	*3*	-	(28.4)	(28.4)	-	-	-
Restructuring costs	*3*	-	(1.1)	(1.1)	-	(4.4)	(4.4)
Pension credit	*3*	-	-	-	-	0.4	0.4
Impairment of property, plant & equipment	*3*	-	-	-	-	(38.5)	(38.5)
Result from operations	*4*	73.0	(29.5)	43.5	65.5	(42.5)	23.0
Movement in investment property fair values	*14*	(3.6)	-	(3.6)	(1.1)	-	(1.1)
Movement in fair value of interest rates swaps	*3*	-	(6.0)	(6.0)	-	-	-
Finance costs	*7*	(28.5)	-	(28.5)	(28.6)	-	(28.6)
Finance costs – amortisation of issue costs[1]	*3*	-	(2.0)	(2.0)	-	-	-
Settlement of previous financing[2]	*3*	-	(30.9)	(30.9)	-	-	-
Result before taxation	*8*	40.9	(68.4)	(27.5)	35.8	(42.5)	(6.7)
Taxation – ordinary		(0.8)	9.5	8.7	8.4	4.5	12.9
Taxation	*9*	(0.8)	9.5	8.7	8.4	4.5	12.9
Result from continuing operations		40.1	(58.9)	(18.8)	44.2	(38.0)	6.2
Discontinued operations							
Result from discontinued operations (net of tax)	*32*	-	(0.4)	(0.4)	-	(15.4)	(15.4)
Result for the year		40.1	(59.3)	(19.2)	44.2	(53.4)	(9.2)
Earnings per share expressed in pence per share							
Continuing operations	*11*			(18,800)			6,200
Discontinuing operations	*11*			(400)			(15,400)

Note 1 – Non-cash accelerated amortisation of issue costs related to previous £75m term loan, settled before contractual maturity date

Note 2 – Non-cash item recognised on early settlement of previous £75m term loan, settled before contractual maturity date. Interest cost embedded into financial instruments entered into to hedge against the Group's new financing

Consolidated Statement of Comprehensive Income

for year ended March 2013

	Note	2013 £m	2012 £m
Result for the year		(19.2)	(9.2)
Other comprehensive income			
Actuarial loss on retirement benefit liabilities	23	6.0	(33.5)
Deferred tax on retirement benefits actuarial movements	9	(1.4)	8.0
Effect of change in rate of corporation tax	9	(0.5)	(0.4)
Other comprehensive income/(expense) for the year		4.1	(25.9)
Total comprehensive expense for the year		(15.1)	(35.1)

Consolidated Statement of Changes in Equity

for year ended 31 March 2013

		Attributable to equity holders			
	Note	Share capital £m	Share premium £m	Reserves £m	Total £m
At 1 April 2012		0.1	1,453.6	(691.8)	**761.9**
Result for the year		-	-	(19.2)	**(19.2)**
Issue of ordinary shares relating to business combination		0.2	1,040.3	-	**1,040.5**
Defined benefit actuarial loss net of tax		-	-	4.6	**4.6**
Dividends paid to equity holders		-	-	(20.0)	**(20.0)**
Effect of change in rate of corporation tax		-	-	(0.5)	**(0.5)**
Balance at 31 March 2013		**0.3**	**2,493.9**	**(726.9)**	**1,767.3**

Consolidated Statement of Financial Position

at 31 March 2013

	Note	2013	2012
Assets		£m	£m
Non-current assets			
Property, plant and equipment	12	2,389.1	1,157.0
Intangible assets	13	30.0	20.0
Goodwill	13	166.3	-
Investment properties	14	566.4	354.9
Deferred tax assets	24	26.2	18.0
		3,178.0	1,549.9
Current assets			
Inventories	15	1.5	0.9
Trade and other receivables	16	56.9	33.7
Cash and cash equivalents	17	56.9	1.8
Assets classified as held for sale		-	0.2
		115.3	36.6
Liabilities			
Current liabilities			
Borrowing	18	-	(1.1)
Trade and other payables	22	(125.6)	(94.7)
Deferred income		(17.4)	(14.6)
Amounts owed to group companies		(7.8)	-
Current tax liabilities		(3.7)	(9.5)
		(154.5)	(119.9)
Net current liabilities		(39.2)	(83.3)
Non-current liabilities			
Borrowings	18	(885.6)	(399.4)
Derivative financial liabilities		(37.3)	-
Retirement benefit liabilities	23	(77.5)	(75.2)
Deferred tax liabilities	24	(355.4)	(213.9)
Other non-current liabilities	25	(15.7)	(16.2)
		(1,371.5)	(704.7)
Net assets		1,767.3	761.9
Shareholders' equity			
Share capital	26	0.3	0.1
Share premium	26	2,493.9	1,453.6
Other reserve	27	(1,249.4)	(1,249.4)
Retained earnings	27	522.5	557.6
Total equity		1,767.3	761.9

The financial statements on pages 7 to 54 were approved by the Board of Directors on 29 July 2013 and signed on behalf by:

N Thompson
Director

Consolidated Statement of Cash Flows
for year ended 31 March 2013

	Note	2013 £m Before significant items	2013 £m Significant items	2013 £m After significant items	2012 £m Before Significant items	2012 £m Significant items	2012 £m After significant items
Cash flows from operating activities							
Result before taxation – continuing operations		40.9	(68.4)	(27.5)	35.8	(42.5)	(6.7)
Result before taxation – discontinuing operations		-	(0.4)	(0.4)	-	(15.6)	(15.6)
Change in value of investment opportunities		3.6	-	3.6	1.1	-	1.1
Movement in fair value of interest rate swaps		-	6.0	6.0			
Finance income and expense		28.5	-	28.5	28.6	-	28.6
Amortisation of issue costs		-	2.0	2.0	-	-	-
Settlement of previous financing		-	30.9	30.9	-	-	-
Depreciation and amortisation		70.0	-	70.0	66.2	-	66.2
Impairment of PPE		-	-	-	-	38.5	38.5
Loss on sale of property, plant and equipment		0.3	-	0.3	0.3	-	0.3
Increase/(decrease) in trade and other receivables and inventories		5.4	-	5.4	(1.9)	-	(1.9)
Release of grants		(0.7)	-	(0.7)	(0.7)	-	(0.7)
Decrease in trade and other payables		0.8	-	0.8	4.0	-	4.0
Decrease in retirement benefits provision		(0.4)	-	(0.4)	(3.5)	-	(3.5)
Impairment on available for sale assets		-	-	-	-	15.6	15.6
Decrease/(increase) in available for sale assets		0.2	-	0.2	(0.2)	-	(0.2)
Cash generated from operations		148.6	(29.9)	118.7	129.7	(4.0)	125.7
Interest paid				(20.2)			(28.0)
Interest received				-			-
Tax paid				(14.9)			(12.9)
Net cash from operating activities				83.6			84.8
Cash flows from investing activities							
Purchase of property, plant and equipment				(55.0)			(54.1)
Purchase of investment properties							(28.1)
Purchase of intangible assets				(10.0)			(10.0)
Acquisition of subsidiary net of cash acquired				(1,468.7)			-
Proceeds from sale of investment properties				1.9			1.1
Proceeds from property, plant and equipment				-			-
Net cash used in investing activities				(1,531.8)			(91.1)

Consolidated Statement of Cash Flows *(continued)*
for year ended 31 March 2013

	Note	2013 £m Before significant items	2013 £m Significant items	2013 £m After significant items	2012 £m Before Significant items	2012 £m Significant items	2012 £m After significant items
Cash flows from financing activities							
Proceeds from issue of share capital				1,040.5			-
New proceeds from issue of new bank loans				881.7			-
Increase in bank loan borrowings				-			20.1
Repayment of loans and borrowings				(397.8)			-
Finance lease principal payments				-			(1.3)
Dividends paid to shareholders				(20.0)			(20.0)
Net cash used in financing activities				1504.4			(1.2)
Net movement in cash and cash equivalents				56.2			(7.5)
Cash and cash equivalents at 1 April				0.7			8.2
Cash and cash equivalents at 31 March				56.9			0.7

Cash and cash equivalents include overdrafts of £nil *(2012: £1.1m)*.

Notes

(forming part of the financial statements)

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.

These are the first set of consolidated financial statements of Manchester Airport Group Investments Limited, which is now the new parent company of the Manchester Airport Group following the reorganisation of the Group structure to facilitate the acquisition of Stansted Airport Limited.

The formation of Manchester Airport Group Investments Limited, prior to the acquisition of Stansted Airport Limited, was not a business combination involving a third party, and as such, the financial statements of Manchester Airport Group Investments Limited have been presented as a continuation of the Manchester Airport Group Plc. To do so, the principles of reverse acquisition accounting in IFRS 3 have been applied.

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

At the year ended 31 March 2013, MAG had £1,205.0m (2012 £525.8m) of committed facilities and a net debt position of £866.0m (2012: £398.7m). MAG had financial headroom of £362m at the year-end, a level comfortably in excess of the internal compliance target.

Under existing facilities and based on the board approved three-year business plan MAG is forecast to have financial headroom in excess of £260m throughout 2013/14.

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.

Group reorganisation

Prior to the acquisition of Stansted Airport Limited, the Group undertook a group reorganisation to introduce a new investor in the Group.

The effect of this reorganization was to insert a new ultimate parent company, Manchester Airports Holdings Limited, into the Group by way of a share for share exchange.

On 20 December 2012, The Manchester Airport Group Plc formed two companies, Manchester Airport Group Finance Limited and Manchester Airport Group Investments Limited with £100 of ordinary share capital.

On 11 January 2013, a new company, Manchester Airport Holdings Limited, was created as the new ultimate parent company for the Group. Manchester City Council and the other nine local authority shareholders transferred their shares in The Manchester Airport Group Plc to Manchester Airport Holdings Limited by way of a share for share exchange in return for 204,280,000 £1 ordinary shares in Manchester Airport Holdings Limited.

Notes *(continued)*

Accounting policies *(continued)*

On 11 January 2013, Manchester Airport Holdings Limited formed Manchester Airport Group Finance Holdings Limited with nominal share capital of one £1 ordinary shares. Manchester Airport Group Finance Holdings Limited acquired Manchester Airport Group Investments Limited from Manchester Airport Group Plc for £100 cash.

On 7 February 2013, Manchester Airport Group Finance Holdings acquired The Manchester Airport Group Plc and its subsidiaries for £1,453,608,668.

On 7 February 2013, Manchester Airport Group Finance Holding transferred The Manchester Airport Group Plc and its subsidiaries to Manchester Airport Group Investments Limited by way of a share for share exchange in return for 100,000 £1 ordinary shares in Manchester Airport Group Investments Limited. The Manchester Airport Group Plc in turn transferred Manchester Airport Plc and all other subsidiaries to Manchester Airport Group Finance by way of a share for share exchange in return for 99,900 £1 ordinary shares in Manchester Airport Group Finance.

On 28 February 2013, Industry Funds Management subscribed for a 35.5 equity stake of £799,549,555 in Manchester Airport Holdings Limited in return for 10 "B" shares and 112,353,991 non-voting shares.

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 IFRS 7,"Financial instruments: disclosures", on transfer of financial assets: This amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfer of fixed assets and the effect of those risks of an entity's financial position, particularly those involving securitization of financial asset.

The above new amendment to standard has had no material impact on the Group's financial statements.

The following standards, amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

Effective for financial year ended 31 March 2014

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 these amendments 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). The amendments do 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.

Amendments to IFRSs 10, 11 and 12 on transition guidance: These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

Annual improvements to IFRSs, 2009-2011 reporting cycle:

Amendment to IFRS 1, "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 IAS 1, "Presentation of financial statements": The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as requires by IAS 8 "Accounting policies, changes in accounting estimates and errors";or voluntary.

- Amendment to IFRS 1 as a result of the above amendment to IAS 1:"The consequential amendment clarifies that a first-time adopter should provide the supporting notes for all statements presented.

- Amendment to IAS 16, "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.

Notes *(continued)*

Accounting policies *(continued)*

- Amendment to IFRS 1 as a result of the above amendment to IAS 1:"The consequential amendment clarifies that a first-time adopter should provide the supporting notes for all statements presented.
- Amendment to IAS 16, "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 financial 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 (an entity that controls one or more other entities) 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 s 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: These amendments are to the application guidance in IAS 32, "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet

Effective for financial year ended 31 March 2016

- IFRS 9, "Financial instruments": This is the first standard issued as part of a wider project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of consolidation depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

None of these standards, interpretations or amendments are expected to have a material impact on the financial statements of the Group except for the following:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income: The main change resulting from these amendments 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). The amendments do not address which items are presented in OCI.

Amendment to IAS 19, "Employee benefits": These amendments calculate finance costs on a net funding basis.

Notes *(continued)*

Accounting policies *(continued)*

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 Airport Group Investments 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.

Minority Interests are not recognised where subsidiaries are in a net liabilities position, unless there is a binding obligation and ability to pay by the Minority Interest in a net liabilities position.

Subsidiaries that have been previously consolidated and are subsequently classified as held for sale continue to be consolidated until the completion of the sale.

Discontinuing operations

Classification as a discounting operation occurs on disposal or when an operation meets the criteria to be classified as held for sale.

The conditions required for held for sale classification are: -

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable, with 12 months of classification as held for sale;
- The asset is being actively marketed for sale at sale price reasonable in relation to its fair value;
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

When an operation is classified as discontinuing, the comprehensive income statement is re-presented as if the operation had been discontinuing from the start of the comparative year.

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, 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.

Notes *(continued)*

Accounting policies *(continued)*

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 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. Negative goodwill is recognized in the income statement immediately.

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 is recognised in the income statement on a straight-line basis over the estimated useful economic life, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

Property, plant and equipment

Property, plant and equipment constitute the Group's operational asset base including terminal, airfield, car parking, land, plant, and owner occupied property assets. Investment properties held to earn rentals or for capital growth are accounted for separately under IAS 40 'Investment properties'.

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

The Group does not capitalise borrowing costs into the cost of property, plant and equipment, unless the criteria under IAS 23 are met.

Depreciation is provided to write off the cost of an asset on a straight-line basis over the expected useful economic life of the relevant asset.

Expected useful lives are set out below:

	Years
Freehold and long leasehold property	10 – 50
Runways, taxiways and aprons	5 – 75
Mains services	7 – 50
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.

Notes *(continued)*

Accounting policies *(continued)*

Property, plant and equipment

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.

Held for sale assets

Subsidiaries held for sale are treated as a disposal group, comprising assets and liabilities that are expected to be recovered through sale rather than continuing use, are classified as held for sale. On reclassification as held for sale the components of the disposal group are measured at the lower of their carrying amount and fair value, less cost to sell. Any impairment loss on initial classification as held for sale assets and subsequent gains and losses on remeasurement are recognised in the income statement.

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.

Notes *(continued)*

Accounting policies *(continued)*

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.

Borrowings

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

Borrowing costs

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

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Trade and other payables

Trade and other payables are recognised at fair value.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Derivative financial instruments

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

Derivatives are initially recognised at fair value on the date the contract is entered into and subsequently remeasured in future periods. The fair value of derivative financial instruments is determined by reference to discounted cash flows or 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.

Notes *(continued)*

Accounting policies *(continued)*

Derivative financial instruments (continued)

Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognized 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 recognized 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 24% applicable to accounting periods ending 31 March 2013 (2012: 26%).

Employee benefit costs

The Group participates in several 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 surplus 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.

Notes *(continued)*

1 Revenue

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

	Continuing operations 2013 £m	2012 £m
Aviation income	196.1	169.6
Commercial income		
Car parking	59.0	52.0
Property and property related income	35.8	37.5
Retail concessions	78.4	74.6
Other	42.2	39.5
Total commercial income	215.4	203.6
Total revenue	411.5	373.2

Other income includes utilities, recharges and fees for airline services and aviation fuel sales. Property related income includes rental income and income from the sale of property developments.

Notes *(continued)*

2 Business and geographical segments

For management purposes, the Group is organised into five main operating divisions: Manchester Airport, Manchester Airport Developments, East Midlands Airport, Bournemouth Airport, Stansted Airport, and Humberside Airport which was classified as discontinued in the prior year. The divisions are the basis of which the Group reports its primary information. Stansted Airport was acquired by the Group on 28 February 2013. The segmental analysis shows Stansted Airport contribution to the group following acquisition. Segmental balance sheet information is presented as at 31 March.

2013	Manchester Airport £m	Manchester Airport Group Developments £m	East Midlands Airport £m	Bournemouth Airport £m	Stansted Airport £m	Group consolidation and other £m	Consolidated - continuing operations £m	Discontinued operations – Humberside Airport £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	-	-	(3.0)	-	-
Total revenue	307.8	30.5	50.8	10.1	18.4	(6.1)	411.5	2.2
Result								
Segment profit before significant items	79.0	18.9	12.0	0.9	(0.6)	(37.2)	73.0	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)	(1,021.9)	(1,526.0)	-
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)	(14.5)	*(Note 1)*	(0.3)	(0.4)	0.6	5.9	(8.7)	-
Result - geographical location *(Note 2)*								
Segment profit before significant items	93.1	-	12.8	4.9	(0.6)	(37.2)	73.0	0.2

Notes *(continued)*

2 Business and geographical segments *(continued)*

2012	Manchester Airport £m	Manchester Airport Group Developments £m	East Midlands Airport £m	Bournemouth Airport £m	Stansted Airport £m	Group Consolidation and other £m	Consolidated £m	Humberside Airport £m
Revenue								
External sales	282.1	28.7	49.9	10.1	-	2.4	373.2	6.6
Inter-segment sales	(0.1)	2.7	0.3	-	-	(2.9)	-	-
Total revenue	282.0	31.4	50.2	10.1	-	(0.5)	373.2	6.6
Result								
Segment profit before exceptional items	72.2	18.8	6.6	(2.7)	-	(29.4)	65.5	-
Other information								
Segment assets	1,144.1	(Note 1)	301.1	80.2	-	60.9	1,586.3	0.2
Segment liabilities	(491.3)	(Note 1)	(78.6)	(11.4)	-	(243.3)	(824.6)	-
Capital expenditure	77.5	(Note 1)	2.9	3.1	-	-	83.5	1.4
Depreciation	54.7	0.8	7.2	2.1	-	0.7	65.5	0.7
Taxation charge/(credit)	(9.2)	(Note 1)	(1.7)	(3.2)	-	1.2	(12.9)	0.0
Result - geographical location *(Note 2)*								
Segment profit before significant items	87.3	-	7.5	0.2	-	(29.5)	65.5	-

(Note 1) The Group's reporting structure is such that the assets and liabilities of Manchester Airport Developments are included in the Manchester Airport Statement of Financial Position.

(Note 2) For management accounting purposes MAG 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.

Notes *(continued)*

3 Significant items

	2013 £m	2012 £m
Recorded in result from operations:		
Acquisition costs *(Note 1)*	28.4	-
Restructuring costs *(Note 2)*	1.1	4.4
Pension credit *(Note 3)*	-	(0.4)
Impairment of property, plant and equipment *(Note 4)*	-	38.5
Total recorded in Result from operations	29.5	42.5
Recorded in Finance Cost:		
Amortisation of issue costs *(Note 5)*	2.0	-
Derivative recognised on refinancing *(Note 6)*	30.9	-
Total recorded in Finance Cost	32.9	-
Recorded in result before taxation:		
Movement in fair value of interest rate swaps *(note 7)*	6.0	-
Total recorded in result before taxation	6.0	-
Total significant items	68.4	42.5

Note 1 - Acquisition costs

Acquisition costs of £28.4m relate to advisor costs incurred in relation to the Stansted acquisition, contracts, due diligence procedures and stamp duty on the share purchase

Note 2 - Restructuring costs

Restructuring costs of £1.1m *(2012: £4.4m)* have been incurred in respect of an organisational efficiency programme. The costs include severance pay and exceptional pension contributions

Note 3 - Pension credit

The pension credit in the prior year relates to a past service cost gain on the EMIA defined benefit pension scheme. The gain was the result of a government announcement in June 2010 that local government pension increases will link to the Consumer Price Index rather than the Retail Price Index; these changes were adopted in the EMIA scheme in 2012 following a change in the trust deed

Note 4 - Impairment of property, plant and equipment

In 2012 a provision of £38.5m was made against the carrying value of property, plant & equipment at Bournemouth Airport following a review of carrying values.

Notes *(continued)*

3 Significant items *(continued)*

Note 5 - Amortisation of issue costs

Following the restructuring and refinancing of the Group, unamortised issue costs of £2m related to the previous term loan were written off following settlement of the associated financial liability. This charge has had no cash flow consequences in the period.

Note 6 - Settlement of previous financing

Following the restructuring and refinancing of the Group, the previous 20 year 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 instruments entered into to hedge the interest exposure of the Group's new borrowings. See note 23 for further details of this no-cash charge.

Note 7-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

	2013 £m	2012 £m
Turnover	**411.5**	373.2
Wages and salaries *(Note 1)*	(81.7)	(69.8)
Social security costs	(7.1)	(6.2)
Pension costs	(8.1)	(5.6)
Employee benefit costs	(96.9)	(81.6)
Depreciation	(70.0)	(65.5)
Loss on disposal of fixed assets	-	(0.3)
Other operating charges *(Note 2)*	(171.6)	(160.3)
Result from operations before significant items	73.0	65.5

(Note 1) Wages and salary costs are disclosed before restructuring costs amounting to £1.1m (2012 £4.4) which are reported separately - see Note 3

(Note 2) Other operating charges include maintenance, rent, rates, utilities and other operating expenses.

Notes *(continued)*

5 Employee information

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

	2013 Number	2012 Number
By location		
Manchester Airport	2,088	2,052
East Midlands Airport	481	243
Bournemouth Airport	181	126
Humberside Airport	-	155
	2,750	2,576

Stansted Airport Limited was acquired on 28 February 2013. Stansted Airport Limited had an average number of employees from 1 April 2012 to 31 March 2013 of 1,310.

On 2 August 2012, the Group disposed of Humberside International Airport Limited.

Employee numbers at East Midlands Airport and Bournemouth Airport have increased following the in-sourcing of security staff during the year.

6 Directors' emoluments

	2013 £m	2012 £m
Aggregate emoluments	1.1	1.4

An amount of £110,424 *(£203,300)* was paid in to money purchase schemes in respect of 2 directors

	2013 £m	2012 £m
Highest paid director		
Aggregate emoluments and benefits	0.7	0.5

7 Finance costs

	2013 £m	2012 £m
Interest payable on bank loans and overdrafts	10.7	9.1
Interest payable on other borrowings	17.8	19.5
	28.5	28.6
Shown within significant items:		
Amortisation of issued costs	2.0	-
Derivative recognised on refinancing	30.9	-
	32.9	-
Total finance costs	61.4	28.6

Notes *(continued)*

8 Result before taxation

	Note	2013 £m	2012 £m
Result before taxation has been arrived at after charging/(crediting):			
Hire of plant and machinery - operating leases		0.2	0.3
Hire of other assets - operating leases		10.1	10.3
Release of capital based grants		(0.7)	(0.8)
Depreciation of property, plant and equipment:			
Owned assets - continuing operations	*12*	70.0	65.5
Owned assets - discontinuing operations	*12*	-	0.7
Loss on disposal of property, plant and equipment and investment properties		-	0.3
Impairment of property, plant and equipment	*12*	-	38.5
Decrease / (increase) in fair value of investment property	*14*	3.6	1.1
Employee benefit costs	*4*	96.9	81.6
Pensions credit - continuing operations	*3*	-	(0.4)
Auditors remuneration :			
Audit of these financial statements		0.3	0.2
Amounts receivable by auditors and their associates in respect of:			
Other services relating to taxation		0.1	0.1
All other services		1.3	0.6

9 Taxation

Analysis of charge in the period

	2013 £m	2012 £m
Current taxation		
UK Corporation tax on profits for the year	10.3	15.9
Adjustment in respect of prior year	(0.4)	(1.2)
Total current taxation	9.9	14.7
Deferred taxation		
Temporary differences arising in the period	(9.8)	(9.8)
Adjustment in respect of prior year	(0.2)	0.4
Effect of change in rate of corporation tax	(8.6)	(18.2)
Total ordinary deferred taxation	(18.6)	(27.6)
Total taxation credit	(8.7)	(12.9)

Taxation on items charged to equity

	2013 £m	2012 £m
Deferred taxation on actuarial losses and gains	1.4	(8.0)
Effect of change in rate of corporation tax	0.5	0.4
	1.9	(7.6)

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting the taxation charge for the year

The total taxation charge for the year ended 31 March 2013 is lower than the standard rate of corporation taxation in the UK of 24% (2012: 26%).

The differences are explained below:

	2013 £m	2012 £m
Result before taxation	(27.5)	(6.7)
Result before taxation multiplied by the standard rate of corporation tax in the UK of 24% (2012: 26%)	(6.6)	(1.7)
Effect of:		
Origination and reversal of timing differences	-	0.5
Non-taxable items	7.7	7.3
Adjustments to prior year taxation charge	(0.6)	(0.8)
Effect of change in rate of corporation tax	(8.6)	(18.2)
Utilisation of group losses	(0.6)	-
Total taxation credit	(8.7)	(12.9)

The March 2012 Budget Statement announced a phased reduction to the main UK Corporation tax rate by 1% per annum to 22% by 1 April 2014. In the March 2013 Budget Statement it was announced that the reduction on 1 April 2014 would by 2% to 21% with a further 1% reduction on 1 April 2015 to 20%. The reduction to 23% on 1 April 2013 was enacted on 3 July 2012 and is the only rate reduction to have been substantively enacted by 31 March 2013. Deferred tax balances at 31 March 2013 have therefore been calculated at 23%. The effect of a further 1% reduction to the main UK Corporation tax rate when deferred tax liabilities reverse would be £14.3m.

10 Dividends

	2013 £m	2012 £m
Amounts recognised as distributions to equity holders in the year:	20.0	20.0
Proposed final dividend for the year ended 31 March 2013 of nil pence *(2012: 9.79 pence)* per share	-	20.0

Notes *(continued)*

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.

	Earnings £m	2013 Weighted average number of shares m	Per share amount Pence	Earnings £m	2012 Weighted average number of shares m	Per share amount Pence
EPS attributable to ordinary shareholders -continuing operations	(18.8)	0.1	(18,800)	6.2	0.1	6,200
EPS attributable to ordinary shareholders - discontinuing operations	(0.4)	0.1	(400)	(15.4)	0.1	(15,400)
EPS attributable to ordinary shareholders -before significant items	40.1	0.1	40,100	44.2	0.1	44,200
EPS attributable to ordinary shareholders -after significant items	(19.2)	0.1	(19,200)	(9.2)	0.1	(9,200)

12 Property, plant and equipment

2013	Freehold land and property £m	Long Leasehold property £m	Airport infrastructure £m	Plant, Fixtures and equipment £m	Leased assets £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
Impairment	-	-	-	-	-	-	-
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**
At 31 March 2012	158.7	334.6	549.3	78.9	-	35.5	1,157.0

Notes *(continued)*

12 Property, plant and equipment *(continued)*

2012	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Leased assets £m	Assets in the course of construction £m	Total £m
Cost							
At 1 April 2011	227.8	407.1	816.3	382.2	16.3	59.1	1,908.8
Additions	-	-	-	-	-	84.9	84.9
Reclassification	(4.7)	13.1	49.6	37.3	(16.3)	(107.1)	(28.1)
Disposals	-	(0.2)	(19.4)	(3.4)	-	(0.2)	(23.2)
Reclassification as assets held for sale	(6.4)	-	(16.2)	(5.0)	-	(1.2)	(28.8)
Revaluation	-	-	-	-	-	-	-
At 31 March 2012	216.7	420.0	830.3	411.1	-	35.5	1,913.6
Depreciation							
At 1 April 2011	54.8	62.0	260.0	295.4	15.7	0.4	688.3
Charge for the period	0.6	12.3	20.7	32.6	-	-	66.2
Reclassification	-	-	12.9	3.2	(15.7)	(0.4)	-
Impairment	5.2	11.3	13.8	8.2	-	-	38.5
Disposals	-	(0.2)	(19.3)	(3.3)	-	-	(22.8)
Reclassification as assets held for sale	(2.6)	-	(7.1)	(3.9)	-	-	(13.6)
At 31 March 2012	58.0	85.4	281.0	332.2	-	-	756.6
Carrying amount							
At 31 March 2012	158.7	334.6	549.3	78.9	-	35.5	1,157.0
At 31 March 2011	173.0	345.1	556.3	86.8	0.6	58.7	1,220.5

Impairment

In the prior year, an impairment charge of £38.5m was booked against the carrying value of asset at Bournemouth Airport.

Notes *(continued)*

13 Intangible assets

	Goodwill £m	Other Intangible assets £m	Total £m
Cost			
At 1 April 2012	-	20.0	20.0
Arising on acquisition	166.3	-	166.3
Additions		10.0	10.0
At 31 March 2013	166.3	30.0	196.3
Amortisation			
At 1 April 2012	-	-	-
At 31 March 2013	-	-	-
Carrying amount			
At 31 March 2013	166.3	30.0	196.3
At 31 March 2012	-	20.0	20.0

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 year follows the acquisition of Stansted Airport Limited ("Stansted"), see note 32 for further details.

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

Discount rates have been estimated based on pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the cash generating unit. In determining the discount rate, management have sought to arrive at a pre-tax Weighted Average Cost of Capital (WACC) using the capital asset pricing model for a market participant. The rate used to discount the forecast cash flows was 6.4%. The long term growth rate used in calculating the terminal value was 2.5%, being consistent with the UK average post war growth rate.

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.

Notes *(continued)*

13 Intangible assets *(continued)*

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, expected to commence in 2016, will be operated for a period of 30 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

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 *(Note 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

2012	Investment properties £m
Cost or valuation	
At 1 April 2011	334.8
Additions	-
Reclassification from assets in the course of construction *(Note 12)*	28.1
Reclassification as assets held for sale	(5.9)
Disposals	(1.0)
Revaluation	(1.1)
At 31 March 2012	354.9
Carrying amount	
At 31 March 2012	354.9
At 31 March 2011	334.8

Notes *(continued)*

14 Investment properties *(continued)*

The fair value of the Group's investment property at 31 March 2013 has been arrived at on the basis of a valuation carried out at that date by Drivers Jonas Deloitte Chartered Surveyors for Manchester, East Midlands and Bournemouth. CBRE and Strutt & Parker carried out the valuation of the Stansted property portfolio. The valuers are independent and are not connected with the Group.

The rental income earned by the Group from its investment property, amounted to £23.2m *(2012: £23.2m)*.

Direct operating expenses arising on the investment property in the period amounted to £2.5m *(2012: £2.5m)*. This includes £0.2m *(2012: £0.3m)* of operating costs where no income was derived.

15 Inventories

	2013 £m	2012 £m
Consumables	1.5	0.9
	1.5	0.9

16 Trade and other receivables

	2013 £m	2012 £m
Trade receivables	33.9	17.7
Other receivables	-	2.8
Prepayments and accrued income	23.0	13.2
	56.9	33.7

The average credit period taken on sales is 16 days *(2012: 14 days)*. An allowance has been made for estimated irrecoverable amounts from trade receivables of £1.3m *(2012: £1.1m)*. 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.

Credit risk

The Group's credit risk is primarily attributable to its trade receivable balance. The amounts presented in the statement of financial position are net of allowances for doubtful debts.

The Group has no significant concentration of credit risk, with exposure over a large number of counterparties and customers.

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

	2013 £m	2012 £m
Debt due over 90 days	1.0	0.8
Total	1.0	0.8

Notes *(continued)*

16 Trade and other receivables *(continued)*

As of 31 March 2013, trade receivables of £1.3m *(2012: £1.1m)* were considered for impairment, of which an amount of £1.3m *(2012: £1.1m)* was provided with the remaining amount expected to be fully recovered.

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:

	2013 £m	2012 £m
Less than 60 days	0.1	0.1
60 to 90 days	0.2	0.2
Over 90 days	1.0	0.8
Total	1.3	1.1

The Group is not exposed to foreign currency exchange risk as all trade and other receivables are denominated in Sterling.

Additional disclosure on financial risk management is included in Note 23.

17 Cash and cash equivalents

	2013 £m	2012 £m
Cash at bank and in hand	56.9	1.8
	56.9	1.8

Notes *(continued)*

18 Borrowings and derivative financial liabilities

	Notes	2013 £m	2012 £m
Overdraft		-	1.1
Bank loans	*19*	885.6	237.4
Other borrowings	*20*	-	162.0
Derivative financial liabilities-interest rate swaps		37.3	-
		922.9	400.5
Borrowings are repayable as follows:			
In one year or less, or on demand			
Overdraft		-	1.1
		-	1.1
In more than one year, but no more than two years			
Bank loans		-	162.7
		-	162.7
In more than two years, but no more than five years			
Bank loans		885.6	-
Derivative financial liabilities-interest rate swaps		37.3	-
		922.9	-
In more than five years - due other than by instalments			
Bank loans		-	74.7
Other borrowings		-	162.0
Derivative financial liabilities-interest rate swaps			
		-	236.7
Non Current Borrowings		922.9	399.4
Total Borrowings and derivative financial liabilities		922.9	400.5

See note 21 for further information on financial liabilities, including maturity analysis.

Notes *(continued)*

19 Bank loans

	2013 £m	2012 £m
Secured Senior Term Facility £900m *(Note 1)*	900.0	-
Less: unamortised debt issue costs	(14.4)	-
Unsecured bank revolving credit facility of £280.0m repayable on or before 22 December 2015 *(Note 2)*	-	165.1
Less: unamortised debt issue costs	-	(2.4)
Unsecured Term Loan of £75.0m repayable on 27 June 2028 *(Note 3)*	-	75.0
Less: unamortised debt issue costs	-	(0.3)
	885.6	237.4

(Note 1) The Senior Term Loan facility is subject to a floating interest rate linked to LIBOR + margin. The margin is currently 150bps increasing over the life of the facility to a maximum of 275bps.

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

(Note 2) The unsecured syndicated bank revolving credit facility was subject to a floating interest rate linked to LIBOR + margin. The margin is then linked to leverage and is capped at a maximum of 185 basis points.

(Note 3) The unsecured credit facility was subject to an underlying fixed interest rate of 5.31% + margin. The margin was linked to credit rating and leverage is capped at a maximum 150 basis points.

20 Other borrowings

	2013 £m	2012 £m
Repayable other than by instalments		
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	-	162.5
Less: unamortised debt issue costs	-	(0.5)
	-	162.0

21 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 rates management and counterparties, which together form key areas of treasury risk.

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.

Notes *(continued)*

21 Financial instruments *(continued)*

Liquidity risk

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 money market demand deposits.

At the year ended 31 March 2013, MAG had £1,205.0m *(2012 £525.8m)* of committed facilities and a net debt position of £866.0m *(2012 £398.7m)*. MAG had financial headroom of £362m at the year end, a level comfortably in excess of the internal compliance target.

Under existing facilities and based on the board approved three year business plan MAG is forecast to have financial headroom in excess of £260m throughout 2013/14.

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 optimal capital structure.

Credit risk

The Group manages credit exposure to its counterparties via their credit ratings and thus limits its exposure to any one party to ensure there are no significant concentrations of credit risk.

MAG has put in place additional measures to manage credit exposure within the current economic downturn. Improved knowledge of the customer base via risk reports and on-line aviation and financial services updates, this provides valuable information in relation to any changes with our customers or within the market and allow the Group to take a flexible approach to the management of risk.

Removal of credit risk associated with ad hoc customers is achieved using prepayments or the request of deposits, where longer term agreements are in place.

The Chief Financial Officer takes an active role in the management of credit risk, meeting with the credit management team to address concerns and potential issues.

Short term receivables and payables, arising directly from the Group's operations have been excluded from the following disclosure.

Financial liabilities

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2013 was as follows:

	2013 £m	2012 £m
Fixed rate financial liabilities	37.3	236.7
Floating rate financial liabilities	885.6	163.8
	922.9	400.5

Notes *(continued)*

21 Financial instruments *(continued)*

Financial liabilities

Financial liabilities shown above are all denominated in sterling.

Financial liabilities are shown net of unamortised issue costs amounting to £14.4m (2012: £3.2m).

Floating rate financial liabilities bear interest at rates based upon LIBOR, which is fixed in advance for periods of between one and twelve months.

The Group has taken out derivative financial instruments such that 75% (2012: 59%) of the Group's debt is at fixed rate of interest or is converted to fixed rate as a result of swap arrangements. The Group has prepared analysis on the impact of potential, likely changes in interest rates. The impact of interest rate swaps has been taken into account when calculating the potential impact. The result of an increase in LIBOR of 1% would be to increase/ (decrease) profit and loss and equity by the following amounts:

	2013 £m	2012 £m
Impact on profit and loss account	34.3	(1.6)
Impact on equity	34.3	(1.6)

The derivative financial instruments relate to fixed interest rate swaps. The notional amount of fixed interest rate swaps is £675m *(2012: £nil)*, and the weighted average interest rate on the fixed interest rate swaps is 1.7%. The instruments are for a weighted average period of 71 months and the maximum contractual period is 9 years 11 months.

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

	2013	2012
Weighted average annual interest rate	3.20%	10.06%
Weighted average period for which interest rate is fixed	5y 11m	36y 8m

The weighted average period for non-interest bearing liabilities as at 31 March 2013 was 1 year (2012: 1 year).

(c) Maturity analysis of financial liabilities

The maturity profile of the fair value of the Group's financial liabilities as at 31 March 2013 was as follows:

	Derivative financial liability £m	Non-derivative financial instruments £m	Total 2013 £m	Derivative Financial liability £m	Non-derivative financial instruments £m	Total 2012 £m
In one year or less, or on demand	-	37.1	37.1	-	35.9	35.9
In more than one year but not more than two years	-	-	-	-	-	-
In more than two years but not more than five years	37.3	885.6	922.9	-	162.7	162.7
In more than five years	-	-	-	-	236.7	236.7
	37.3	922.7	960.0	-	435.3	435.3

Notes *(continued)*

21 Financial instruments *(continued)*

Undrawn committed borrowing facilities

As at 31 March 2013, the Group had an undrawn committed borrowing facility available amounting to £305.0m *(2012: £118.8m).*

	2013 Floating rate £m	2012 Floating rate £m
Expiring in less than one year	5.0	3.9
Expiring in one to two years	-	-
Expiring in more than two years	300.0	114.9
	305.0	118.8

(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 2013 and 2012. 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.

	2013 Carrying amount £m	2013 Fair value £m	2012 Carrying amount £m	2012 Fair value £m
Financial liabilities:				
Instruments held at fair value				
Interest rate swaps used for hedging liabilities (net)	(37.3)	(37.3)	-	-
Instruments held at amortised cost				
Bank loans and overdrafts	(885.6)	(885.6)	(238.5)	(238.5)
Trade payables	(37.1)	(37.1)	(34.8)	(34.8)
Other borrowings	-	-	(162.0)	(162.0)
	(960.0)	(960.0)	(435.3)	(435.3)
Financial assets:				
Instruments held at amortised cost				
Cash at bank and in hand	56.9	56.9	1.8	1.8
Trade receivables	33.9	33.9	17.7	17.7
	90.8	90.8	19.5	19.5
Net financial liabilities	(869.2)	(869.2)	(415.8)	(415.8)

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

Notes *(continued)*

21 Financial instruments *(continued)*

Fair value hierarchy (continued)

- 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.

Summary of methods and assumptions used for determining fair values

Interest rate swaps	Fair value is based on market price of comparable instruments at the balance sheet date.
Bank loans	The bank debt is stated net of unamortised issue costs of £14.4m *(2012: £2.7m)*, which would be charged in full to the income statement in the event of an immediate refinancing of this debt.
Trade receivables and payables	The directors consider that the carrying value of trade receivables and payables approximates to their fair value.
Other borrowings	Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.
Derivatives	The fair value of interest rate swaps is based on broker quotes.
Short term finance leases	The fair value of short-term finance leases (that is finance leases that are due to expire in less than one year) approximates to the book values of such instruments due to their short maturity dates
Long term finance leases	The fair values of the Group's fixed rate long-term finance leases have been calculated by reference to discounted cash flows at prevailing market rates. The fair value approximates to the book values of such instruments at the reporting date.
Cash at bank, in hand and on deposit	The fair values of these instruments are equal to their book values, as each instrument has a short-term maturity date.

Interest rates used in determining fair values:

	2013	2012
Bank loans and overdrafts	2.01%	1.60% - 5.82%
Long term finance leases	n/a	n/a

(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 2013 £m	2012 £m
Trade receivables	33.9	17.7
Cash at bank and in hand	56.9	1.8
Cash on short term deposit	-	-
Credit exposure	90.8	19.5

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

Notes *(continued)*

22 Trade and other payables

	2013 £m	2012 £m
Trade payables	37.1	34.8
Other taxation and social security	4.7	2.0
Other payables	6.1	6.2
Accruals	77.0	51.0
Capital-based grants	0.7	0.7
	125.6	94.7

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

23 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 £1.5m *(2012: £1.4m)* represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2013, there was £0.1m *(2012: £0.4m)* of contributions due in respect of the current reporting period that had not been paid over to the schemes.

Defined benefit schemes

The Group operates four defined benefit pension schemes as follows:

- The Greater Manchester Pension Fund;
- M.A.G. (STAL) Pension scheme
- The East Midlands International Airport Pension Scheme;
- The Airport Ventures Pension Scheme.

Under the schemes, the employees are entitled to retirement benefits which vary according to length of service and final salary on attainment of retirement age.

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2013 amounted to £7m *(2012: £7m)*, there were no one off contributions this financial year *(2012: £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 £5.1m *(2012: £5.4m)* 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.

Notes *(continued)*

23 Retirement benefits *(continued)*

The Greater Manchester Pension Fund (GMPF) (continued)

The last full valuation of the fund was undertaken on 31 March 2010 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 2010 was £10,445m (previous valuation in 2007: £9,563m). The funding level of the scheme as measured using the actuarial method of valuation was 96.4% (previous valuation in 2007: 100.0%).

The principal assumptions used in the 2010 valuation were as follows:

Salary increase	4.8% per annum
Pensions increase / Price inflation	3.8% per annum

The costs of providing pensions are charged to the income statement on a consistent basis over the service lives of the members. These costs are determined by an independent qualified actuary and any variations from regular costs, and are spread over the remaining working lifetime of the current members.

M.A.G. (STAL) Pension Scheme

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. As part of the condition of the purchase, a new defined benefit pension scheme was set up in order to provide mirror benefits to those employees who had previously participated in the BAA pension scheme prior to Stansted Airport Limited 's disposal from the Heathrow Airport Holdings Limited Group. Current employees transferred their accrued benefits to the M.A.G. (STAL) Pension Scheme so no liability for pensioners or deferred members was transferred. As a condition of the purchase, a full actuarial valuation of the M.A.G. (STAL) pension scheme is required within 12 months of the transaction completion date.

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.
- Stansted Airport Limited Pension Scheme

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.

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 key assumptions used are as follows:

Notes *(continued)*

23 Retirement benefits *(continued)*

Other Schemes *(continued)*

	GMPF 2013	GMPF 2012	GMPF 2011	Stansted 2013	EMIA 2013	EMIA 2012	EMIA 2011	Ventures 2013	Ventures 2012	Ventures 2011
Rate of increase in salaries *(Note 1)*	2.20%	3.20%	4.30%	3.60%	2.00%	3.20%	4.30%	2.20%	3.20%	4.30%
Rate of increase of pensions in payment *(Note 2)*	2.50%	2.50%	2.80%	3.40%	2.50%	2.50%	2.80%	2.50%	2.50%	2.80%
Discount rate	4.40%	4.95%	5.50%	4.60%	4.40%	4.95%	5.50%	4.40%	4.95%	5.50%
Inflation assumption	2.50%	2.50%	2.80%	2.50%	2.50%	2.50%	3.60%	2.50%	2.50%	3.60%

(Note 1) The salary increase assumption adopted is as follows:

	2013	*2012*
Year 1 to 2	*1.80%*	*3.20%*
Year 3	*1.90%*	*2.50%*
Year 4	*3.30%*	*3.50%*
Years 5 and onwards	*2.20%*	*3.50%*

(Note 2) This refers to pensions in payment that increase in line with inflation. There are some elements of pensions in payment that increase at a fixed rate or do not increase at all.

GMPF life expectancy is based upon the Fund's Vita Curves with improvements in line with a 1% underpin from 1 April 2010 adopted in the latest valuation 31 March 2010. Historic life expectancy have been valued using the PMA92 and PFA2 mortality tables.

The attributable share of assets in schemes and the expected long-term rate of return as at 31 March 2013:

	Rate of return 2013 %	Value 2013 £m	Rate of return 2012 %	Value 2012 £m	Rate of return 2011 %	Value 2011 £m
Equities and property	5.57%	372.8	6.16%	259.3	7.35%	246.91
Bonds	3.50%	69.7	3.90%	66.1	4.90%	62.4
Other	3.00%	43.6	3.50%	23.5	4.60%	39.4
		486.1		348.9		348.7

Notes *(continued)*

23 Retirement benefits *(continued)*

Other Schemes *(continued)*

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

	Total market value of assets £m	Present value of scheme liabilities £m	(Deficit) / Surplus in the scheme £m
GMPF (Note 1)			
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)
2009	216.1	(236.9)	(20.8)
Stansted			
2013	**105.7**	**(112.5)**	**(6.8)**
EMIA			
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)
2009	26.0	(29.6)	(3.6)
Airport Ventures (Note 3)			
2013	3.5	(3.5)	-
2012	3.0	(3.0)	-
2011	3.0	(3.0)	-
2010	2.8	(2.8)	-
2009	1.9	(1.3)	0.6
Total (Note 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)
2009	250.5	(275.2)	(24.7)

(Note 1) The figures as shown represent the proportion of the schemes which are attributable to the Group. £6.7m *(2012 £6.6m)* of the liabilities are unfunded.

(Note 2) The retirement benefit liabilities reported on the consolidated statement of financial position at 31 March 2012 excluded the deficit of £1.0m of the East Riding scheme, which was reclassified to liabilities held for sale.

(Note 3) The Airport Ventures Scheme has a surplus of £1.1m *(2012:£1.1m)*. This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

Notes *(continued)*

23 Retirement benefits *(continued)*

Other Schemes *(continued)*

Analysis of the amount charged/ (credited) to operating profit

	GMPF 2013 £m	GMPF 2012 £m	Stansted 2013 £m	EMIA 2013 £m	EMIA 2012 £m	Ventures 2013 £m	Ventures 2012 £m	Total 2013 £m	Total 2012 £m
Current Service Cost of Defined Benefit Schemes	3.3	3.9	0.6	1.1	1.4	-	-	5.0	5.3
Past service cost	0.2	0.6		-	(0.4)	-	-	0.2	0.2
Expected return on pension scheme assets	(16.3)	(19.4)	(0.6)	(2.2)	(2.4)	(0.1)	(0.1)	(19.2)	(21.9)
Interest on pension scheme liabilities	17.6	18.2	0.4	2.5	2.5	0.1	0.1	20.6	20.8
								-	-
Net amount charged against income	4.8	3.3	0.4	1.4	1.1	-	-	6.6	4.4

The above charge has been included in operating expenses.

Movement in deficit during year

	GMPF 2013 £m	GMPF 2012 £m	Stansted 2013 £m	EMIA 2013 £m	EMIA 2012 £m	Ventures 2013 £m	Ventures 2012 £m	Total 2013 £m	Total 2012 £m
(Deficit) in scheme at beginning of year	(64.9)	(37.6)	-	(10.3)	(7.1)	-	-	(75.2)	(44.7)
Movement in year:	-		-	-		-		-	-
Acquisition of subsidiary	-		(8.7)	-		-		(8.7)	-
Current service cost	(3.3)	(3.9)	(0.6)	(1.1)	(1.4)	-	-	(5.0)	(5.3)
Past service cost / (credit)	(0.2)	(0.6)	-	-	0.4	-	-	(0.2)	(0.2)
Contributions	5.1	5.4	0.7	1.2	1.2	-	-	7.0	6.6
Other finance (expense)	(1.3)	1.2	0.2	(0.3)	(0.1)	-		(1.4)	1.1
Actuarial gain/(loss) in SOCI	5.2	(29.4)	1.6	(0.8)	(3.3)	-	-	6.0	(32.7)
Disposal of subsidiary								-	
(Deficit) in scheme at end of year	(59.4)	(64.9)	(6.8)	(11.3)	(10.3)	-	-	(77.5)	(75.2)

The total actuarial (loss) / gains for the 2011 and 2010 periods were *(£14.6m)* and *(£48.6m)* respectively.

Notes *(continued)*

23 Retirement benefits *(continued)*

Other Schemes *(continued)*

Amount recognised in the statement comprehensive income (SOCI)

		GMPF		Stansted	EMIA	Ventures		Total	
	2013 £m	2012 £m	2013 £m	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Actual return less expected return on pension scheme assets	25.9	(15.1)	1.9	3.3	(0.1)	0.4	-	31.5	(15.2)
Experience (losses)/gains arising on scheme liabilities		-			-		-	-	-
Changes in assumptions underlying the present value of the scheme liabilities	(20.7)	(14.3)	(0.3)	(4.1)	(3.2)	(0.4)	-	(25.5)	(17.5)
Actuarial gain/(loss) recognised in SOCI	5.2	(29.4)	1.6	(0.8)	(3.3)	-	-	6.0	(32.7)

Movement in present value of defined benefit obligations

	GMPF			Stansted	EMIA		Ventures		Total
	2013 £m	2012 £m	2013 £m	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
1 April	359.9	335.3		51.5	45.8	3.0	3.0	414.4	384.1
Acquisition of subsidiary	-	-	111.1	-	-	-	-	111.1	-
Service cost	3.5	4.5	0.6	1.1	1.0	-	-	5.2	5.5
Benefits paid and employee contributions	(12.0)	(12.4)	0.1	(1.3)	(1.0)	-	-	(13.2)	(13.4)
Interest cost	17.6	18.2	0.4	2.5	2.5	0.1	-	20.6	20.7
Actuarial gains and losses	20.7	14.3	0.3	4.1	3.2	0.4	-	25.5	17.5
Disposal of subsidiary								-	-
31 March	389.7	359.9	112.5	57.9	51.5	3.5	3.0	563.6	414.4

Notes *(continued)*

23 Retirement benefits *(continued)*

Other Schemes *(continued)*

Movement in fair value of scheme assets

	GMPF 2013 £m	GMPF 2012 £m	Stansted 2013 £m	EMIA 2013 £m	EMIA 2012 £m	Ventures 2013 £m	Ventures 2012 £m	Total 2013 £m	Total 2012 £m
1 April	295.0	297.7		41.2	38.7	3.0	3.0	339.2	339.4
Acquisition of subsidiary			102.4					102.4	-
Expected return on scheme assets	16.3	19.4	0.6	2.2	2.5	0.1	-	19.2	21.9
Contributions	5.1	5.4	0.7	1.2	1.2	-	-	7.0	6.6
Benefits paid and employee contributions	(12.0)	(12.4)	0.1	(1.3)	(1.1)	-	-	(13.2)	(13.5)
Actuarial gains and losses	25.9	(15.1)	1.9	3.3	(0.1)	0.4	-	31.5	(15.2)
31 March	330.3	295.0	105.7	46.6	41.2	3.5	3.0	486.1	339.2

History of experience gains and losses

	GMPF 2013 £m	GMPF 2012 £m	Stansted 2013 £m	EMIA 2013 £m	EMIA 2012 £m	Ventures 2013 £m	Ventures 2012 £m	Total 2013 £m	Total 2012 £m
Difference between actual and expected returns on assets amount	25.9	(15.1)	1.9	3.3	(0.1)	0.4	0.0	31.5	(15.2)
% of scheme assets	7.8%	(5.1%)	1.8%	7.1%	(0.2%)	11.8%	0.0%	28.5%	(4.5%)
Experience gains and losses on liabilities amount	-	-	-	-	-	-	-	-	-
% of scheme liabilities	-	-	-	-	-	-	-	-	-
Total amount recognised in SOCI	5.2	(29.4)	1.6	(0.8)	(3.3)	0.0	-	6.0	(32.7)
% of scheme liabilities	1.3%	(8.2%)	1.4%	(1.4%)	(6.4%)	0.0%	0.0%	1.3%	(7.9%)

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2013 is £13.1m *(31 March 2012: £6.5m)*

Notes *(continued)*

24 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 £m	Investment properties and operational assets carried at deemed cost £m	Retirement benefit obligations £m	Tax losses £m	Fair value acquisition adjustment £m	Short term Timing differences £m	Total £m
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)	0.2	-	(0.6)	0.1	(17.3)
Charge/(credit) to equity	-	-	2.3	-	(0.3)	(1.4)	0.6
At 31 March 2013	**167.1**	**122.9**	**(24.8)**	-	**65.4**	**(1.4)**	**329.2**
At 1 April 2011	131.5	107.5	(11.7)	(0.9)	7.1	(0.1)	233.4
Charge/(credit) to income - continuing operations	(14.2)	(14.2)	0.5	-	-	0.3	(27.6)
Charge/(credit) to income - discontinuing operations	(0.2)	(0.1)	0.1	-	-	-	(0.2)
Charge/(credit) to equity	-	-	(7.1)	-	(0.5)	-	(7.6)
Reclassification to assets held for sale	(2.3)	(0.9)	0.2	0.9	0	-	(2.1)
At 31 March 2012	114.8	92.3	(18.0)	-	6.6	0.2	195.9

Notes *(continued)*

24 Deferred taxation *(continued)*

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:

	2013 £m	2012 £m
Deferred tax liabilities	(355.4)	(213.9)
Deferred tax assets	26.2	18.0
	(329.2)	(195.9)

25 Other non-current liabilities

	2013 £m	2012 £m
Other creditors		
Accruals and deferred income	6.1	6.0
Capital-based grants	9.6	10.2
	15.7	16.2

26 Share capital and share premium

	Ordinary shares of £1 each			
	Number of shares	£m	Share Premium	Total
Authorised, allotted, called up and fully paid				
At 1 April 2012	0.1	0.1	1,453.6	1,453.7
Issue of share capital	0.2	0.2	1,040.3	1,040.5
At 31 March 2013	0.3	0.3	2,493.9	2,494.2

Share capital history

The parent company of the group, Manchester Airport Group Investments Limited, was incorporated on 20 December 2012.

On 7 February 2013, the Company issued 99,900 ordinary £1 shares in exchange for an investment in The Manchester Airport Group plc, giving rise to share premium of £1,616.0m.

On 28 February 2013, the Company issued 100,000 ordinary £1 shares for consideration of £788.7m, giving rise to a share premium of £788.6m.

On 28 February 2013, the Company issued 100,000 ordinary £1 shares for consideration of £89.4m, giving rise to a share premium of £89.3m.

Notes *(continued)*

27 Reserves

	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2012	(1,249.4)	557.6	(691.8)
Actuarial gains on retirement benefit liabilities	-	6.0	6.0
Deferred tax on retirement benefits actuarial movements	-	(1.4)	(1.4)
Effect of change in rate of Corporation tax on deferred tax	-	(0.5)	(0.5)
Loss for the year after dividends	-	(39.2)	(39.2)
At 31 March 2013	**(1,249.4)**	**522.5**	**(726.9)**

Reconciliation of movements in shareholders' funds:	2013 £m	2012 £m
Opening shareholders' funds	761.9	817.0
Total recognised expense for the year	(15.1)	(35.1)
Issue of ordinary shares relating to business combination	1,040.5	-
Dividends paid in the year	(20.0)	(20.0)
Equity shareholders' funds as at 31 March	1,767.3	761.9

28 Capital commitments

	2013 £m	2012 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	22.4	37.6
	22.4	37.6

29 Contingent liabilities

A contingent liability exists in respect of claims that have been made from individual property owners in respect of alleged loss of property value arising from the development and use of new or extended airport runways.

A contingent liability exists in respect of development work in relation to access roads for standard contractual defects periods.

The Group will defend any proceedings in respect of these claims and, whilst the outcome of these claims is currently uncertain, it is the directors' opinion based on legal and property advice that no further material cost will be incurred.

Notes *(continued)*

30 Operating lease arrangements

At 31 March 2013 the Group has commitments under non-cancellable operating leases which expire as follows:

	2013 Land £m	2013 Other £m	2012 Land £m	2012 Other £m
Expiring within one year	-	-	-	0.1
Expiring between two and five years inclusive	-	0.4	-	0.3
Expiring in over five years.	42.1	-	44.0	-
	42.1	0.4	44.0	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 31.

The minimum amount payable on the lease is £9.2m per annum with an additional amount payable related to turnover, the lease expires in 2085.

The Group receives income from property leases, which are typically for a duration of 3-10 years and subject to periodic rent reviews.

Lease and sublease payments recognised in the income statement are summarised in Note 8 and Note 14.

31 Related party transactions

Transactions involving The Council of the City of Manchester, IFM and Manchester Airport Finance Holdings Limited

The Council of the City of Manchester 'MCC' is a related party to Manchester Airport Group Investments Limited as MCC owns 35.5% of the share capital of the Manchester Airports Holdings Limited (MAHL), the ultimate parent company.

During the year, the Group entered into the following transactions with MCC.

As at 31 March 2013 the amount of loans outstanding owed to MCC was £83.2m *(2012:£83.2m)*. The Manchester Airport Group PLC made loan repayments of £Nil *(2012:£Nil)* to MCC during the year and paid interest of £10m *(2012:£10m)*

As at 31 March 2013 the amount of loans outstanding owed to the other nine councils was £79.4m *(2012:£79.4m)*. The Manchester Airport Group PLC made loan repayments of £Nil *(2012: £Nil)* to the other nine councils during the year and paid interest of £9.5m *(2012:£9.5m)*

Included in external charges are charges for rent and rates amounting to £23.7m *(2012: £24.6m)* and other sundry charges of £0.1m *(2012: £0.1m)*. The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Industry Funds Management (IFM) through its subsidiary is a related party to MAHL as IFM owns 35.5% of the share capital of the company. During the year, the Group did not enter into any transactions with IFM.

Manchester Airport Finance Holdings Limited (M.A. Finance Holdings Limited) is the parent company of Manchester Airport Group Investments Limited. During the year, the Group entered into the following transactions with M.A. Finance Holdings Limited:

As at 31 March 2013, the balance owing to M.A. Finance Holdings Limited was £8.1m (2012:£Nil) relating to interest payments and the amounts owed by M.A. Finance Holdings Limited was £0.3m (2012:£Nil) relating to loan amortisation costs.

Notes *(continued)*

32 Acquisitions and disposals

Acquisitions

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

Stansted Airport is the UK's fourth largest airport, and its acquisition represents a strategic move for the Group which will provide 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 provisional 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

	Provisional carrying amounts £m	Provisional accounting policy adjustments £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £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 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 reduces acquired assets by £0.8m. Inventory is recorded at its fair value on acquisition.

Notes *(continued)*

32 Acquisitions and disposals *(continued)*

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 where were acquired. As required under IFRS 3 (Revised), the valuation assigned to the assets and liabilities will be reassessed within 12 months of the acquisition date and adjustment to the provisional valuations will be recorded against goodwill. 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

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.

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

	£m
Total cash paid	1,138.3
Liabilities settled on behalf of acquire	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 are expected to be collected.

In the period from acquisition to 31 March 2013, 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.

Notes *(continued)*

32 Acquisitions and disposals *(continued)*

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.

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

33 Reconciliation of net cash flow to movement in net debt

	2012 £m	Cash flow £m	Other non-cash movements £m	**2013 £m**
Cash at bank and in hand	1.8	55.1	-	**56.9**
Cash on short term deposit	-	-	-	**-**
Cash and cash equivalents disclosed on the statement of financial position	1.8	55.1	-	**56.9**
Overdrafts	(1.1)	1.1	-	**-**
Total cash and cash equivalents (including overdrafts)	0.7	56.2	-	**56.9**
Current debt	-			**-**
Non-current debt	(399.4)	(485.5)	(0.7)	**(885.6)**
Interest rate swap derivatives	-	-	(37.3)	**(37.3)**
Net debt	(398.7)	(429.3)	(38.0)	**(866.0)**

KPMG

KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Manchester Airport Group Investments Limited

We have audited the parent company financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2013 set out on pages 57 to 62. 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 4, 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 2013;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- and have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006 and under the terms of our engagement

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Independent auditor's report to the members of Manchester Airport Group Investments Limited *(continued)*

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 and the terms of our engagement require us to report to you if, in our opinion:

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

Other matter

We have reported separately on the group financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2013.

Jonathan Hurst

Jonathan Hurst (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
29 July 2013

Company Balance Sheet
at 31 March 2013

	Note	2013 £m
Fixed assets		
Investments	*3*	2,494.2
		2,494.2
Current assets		
Debtors		-
Cash at bank and in hand		
		-
Creditors: amounts falling due within one year		-
Net current assets		-
Total assets less current liabilities		2,494.2
Creditors: amounts falling due after more than one year		-
Net assets		2,494.2
Capital and reserves		
Called up share capital	*4*	0.3
Share Premium	*5*	2,493.9
Profit and loss account	*6*	-
Equity shareholders' funds		2,494.2

The financial statements on pages 57 to 62 were approved by the Board of Directors on 29 July 2013 and signed on its behalf by:

N Thompson
Director

Notes
for the year ended 31 March 2013

1 Auditors' remuneration

	2013 £m
Auditors remuneration :	
Audit of these financial statements	0.3
Amounts receivable by auditors and their associates in respect of:	
Other services relating to taxation	0.2
All other services	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 loss attributable to the shareholders includes a loss of £nil before dividends, is dealt with in the financial statements of the Company.

3 Fixed asset investments

	Subsidiary undertakings £m
Cost and net book value	
At 20 December 2012	-
Additions	-
At 31 March 2013	2,494.2

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

4 Share capital

	Number (m)	Total £m
Authorised, allotted, called up and fully paid		-
316,634,000 ordinary shares of £1 each	317	0.3
At 31 March 2013	317	0.3

5 Reserves

	Share Premium	Profit and loss account	Total £m
At 20 December 2012	-	-	-
Movement in the year	2,493.9	-	2,493.9
At 31 March 2013	2,493.9	-	2,493.9

Notes *(continued)*

6 Reconciliation of movements in equity shareholders' funds

	2013 £m
Result for the period	-
Issue of ordinary shares	2,494.2
Net increase in equity shareholders' funds	**2,494.2**
Opening equity shareholders' funds	-
Closing equity shareholders' funds	**2,494.2**

7 Contingent liabilities

Assets pledged as security

Under the facility agreement signed on 28 February 2013, the Group and all its material subsidiaries have entered into a security agreement with the Group's bankers. The security provided includes a floating charge over its present and future undertakings.

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
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

Name of undertaking	Description of shares held	Proportion of nominal value of issues shares held by Group	Company	Principal activities
East Midlands International Airport Limited	Ordinary £1 shares 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 Group Finance 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%		Investment property holding company
Manchester Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Ventures Limited	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
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

Name of undertaking	Description of shares held	Proportion of nominal value of issues shares held by Group	Company	Principal activities
Worknorth Limited	7% cumulative redeemable preference shares	100%		
	Ordinary £1 shares	100%		Non trading
Worknorth II Limited	7% cumulative redeemable preference shares	100%		
	Ordinary £1 shares	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 2013 will be appended to the Company's next annual return.