

**Manchester Airport Group Investments Limited**

**Directors' report and financial  
statements**

**Registered number 08338555**

**Year ended 31 March 2014**

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## **Strategic report**

### **Business review**

#### **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 outlook**

The consolidated results for the year are set out on page 9.

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.

#### **Principal risks and uncertainties**

The key risks faced by the Company are aligned to that of Manchester Airports Holdings Limited. For more details of these risks and how they are managed please refer to the strategic report in the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any other significant risks for the Company.

#### **Key performance indicators**

The key performance indicators for the Company are aligned to that of Manchester Airports Holdings Limited. For more details of these KPIs please refer to the strategic report in the annual report and accounts for Manchester Airports Holdings Limited. The directors have not use any additional KPIs for the Company.

#### **Going concern**

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events, which are inherently uncertain. Nevertheless, at the time of preparation of these accounts and after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these accounts.

**By order of the Board**



**N Thompson  
Director**

**For and on behalf of the Board of Directors  
11 July 2014**

## **Directors' report**

The directors present their annual report and accounts for the year ended 31 March 2014.

### **Directors**

Charlie Cornish and Neil Thompson were appointed Directors of the Company on incorporation on 20<sup>th</sup> 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.

### **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 2014 was 18 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.

### **Annual report and accounts**

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A statement by the directors as to their responsibilities for preparing the financial statements is included in the statement of directors' responsibilities on page 6.

### **Auditor**

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

By order of the Board



**N Thompson**  
**Director**

**For and on behalf of the Board of Directors**

11 July 2014

## **Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements**

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and to prevent and detect fraud and other irregularities.



## 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 2014 set out on pages 9 to 65. 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 6, 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](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

#### **Matters on which we are required to report by exception**

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

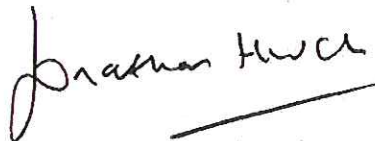
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

**Other matter**

We have reported separately on the parent company financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2014 .

Jonathan Hurst (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
St James' Square  
Manchester  
M2 6DS  
11 July 2014

A handwritten signature in dark ink, appearing to read 'Jonathan Hurst', with a horizontal line drawn underneath it.

# Consolidated Income Statement

for year ended 31 March 2014

	Note	2014	2014	2014	2013	2013	2013
		Total before significant items	Significant items	After Significant items	£m Total before significant items (Restated)	£m Significant items (Restated)	£m After Significant items (Restated)
<b>Continuing operations</b>							
Revenue	1	671.2	-	671.2	411.5	-	411.5
<b>Result from operations before significant items</b>	4	121.0	-	121.0	74.4	-	74.4
<b>Significant items</b>							
Acquisition costs	3	-	-	-	-	(28.4)	(28.4)
Restructuring costs	3	-	(2.2)	(2.2)	-	(1.1)	(1.1)
Integration costs	3	-	(2.4)	(2.4)	-	-	-
Impairment of property, plant & equipment	3	-	(7.2)	(7.2)	-	-	-
<b>Result from operations</b>	4	121.0	(11.8)	109.2	74.4	(29.5)	44.9
Movement in investment property fair values	14	19.9	-	19.9	(3.6)	-	(3.6)
Movement in fair value of interest rates swaps	3	-	20.0	20.0	-	(6.0)	(6.0)
Gain on settlement of interest rate swaps	3,7	-	4.1	4.1	-	-	-
Finance costs	7	(32.7)	-	(32.7)	(32.2)	-	(32.2)
Finance costs – amortisation of issue costs <sup>1</sup>	3,7	-	(5.9)	(5.9)	-	(2.0)	(2.0)
Settlement of previous financing <sup>2</sup>	3,7	-	-	-	-	(30.9)	(30.9)
<b>Result before taxation</b>	8	108.2	6.4	114.6	38.6	(68.4)	(29.8)
Taxation – ordinary		25.2	(2.6)	22.6	(0.4)	9.6	9.2
<b>Taxation</b>	9	25.2	(2.6)	22.6	(0.4)	9.6	9.2
<b>Result from continuing operations</b>		133.4	3.8	137.2	38.2	(58.8)	(20.6)
<b>Discontinued operations</b>							
Result from discontinued operations (net of tax)	33	-	-	-	-	(0.4)	(0.4)
<b>Result for the year</b>		133.4	3.8	137.2	38.2	(59.2)	(21.0)
<b>Earnings per share expressed in pence per share</b>							
Continuing operations	11			45,733			(20,600)
Discontinuing operations	11			-			(400)

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

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 2014*

	<i>Note</i>	<b>2014</b> <b>£m</b>	2013 £m (Restated)
<b>Result for the year</b>		<b>137.2</b>	<b>(21.0)</b>
<b>Other comprehensive income</b>			
Actuarial gain on retirement benefit liabilities	24	36.1	8.3
Deferred tax on retirement benefits actuarial movements	9	(7.2)	(1.9)
Effect of change in rate of corporation tax	9	(1.4)	(0.5)
<b>Other comprehensive income/(expense) for the year</b>		<b>27.5</b>	<b>5.9</b>
<b>Total comprehensive expense for the year</b>		<b>164.7</b>	<b>(15.1)</b>

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

## Consolidated Statement of Changes in Equity

for year ended 31 March 2014

	Note	Attributable to equity holders			Total £m
		Share capital £m	Share premium £m	Reserves £m	
At 1 April 2013		0.3	2,493.9	(726.9)	1,767.3
Result for the year		-	-	137.2	137.2
Defined benefit actuarial loss net of tax		-	-	28.9	28.9
Effect of change in rate of corporation tax		-	-	(1.4)	(1.4)
<b>Balance at 31 March 2014</b>		<b>0.3</b>	<b>2,493.9</b>	<b>(562.2)</b>	<b>1,932.0</b>

## Consolidated Statement of Changes in Equity

for year ended 31 March 2013 (restated)

	Note	Attributable to equity holders			Total £m
		Share capital £m	Share premium £m	Reserves £m	
At 1 April 2012		0.1	1,453.6	(691.8)	761.9
Result for the year		-	-	(21.0)	(21.0)
Defined benefit actuarial loss net of tax		-	-	6.4	6.4
Issue of ordinary shares		0.2	1,040.3	-	1,040.5
Dividends paid to equity holders		-	-	(20.0)	(20.0)
Effect of change in rate of corporation tax		-	-	(0.5)	(0.5)
<b>Balance at 31 March 2013</b>		<b>0.3</b>	<b>2,493.9</b>	<b>(726.9)</b>	<b>1,767.3</b>

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

**Consolidated Statement of Financial Position**  
*at 31 March 2014*

	<i>Note</i>	2014 £m	2013 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	2,357.9	2,389.1
Intangible assets	13	40.0	30.0
Goodwill	13	166.3	166.3
Investment properties	14	592.1	566.4
Derivative financial assets	21	3.4	-
Deferred tax assets	25	12.2	26.2
		<hr/>	<hr/>
		3,171.9	3,178.0
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	15	1.3	1.5
Trade and other receivables	16	70.9	56.9
Cash and cash equivalents	17	17.9	56.9
Amounts owed by group companies		105.9	-
		<hr/>	<hr/>
		196.0	115.3
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	(142.6)	(125.6)
Deferred income		(18.3)	(17.4)
Amounts owed to group companies		-	(7.8)
Current tax liabilities		(11.5)	(3.7)
		<hr/>	<hr/>
		(172.4)	(154.5)
		<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>		<hr/> 23.6 <hr/>	<hr/> (39.2) <hr/>
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Borrowings	18	(889.6)	(885.6)
Derivative financial liabilities	18	(17.5)	(37.3)
Retirement benefit liabilities	24	(40.2)	(77.5)
Deferred tax liabilities	25	(302.0)	(355.4)
Other non-current liabilities	26	(14.2)	(15.7)
		<hr/>	<hr/>
		(1,263.5)	(1,371.5)
		<hr/>	<hr/>
<b>Net assets</b>		<hr/> 1,932.0 <hr/>	<hr/> 1,767.3 <hr/>
		<hr/>	<hr/>
<b>Shareholders' equity</b>			
Share capital	27	0.3	0.3
Share premium	27	2,493.9	2,493.9
Other reserve	28	(1,249.4)	(1,249.4)
Retained earnings	28	687.2	522.5
		<hr/>	<hr/>
<b>Total equity</b>		<hr/> 1,932.0 <hr/>	<hr/> 1,767.3 <hr/>

The financial statements on pages 9 to 65 were approved by the Board of Directors on 11 July 2014 and signed on behalf by:

N Thompson  
 Director

## Consolidated Statement of Cash Flows

for year ended 31 March 2014

Note	2014 £m Before significant items	2014 £m Significant items	2014 £m After significant items	2013 £m Before significant items	2013 £m Significant items	2013 £m After significant items
<b>Cash flows from operating activities</b>						
Result before taxation – continuing operations	108.2	6.4	114.6	38.6	(68.4)	(29.8)
Result before taxation – discontinuing operations	-	-	-	-	(0.4)	(0.4)
Change in value of investment opportunities	(19.9)	-	(19.9)	3.6	-	3.6
Movement in fair value of interest rate swaps	-	(20.0)	(20.0)	-	6.0	6.0
Gain on settlement of interest rate swaps	-	(4.1)	(4.1)	-	-	-
Finance income and expense	32.7	-	32.7	32.2	-	32.2
Amortisation of issue costs	5.9	-	5.9	-	2.0	2.0
Settlement of previous financing	-	-	-	-	30.9	30.9
Depreciation and amortisation	120.9	7.2	128.1	70.0	-	70.0
Impairment of PPE	-	-	-	-	-	-
Profit on sale of property, plant and equipment	1.4	-	1.4	0.3	-	0.3
(Increase)/decrease in trade and other receivables and inventories	(85.9)	-	(85.9)	5.4	-	5.4
Release of grants	(0.7)	-	(0.7)	(0.7)	-	(0.7)
Increase in trade and other payables	6.2	-	6.2	0.8	-	0.8
Decrease in retirement benefits provision	(1.2)	-	(1.2)	(1.8)	-	(1.8)
Decrease/(increase) in available for sale assets	-	-	-	0.2	-	0.2
<b>Cash generated from operations</b>	<b>167.6</b>	<b>(10.5)</b>	<b>157.1</b>	<b>148.6</b>	<b>(29.9)</b>	<b>118.7</b>
Interest paid			(51.3)			(20.2)
Tax paid			(12.9)			(14.9)
<b>Net cash from operating activities</b>			<b>92.9</b>			<b>83.6</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment			(122.2)			(55.0)
Purchase of intangible assets			(10.0)			(10.0)
Acquisition of subsidiary net of cash acquired			-			(1,468.7)
Proceeds from sale of investment properties			0.9			1.9
<b>Net cash used in investing activities</b>			<b>(131.3)</b>			<b>(1,531.8)</b>

**Consolidated Statement of Cash Flows** *(continued)*  
*for year ended 31 March 2014*

	Note	2014 £m	2014 £m	2014 £m	2013 £m	2013 £m	2013 £m
		Before significant items	Significant items	After significant items	Before significant items	Significant items	After significant items
<b>Cash flows from financing activities</b>							
Proceeds from issue of share capital				-			1,040.5
New proceeds from issue of new bank loans				-			881.7
Increase in other borrowings				445.3			-
Repayment of loans and borrowings				(450.0)			(397.8)
Gain on settlement of interest rate swaps		-	4.1	4.1			
Dividends paid to shareholders				-			(20.0)
				<hr/>			<hr/>
<b>Net cash used in financing activities</b>				<b>(0.6)</b>			<b>1,504.4</b>
				<hr/>			<hr/>
<b>Net movement in cash and cash equivalents</b>				<b>(39.0)</b>			<b>56.2</b>
Cash and cash equivalents at 1 April				56.9			0.7
				<hr/>			<hr/>
<b>Cash and cash equivalents at 31 March</b>				<b>17.9</b>			<b>56.9</b>
				<hr/>			<hr/>

Cash and cash equivalents include overdrafts of £nil (2013: £nil).

## 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.

#### **Going concern**

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

At the year ended 31 March 2014, MAG had £1,182m (2013 £1,206m) of committed facilities and a net debt position of £889m (2013: £866.0m). MAG had financial headroom of £316m 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 £250m throughout 2014/15.

The Group is subject to two historical financial covenants: Net Debt/EBITDA and EBITDA less tax paid/Net Finance Charges. The covenants are tested half yearly on 31 March and 30 September. As at 31 March 2014 the Group had complied with both of the covenants and as a result of the Group's prudent financial policy there is significant covenant headroom.

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

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

The preparation of these financial statements in accordance with prevailing accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The assumptions and estimates are based on management's best knowledge of the event or actions in question; however actual results may ultimately differ from these estimates.

The accounting policies that the Group has adopted to determine the amounts included in respect of material items shown in the Statement of Financial Position, and also to determine the profit or loss, are shown below. Unless stated otherwise, these have been applied on a consistent basis.

## Notes (continued)

### Accounting policies (continued)

#### New standards, interpretations and amendments to existing standards

The following new accounting standards, amendment to standards and interpretations are adopted for the first time in the preparation of these financial statements:

- Amendment to IAS 19, 'Employee benefits': The amendment calculates finance costs on a net funding basis.
- Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). This amendment does not address which items are presented in OCI.
- Amendment to IFRS7, 'Financial instruments: Disclosures', on asset and liability offsetting: This amendment includes new disclosure to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- Annual improvements to IFRSs, 2009-2011 reporting cycle.
- Amendment to IFRS1, 'First time adoption': The amendment clarifies that an entity may apply IFRS1 more than once under certain circumstances. Also an entity can choose to adopt IAS 23, 'Borrowing Costs', either from its date of transition or from an earlier date.
- Amendment to IAS1, 'Presentation of financial statements': The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.
- Amendment to IAS16, 'Property, plant and equipment': The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
- Amendment to IAS 32, 'Financial instruments': The amendment clarifies the treatment of income tax relating to distributions and transaction costs.
- Amendment to IAS 34, 'Interim financial reporting': The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

## Notes (continued)

### Accounting policies (continued)

#### 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 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

## 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.

### 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.

#### 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.

#### Leases

Leases are classified according to the substance of the agreement. Where substantially all the risks and rewards of ownership are transferred to the Group, a lease is classified as a finance lease. All other leases are classified as operating leases.

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any benefits received by the Group as an incentive to sign the lease are spread on a straight-line basis over the lease term.

Finance leased assets are capitalised in property, plant and equipment at the lower of fair value and the present value of minimum lease payments and depreciated over the shorter of the lease term and the estimated useful life of the asset.

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

#### Inventories

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

#### Grants

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

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

## **Notes (continued)**

### **Accounting policies (continued)**

#### ***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.

#### ***Bond issue costs***

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

#### ***Trade and other payables***

Trade and other payables are recognised at fair value.

#### ***Provisions***

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

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

#### ***Derivative financial instruments***

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

Derivatives are initially recognised at fair value on the date the contract is entered into and subsequently remeasured 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 recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss.

#### Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation due to temporary differences between the tax bases of assets and liabilities and the accounting bases of assets and liabilities in the financial statements.

The principal constituent of the deferred tax liability in the Group financial statements is temporary differences on property, plant and equipment where the carrying value in the financial statements is in excess of the tax base due to accelerated capital allowances and the previous effects of revaluations under UK GAAP.

Deferred tax assets are recognised to the extent that it is regarded as probable that the temporary difference can be utilised against taxable profit in the future. Taxation and deferred tax, relating to items recognised directly in equity, are also recognised directly in equity.

Deferred taxation is based on the tax laws and rates that have been enacted at the Statement of Financial Position date and that are expected to apply when the relevant deferred tax item is realised or settled.

Current tax has been calculated at the rate of 21% applicable to accounting periods ending 31 March 2014 (2013: 23%).

#### Employee benefit costs

The Group participates in four defined benefit schemes, which are contracted out of the state scheme as well as a defined contribution scheme.

The costs of defined contribution schemes are charged to the income statement in the year in which they are incurred.

Defined benefit schemes are accounted for as an asset or liability on the Statement of Financial Position. The asset or liability reflects the present value of defined benefit obligations, less the fair value of plan assets, adjusted for past service costs.

The amount reported in the Income Statement for employee benefit costs includes past service costs, current service costs, interest costs and return on assets income. Past service costs are charged to the income statement immediately and current service costs are charged to the income statement for the period to which they relate. Interest costs, reflecting the unwinding of the discounted value of the scheme obligations, and return on assets, reflecting the long term expected return on scheme assets, are charged or credited to the income statement for the period to which they relate. Actuarial gains and losses are recognised in the Statement of Comprehensive Income.

The defined benefit asset or liability, the current and past service costs are calculated at the reporting date by an independent actuary using the projected unit credit method.

Under IFRIC 14 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	
	2014 £m	2013 £m
Aviation income	342.7	196.1
Commercial income		
Car parking	104.4	59.0
Property and property related income	45.9	35.8
Retail concessions	119.4	78.4
Other	58.8	42.2
Total commercial income	328.5	215.4
Total revenue	671.2	411.5

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

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

## 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.

2014	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
<b>Revenue</b>								
External sales	335.6	29.5	54.3	10.2	245.1	(3.5).	671.2	-
Inter-segment sales	(0.9)	(2.7)	-	-	-	3.6	-	-
<b>Total revenue</b>	<b>334.7</b>	<b>26.8</b>	<b>54.3</b>	<b>10.2</b>	<b>245.1</b>	<b>0.1</b>	<b>671.2</b>	<b>-</b>
<b>Result</b>								
Segment profit before significant items	68.0	12.8	9.2	0.8	33.5	(3.3)	121.0	-
<b>Other information</b>								
Segment assets	1,168.7	(Note 1)	322.7	82.7	1,357.7	436.1	3,367.9	-
Segment liabilities	(238.2)	(Note 1)	(70.2)	(9.3)	(139.6)	(978.6)	(1,435.9)	-
Capital expenditure	54.1	(Note 1)	19.2	0.5	53.9	-	127.7	-
Depreciation	55.1	5.3	7.2	0.8	55.4	(2.9)	120.9	-
Taxation charge/(credit)	(18.8)	(Note 1)	(5.5)	(2.1)	0.5	3.3	(22.6)	-
<b>Result - geographical location (Note 2)</b>								
Segment profit before significant items	75.5	(Note 2)	10.4	5.0	33.5	(3.4)	121.0	-

## Notes (continued)

### 2 Business and geographical segments (continued)

#### 2013 (Restated) (Note 3)

	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
<b>Revenue</b>								
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	-	-	-	(3.0)	-	-
Total revenue	307.8	30.5	50.8	10.1	18.4	(6.1)	411.5	2.2
<b>Result</b>								
Segment profit before exceptional items	56.5	17.5	6.3	(1.7)	(0.9)	(3.3)	74.4	0.2
<b>Other information</b>								
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)	(14.9)	(Note 1)	(0.2)	(0.4)	0.4	5.9	(9.2)	-
<b>Result - geographical location (Note 2)</b>								
Segment profit before significant items	69.2	-	7.1	2.3	(0.9)	(3.3)	74.4	-

(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.

(Note 3) The prior period comparatives have been restated for the segmental analysis of profit before exceptional items to align the reported values to those reported by management. Central costs incurred by the Group function have been re-charged to the operating divisions in the year ended 31 March 2014, accordingly, the prior year comparatives have been re-stated to show the re-charge on a like-for like basis.

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

## Notes (continued)

### 3 Significant items

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

#### Note 1 - Acquisition costs

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

#### Note 3 - Integration costs

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

#### Note 4 - Impairment of property, plant and equipment

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

## Notes (continued)

### 3 Significant items (continued)

#### Note 5 - Amortisation of issue costs

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

#### Note 6 - Settlement of previous financing

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

#### Note 7- Gain on settlement of interest rate swaps

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

#### Note 8- Movement in fair value of interest rate swaps

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

### 4 Result from continuing operations

	2014 £m	2013 £m
Turnover	671.2	411.5
Wages and salaries (Note 1)	(129.6)	(81.7)
Social security costs	(10.8)	(7.1)
Pension costs	(13.1)	(6.7)
Employee benefit costs	(153.5)	(95.5)
Depreciation	(120.9)	(70.0)
Profit on disposal of fixed assets	1.4	-
Other operating charges (Note 2)	(277.2)	(171.6)
Result from operations before significant items	121.0	74.4

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

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

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

## Notes (continued)

### 5 Employee information

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

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

### 6 Directors' emoluments

	2013 £m	2013 £m (restated)
Aggregate emoluments	<u>2.6</u>	<u>1.7</u>

An amount of £69,000 (£110,424) was paid in to money purchase schemes in respect of two directors (2013:two).

	2014 £m	2013 £m (restated)
<b>Highest paid director</b>		
Aggregate emoluments and benefits	<u>1.6</u>	<u>1.0</u>

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

### 7 Finance costs

	2014 £m	2013 £m
Interest payable on bank loans and overdrafts	26.7	10.7
Interest payable on bonds	2.7	-
Interest payable on other borrowings	-	17.8
Interest cost on defined benefit pension schemes	3.3	3.7
	<u>32.7</u>	<u>32.2</u>
<b>Shown within significant items:</b>		
Amortisation of issue costs	5.9	2.0
Derivative recognised on refinancing	-	30.9
Gain on settlement of interest rate swaps	(4.1)	-
	<u>1.8</u>	<u>32.9</u>
<b>Total finance costs</b>	<u>34.5</u>	<u>65.1</u>

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

## Notes (continued)

### 8 Result before taxation

	Note	2014 £m	2012 £m
Result before taxation has been arrived at after charging/(crediting):			
Hire of plant and machinery - operating leases		0.3	0.2
Hire of other assets - operating leases		21.2	10.1
Release of capital based grants		(0.7)	(0.7)
Depreciation of property, plant and equipment:			
Owned assets - continuing operations	12	120.9	70.0
Profit on disposal of property, plant and equipment and investment properties		(1.4)	-
Impairment of property, plant and equipment	12	7.2	-
Decrease / (increase) in fair value of investment property	14	(19.9)	3.6
Employee benefit costs	4	153.5	95.5
Integration costs		2.4	-
Acquisition costs		-	28.4
Auditors remuneration :			
Audit of these financial statements		0.3	0.3
Amounts receivable by auditors and their associates in respect of:			
Other services relating to taxation		0.1	0.1
All other services		0.1	1.3
		<u>          </u>	<u>          </u>

### 9 Taxation

#### Analysis of charge in the period

	2014 £m Before significant items	2014 £m Significant items	2014 £m After significant items	2013 £m Before significant items (restated)	2013 £m Significant Items (restated)	2013 £m After significant items (restated)
<b>Current taxation</b>						
UK Corporation tax on profits for the year	32.0	(1.4)	30.6	18.5	(8.2)	10.3
Adjustment in respect of prior year	(5.2)	-	(5.2)	(0.4)	-	(0.4)
<b>Total current taxation</b>	<u>26.8</u>	<u>(1.4)</u>	<u>25.4</u>	<u>18.1</u>	<u>(8.2)</u>	<u>9.9</u>
<b>Deferred taxation</b>						
Temporary differences arising in the period	(3.7)	4.0	0.3	(8.9)	(1.4)	(10.3)
Adjustment in respect of prior year	(4.4)	-	(4.4)	(0.2)	-	(0.2)
Effect of change in rate of corporation tax	(43.9)	-	(43.9)	(8.6)	-	(8.6)
<b>Total ordinary deferred taxation</b>	<u>(52.0)</u>	<u>4.0</u>	<u>(48.0)</u>	<u>(17.7)</u>	<u>(1.4)</u>	<u>(19.1)</u>
<b>Total taxation credit</b>	<u>(25.2)</u>	<u>2.6</u>	<u>(22.6)</u>	<u>0.4</u>	<u>(9.6)</u>	<u>(9.2)</u>

## Notes (continued)

### 9 Taxation (continued)

#### Taxation on items charged to equity

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

#### Factors affecting the taxation charge for the year

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

The differences are explained below:

	2014 £m Before significant items	2014 £m Significant items	2014 £m After significant items	2013 £m Before significant items (restated)	2013 £m Significant Items (restated)	2013 £m After significant items (restated)
<b>Result before taxation</b>	<b>108.2</b>	<b>6.4</b>	<b>114.6</b>	<b>38.6</b>	<b>(68.4)</b>	<b>(29.8)</b>
Result before taxation multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	24.9	1.5	26.4	9.3	(16.4)	(7.1)
Effect of:						
Origination and reversal of timing differences	0.8	(0.6)	0.2	0.1	-	0.1
Non-taxable items	2.6	1.7	4.3	0.8	6.8	7.6
Adjustments to prior year taxation charge	(9.6)	-	(9.6)	(0.6)	-	(0.6)
Effect of change in rate of corporation tax	(43.9)	-	(43.9)	(8.6)	-	(8.6)
Utilisation of group losses	-	-	-	(0.6)	-	(0.6)
<b>Total taxation credit</b>	<b>(25.2)</b>	<b>2.6</b>	<b>(22.6)</b>	<b>0.4</b>	<b>(9.6)</b>	<b>(9.2)</b>

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

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

## Notes (continued)

### 10 Dividends

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the year:	-	20.0

### 11 Earnings per share

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

	Earnings £m	2014 Weighted average number of shares m	Per share amount Pence	Earnings £m	2013 Weighted average number of shares m	Per share amount Pence
EPS attributable to ordinary shareholders -continuing operations	137.2	0.3	45,733	(20.6)	0.1	(20,600)
EPS attributable to ordinary shareholders - discontinuing operations	-	0.3	-	(0.4)	0.1	(400)
EPS attributable to ordinary shareholders -before significant items	133.4	0.3	44,467	38.2	0.1	38,200
EPS attributable to ordinary shareholders -after significant items	137.2	0.3	45,733	(21.0)	0.1	(21,000)

**Notes (continued)**

**12 Property, plant and equipment**

2014	Freehold land and property £m	Long Leasehold property £m	Airport infrastructure £m	Plant, Fixtures and equipment £m	Assets in the course of construction £m	Total £m
<b>Cost</b>						
At 1 April 2013	217.0	421.4	2,018.4	491.9	66.0	3,214.7
Additions	-	-	-	-	127.7	127.7
Reclassification	-	38.2	15.6	49.6	(110.8)	(7.4)
Transfer (Note 1)	(23.1)	-	-	-	-	(23.1)
Impairment	-	(19.7)	-	(1.1)	-	(20.8)
Disposals	(0.3)	(11.9)	(18.2)	(38.0)	-	(68.4)
<b>At 31 March 2014</b>	<b>193.6</b>	<b>428.0</b>	<b>2,015.8</b>	<b>502.4</b>	<b>82.9</b>	<b>3,222.7</b>
<b>Depreciation</b>						
At 1 April 2013	58.8	97.3	307.5	362.0	-	825.6
Charge for the period	0.3	37.1	43.9	39.6	-	120.9
Impairment	-	(12.5)	-	(1.1)	-	(13.6)
Disposals	-	(11.9)	(18.2)	(38.0)	-	(68.1)
<b>At 31 March 2014</b>	<b>59.1</b>	<b>110.0</b>	<b>333.2</b>	<b>362.5</b>	<b>-</b>	<b>864.8</b>
<b>Carrying amount</b>						
<b>At 31 March 2014</b>	<b>134.5</b>	<b>318.0</b>	<b>1,682.6</b>	<b>139.9</b>	<b>82.9</b>	<b>2,357.9</b>
<b>At 31 March 2013</b>	<b>158.2</b>	<b>324.1</b>	<b>1,710.9</b>	<b>129.9</b>	<b>66.0</b>	<b>2,389.1</b>

(Note 1)-During the year, land with a carrying value of £23.1m was transferred to a company within the Manchester Airports Holdings Limited Group, but which is outside the Manchester Airport Group Investments Limited Group

**Notes (continued)**

**12 Property, plant and equipment (continued)**

2013	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
<b>Cost</b>						
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)
<b>At 31 March 2013</b>	<b>217.0</b>	<b>421.4</b>	<b>2,018.4</b>	<b>491.9</b>	<b>66.0</b>	<b>3,214.7</b>
<b>Depreciation</b>						
At 1 April 2012	58.0	85.4	281.0	332.2	-	756.6
Charge for the period	0.8	11.9	26.5	30.8	-	70.0
Disposals	-	-	-	(1.0)	-	(1.0)
<b>At 31 March 2013</b>	<b>58.8</b>	<b>97.3</b>	<b>307.5</b>	<b>362.0</b>	<b>-</b>	<b>825.6</b>
<b>Carrying amount</b>						
<b>At 31 March 2013</b>	<b>158.2</b>	<b>324.1</b>	<b>1,710.9</b>	<b>129.9</b>	<b>66.0</b>	<b>2,389.1</b>
<b>At 31 March 2012</b>	<b>158.7</b>	<b>334.6</b>	<b>549.3</b>	<b>78.9</b>	<b>35.5</b>	<b>1,157.0</b>

**Impairment**

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

**Notes (continued)**

**13 Intangible assets**

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

**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 33 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 key assumptions in calculating the discount rate have been a 0.84 unlevered beta and a risk free rate based on long term UK Government gilts. The assumption for the cost of debt is consistent with the current cost of debt throughout the forecast period. Consequently, the rate used to discount the forecast cash flows was calculated as 7.0%. The long term growth rate used in calculating the terminal value was 2.5%.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering five years. The Group used detailed longer term forecasts, prepared to support the investment from the Group's new shareholder to review a period for a further 25 years. A terminal value is calculated beyond that point based on the growth rate described above. Sensitivity analysis shows that the discount rate would have to increase by over 400 basis points for an impairment to be triggered.

## 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, planned 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

	Investment properties £m
<b>2013</b>	
Cost or valuation	
At 1 April 2013	566.4
Reclassification from assets in the course of construction ( <i>Note 12</i> )	7.4
Disposals	(1.6)
Revaluation	19.9
	<hr/>
<b>At 31 March 2014</b>	<b>592.1</b>
	<hr/>
<b>Carrying amount</b>	
	<hr/>
<b>At 31 March 2014</b>	<b>592.1</b>
	<hr/>
<b>At 31 March 2013</b>	<b>566.4</b>
	<hr/>
	Investment properties £m
<b>2013</b>	
Cost or valuation	
At 1 April 2012	354.9
Additions	1.6
Acquisitions	215.2
Reclassification from assets in the course of construction ( <i>Note 12</i> )	0.2
Disposals	(1.9)
Revaluation	(3.6)
	<hr/>
<b>At 31 March 2013</b>	<b>566.4</b>
	<hr/>
<b>Carrying amount</b>	
	<hr/>
<b>At 31 March 2013</b>	<b>566.4</b>
	<hr/>
<b>At 31 March 2012</b>	<b>354.9</b>
	<hr/>

## Notes (continued)

### 14 Investment properties (continued)

The fair value of the Group's commercial investment property at 31 March 2014 has been arrived at on the basis of a valuation carried out at that date by Drivers Jonas Deloitte Chartered Surveyors. Strutt & Parker carried out the valuation of the London Stansted residential property portfolio, Mellor Braggins carried out the valuation of the Manchester residential property portfolio. The valuers are independent and are not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cashflow methods.

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

### 15 Inventories

	2014 £m	2013 £m
Consumables	1.3	1.5
	<u>1.3</u>	<u>1.5</u>

### 16 Trade and other receivables

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

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

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

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

	2014 £m	2013 £m
Debt due over 90 days	0.8	1.0
<b>Total</b>	<u>0.8</u>	<u>1.0</u>

## Notes (continued)

### 16 Trade and other receivables (continued)

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

	£m
Balance at 1 April 2013	1.3
Provision utilised	(0.1)
	<hr/>
<b>Balance at 31 March 2014</b>	<b>1.2</b>
	<hr/>

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the income statement.

Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows:

	2014 £m	2013 £m
Less than 60 days	0.2	0.1
60 to 90 days	0.2	0.2
Over 90 days	0.8	1.0
	<hr/>	<hr/>
<b>Total</b>	<b>1.2</b>	<b>1.3</b>
	<hr/>	<hr/>

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 22.

### 17 Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	17.9	56.9
	<hr/>	<hr/>
	<b>17.9</b>	<b>56.9</b>
	<hr/>	<hr/>

## Notes (continued)

### 18 Borrowings and derivative financial liabilities

	Notes	2014 £m	2013 £m
Bank loans	19	444.3	885.6
Bonds	20	445.3	-
Derivative financial liabilities-interest rate swaps		17.5	37.3
		<u>907.1</u>	<u>922.9</u>
Borrowings are repayable as follows:			
<b>In more than two years, but no more than five years</b>			
Bank loans		444.3	885.6
Derivative financial liabilities-interest rate swaps		17.5	37.3
		<u>461.8</u>	<u>922.9</u>
<b>In more than five years - due other than by instalments</b>			
Bonds		445.3	-
		<u>445.3</u>	<u>-</u>
Non Current Borrowings		<u>907.1</u>	<u>922.9</u>
<b>Total Borrowings and derivative financial liabilities</b>		<u>907.1</u>	<u>922.9</u>

See note 22 for further information on financial liabilities, including maturity analysis.

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

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

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

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

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

The Group issued a £450.0 million publicly listed fixed rate secured bond on 14 February 2014 with a scheduled and legal maturity of 31 March 2034. All proceeds from the issue of the bond (net of certain issuance fees) were used to repay a portion of the Secured Senior Term Facility

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

## Notes (continued)

### 19 Bank loans

	2014 £m	2013 £m
Secured Senior Term Facility £900m	450.0	900.0
Less: unamortised debt issue costs (Note 1)	(5.7)	(14.4)
	<hr/> 444.3 <hr/>	<hr/> 885.6 <hr/>

(Note 1) - Issue costs arising in relation to obtaining finance are amortised over the duration of the financing as part of the effective interest rate.

At 31 March 2014 the Group had £282.0 million (2013: £300.0 million) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £300.0m Revolving Credit Facility less certain carveouts in respect of ancillary facilities of £18.0m. The Group also had access to £15.0m of overdraft facilities.

Interest on the overdraft, Term Facility, Revolving Credit Facility and Liquidity Facility is linked to LIBOR plus a margin (dependent on facility). The bank loans are secured by a floating charge over the Group's assets.

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

### 20 Bonds

	2014 £m	2013 £m
Repayable other than by instalments		
MAG bond 4.75% £450 million due 2034	450.0	-
Less: discount on issue	(1.2)	-
Less: unamortised debt issue costs	(3.5)	-
	<hr/> 445.3 <hr/>	<hr/> - <hr/>

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

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

**Notes (continued)**

**21. Derivative Financial liabilities**

	Notional 2014 £m	Assets 2014 £m	Liabilities 2014 £m	Notional 2014 £m	Assets 2014 £m	Liabilities 2014 £m
<b>Derivative financial assets</b>						
Pay fixed, receive floating interest rate swaps- maturing 2018	135.0	3.4	-	-	-	-
<b>Derivative financial liabilities</b>						
Pay fixed, receive floating interest rate swaps- maturing 2018	225.0	-	(16.2)	675.0	-	(37.3)
Pay fixed, receive floating interest rate swaps- maturing 2024	135.0	-	(1.3)	-	-	-
<b>Total-derivative financial instruments</b>	<b>495.0</b>	<b>3.4</b>	<b>(17.5)</b>	<b>675.0</b>	<b>-</b>	<b>(37.3)</b>

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

## Notes (continued)

### 22 Financial instruments

#### *Risk management*

Group funding, liquidity and exposure to interest rate risks are managed by the Group's treasury function.

Treasury operations are conducted within a framework of policies, which are approved and subsequently monitored by the Board. These include guidelines on funding, interest rate risk management and counterparty risk management.

#### *Interest rate risk*

The Group has an exposure to interest rate risk, arising principally on changes in sterling interest rates. To mitigate interest rate risk, the Group uses derivative financial instruments such as interest rate swaps to generate the desired interest rate profile and to manage the Group's exposure to interest rate fluctuations. The cash balances attract interest at floating rates.

#### *Liquidity risk*

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

At the year ended 31 March 2014, the Group had £1,182m (2013 £1,206m) of committed facilities and a net debt position of £889m (2013 £866m). The Group had financial headroom of £316.0m at the year end, a level comfortably in excess of the internal compliance target.

Under existing facilities and based on the board approved three year business plan, the Group is forecast to have financial headroom in excess of £250m throughout 2014/15.

#### *Foreign Exchange Risk*

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

#### *Capital Management*

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

#### *Credit risk*

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

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

The Group's exposure to credit risk on trade receivables is mitigated by limiting exposure to any one counterparty. Risk reports and available aviation and financial information updates used by the Group provide valuable information in relation to any changes in the credit risk profile of our customers or within the market and allow the

## Notes (continued)

### 22 Financial instruments (continued)

Group to take a flexible approach to the management of risk. Credit risk exposures in relation to ad hoc customers are mitigated, where necessary, using prepayments or the request of deposits.

An analysis of trade receivables, including the value of past due debts and the provision for impairment, is included in Note 16 Trade and Other Receivables.

#### Financial liabilities

##### (a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2014 was as follows:

	2014	2013
	£m	£m
Fixed rate financial liabilities	445.3	288.7
Floating rate financial liabilities	444.3	885.6
Pay fixed, receive floating interest rate swaps	17.5	37.3
	<hr/>	<hr/>
	907.1	1,211.6
	<hr/>	<hr/>

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

The Group has taken out derivative financial instruments such that 91% (2013: 75%) of the Group's gross debt is at fixed rate of interest or is converted to fixed rate as a result of interest rate swap arrangements.

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

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

The Group has prepared an analysis on the impact of potential, likely changes in interest rates. The impact of a change in interest rates on the fair value of derivative financial instruments has been taken into account when calculating the potential impact.

## Notes (continued)

### 22 Financial instruments (continued)

The result of an increase in LIBOR of 1% would be to increase/ (decrease) profit and loss and equity by the following amounts:

	2014 £m	2013 £m
Impact on profit and loss account	31.2	34.3
Impact on equity	(0.7)	34.3

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

	2014	2013
Weighted average annual interest rate	4.70%	3.20%
Weighted average period for which interest rate is fixed	15 y 3m	5y 11m

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

#### (c) Maturity analysis of financial liabilities

The table below shows the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and the net settled derivative financial instruments as at 31 March 2014 to the contract maturity date.

	Derivative financial liability £m	Non- derivative financial instruments £m	Total 2014 £m	Derivative Financial Liability (Restated)* £m	Non- derivative financial instruments (Restated)* £m	Total 2013 (Restated)* £m
In one year or less, or on demand	6.9	33.6	40.5	8.1	18.0	26.1
In more than one year but not more than two years	4.3	35.3	39.6	8.0	18.1	26.1
In more than two years but not more than five years	3.3	558.3	561.6	15.3	990.1	1005.4
In more than five years	8.6	770.6	779.2	14.3	-	14.3
	<u>23.1</u>	<u>1,397.8</u>	<u>1,420.9</u>	<u>45.7</u>	<u>1,026.2</u>	<u>1,071.9</u>

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

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

## Notes (continued)

### 22 Financial instruments (continued)

#### Undrawn committed borrowing facilities

As at 31 March 2014, the Group had an undrawn committed borrowing facility available amounting to £282.0m (2013: £300.0m).

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

#### (d) Fair values versus carrying amounts of financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 2014 and 2013. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

	2014		2013	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<b>Financial liabilities:</b>				
<b>Instruments held at fair value</b>				
Interest rate swaps used for hedging liabilities (net)	(17.5)	(17.5)	(37.3)	(37.3)
<b>Instruments held at amortised cost</b>				
Bank loans and overdrafts	(444.3)	(444.3)	(885.6)	(885.6)
Trade payables	(26.2)	(26.2)	(37.1)	(37.1)
Bonds	(445.3)	(455.2)	-	-
	<u>(933.3)</u>	<u>(943.2)</u>	<u>(960.0)</u>	<u>(960.0)</u>
<b>Financial assets:</b>				
<b>Instruments held at fair value</b>				
Derivative financial assets	3.4	3.4	-	-
<b>Instruments held at amortised cost</b>				
Cash at bank and in hand	17.9	17.9	56.9	56.9
Trade receivables	38.4	38.4	33.9	33.9
	<u>59.7</u>	<u>59.7</u>	<u>90.8</u>	<u>90.8</u>
<b>Net financial liabilities</b>	<u>(873.6)</u>	<u>(883.5)</u>	<u>(869.2)</u>	<u>(869.2)</u>

#### 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)

### 22 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

Bonds	The fair value of publicly listed bonds is based on market prices or, if not available, brokers quotes. The carrying value is net of unamortised issue costs.
Bank loans	The fair value of the bank loans approximates the carrying value given their floating rate basis and interest setting frequency. The carrying value is net of unamortised issue costs.
Overdraft	The fair value of overdrafts approximates the carrying value given their on-demand and short-term nature.
Trade receivables and payables	The fair value of trade receivables approximates the carrying value given their short-term nature.
Derivative financial instruments	The fair value of the Group's interest rate swaps is determined using the present value of the estimated future cash flows based on observable yield curves.
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.

#### (e) Credit risk exposure

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

	Carrying amount	
	2014	2013
	£m	£m
Trade receivables	38.4	33.9
Cash at bank and in hand	17.9	56.9
Derivative financial assets	3.4	-
Credit exposure	59.7	90.8

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

#### Post Balance Sheet Event

The Group issued a £360.0 million publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 2024. All proceeds from the issue of the bond (net of certain issuance fees) were used to repay a portion of the Secured Senior Term Facility and following repayment £5.7m of capitalised issue costs were released to the Income Statement in April 2014. In April 2014 the Group terminated all of the fixed interest rate swaps recognised on the balance sheet as at 31 March 2014 for a cash payment to the swap counterparties of £18.3m.

## Notes (continued)

### 23 Trade and other payables

	2014 £m	2013 £m
Trade payables	26.2	37.1
Other taxation and social security	3.6	4.7
Other payables	8.5	6.1
Accruals	103.6	77.0
Capital-based grants	0.7	0.7
	<hr/> 142.6 <hr/>	<hr/> 125.6 <hr/>

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

### 24 Retirement benefits

#### *Defined contribution schemes*

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

The total cost charged to income of £2.7m (2013: £2.0m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2014, there was £0.4m (2013: £0.1m) of contributions due in respect of the current reporting period that had not been paid over to the schemes.

#### *Defined benefit schemes*

The Group operates four defined benefit pension schemes as follows:

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

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

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

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

## Notes (continued)

### 24 Retirement benefits (continued)

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2014 amounted to £16m (2013:£7m), there were no one off contributions this financial year (2013: £nil).

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

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

#### *The Greater Manchester Pension Fund (GMPF)*

Certain employees of the Group in defined benefit pension schemes, participate in the Greater Manchester Pension Fund (GMPF) administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £6.1m (2013: £5.1m) related to payments into the Greater Manchester Pension Fund.

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

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

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

Salary increase	3.55% per annum
Pensions increase / Price inflation	2.5% per annum

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

#### *M.A.G. (STAL) Pension Scheme*

On 28 February 2013, the Group acquired the entire share capital of 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 currently being carried out with a review date of 30 September 2013.

#### *Other Schemes*

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

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

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

The other schemes are not significant to the Group and details of their valuations are included in the relevant entity's financial statements.

## Notes (continued)

### 24 Retirement benefits (continued)

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

The amendment to IAS 19 has changed the accounting for defined benefit schemes and termination benefits. The interest cost and expected return on scheme assets used in the previous version of IAS 19 have been replaced with a "net interest" amount which is calculated by applying a discount rate to the net defined benefit obligation. This amendment has a corresponding impact on actuarial gains and losses recognised in the statement of comprehensive income, with no overall change to the net retirement benefit/liability in the balance sheet. Furthermore, certain costs previously recorded as part of administrative expenses have now been presented within finance costs. The prior period comparatives have been restated for the impact of the amendment to IAS 19. The key assumptions used are as follows:

	GMPP		M.A.G. (STAL)		EMIA		AVPS	
	2014	2013	2014	2013	2014	2013	2014	2013
Rate of increase in salaries (Note 1)								
Rate of increase of pensions in payment (Note 2)	3.45%	2.20%	3.45%	3.60%	2.00%	2.00%	n/a	n/a
Discount rate	2.45%	2.50%	2.45%	3.40%	2.45%	2.50%	2.45%	2.50%
Inflation assumption	4.40%	4.40%	4.50%	4.60%	4.40%	4.40%	4.30%	4.40%
	2.45%	2.50%	2.45%	2.50%	2.45%	2.50%	2.45%	2.50%
Longevity at age 65 for current pensioners								
Males	21.0 years	20.1 years	29.4 years	29.5 years	22.1 years	21.6 years	21.5 years	20.9 years
Females	23.5 years	22.9 years	32.7 years	32.9 years	24.5 years	24.4 years	23.8 years	23.6 years
Longevity at age 45 for current members								
Males	23.0 years	22.5 years	30.6 years	30.7 years	23.5 years	23.5 years	22.8 years	22.7 years
Females	25.7 years	25.0 years	33.9 years	34.1 years	26.0 years	26.2 years	25.3 years	25.5 years

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

## Notes (continued)

### 24 Retirement benefits (continued)

#### Risk and Risk Management

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

## Notes (continued)

### 24 Retirement benefits (continued)

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

	Fair value of plan assets £m	Defined benefit obligation £m	(Deficit) / Surplus in the scheme £m
<b>GMPF (Note 1)</b>			
2014	346.0	(383.9)	(37.9)
2013	330.3	(389.7)	(59.4)
2012	295.0	(359.9)	(64.9)
2011	297.7	(335.3)	(37.6)
2010	288.5	(354.9)	(66.4)
<b>M.A.G. (STAL)</b>			
2014	113.9	(107.1)	6.8
2013	105.7	(112.5)	(6.8)
<b>EMIA</b>			
2014	48.5	(57.6)	(9.1)
2013	46.6	(57.9)	(11.3)
2012	41.2	(51.5)	(10.3)
2011	38.7	(45.8)	(7.1)
2010	35.7	(42.7)	(7.0)
<b>AVPS (Note 2)</b>			
2014	3.1	(3.1)	-
2013	3.5	(3.5)	-
2012	3.0	(3.0)	-
2011	3.0	(3.0)	-
2010	2.8	(2.8)	-
<b>Total (Note 2)</b>			
2014	511.5	(551.7)	(40.2)
2013	486.1	(563.6)	(77.5)
2012	339.2	(414.4)	(75.2)
2011	339.4	(384.1)	(44.7)
2010	336.3	(412.4)	(76.1)

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

(Note 2) The AVPS has a surplus of £0.7m (2013: £1.1m). This surplus has not been recognised in line with 'IFRIC14' as the surplus cannot be recovered by reducing future contributions. The MAG (STAL) scheme has a surplus of £6.8m (2013: deficit £6.8m). This surplus has been recognised in line with 'IFRIC14' as the surplus can be recovered by reducing future contributions.

**Notes (continued)**

**24 Retirement benefits (continued)**

**Plan Assets**

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

**NOTES**

1 (GMPF) – Equities and other growth assets comprise investments in UK and overseas equities together with Pooled Investment Vehicles. These are actively managed funds with the objective of achieving growth above the 'market average, whilst maintaining a relatively low volatility. Index-linked Government Bonds have payouts linked to inflation and offer a degree of matching to the inflation linked liabilities of the Scheme. The property asset is a Managed Property Fund, which, like the equity growth funds, will typically have the objective of achieving property like returns, but with less risk and exposure to volatility than investing directly in the property market.

2 (M.A.G. (STAL)) - The equities and other growth assets comprise UK and global equities and Diversified Growth Funds, which are actively managed fund that invest in a wide range of asset classes, typically with the objective of achieving equity like returns but with the expectation of reduced long term volatility. Index-linked Government Bonds have payouts linked to inflation and offer a degree of matching to the inflation linked liabilities of the Scheme.

3 (EMIA) – The equities and other growth assets comprise UK and global equities and growth funds, which are actively managed funds that invest in a wide range of asset classes, typically with the objective of achieving equity like returns but with the expectation of reduced long term volatility. Index-linked Government Bonds have payouts linked to inflation and offer a degree of matching to the inflation linked liabilities of the Scheme. Corporate bonds have fixed payouts and are lower risk than equity like investments. The property asset is a Managed Property Fund, which, like the equity growth funds, will typically have the objective of achieving property like returns, but with less risk and exposure to volatility than investing directly in the property market. The other asset class includes an insurance contract which provides an exact match to the corresponding liabilities and a small cash holding.

4 (AVPS) – The assets of the Scheme are invested in low risk bonds, with the aim of matching the cost of annuities.

## Notes (continued)

### 24 Retirement benefits (continued)

#### Movement in net defined benefit asset – ALL schemes

##### Opening position as at 1 April\*

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

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

## Notes (continued)

### 24 Retirement benefits (continued)

Movement in net defined benefit asset – GMPF scheme		Defined benefit obligation		Fair value of plan		Net defined benefit liability	
		2014 £m	2013 (restated) £m	2014 £m	2013 (restated) £m	2014 £m	2013 (restated) £m
Opening position as at 1 April		(389.7)	(359.9)	330.0	295.0	(59.4)	(64.9)
Acquisition of subsidiary		(389.7)	(359.9)	330.0	295.0	(59.4)	(64.9)
Included in the profit or loss							
Current Service Cost of Defined Benefit Schemes		(3.2)	(3.3)	-	-	(3.2)	(3.3)
Past service cost		-	(0.2)	-	-	-	(0.2)
Interest income / (cost)		(16.9)	(17.6)	14.3	14.4	(2.6)	(3.2)
Amount recognised in the statement comprehensive income (SOCl)		(20.1)	(21.1)	14.3	14.4	(5.8)	(6.7)
Actual return less expected return on pension scheme assets		-	-	10.1	27.8	10.1	27.8
Experience (losses)/gains arising on scheme liabilities		26.9	-	-	-	26.9	-
Actuarial gain/(loss) due to financial assumption changes		(11.4)	-	-	-	(11.4)	-
Actuarial gain/(loss) due to demographic assumption changes		(3.4)	(20.7)	-	0	(3.4)	(20.7)
Cash flows		12.1	(20.7)	10.1	27.8	22.2	7.1
Contributions		(1.2)	(1.3)	6.3	6.4	5.1	5.1
Benefits Paid		15.0	13.3	(15.0)	(13.3)	-	-
Closing Position as at 31 March		(383.9)	(389.7)	346.0	330.3	(37.9)	(59.4)

The fund liabilities have an average duration of 18 years

## Notes (continued)

### 24 Retirement benefits (continued)

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

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

The fund liabilities have an average duration of 25 years

## Notes (continued)

### 24 Retirement benefits (continued)

#### Movement in net defined benefit asset – EMIA scheme

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

The fund liabilities have an average duration of 20 years

## Notes (continued)

### 24 Retirement benefits (continued)

#### Movement in net defined benefit asset – AVPS scheme

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

## Notes (continued)

### 24 Retirement benefits (continued)

#### History of experience gains and losses

	GMPF		M.A.G. (STAL)		EMIA		AVPS		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Difference between actual and expected returns on assets amount	10.1	25.9	(6.3)	1.9	-	3.3	(0.4)	0.4	3.4	31.5
% of scheme assets	2.9%	71.1%	(5.5%)	1.8%	-	7.1%	(12.9%)	11.8%	(0.1)	27.8%
Experience gains and losses on liabilities amount	26.9	-	4.4	-	-	-	-	-	31.3	-
% of scheme liabilities	-	-	-	-	-	-	-	-	-	-
Total amount recognised in SOCI	22.1	5.2	11.8	1.6	2.5	(0.8)	(0.4)	-	36.1	6.0
% of scheme liabilities	5.8%	1.3%	11.0%	1.4%	4.3%	(1.4%)	-	-	(6.5%)	1.3%

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

#### Sensitivity Analysis

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

	GMPF		M.A.G. (STAL)		EMIA		AVPS		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
0.5% increase in real discount rate	(30.0)	(30.0)	(13.1)	(13.1)	(5.3)	(5.3)	(0.2)	(0.2)	(48.6)	(48.6)
0.5% decrease in real discount rate	33.9	33.9	15.5	15.5	6.0	6.0	0.2	0.2	55.6	55.6
0.5% increase in rate of RPI inflation	31.9	31.9	13.6	13.6	3.7	3.7	0.2	0.2	49.4	49.4
0.5% decrease in rate of RPI inflation	(28.7)	(28.7)	(11.9)	(11.9)	(3.4)	(3.4)	(0.2)	(0.2)	(44.2)	(44.2)
0.5% increase in the salary increase rate	6.1	6.1	6.2	6.2	-	-	n/a	n/a	12.3	12.3
0.5% decrease in the salary increase rate	(5.8)	(5.8)	(5.8)	(5.8)	-	-	n/a	n/a	(11.6)	(11.6)
1 year increase in life expectancy	10.0	10.0	3.0	3.0	1.5	1.5	0.1	0.1	14.6	14.6
1 year decrease in life expectancy	(10.0)	(10.0)	(3.0)	(3.0)	(1.5)	(1.5)	(0.1)	(0.1)	(14.6)	(14.6)

## Notes (continued)

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

## Notes (continued)

### 25 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:

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

### 26 Other non-current liabilities

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

### 27 Share capital and share premium

	Ordinary shares of £1 each		Share	
	Number of shares	£m	Premium	Total
Authorised, allotted, called up and fully paid At 1 April 2013	0.3	0.3	2,493.9	2,494.2
At 31 March 2014	<u>0.3</u>	<u>0.3</u>	<u>2,493.9</u>	<u>2,494.2</u>

## Notes (continued)

### 28 Reserves

	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2013	(1,249.4)	522.5	(726.9)
Actuarial gains on retirement benefit liabilities	-	36.1	36.1
Deferred tax on retirement benefits actuarial movements	-	(7.2)	(7.2)
Effect of change in rate of Corporation tax on deferred tax	-	(1.4)	(1.4)
Profit for the year after dividends	-	137.2	137.2
	<hr/>	<hr/>	<hr/>
At 31 March 2014	(1,249.4)	687.2	(562.2)
	<hr/>	<hr/>	<hr/>

	2014 £m	2013 £m
<b>Reconciliation of movements in shareholders' funds:</b>		
Opening shareholders' funds	1,767.3	761.9
Total recognised expense for the year	164.7	(15.1)
Issue of ordinary shares relating to business combination	-	1,040.5
Dividends paid in the year	-	(20.0)
	<hr/>	<hr/>
Equity shareholders' funds as at 31 March	1,932.0	1,767.3
	<hr/>	<hr/>

### 29 Capital commitments

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

### 30 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.

The Group has external contingent liabilities, performance bonds and other items arising in the normal course of business amounting to £2.7m at 31 March 2014 (2013: £2.7m). As part of the Airport City partnership the Group will guarantee Airport City's obligation to pay its equity contribution of up to £30m if required.

## Notes (continued)

### 31 Operating lease arrangements

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

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

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

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

### 32 Related party transactions

*Transactions involving The Council of the City of Manchester, IFM, Manchester Airports Holdings Limited, Manchester Airport Finance Holdings Limited and MAHL Group companies*

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.

Included in external charges are charges for rent and rates amounting to £25.1m (2012: £23.7m) and other sundry charges of £1.0m (2013: £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 Airports Holdings Limited (MAHL) is the ultimate parent company of Manchester Airport Group Investments Limited. During the year, the Group entered into the following transactions with MAHL:

At 31 March 2014, the amounts of loans outstanding owed by MAHL was £72.0m (2013: £nil), relating to cash transferred by the Group to MAHL for dividend payments made by MAHL.

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

As at 31 March 2014, the balance owing by MAFHL was £10.4m (2013: £0.5m) relating to interest payments and loan amortisation costs. The amounts owed by MAFHL was £nil (2013: £8.1m) relating to interest payments made by MAFHL on the previous shareholder loans held within the Group.

During the year, the Group also transferred land with carrying value of £23.1m (2013: £nil) to a fellow Group company within the MAHL Group.

## Notes (continued)

### 33 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)

### 33 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
	<hr/>
Total cash paid	1,500.0
	<hr/>
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)

### 33 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.

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

### 34 Reconciliation of net cash flow to movement in net debt

	2013 £m	Cash flow £m	Other non- cash movements £m	2014 £m
Cash at bank and in hand	56.9	(39.0)	-	17.9
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed on the statement of financial position	56.9	(39.0)	-	17.9
Overdrafts	-	-	-	-
Total cash and cash equivalents (including overdrafts)	56.9	(39.0)	-	17.9
Current debt	-	-	-	-
Non-current debt	(885.6)	4.7	(8.7)	(889.6)
Interest rate swap derivatives	(37.3)	-	19.8	(17.5)
Net debt	(866.0)	(34.3)	11.1	(889.2)

## Notes (continued)

### 35 Change of accounting policy

#### Change of accounting policy:

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

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

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

The amendment to IAS 19 has changed the accounting for defined benefit schemes and termination benefits. The interest cost and expected return on scheme assets used in the previous version of IAS 19 have been replaced with a "net interest" amount which is calculated by applying a discount rate to the net defined benefit obligation. This amendment has a corresponding impact on actuarial gains and losses recognised in the statement of comprehensive income, with no overall change to the net retirement benefit liability in the balance sheet or statement of changes in equity. Furthermore certain costs previously recorded as part of administrative expenses have now been presented within finance costs.



## **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 2014 set out on pages 68 to 73. 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 6, 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](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 ;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

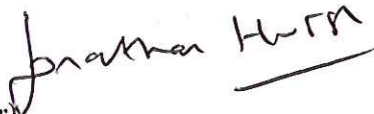
### **Matters on which we are required to report by exception**

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:

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

### **Other matter**

We have reported separately on the group financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2014.



**Jonathan Hurst (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
St James' Square  
Manchester  
M2 6DS  
11 July 2014

**Company Balance Sheet**  
*at 31 March 2014*

	<i>Note</i>	<b>2014 £m</b>	<b>2013 £m</b>
Fixed assets			
Investments	3	2,494.2	2,494.2
		<u>          </u>	<u>          </u>
		<u>          </u>	<u>          </u>
<b>Total assets</b>		<b>2,494.2</b>	<b>2,494.2</b>
		<u>          </u>	<u>          </u>
		<u>          </u>	<u>          </u>
<b>Net assets</b>		<b>2,494.2</b>	<b>2,494.2</b>
		<u>          </u>	<u>          </u>
Capital and reserves			
Called up share capital	4	0.3	0.3
Share Premium	5	2,493.9	2,493.9
Profit and loss account	6	-	-
		<u>          </u>	<u>          </u>
<b>Equity shareholders' funds</b>		<b>2,494.2</b>	<b>2,494.2</b>
		<u>          </u>	<u>          </u>

The financial statements on pages 68 to 73 were approved by the Board of Directors on 11 July 2014 and signed on its behalf by:



N Thompson  
*Director*

## Notes

for the year ended 31 March 2014

### 1 Auditors' remuneration

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

### 2 Profit on ordinary activities after taxation for the Company

As permitted by Section 230 of the Companies Act, the Company's profit and loss account has not been included in these financial statements. As showing in Note 6, the 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 1 April 2013 and at 31 March 2014	2,494.2

Particulars of principal subsidiary undertakings are listed on page 71, 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 and at 31 March 2014	317	0.3

### 5 Reserves

	Share Premium	Profit and loss account	Total £m
At 31 March 2013 and at 31 March 2014	2,493.9	-	2,493.9

## Notes (continued)

### 6 Reconciliation of movements in equity shareholders' funds

	2014 £m
Result for the period	-
Net increase in equity shareholders' funds	-
Opening equity shareholders' funds	2,494.2
Closing equity shareholders' funds	2,494.2

### 7 Contingent liabilities

#### *Assets pledged as security*

Under the Common Terms Agreement signed on 14 February 2014, the Company and a number of its fellow subsidiaries have entered into a security agreement with the Group's bondholders and bankers. The bonds and bank loans are secured by a fixed and floating charge over substantially all of the Group's assets.

### 8 Ultimate parent company and parent undertaking

The Company is a subsidiary undertaking of Manchester Airport Finance Holdings Limited. The smallest group in which the results of the Company are consolidated is that headed by Manchester Airport Group Investments Limited. Manchester Airports Holdings Limited is the Company's ultimate parent and a consolidation is also performed at this level. The consolidated financial statements of this Group are available to the public and may be obtained from Company Secretary at Olympic House, Manchester Airport, Manchester M90 1QX.

# 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 Petroleum Limited	Ordinary £1 shares	100%		Non trading
Bainsdown Limited	Ordinary £1 shares	100%		Property holding company
Bournemouth Airport Core Property Investments Limited	Ordinary £1 shares	100%		Non trading
Bournemouth Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
Bournemouth Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
Bournemouth International Airport Limited	Ordinary £1 shares	100%		Airport operator
East Midlands Airport Core Property Investments Limited	Ordinary £1 shares	100%		Non trading Intermediate holding company of East Midlands International Airport Bournemouth International Airport Limited
East Midlands Airport Nottingham Derby Leicester Limited	Ordinary £1 shares	100%		
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 Intermediate holding company for Ringway Handling Services Limited and Ringway Handling Limited
Manchester Airport Aviation Services Limited	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Finance Limited	Ordinary £1 shares	100%		Finance company
Manchester Airport Group Funding Plc	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Developments Limited	Ordinary £1 shares	100%		Property management company
Manchester Airport Group Property Services Limited	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group PLC	Ordinary £1 shares	100%		Airport operator
Manchester Airport PLC	Ordinary £1 shares	100%		Investment property holding company
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%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
Manchester Airport Ventures Limited				Property holding company
Ringway Developments PLC	Ordinary £1 shares	100%		Non trading
Ringway Handling Limited	Ordinary £1 shares	100%		Non trading
Ringway Handling Services Limited	Ordinary £1 shares	100%		

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 2014 will be appended to the Company's next annual return.