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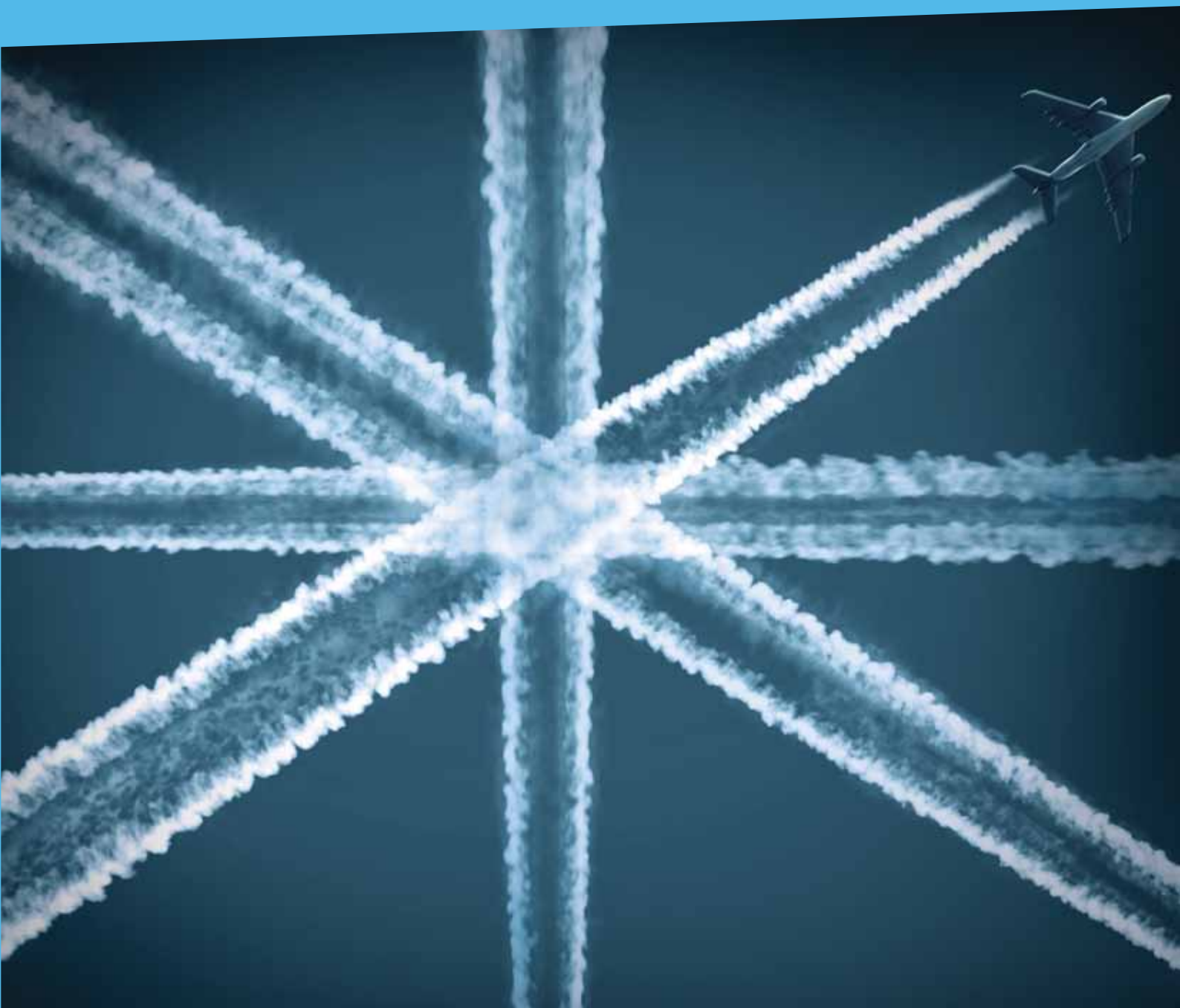
MAG

ANNUAL REPORT AND ACCOUNTS

2011-12



CONTENTS

OUR BUSINESS

M.A.G is the largest UK-owned airport operator, serving 24 million passengers and handling almost half a million tonnes of air freight every year, through its ownership and operation of Manchester, East Midlands, Bournemouth and Humberside airports. Its property and facilities management arm, M.A.G Developments, is responsible for the Group's estate and also the development of Manchester Airport City.

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

More than just a regional success story, the Group's four airports and property business already contribute more than £3bn to the UK economy and support over 86,000 jobs.

M.A.G is owned by the ten local authorities of Greater Manchester.

CHAIRMAN'S STATEMENT

Passenger numbers **6.7% growth**

24.0m

2011 22.5m

Revenue **8.6% growth**

£373.2m

2011 £343.6

Operating profit* **26% growth**

£65.5m

2011 £52.0m

*before significant items

I am pleased to report the encouraging financial growth of M.A.G in the year ended 31 March 2012, in the face of continued economic uncertainties.

The Group's overall strategic intent is to increase shareholder value over the long term by generating profitable growth, developing our assets and deploying efficient and customer focused operating processes throughout the business. The Group's performance this year reflects the progress that has been made towards our vision of becoming the premier airport management and services company.

We conducted a strategic review in the first half of the year and introduced a significant change programme in the second half of the year. This lead to the implementation of a clear strategy that will see M.A.G generate profitable growth in aviation, car parking and retail revenues. We will deliver outstanding customer service, plan, develop and maintain fit for purpose assets and achieve the optimum level of operating efficiency, balanced with the need to meet safety, security and regulatory standards and build on the solid performance of this year.

During 2011/12, M.A.G revenues increased by 8.6% to £373.2m, reflecting an increase of 6.7% in passenger traffic over the prior year. 24.0m passengers travelled through our airports, compared with 22.5m in 2011. In line with our strategy, we have secured strong growth in low cost carrier passenger numbers, supported by a continued increase in full service scheduled passengers. These two growth areas have more than compensated for an overall reduction in passengers travelling with Charter airlines. Across the Group as a whole, we continue to out-perform the market and have grown market share (excluding Heathrow) by 0.4%.

The improvement in revenue contributed to a strong increase in operating profit, before significant items, of £13.5m to £65.5m. Cash generated from operations increased to £125.7m, allowing for further investment in the Group's infrastructure. This represents a strong performance by M.A.G even after taking account of the suppressed prior year performance due to the volcanic ash cloud.

Consistent with the UK market, our smaller regional airports have continued to suffer as a result of the economic uncertainty, and therefore we have reviewed our expectations of future performance at both Bournemouth and Humberside Airports. As a result we have made one-off, non-cash impairment provisions totalling £38.5m against the carrying value of the Bournemouth Airport's operational assets, and taken a decision to sell Humberside Airport.

Although aviation is impacted by periods of economic downturn, long term it broadly tracks GDP growth. With 219 million passengers, the UK is a significant aviation market with solid potential for sustainable growth. This is particularly evident in the Low Cost Carrier and Full Service Scheduled sectors both of which are core to the M.A.G commercial strategy and have performed well during this year.

We continue to invest in our asset base where we believe this will generate sustainable returns on investment and we have also undertaken substantial investment in maintenance and improvement expenditure to ensure our airports infrastructure allows us to operate at the highest standards.

In January 2012, we officially launched the master plan for Airport City, with the Chancellor George Osborne unveiling the plans for the £659m business park. We are under way with selecting funding and development partners to deliver the scheme within the Enterprise Zone. Airport City has great potential to stimulate private sector investment and economic value added in the region, capitalising on the airport's location, connectivity and available land assets.

We continue to monitor and evaluate developments in the industry, with the stated aim of developing the Group portfolio in order to enhance shareholder value.

The Aviation Policy Review expected in 2012, represents an opportunity for the Government to develop a cross-party long term policy for UK aviation allowing airports to plan and invest with confidence. M.A.G, as part of the Aviation Foundation, has been very clear about what we need from this review to drive economic recovery.

An important external measure of our credibility as an airport group, M.A.G has also been recognised by four major industry awards. In January 2012, Manchester Airport was named best UK Airport at the annual Travel Weekly Globe Awards. In November's British Travel Awards, East Midlands Airport was named UK Airport of the Year and Bournemouth took the Bronze award in the same category. Manchester Airport won the Best Major UK Airport category.

We continue to strive for customer excellence and measure our performance against the Airport Service Quality ('ASQ') customer survey scores. We have maintained our targeted top quartile performance at East Midlands during the year, and have improved our overall score at Manchester.

During the year Penny Coates indicated her intention to take up other opportunities outside the Group, and retired from the Board in January 2012. Penny has continued to act in an advisory capacity. I would like to take the opportunity to thank her for her tremendous contribution over the previous years.

We were also very fortunate to have Ken O'Toole join us as Chief Commercial Officer in January 2012, bringing with him a wealth of experience of the aviation industry having previously been Commercial Director at Ryanair. Neil Thompson also formally joined the Board in October 2011, having been appointed Chief Financial Officer in March 2011. Subsequent to the end of the year, Dave Goddard has retired from the board, and I would like to thank him for his valuable contribution as non-executive Director, and welcome Kieran Quinn as a new Board member.

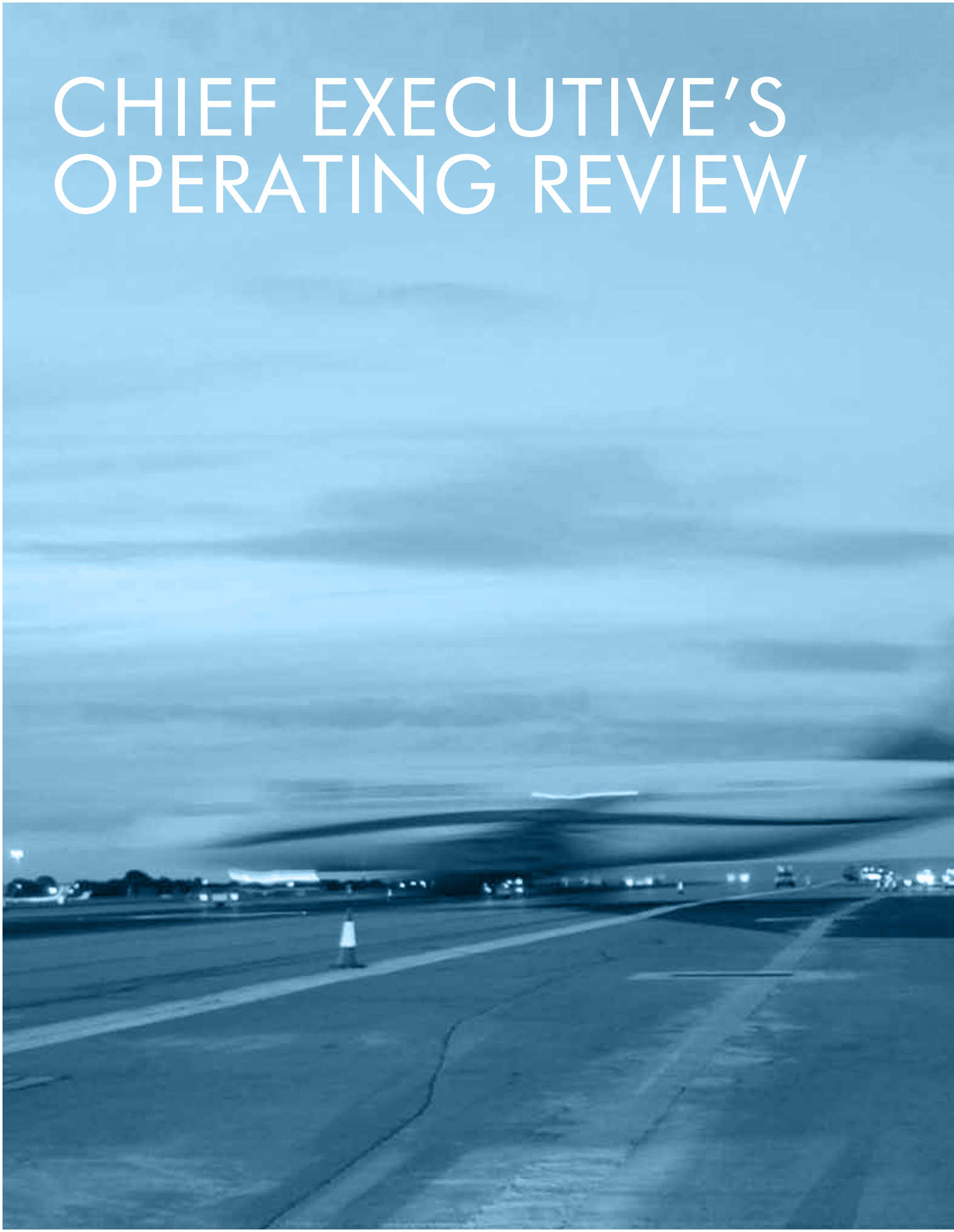
Finally, I would like to thank all M.A.G colleagues for the efforts and commitment that have contributed so much to the year's performance. It has been a challenging year given the amount of change in the business. I am proud of their commitment to strive for the high standards we have set ourselves and for delivering a very satisfactory and strong performance.

Mike Davies

Chairman

26 July 2012

CHIEF EXECUTIVE'S OPERATING REVIEW



Passenger numbers **6.7% growth**

24.0m

2011 22.5

Carriers

80

2011 76

Destinations

216

2011 202

Charlie Cornish
Chief Executive

This year has been a period of transformation for M.A.G during which we have delivered a strong performance against stretching targets in the context of tough global trading conditions for the aviation sector.

2011/12 has been a great start on our journey towards becoming a premier airport services business. We will achieve this by meeting world class standards in our key activities; our approach to the market, our management of assets and our management of customer journeys through our airports.

PERFORMANCE MEASURES

We focus on a number of key performance measures to ensure we build value for shareholders on a consistent basis over the long term. We have equalled or improved on the majority of our key performance measures during 2011-12. Further explanation of our performance is included in our review of the business set out on pages 11 – 43.

OUR PRINCIPAL KEY PERFORMANCE INDICATORS (KPIs)

Measure	Aim	Context	Progress in 2012	Change %
Revenue	Achieve long-term and steady growth in revenue	We aim to deliver sustainable growth across all areas of our business – aviation, car parking, retail and property	£373.2m 2011: £343.6m	↑ +8.6%
EBITDA[1]	Generate a level of profit that allows re-investment in our infrastructure	We cover the cost of using our assets with income from our operations	£131.0m 2011: £115.3m	↑ +13.6%
Operating profit[2]	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's result	£65.5m 2011: £52.0m	↑ +26.0%
Operating margin	Maintain and strengthen margin	We monitor and manage our cost base to support our revenue growth efficiently	17.6% 2011: 15.1%	↑ +2.5%
ROCE[3]	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	9.7% 2011: 8.5%	↑ +1.2%
Occupacy rates[4]	Achieve a high level of occupacy on lettable property	We generate improved revenue by maximising occupacy of our existing property portfolio	95% 2011: 93.0%	↑ +4.0%
Investment Property Value	Generate growth in capital value of our property portfolio	We manage our property portfolio to realise maximum value from disposals and re-invest in new developments	£354.9m	
Capital Investment	Provide effective investment in operational assets to improve efficiency and support growth	We invest in opportunities that generate the best shareholder value, and enhance the quality of our airport services	£91.1m	
Free cash flow[5]	Maintain a high level of free cash flow	We focus on converting our operating profits and maintenance capital expenditure into cash to fund further investment and returns to shareholders	£33.3m 2011: £24.8m	↑ +34.3%
Shareholder return[6]	Maintain distributions for shareholders at an appropriate level	We provide returns to reward the shareholders' investment	£39.5m 2011: £39.5m	
Market share[7]	Grow our share of the market	Measures the performance of M.A.G compared to the UK market	15.8% 2011: 15.4%	↑ +0.4%
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	24.0m 2011: 22.5m	↑ +6.7%
Destinations	Provide access to all major global holiday and business destinations	As a premier airport services company we aim to provide access to anywhere in the world from our airports	216 2011: 202	↑ +6.9%
ASQ scores[8]	Improve performance for our airports in their respective benchmark groups	We aim to ensure that customer satisfaction levels are at the highest possible standard	3.98 2011: 3.94	↑ +1.0%
Departure punctuality[9]	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	81% 2011: 77%	↑ +4.0%
Carbon Reduction – CO2 emissions	Minimise the environmental impact of our operations	M.A.G has committed its operations to become carbon neutral by 2015. We closely monitor our CO2 emissions and environmental impact	33,108 2011: 74,414	↓ -55.5%
Colleague engagement	Maximise colleague engagement	We know that by engaging our colleagues in our business we can inspire outstanding service	58% 2011: 64%	↓ -6.0%
Our Communities – volunteering hours	Contributing to the surrounding communities	M.A.G employees will voluntarily support our neighbouring communities	4,131 2011: 3,755	↑ +10.0%
ATMs per complaint[10]	Being good neighbours with our communities	Minimising the impact of our operations on the local community	226 2011: 153	↑ +47.7%
Health and Safety RIDDOR[11] – reportable accidents	Maintain robust health and safety standards	The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all	28 2011: 33	↓ -15.2%

1 EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation, before significant items
2 Operating profit is stated before significant items
3 ROCE is derived from operating profit pre-significant items as a percentage of Average Capital Employed. It is calculated on an historical cost basis.
4 Measured as let space as a percentage of full occupancy space
5 Free Cash Flow is Net Cash from Operating Activities less Maintenance Capital Expenditure
6 Shareholder return comprises dividends and returns from shareholder loans
7 Market share excludes Heathrow airport
8 Air Service Quality (ASQ) scores are for Manchester Airport only
9 Measured as percentage of departures within 15 minutes of scheduled departure time – Manchester Airport only
10 Measured as the number of Air Traffic Movements ('ATMs') per complaint – Manchester Airport only
11 RIDDOR stands for the reporting of injuries, disease and dangerous occurrences regulations. The regulations stipulate the most serious types of incidents, which must be reported to the Health and Safety Executive

MARKETS

M.A.G has collectively outperformed the UK airports market over the past twelve months in terms of passenger volumes which have increased by 1.5m to 24.0m, in spite of challenging economic conditions.

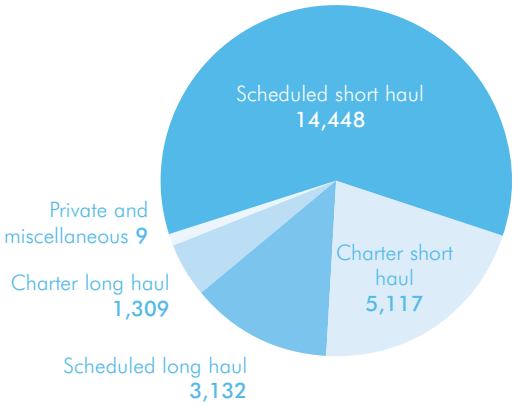
The UK Government's increases of UK's Air Passenger Duty (APD) continues to deflate airline margins representing a distinct threat to UK aviation growth particularly for regional airports competing for international carriers and traffic. For context, APD tax collected from Manchester Airport's passengers in the calendar year 2011 alone was £249m against Group-wide aviation revenues of £169.6m in the year to March 2012. M.A.G will continue to campaign as part of industry bodies against further damaging rises in APD.

Manchester Airport has seen twelve consecutive months of year-on-year growth in passenger volumes in addition to increasing its market share. Increases in aviation revenues have been driven primarily by growth in the Middle Eastern long haul and low cost sectors. Middle Eastern carriers have increased frequencies and capacity during the year with Emirates launching a third daily service to Dubai and Etihad beginning to operate double daily flights to Abu Dhabi. Qatar Airways and Turkish Airlines are also enjoying a strong performance with their Doha and Istanbul operations respectively. These airlines have collectively grown passenger traffic by over 25% in the year.

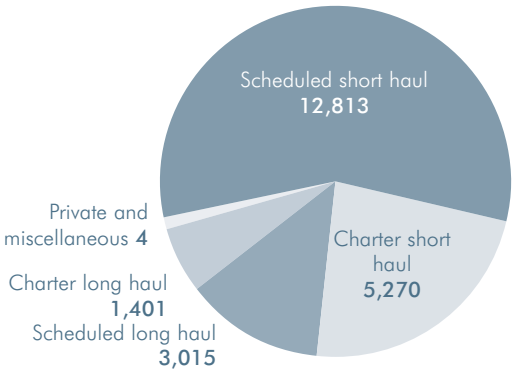
In the low cost sector, further growth came from easyJet adding another aircraft to its Manchester base, taking the number of based aircraft to six, serving 25 destinations. Ryanair also contributed to passenger growth opening a base at Manchester Airport during the year, serving 26 routes. With 35 destinations available from Manchester, Jet2.com has also continued to expand its successful short haul services during the year. Across the low cost sector as a whole, passenger numbers increased by approximately 29% on the prior year.

PASSENGER TRAFFIC BY SECTOR

2012 total 24,015 (000's)

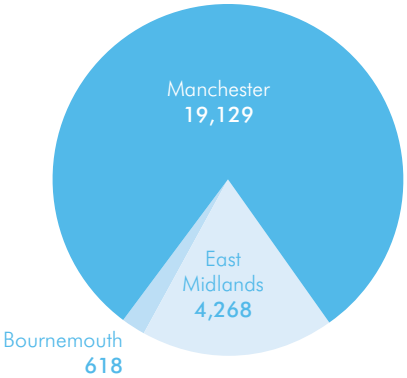


2011 total 22,503 (000's)

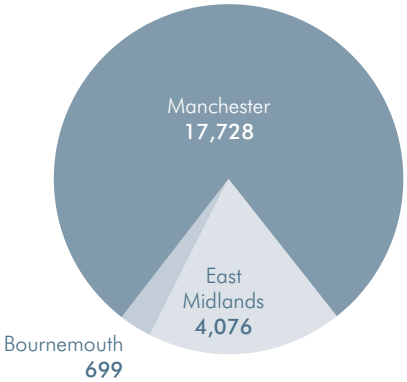


PASSENGER TRAFFIC BY AIRPORT

2012 total 24,015 (000's)



2011 total 22,503 (000's)



Despite challenging market conditions, East Midlands Airport has continued to see strong airline performances particularly in the low cost sector. Ryanair has added new destinations bringing its total to 38, carrying around 1.8 million passengers. Since its launch in 2009 at East Midlands, Jet2.com has continued its successful growth with 15 destinations on offer, including a seasonal New York service for Christmas shopping which launched in 2011. East Midlands Airport remains a successful base for charter operators including Thomson, First Choice and Thomas Cook.

At Bournemouth, the full service scheduled and low cost carrier sectors continue to provide positive indications that the next 18 months will see growth return to Bournemouth Airport. During the year Blue Island has launched new services to the Channel Islands, Ryanair has handled its four millionth passenger as well as improving its connectivity in addition to Aer Lingus Regional bringing connections to the US via Dublin.

2012/13 will see Boeing 787 Dreamliner services begin in the UK, which opens up new routes for regional airports because of its range and size. This means profitable, direct, long haul services to previously un-served destinations will be possible.

INVESTMENTS

M.A.G has a leading edge approach to asset management, with in depth experience of operating at every stage of the asset life cycle, including regulation, asset planning, capital programme management, construction management and capital maintenance.

Significant capital projects have taken place during the year. We completed Manchester Airport's £21 million redevelopment of runway 1, and started the construction of a new 60 metre air traffic control tower.

Developments have also taken place at East Midlands Airport with the opening of a new 26,000-sqft-hangar facility – purpose-built for Reconnaissance Ventures Ltd ('RVL'). Constructed and completed in 23 weeks with an EPC 'A' rating, on the A+-to-G scale of the Energy Performance Certificate Ratings system.

The £50 million redevelopment of Bournemouth Airport was completed in Spring 2011 with the opening of the arrivals terminal.

TRANSFORMATION 2011

M.A.G introduced a new operating model during the year following a comprehensive strategic review - Transformation 2011. Three core functions – commercial, operations and assets – have been created to streamline processes and planning, to bring consistency, and to ensure that M.A.G is scalable for the future. As we conclude this year, M.A.G now operates as one business.

The strategic review provided M.A.G with a clear vision and mission in addition to a new set of values which determine how we work.

Our values are a combination of our company's existing characteristics and those that we feel need further emphasis in order to make our business a success. Our values are:

- **Finger on the pulse**
- **Brilliant at what matters**
- **Safe hands**
- **The power of teamwork**
- **Why Not?**

The combination of these values is embedded throughout the business. A high-performing management team is in place, with UK and international experience in key sectors including airlines, airports, retail and infrastructure. We expect M.A.G to continue to deliver its key financial and operational performance indicators going forward.

The Corporate Responsibility report on page 32 provides further information on our performance against key operational indicators during the year.

In-sourcing core operational functions is integral to achieving our vision of becoming the premier airport management and service company.

Aviation security at East Midlands and Bournemouth Airports, which was previously outsourced to G4S, has also been brought in-house during the year. In a similar vein, the facilities management services were also in-sourced to M.A.G Developments during the year.

MANCHESTER AIRPORT

Named "Best Airport" by several travel trade bodies and the gateway between the North West and the World, Manchester's passenger numbers have grown to 19.1m, up 1.4m on the prior year representing 12 months of consecutive growth and 10 months of consecutive market share gains.

The end of 2011 saw a number of new carriers commence operations from Manchester and existing carriers adding to their services including Lufthansa to Berlin, Norwegian to Oslo and Biman Bangladesh Airlines to Dhaka.

In March 2012, FlyBe selected Manchester Airport as the base for its new UK and European hub operation, a first for the airport. It is already yielding a significant improvement in passenger traffic for the airline and a strategically important development for M.A.G given FlyBe's code share alliances with long haul operators which we expect will stimulate further demand.

During the year, Manchester Airport signed an agreement to become a sister airport to Beijing Capital International. The agreement gives M.A.G an opportunity to develop closer links with Chinese carriers accelerating the likelihood of a direct passenger service to China.

The final stage of Manchester Airport's £80 million terminal redevelopment programme was completed in Terminal 3 in 2011 with the unveiling of £2 million worth of modernisation including new plasma flight information screens, clearer way-finding signage, replacement flooring tiles on the upper level, and the creation of new shops and a catering unit on the upper level all contributing to increased commercial revenues.

Employees

2,576

2011 2,591

Car parking spaces

35,983

2011 31,618

Manchester Airport also claimed another UK airport first with the launch of a pioneering new access guide designed to provide disabled customers with information to plan their journey from door to door. The guide was developed with DisabledGo which has over 10 years' experience providing access information to disabled people.

Children's soft play areas in Terminals 1 and 2 were also opened during the year as a result of feedback from families travelling on holiday. Both areas were designed and implemented by colleagues from the airport under the Customer First scheme.

Although colleague engagement scores have declined by approximately 6% Group-wide during the year because of the significant organisational changes that took place, engagement in customer facing initiatives such as Customer First has remained at a similar level to the previous year.

In the medium term colleagues will also benefit from the new nine-mile Metrolink line connecting Manchester Airport with the city which began during this year under direction from Transport for Greater Manchester and which is due to be completed in 2016. The introduction of Metrolink completes Manchester Airport's ground transport hub, The Station, which combines it with existing rail, bus, and coach links to provide a comprehensive public transport network.

The Metrolink service will also benefit the neighbouring community of Wythenshawe where employment opportunities at Manchester Airport will be further extended by this link. Tackling high levels of unemployment in this area through comprehensive community and education schemes, including M.A.G's partnership with the Manchester Enterprise Academy, is why the airport was named as one of a small cadre of businesses to be recognised by Business in the Community's (BITC) coveted National Big Ticks. Three of the Airport's initiatives received "Big Ticks" – a unique achievement for one business in the same year.

Manchester Airport was also announced as the joint highest new entry in the Business in the Community's Corporate Responsibility Index, which is the UK's leading voluntary benchmark of corporate responsibility.

EAST MIDLANDS AIRPORT

East Midlands Airport was named best regional airport and UK airport of the year at the British Travel Awards event during the year.

In April 2012 Lufthansa announced its decision to sell its BMI Regional operations and review future options for bmibaby including a proposal to close it in September 2012. Both are an important part of East Midlands Airport's business. The regional flying programme has been secured and some bmibaby routes continue to operate throughout the summer. Unfortunately, the airport will be impacted by a reduction in passenger numbers in summer 2012/13 as a result but we have successfully secured agreements with other carriers with full year backfills more than offsetting losses from 2013.

Cargo and freight remains a key part of the East Midlands Airport business. In 2012, over 300,000 tonnes were carried making the airport the second busiest cargo airport in the UK and the largest for pure freight.

East Midlands Airport is, along with Bournemouth Airport, on track to achieve carbon neutrality for its ground operations and energy consumption.

During the year, East Midlands became the first airport in Europe to draw electricity from two on-site wind turbines which now generate over 500,000 kWh per annum of its consumption. A scheme to encourage on site ground handling partner to use low emission vehicles and offset remaining emissions was launched as part of the M.A.G's desire to lead by example on sustainability.

BOURNEMOUTH AIRPORT

Whilst it has undoubtedly been a tough two years for Bournemouth Airport in terms of passenger volumes, market conditions are now strengthening.

Bournemouth Airport was voted the 'Best Airport in Europe' in the 1-5 million passenger category of the ACI Europe Best Airport Awards. The awards recognise achievement in core activities such as customer service, retail, security and environmental awareness.

HUMBERSIDE AIRPORT

During a difficult trading period, Humberside's core strength remains as a niche airport with specialist freight and offshore helicopter operations, and the airport is continuing to perform well.

The Humberside operation is relatively small compared to the Group's other airports, and the strategic review concluded that due to the scale of the operation, it no longer represented part of the Group's core activity. We took a decision to sell our interest in the Airport in February 2012, and we expect to have completed the sale in the near future.

PROPERTY

M.A.G Developments manages an airport property portfolio valued at over £350m.

Its highest profile project is Manchester Airport City, a £650 million once-in-a-lifetime opportunity to reposition Manchester Airport and South Manchester in the regional, national and international property market. Airport City will transform Manchester Airport from an international gateway into an international destination in its own right and will help the Manchester City Region achieve its aspiration of becoming a genuine world-class global city economy.

Airport City forms 75% of the wider 116-hectare Manchester Enterprise Zone which will create up to 20,000 new jobs over the next 15 years. It will be delivered through a series of phases, based on the current market and economic context.

During the year, Etihad became the first business to choose Airport City as a location, opening its European call centre in the Voyager office.

A new £22 million full-service, five-storey hotel also opened at East Midlands Airport, trading as the Radisson Blu. It achieved the highest ever BREEAM rating for a commercial hotel in the UK, scoring 76.17% – well above the 70% 'Excellent' threshold on the BREEAM scale, which is used to assess the environmental credentials of new buildings. It also attained an 'A' rating on the Energy Performance Certificate (EPC) A+-to-G scale.

A number of new developments and lettings have also been generated at the Bournemouth Airport Aviation Business Park during the year where M.A.G Developments is responsible for around 1.2 million square feet of business space across 200 acres of land.

OUTLOOK

M.A.G has grown strongly in the year and the journey to becoming the premier airport management and services company is underway. Crucially, this growth is underpinned by the clear vision and new operating model which we believe will lead to sustainable growth in the future.

Although the general economic backdrop is not favourable, we are positioned to take advantage of airline growth opportunities, which will allow us to continue to outperform the UK passenger market. We will ensure that this is profitable growth driving better product offerings commercially and greater efficiencies through our centralised operating model and lean processes. We will seek to grow inorganically and leverage our proven track record in successfully operating UK airports, if the appropriate opportunity arises.

Investment property value

£354.9m

2011 £334.8m

Investment in infrastructure

£91.1m

2011 £75.8m

FINANCIAL REVIEW

Passenger numbers **6.7% increase**

24.0m

2011 22.5m

Revenue **8.6% increase**

£373.2m

2011 £343.6m

Operating profit* **26.0% increase**

£65.5m

2011 £52.0m

*Before significant items

Neil Thompson ACA, CTA
Chief Financial Officer

M.A.G has delivered a strong financial performance in 2011-12, through passenger growth, improvement in commercial performance and robust cost control. All airports exceeded targeted performance, and cash generated from operations has increased, allowing the Group to continue to invest in infrastructure and take advantage of growth and development opportunities.

FINANCIAL REVIEW

HEADLINES

- **Passenger growth +6.7% – ahead of UK market**
- **Aviation income £169.6m (+7.1%)**
- **Underlying aviation income(1) increased £8.2m (5.1%)**
- **Underlying commercial income(1) increased £11.0m (7.1%)**
- **Property income £37.5m (+13.6%)**
- **EBITDA(2) £131.0m (+13.4%)**
- **Operating profit(2) £65.5m (+26.0%)**
- **Capital investment £91.1m**

(1) Underlying income is stated after adjusting for the impact of the 2011 volcanic ash cloud

(2) Before significant items

SUMMARY PERFORMANCE

Across the Group as a whole, passenger numbers have increased by 1.5m to 24.0m, which is predominantly driven by growth at Manchester Airport. Group Revenue has increased 8.6% to £373.2m, driven by this passenger growth and through improving yields on commercial income. Aviation income yield has been held broadly flat in a competitive market, and commercial income yield improvements reflect our ability to provide value-adding services to complement the customer journey through our airports.

Underlying Operating Profit (before significant items) has strongly increased by £13.5m to £65.5m as the improvement in revenue has directly impacted profit as a result of our well managed cost base.

We have incurred a number of significant one-off items in the year, relating to our efforts to transform the business. These costs include the restructuring costs related to implementing the new operating model, and also include an impairment charge relating to Bournemouth Airport where we have re-assessed our expectations for future activity levels. We have established clear operational plans that we are confident return the businesses to the targeted level of performance in due course, but based on current activity levels, it has been necessary to make an impairment charge against the carrying value of assets.

GROUP PERFORMANCE

Group revenue is £373.2m, an increase of £29.6m from 2011. On an underlying basis (excluding the impact of the volcanic ash cloud), this represents strong growth of £23.8m (6.8%).

Aviation income is £169.6m – an increase of £11.3m (7.1%) on 2011 and on an underlying basis an increase of £8.2m (5.1%), driven by growth in passenger volumes. Scheduled short haul routes to Europe and long haul routes to the Middle East have made a strong contribution to this growth trend. Aviation yields are broadly in line with the prior year.

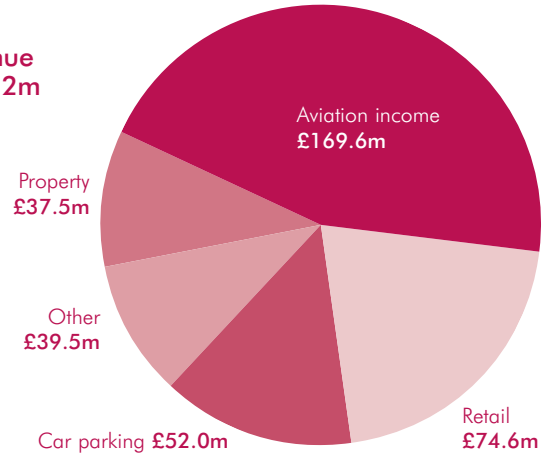
SUMMARY OF THE YEAR'S RESULTS (£m)[1]

	2012	2011	Change %
Passenger numbers	**24.0**	22.5	6.7%
Revenue	**373.2**	343.6	8.6%
Operating profit before significant items	**65.5**	52.0	26.0%
Result before taxation and significant items	**35.8**	38.7	(7.5%)
Cash generated from operations	**125.7**	110.7	13.6%
Net debt	**398.7**	372.9	6.9%
Equity shareholders' funds	**761.9**	817.0	(6.7%)

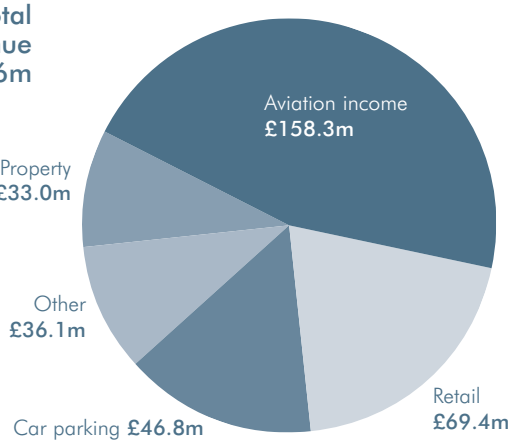
[1]Excludes the results of Humberside Airport, reported as a discontinued operation.

INCOME ANALYSIS

2012 Total Revenue £373.2m



2011 Total Revenue £343.6m



Cargo income represents 6.6% of aviation income and has increased by £0.7m to £11.3m from £10.6m. The Group's core cargo operation is at East Midlands Airport, which is the UK's largest pure freight and mail hub, and cargo revenue represents £0.6m of the increase.

Retail income has grown by £5.2m showing a slight improvement in yield (£3.11 this year compared with £3.08 in the prior year), as well as passenger growth. The increase is driven by strong performances from Duty Free and Financial Services as well as the successful extension of contracts to existing retailers. The introduction of pop-up retail has maximised space by providing short-term lettings to retailers, which enables flexible adaptation of products to changing demand. Additional revenue has been generated by the introduction of new products to improve the customer experience including a new pre-book 'fast-track' security product.

Revenue from car parking is £52.0m, £5.2m greater than 2011 (£46.8m), reflecting the increase in parking space made available during the year to match the growing passenger numbers. The Group now has over 35,000 car park spaces available for passengers. Car parking yields have also grown by 4.1%, reflecting the wider parking offers available – in particular within the 'pre-book' and 'meet-and-greet' parking products. Further improvements to car parking capacity and offerings are planned in 2012-13.

Property income has grown by £4.5m largely as a result of revenue from the property deal on a purpose built facility at East Midlands Airport that was constructed by M.A.G developments for RVL. The development of our existing property estate for similar future deals is part of our property strategy to realise the best value from our estate.

Costs have increased by £16.1m (5.5%) across a number of areas. Employment costs have increased in line with inflation, and also increased because of the change in the National Insurance rate. Depreciation costs are £2.0m higher than 2011 as a result of continued investment in infrastructure.

Departmental costs continue to be tightly controlled and are in line with 2011 through the implementation of various efficiency programmes. Cost increases in utilities and rates have contributed to the overall increase, along with increased investment supporting the development of new routes across the airports.

An impairment charge of £38.5m has been recognised in respect of the carrying value of assets at Bournemouth Airport as a result of the decline in trading and revisions to the expectations of future activity levels. The Group's strategic plan for the airport focuses on improving passenger volumes and restoring profitability to acceptable levels following the depressed trading in recent years.

Restructuring costs of £4.4m have been incurred relating to Transformation 2011. The programme was completed in March 2012. Costs include severance pay and exceptional pension contributions.

The results for Humberside Airport are shown as a discontinuing operation following the decision to sell the airport in February 2012. The result for the year includes an impairment charge writing down the value of the assets to their realisable amount.

SUMMARY OF REVENUE BY DIVISION (£m)

	2012	2011	Change %
Manchester Airport	**282.0**	257.6	9.5%
M.A.G Developments	**31.4**	27.0	16.3%
East Midlands Airport	**50.2**	48.5	3.5%
Bournemouth Airport	**10.1**	10.7	(5.6%)
Other businesses and consolidation	**(0.5)**	(0.2)	150.0%
	373.2	343.6	8.6%

EBITDA[1] BY DIVISION (£m)

	2012	2011	Change %
Manchester Airport	**126.9**	111.8	13.5%
M.A.G Developments	**19.6**	17.5	12.0%
East Midlands Airport	**13.8**	14.7	(6.1%)
Bournemouth Airport	**(0.6)**	(0.3)	(100.0%)
Other businesses and consolidation	**(28.7)**	(28.2)	(1.8%)
	131.0	115.5	13.4%

Note 1: EBITDA is defined as earnings before interest, taxation, depreciation, and significant items.

FINANCIAL REVIEW

MANCHESTER AIRPORT

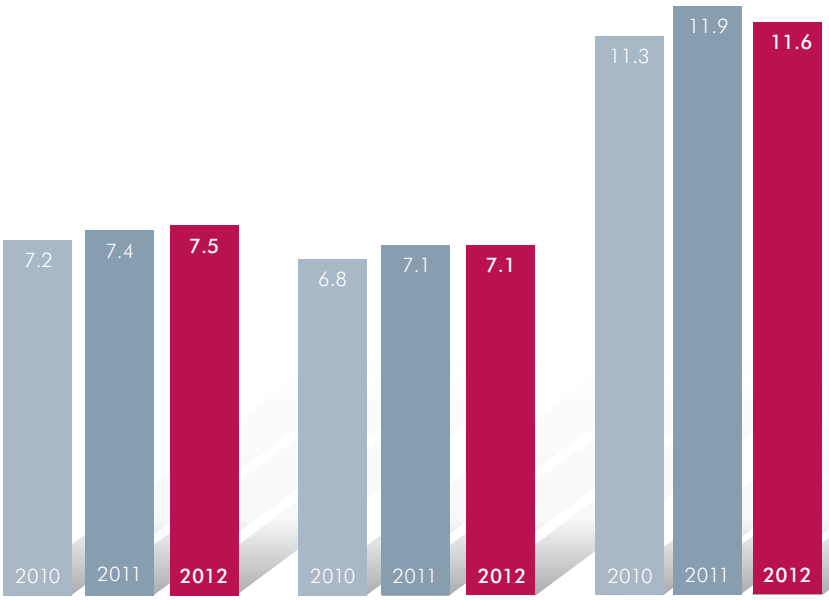
Passenger numbers have increased by 7.9% on the prior year (5.6% adjusting for the impact of the volcanic ash cloud), outperforming the UK market.

A new customer contact centre was launched in February 2012, which in addition to greatly improving customer service has also been successful in generating additional revenues by increasing customer awareness of new products. Car parking revenue has continued to grow driven by the expansion in the number of spaces. Jetparks 3 opened in May 2011 adding an additional 3,300 spaces. Further capacity is being developed in the current financial year to meet anticipated customer demand.

EBITDA has increased by £15.1m (13.5%), through growth in revenue and effective cost control.

MANCHESTER AIRPORT

	2012	2011	Change %
Passengers (million)	**19.1**	17.7	7.9%
Revenue (£m)	**282.0**	257.6	9.5%
EBITDA (£m)	**126.9**	111.8	13.5%



Aviation income (£ per passenger)

Commercial income excluding property (£ per passenger)

Operating costs (£ per passenger)

EAST MIDLANDS AIRPORT

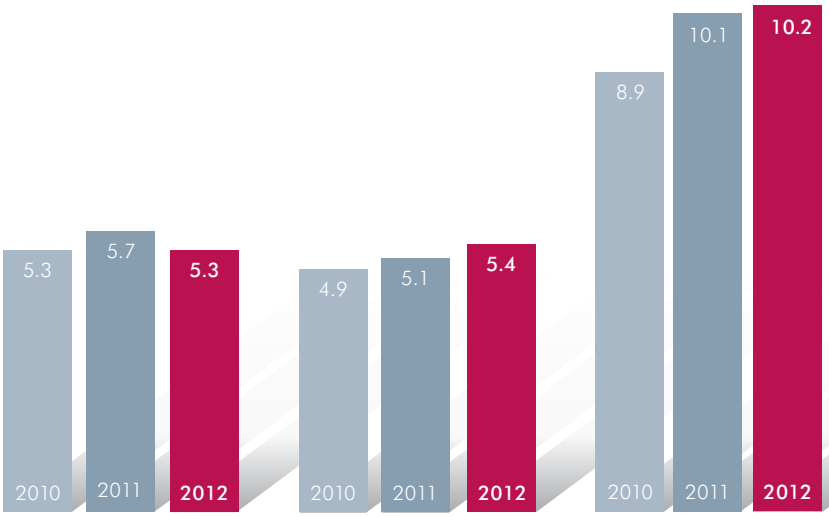
Passenger numbers have increased by 4.1% (2.5% adjusting for the impact of the volcanic ash cloud). No new carriers were added during the year, but additional routes were operated through both Charter and Scheduled services.

Cargo volumes were 302,000 tonnes, broadly in line with 2011 levels (308,000 tonnes). Revenue from cargo has increased to £9.0m from £8.4m in the prior year, as carriers have added new routes and increased the size of aircraft.

EBITDA is £13.8m, £0.9m lower than 2011 due to the effect of higher rates and security costs. In May 2012, the security operation was brought in-house, having previously been operated on an 'out-sourced' basis bringing greater efficiency and operating flexibility to this core operational area.

EAST MIDLANDS AIRPORT

	2012	2011	Change %
Passengers (million)	**4.3**	4.1	4.1%
Revenue (£m)	**50.2**	48.5	3.5%
EBITDA (£m)	**13.8**	14.7	(6.1%)



Aviation income (£ per passenger)

Commercial income excluding property (£ per passenger)

Operating costs (£ per passenger)

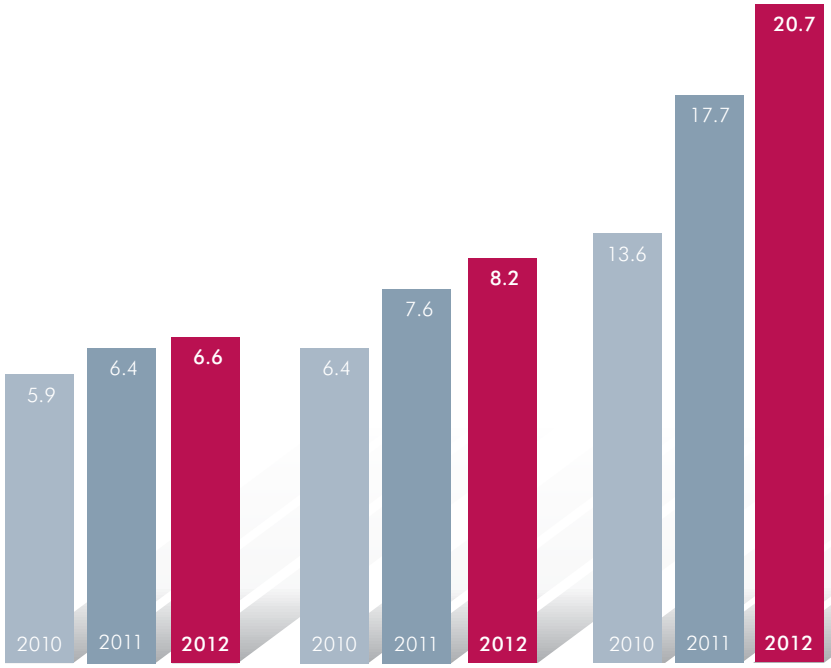
BOURNEMOUTH AIRPORT

Passenger volumes have suffered at Bournemouth Airport largely as a result of airline consolidation into larger airports and the collapse of Palmair in April 2011. Revenue was £10.1m, compared to £10.7m in 2011, and EBITDA has fallen by £0.3m to a loss of £0.6m, reflecting efforts to reduce the cost base in line with trading activity. As a result of lower than expected trading activity the Group has revised its expectations regarding future activity levels and an impairment provision of £38.5m has been made against the carrying value of property, plant & equipment.

Whilst the past two years have been difficult for Bournemouth there are signs of recovery in the passenger market, including Blue Island new service and additional routes with Aer Lingus.

BOURNEMOUTH AIRPORT

	2012	2011	Change %
Passengers (million)	**0.6**	0.7	(11.7%)
Revenue (£m)	**10.1**	10.7	(5.6%)
EBITDA (£m)	**(0.6)**	(0.3)	(100.0%)



Aviation income (£ per passenger)

Commercial income excluding property (£ per passenger)

Operating costs (£ per passenger)

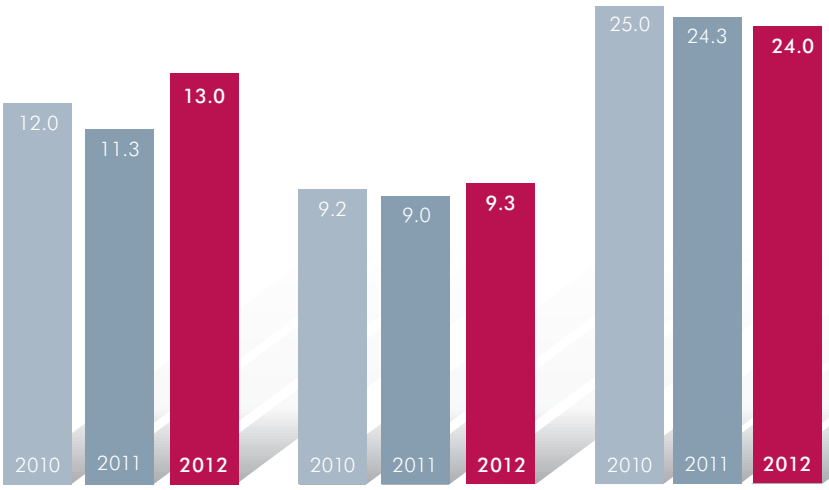
HUMBERSIDE AIRPORT

Aviation and commercial yields have improved at Humberside Airport, off-setting a reduction in passenger volumes. This has allowed revenue to remain in line with 2011 at £6.6m. Offshore traffic continues to perform strongly with Bristow Helicopters expanding their operations.

In February 2012 the Group received an offer for its 82.7% shareholding in the Airport. The sale is expected to complete in the near future, and the business' results are presented as a discontinuing operation. The write-down of Humberside assets to their expected sale proceeds has resulted in a one-off impairment loss of £15.6m which is included within the discontinued operation's result for the year.

HUMBERSIDE AIRPORT

	2012	2011	Change %
Passengers (million)	**0.3**	0.3	(4.2%)
Revenue (£m)	**6.6**	6.6	–
EBITDA (£m)	**0.7**	–	–



Aviation income (£ per passenger)

Commercial income excluding property (£ per passenger)

Operating costs (£ per passenger)

FINANCIAL REVIEW

PROPERTY

The Property division manages the investment portfolio comprising offices, hotels and cargo properties, and is also responsible for the Airport City project.

The increase in revenue in the year is primarily due to the property deal on a purpose built facility for RVL, which is the first project delivered from our strategy of more active property development.

EBITDA from the property business has increased by £2.1m (12%), as a result of profit on the RVL development and the continued high levels of occupancy across the portfolio. The group made significant investment in its property portfolio during the year, including £22m in the Radisson Blu hotel at East Midlands Airport, which has been valued at £25m at March 2012. The Group also invested £2.6m in the development of a purpose built facility for City Link at Bournemouth Airport.

CASH FLOW AND FINANCING AND INTEREST

Cash generated from operations has increased by £15.0m to £125.7m, (13.6%), allowing the Group to continue to invest in infrastructure and property development opportunities.

Net Debt increased by £25.8m to £398.7m primarily due to continued investment in capital projects and property development.

At the year ended 31 March 2012, M.A.G had £525.8m (2011 £526.8m) of committed facilities and a net debt position of £398.7m (2011: £372.9m). M.A.G had financial headroom in excess of £120m at the year-end, a level comfortably above the internal compliance target. Under existing facilities and based on the Board approved three-year business plan M.A.G is forecast to have financial headroom in excess of £90m for the next twelve months.

GROUP CASH FLOW (£m)

	2012 £m	2011 £m	Change %
Cash generated from operations	**125.7**	110.7	13.6%
Interest, tax and dividends	**(61.0)**	(63.0)	-3.2%
Net capital expenditure	**(91.1)**	(75.8)	20.2%
Non-cash movements	**0.6**	2.8	-78.6%
Increase in net debt	**(25.8)**	(25.3)	2.0%
Net debt	**398.7**	372.9	6.9%

Group net interest payable increased from £26.3m to £28.6m reflecting the increase in net debt compared to the prior year and the full year impact of the bank facilities entered into at December 2010.

CAPITAL EXPENDITURE

Capital investment includes the £21m runway refurbishment and lighting scheme at Manchester Airport, which was completed in November 2011. The Group is currently investing in the upgrade of hold baggage x-ray screening at Manchester and Humberside and has also started construction of a new £21m control tower at Manchester which is expected to complete in May 2013. Further investment is being made into increasing car-parking capacity.

PENSIONS

During the year the aggregate of the Groups' four defined benefit schemes moved from an IAS 19 accounting deficit of £45.1m to £75.2m (£57.1m after allowing for the impact of deferred taxation). The accounting deficit is calculated by the scheme actuaries who incorporate a number of factors, but in particular are required to use a number of metrics taken from the financial markets at the date of the accounting scheme year-end. The Greater Manchester pensions Fund (GMPF) scheme comprises 86% of the aggregate Group pension scheme deficit.

The increase in the deficit is largely as a result of the reduced discount rate, which is calculated with reference to the AA corporate bond rate, the reduction being from 5.5% at 31 March 2011 to 4.95% at March 2012.

In June 2010 the Government announced that local government pension increases will link to CPI inflation, rather than RPI inflation. The change in inflationary measure created a past service cost credit of £42.6m in the year ended March 2011 (relating to the GMPF and East Ridings Pension Fund). Similar changes were made to the East Midlands pension scheme in the current year resulting in a credit of £0.4m, following agreement with the scheme trustees.

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

TAX

The tax credit for the year includes the benefit of an adjustment to the deferred tax liability as a result of a change in the UK corporation tax rate, which was 28% at 31 March 2011, 26% on 31 March 2012 and will change to 24% for the year ended 31 March 2013. This has reduced the deferred tax charge by £18.2m (2011 £18.9m). The current year charge did not benefit from Industrial Buildings Allowances (2011: £2.4m), as IBA's were phased out on 31 March 2011. These factors together have meant the Group's effective tax rate before significant items was a credit rate of 23.4% (2011: 42.1% credit).

EQUITY SHAREHOLDERS FUND AND DIVIDENDS

Equity shareholders' funds are £761.9m (2011: £817.0m). The movement primarily comprises £44.2m result from operations before significant items, less £53.4m from non-recurring significant expenses and £25.5m reduction from actuarial losses.

The Group has a long-term objective of providing sustainable and on-going dividends to shareholders. Whilst a number of one-off factors contributed to a loss to retained earnings, the directors consider maintaining the dividend at the same level as the prior year to be consistent with the strong underlying performance of the business.

SUMMARY OF CHANGE IN AGGREGATE PENSION FUND DEFICITS (£m)

Deficit as at 31 March 2011	(45.1)
Current and past service cost	(5.8)
Contributions	7.0
Other finance expenses	1.2
Actuarial loss	(33.5)
ERPF scheme – classified as held for sale	1.0
Deficit as at 31 March 2012	**(75.2)**

RISK MANAGEMENT

The management of risk is embedded in the strategic and operational processes of M.A.G This means that risk management is not a separate process or action, but part of normal business and daily management practice. We are committed to promoting effective risk management as a core management capability that will support M.A.G in achieving its targets. It is also one of the senior management's key targets and this will ensure that risk policy in terms of process and outputs is monitored.

RISK MANAGEMENT

It is the aim of the Group to promote a culture where as a matter of good business practice both risk and opportunity are identified and managed, thereby ensuring more informed and effective business decisions are made and the Group either achieves or exceeds its objectives and targets.

The Board regularly reviews risk appetite and ensures it is calibrated to the Group's strategic objectives. Risk is assessed formally at divisional level through risk workshops and via the maintenance of risk registers. The updating of the risk registers is a continuous process involving the identification, evaluation and management of risks by individual managers. Risk exposure is considered against risk appetite by profiling individual risks in respect of their potential impact and likelihood of occurrence, after consideration of mitigating and controlling actions that are in place.

We are also committed to promoting a culture in which people will openly communicate risk to appropriate levels within the Group and in which information on risk, and the actions taken to manage risk, is shared openly through an effective communication process.

Assurance is provided through management reporting processes and a specialist assurance and compliance function, reporting directly to the Audit Committee. Key issues are reported upwards to senior management and ultimately the Audit Committee. The assessment of risk is also integrated with day-to-day management processes and is included in capital investment and project management procedures.

The principle operational and strategic risks are detailed below:

RISKS	MITIGATING ACTIONS	OPPORTUNITY
Breach in security	There is ongoing investment in security technology with Manchester leading the way in introducing state of the art screening technology. There is also an independent quality assurance programme, which employs both an internal and external process for independently checking performance standards with a view to identifying potential areas for improvement. Close co-operation is maintained with Government agencies and the police to ensure that the security regime is responsive to changes in external threats.	We continually improve customer experience through the utilisitation of technology and ongoing review of our operating policies and procedures, aligned to changes in external threats.
A major health and safety incident impacting our customers or colleagues	There is a Group-wide structure in place to support management through the provision of staff training, auditing and specialist advice. The assessment of health and safety risks is inbuilt into daily management routines and is monitored by a comprehensive structure of health and safety committees that are in turn overseen by a corporate health and safety committee with Board level oversight.	We are committed to identifying initiatives that will enhance the safety culture and contribute to the continuous improvement of the safety and well-being of all our colleagues and customers.
Increased environmental restrictions on noise and pollution potentially place limitations on future growth.	The risk is addressed by a dedicated team who research and model future trends in air traffic and who develop environmental impact assessments.	The Group is actively working with the airlines to research ways to operate in more environmentally efficient ways.

RISKS	MITIGATING ACTIONS	OPPORTUNITY
Threat of a downturn in demand due to adverse global economic factors	The risk is mitigated by the application of prudent financial controls, the gathering of business intelligence and contingency planning.	Our focus on delivery of our strategy means we are able to respond rapidly to economic improvement.
Political and regulatory	Dedicated management teams ensure full compliance with formal regulatory requirements. We monitor stakeholder and political reactions to ensure we react to emerging political and regulatory developments.	M.A.G will continue to contribute to the constructive engagement with government agencies and other stakeholders to help create a sustainable framework for UK aviation.
Failure to implement strategic initiatives results in projected cost savings and growth opportunities not being realised	We have a fully integrated transformation plan to align the business to future strategy. Delivery of strategic transformation is led by a high calibre team with regular reviews of the business' progress by the executive team and Board.	To deliver sustainable growth in shareholder value, balancing the needs of our customers, passengers, employees and communities in which we work, while maintaining the highest safety and security standards.
Recruitment, development or retention of talented people	Our high potential talent is identified and nurtured through agreed development plans including a comprehensive mentoring programme as well as a focus on succession planning for our key leadership positions. We conduct annual employee engagement surveys to enable progress of our people actions to be monitored and areas of improvement identified and actions put in place. Our reward schemes are constantly evaluated to drive and reward performance and ensure retention of key talent. As we drive change throughout the organisation our competency development and evaluation processes are focused on encouraging change agility.	The creation of a high performing actively engaged team which will consequently lead to improved business performance.

CORPORATE SOCIAL RESPONSIBILITY

Sustainability is embedded into everyday life at M.A.G and is cemented in the culture of the business. We feel that this solid foundation to sustainability has led us to be at the forefront of balancing social, economic and environmental needs.

CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

Through engaging, communicating and knowledge sharing, we believe we have and will continue to make a difference in the way that airports think about sustainability and make a positive contribution to society. M.A.G's overall aim is to balance our operation with careful consideration of the environmental impact and to reduce our impact where it is possible to do so.

M.A.G's commitment to reduce carbon emissions remains on track, with East Midlands, Humberside and Bournemouth Airports announcing carbon neutral ground operations for 2012/13. Our ability to manage and minimise all aspects of our environmental impact is what sets our group apart and has led us to become industry leaders. More information on any of the topics in this section, can be found at www.magworld.co.uk, where a copy of the full 2011/12 sustainability report can be found.

OUR SUSTAINABILITY STRATEGY

We believe that responsible business is good business, sensible use of resources drives down costs, working for the long term with all of our stakeholders ensures that we remain responsive to the rapidly changing and evolving business climate and creating an environment where our people can excel to reach their full potential is the foundation upon we which we will succeed. That is why the new Group vision requires M.A.G to be a responsible and increasingly sustainable business that continually seeks to challenge and improve and to set the standard for our industry.

Our commitment to undertaking our operations responsibly is long standing and has been central to the way we do business. We're proud of our track record and achievements. In order to create a robust sustainability strategy, we have drawn upon our engagement with and feedback from a diverse range of stakeholders including customers, business partners, elected representatives, regulatory agencies, local communities and our Board. The appreciation of which issues are material to our success has informed the continual development of our strategic objectives, provided a focus for our programmes and commitments and forms the basis upon which we assess and report our progress.

OUR SUSTAINABILITY OBJECTIVES

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

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

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

Our business – We aim to maximise our economic contribution in the regions we serve, whilst always maintaining a fair and respectful relationship with our supply chain and business partners.

Managing sustainability

By having a robust strategy that focuses on our shared priorities and by closely aligning these with our business objectives, it will ensure that the sustainability strategy drives our collective efforts to achieve the company vision. Sustainability is a priority throughout every level of the organisation, with the Board considering sustainability as a key strategic focus area that should underpin every aspect of the day to day running of our airports.

East Midlands, Manchester and Bournemouth Airports are accredited to ISO14001, with comprehensive Environmental Management Systems in place. Manchester and Bournemouth Airports achieved certification during the reporting period and East Midlands Airport has held this certification since 2002. In addition, the business operates a number of working and technical groups that coordinate day-to-day activities both within M.A.G and with our partners.

Our stakeholders

An airport organisation has a complex structure of stakeholders and for M.A.G defining the groups and ensuring that the right channels of feedback and dialogue are in place is essential to working as a cohesive organisation, providing a first class service to our customers. Stakeholder management is one of our core strengths and is something that goes hand in hand with ensuring that we are a responsible neighbour.

Our key stakeholder groups are selected on the basis of our experience and understanding of which stakeholders are most involved or affected by our operations. This is in conjunction with external advice and Government guidelines.

It is our focus to build long-term partnerships with our stakeholders and we encourage open dialogue to ensure that we know what's important to them. Stakeholder themes and issues are identified throughout the year during formal and informal engagement sessions. Through these sessions, it is essential for M.A.G to identify, discuss and prioritise our key material sustainability themes.

External engagement
M.A.G actively communicates and contributes opinions to public policy debate on matters affecting our business and our industry. We believe that sharing knowledge and best practice across the industry will lead to a more effective sector and will allow businesses to grow.

As such, we are members of The International Air Transport Association (IATA), Airports Council International (ACI), The Air Transport Action Group (ATAG), The Airport Operators Association (AOA), Sustainable Aviation and the Aviation Foundation.

Recognition
Recognition for our carbon reduction efforts this year include:

- Manchester Airport achieving and being re-accredited with the optimisation level in ACI Europe's Airport Carbon Accreditation, the European carbon standard for airports.
- East Midlands Airport has successfully retained the ISO14001 standard since 2002 and Manchester, and Bournemouth Airports have this year achieved the standard for the first time.
- Manchester Airport became the first UK airport to be officially recertified to the Carbon Trust Standard and East Midlands, Humberside and Bournemouth Airports also hold this standard.

OUR ENVIRONMENT

A large part of M.A.G's sustainability strategy is focussed on climate change and reducing the effects we have on this. M.A.G takes our responsibility to reducing carbon emissions seriously and has worked hard over the past six years to implement projects and savings to reduce carbon emissions from the areas that we control.

To this end, we committed to our ground operations being carbon neutral for East Midlands, Humberside and Bournemouth Airports by 2012 and for Manchester Airport by 2015, due to the greater size and complexity of the operation at this airport. Our Carbon Neutral Commitment has been fully achieved at East Midlands, Humberside and Bournemouth Airports; although they are still live objectives that will be continued to ensure a sustainable approach to climate change.

Examples of environmental achievements to date are:

- Our group-wide electricity contract is now from a 100% renewable source for all our airports.
- Ten on site companies are now signed up to the Carbon Challenge at Manchester.
- Construction is complete on one of the UK's most eco-friendly hotels (with BREEAM rating 'Excellent') at East Midlands Airport.
- The first two of four wind turbines have been installed at East Midlands Airport, which will supply 5% of the airport's electricity.
- The low carbon Arrivals Building at Bournemouth has been delivered; including photovoltaic panels on the roof.
- A collaborative Environmental Management Group was formed at Manchester Airport with the aim of creating procedures to improve CO_2 emissions.
- We introduced an Automatic Metering System for electricity at Manchester and East Midlands Airport.

Being renewable

Renewable energy is paramount to M.A.G and our ability to create a sustainable business for the future. M.A.G has invested heavily in renewable energy and has implemented many projects over the past three years that have enabled a significant reduction in our energy usage at Manchester Airport and helped to achieve our ground operation carbon neutrality target at East Midlands, Humberside and Bournemouth Airports.

TOTAL M.A.G NET CO_2 EMISSIONS (TONNES)

Source	2008	2009	2010	2011
Gas	17,884	18,301	20,165	16,672
Electricity[1]	70,619	54,024	47,256	11,411
Gas Oil	294	332	2,392	474
Vehicle fuel	4,483	4,512	4,561	4,529
Liquefied petroleum gas	n/a	n/a	40	21
Total	**93,280**	**77,169**	**74,414**	**33,108**

Note1: Excluding the benefit of renewable electricity, in accordance with current guidelines, would have increased emissions in 2011/12 by 87,086 tonnes. Full details of our carbon accounting and reporting are published in our sustainability report available at www.magworld.co.uk.

Key renewable energy projects this year include:

- The completion of Bournemouth Airport's environmentally friendly terminal building.
- The installation of two 45 metre wind turbines on site at East Midlands Airport.
- M.A.G Developments completed the construction of the UK's 'greenest' hotel on the East Midlands Airport site.
- The planting of a 26 hectare willow farm on site at East Midlands Airport, a UK airport first.
- East Midlands Airport has introduced an airside vehicle carbon reduction scheme; including a mandatory carbon offset for all airside vehicles and electric vehicle charging points.

Making sure we're energy efficient

Energy Efficiency is a large part of reducing M.A.G's carbon emissions. We want to reduce our energy usage and have implemented many projects over the past year to ensure that the most up to date techniques are being used and that our partners are able to work with us to reduce their usage too.

Manchester Airport has invested £2 million with a total saving of 13,178 tonnes of CO_2 and 16% less electricity being used, in the last 12 months. Examples of projects include: a new Automatic Meter Reading system (AMR), the replacement of over 10,000 light fittings with low energy LED versions and the installation of LED lights on the runway, as part of the runway refurbishment, a UK airport first.

Since making the commitment to have carbon neutral ground operations, East Midlands Airport has invested over £4 million on renewable projects and energy efficiency projects and examples of projects that have been completed to date are: the installation of an Automatic Meter Reading (AMR) system for all on site tenant buildings, the replacement of the check in desk monitors to LED screens and the installation of energy efficient hand driers in the terminal building.

Water

Managing water use at our airports is essential to ensuring that water is used in the right way and then in turn ensure that the local water quality is managed correctly. We're committed to reducing water consumption by reducing wastage and promoting effective water management.

CORPORATE SOCIAL RESPONSIBILITY

M.A.G draws the majority of its water from mains supply and is used on site by the airports and their tenants. To ensure that our tenant companies are taking their responsibility to decrease waste water, each company based on all airport sites are fitted with a water meter and we continually work with these companies to accurately measure use and to target improvements.

Waste and recycling

M.A.G is committed to producing less waste, increasing the amount of waste diverted from landfill and maximising source segregation of waste onsite and is the leading airport group for waste diverted from landfill in the UK. Our waste strategy is highly successful, allowing the Group to segregate high proportions of waste due to robust waste contracts that are in place.

In addition to this, we work closely with all of our business partners to encourage and influence how they manage waste and recycling. We provide training and raise awareness with our partners on waste minimisation and recycling, induction training on segregation and using waste facilities.

Land use

Across the Group, we are committed to managing, protecting and enhancing the quality of land around us. We believe that recognising the value of our land and it's ecological and landscape character is incredibly important.

Within the boundaries of each airport, we manage 1,576 hectares of land and each airport has detailed management plans. Our aim is to manage the land and ecological aspects of the areas surrounding our airports, to encourage biodiversity and to create a rich environment that benefits the overall environment.

Sustainable buildings

We have committed to ensuring that all new buildings can be individually carbon neutral for their energy use by 2015 and we will incorporate environmentally friendly and carbon reducing techniques into all new buildings.

All new buildings and refurbishments adhere to strict design standards and are continually updated to include the most innovative techniques and latest advances in environmental design. We also aim to ensure all new buildings meet the widely recognised Building Research Establishment Environmental Assessment Method (BREEAM) standard 'Excellent'.

Ground transport

M.A.G has robust surface access strategies in place at each airport to promote public transport and maximise sustainable methods of transport. We are dedicated to ensuring that our airports are well connected to the regions that they serve and actively promote environmentally sound travel options to and from our airports for both passengers and staff based on site. The surface access strategies form part of each airports masterplan and have been created using wide ranging research and needs assessments. At each site, the airport works in conjunction with local public transport providers to enhance travel options and meet the needs of people travelling to the airport.

OUR COMMUNITIES

For us, being a responsible business that balances the need of our communities, whilst successfully contributing to regional economic growth is extremely important. We want to be good neighbours for the surrounding communities and provide benefits of employment and support the education of the workforce of the future. We want our stakeholders to see the importance and value that we add to the economy and where our operations have an effect on the surrounding areas, we seek to have open and honest dialogue and make every effort to mitigate these.

Community investment

Making sure we are a responsible business means more to us than minimising the impacts from our operations. We invest heavily in our communities through community fund projects and initiatives to investing our time and resources in community projects and through education.

In the past year M.A.G has placed significant importance on communicating, volunteering through our sustainability champions schemes. Over 400 colleagues took part in volunteering and in 2011/12 over 4,100 hours of volunteering were recorded across the Group. Our overall aim is to work together with our business partners to bring mutual benefit and to help to position our Group in a strong position going forward.

Education and employment

For us, investing in the future workforce is key to becoming a sustainable, responsible organisation and will enable us to achieve our vision to become the premier airport management and services company. Education is particularly important and we invest heavily in the local communities to offer opportunities to local schools, colleges and community groups.

Education and work experience programmes are in place at all M.A.G airports, with the Community Relations departments working hard to ensure that all education resources, support the national curriculum and offer motivating places to learn. Through our work supporting local schools and colleges, we are able to offer an insight into an exciting world of work, which helps to build students' confidence and aspirations.

Arts and Culture

In 2011/12, M.A.G invested over £550,000 in arts and culture. As one of the largest arts sponsors in the UK, with a 23 year strong programme, the objective is to promote arts, create and sustain jobs in the area and expand the cultural life of our local areas. This year's investment has supported a wide variety of projects, ranging from high profile organisations, like the Hallé Orchestra and Library Theatre Company to smaller local based organisations, such as, the Tatton Park Biennial in 2012 and the Buxton Festival.

Community funds

All M.A.G airports operate independently managed community funds that help local community groups and charities to benefit local residents and allow small community groups to expand their remit and promise. Manchester and East Midlands Airport's funds consist of airport contribution and fines from aircraft that breach strict noise level regulations.

In 2011/12 over £180,000 was donated to groups in the surrounding areas of our airports, being of great value to over 197 groups. Since the scheme's inception in 1997, Manchester Airport has donated over £2.7 million to 1,073 local groups.

Noise

Reducing and controlling noise caused by our operation is important to M.A.G We aim to be a responsible neighbour and mitigate noise that can cause local disturbance. We manage noise very closely, working with our partners to ensure strict limits are upheld. Statutory noise action plans are in place at Bournemouth, East Midlands and Manchester Airports, which add to our locally agreed obligations and agreements.

Monitoring and calculating noise footprints is a key part of our noise action plans and something that we are dedicated to producing. Complaints are monitored regularly and they have significantly reduced again this year, as a result of more community engagement, working harder with our partners and transparent reporting of data.

It is M.A.G's priority to reduce noise at the source and to continually work with our partners to look at new advances in technology. We also work extremely hard to reduce the noise effects on local residents and by liaising closely with our partners and imposing restrictions, such as imposing noisy aircraft fines, ensuring aircraft use a Continuous Descent Approach (CDA) and preferential departure routes to ensure that we remain consistently under the strict limits in place.

Air Quality

Air quality monitoring is a vital part of our environment and community strategy for each airport. It is a complex subject and we understand that, in common with other forms of transport including cars and lorries, airport operations produce emissions that can affect local air quality. We monitor air quality at all of our airports and to provide reassurance to the local community; East Midlands and Manchester Airports have installed continuous air quality monitoring equipment.

We understand that the majority of onsite emissions are the result of our service partners' operations, and are therefore outside our direct control; however we want to lead by example and promote best practice across the industry in everything we do.

OUR PEOPLE

M.A.G recognises that its people are imperative to achieving success and we know that we attract ambitious people who are open to forward thinking and like to be innovative in everything they do. We want to inspire confidence through the knowledge, experience and professionalism of our people.

Our new operating model has allowed us to think and act as one team, bonded by mutual trust and respect. We share in the success of our business, recognising and rewarding great ideas and exemplary behaviour.

Delivering our people strategy

To M.A.G achieving success in our business strategy and achieving our objectives, can only be realised by investing in our people. We want to offer people who work for M.A.G real opportunities to develop and achieve.

The new M.A.G people strategy has been devised to work in line with our new vision, values and behaviours and will help to guide colleagues in their work every day. M.A.G also holds the Investors in People accreditation, a standard for businesses that are committed to supporting and developing their colleagues.

COMPLAINTS ABOUT NOISE

Airport	2008	2009	2010	2011
Manchester Airport	950	1,282	1,084	737
East Midland Airport	2,618	1,064	800	600
Bournemouth Airport	Not reported	Not reported	Not reported	1,013

Health and safety

Having a robust Group-wide approach to health and safety, enables us to be at the very top for safety standards, but we are never complacent with this and continually assess our progress with health and safety, aiming to demonstrate excellence. Health and Safety risk assessment is embedded into daily management routines and is monitored by specific committees that are in turn overseen by a corporate Health and Safety Committee with Board-level oversight.

In 2011/12, the company produced and launched Safety Improvement Plans for each airport. The company aims to achieve the British Standard for health and safety accreditation (OHSAS 18001), by the end of 2012 and to have achieved a 5-star rating in the British Safety Council audit series, representing an organisation operating at industry leading best practice by the end of 2013. The business understands that to achieve these objectives, we must maintain a strong focus on continually improving our performance and this year the Safety Improvement Plans will form part of the business performance measures.

TOTAL M.A.G HEALTH AND SAFETY INCIDENTS

Airport	2008/09	2009/10	2010/11	2011/12
RIDDOR* reportable incidents	55	34**	33**	28
Other incidents	253	254	259**	170
Total accidents	**308**	**288****	**292****	**198**

**RIDDOR stands for the reporting of injuries, diseases and dangerous occurrences regulations. The regulations stipulate the most serious types of incidents, which must be reported to the Health and Safety Executive.*
*** Please note, the prior year figures have been amended to make them a like-for-like comparison.*

Employee engagement

Colleague engagement is incredibly important to M.A.G and we know that by engaging our colleagues in our business and our aims, we can inspire our colleagues to deliver outstanding service. We're proud of our colleagues and want them to develop to their best potential and we believe that to create a high performance organisation, we need to ensure the highest levels of colleague engagement.

We care about what our colleagues think and, as such, we put a lot of time and investment into ensuring their voices are heard. We want them to feel that we address their needs and concerns, and keep them informed about the business. Colleague communication is delivered through a number of channels and we ensure that our communications are open and honest, whilst encouraging two-way dialogue. In addition, the annual colleague survey is our way of listening to our colleagues and ensuring that we act accordingly to any feedback that we can improve on.

Diversity and equality

Diversity and Equality is taken very seriously at M.A.G and our duty to ensure that all colleagues are treated fairly and equally is paramount to us. We ensure that all colleagues are able to work and develop free from discrimination and harassment.

During 2011/12, we dealt with only five cases of discrimination at work, a 61.5% decrease, when compared to 2010/11 and 2009/10. These cases were addressed in line with company policy and appropriate actions were taken. We also monitor the ethnic origin, disability status, gender and age of job applicants and our Board annually reviews diversity statistics of candidates and successful applicants.

Training and development

Developing our colleagues is key to creating and building a high performing workforce. By investing in training and development, we can up skill our employees, helping them to build a successful career in our organisation. By ensuring a firm training and development programme, we are also confident that we can attract new people to our organisation at every level.

The online learning management tool has been incredibly successful in the past year, with 895 employees undertaking 2,158 hours of web based training on the system. 565 employees, this year, had an online performance review, known as the 'Colleague Achievement Review' (CAR). CAR's are carried out annually, with a half year check carried out at six months. All other colleagues undertook a paper based review with their Line Managers.

Reward and recognition

We recognise that our colleagues are what makes our business successful and we work hard to ensure that our colleagues feel rewarded and recognised for the work that they do. We encourage our colleagues to feel empowered to give outstanding performance and to ahceive more than what is expected of them.

In addition to a flexible benefits package to all members of staff; including Childcare vouchers, cycle to work scheme and our M.A.G rewards programme, of which 1,350 colleagues are registered for, we also have a competitive salary structure and a contribution-based pension scheme, which is open to all colleagues. To further recognise the contribution colleagues have made to our business, we run an annual colleague bonus scheme based on financial targets for the business and customer service targets for each airport.

OUR CUSTOMERS

M.A.G's vision to become a premier airport management and services company can only be realised by driving and implementing efficient and excellent customer services, whilst maintaining the highest safety and security standards.

We want to be innovative in our approach to customer services and delight our customers and drive excellence in our staff to execute outstanding customer service for all our customers. We will empower our partners to work with us to exceed the expectations of our customers and be the exemplar for airport customer service. Nearly 23 million passengers travelled through our airports in 2011/12 and we promise to continually analyse our customer service offering and improve this where necessary.

Serving our customers

Our new vision allows M.A.G to excel in customer service. It is essential that we progress our offering and retain our current customers and attract new customers.

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

We continually work with our partners and instil our vision and values through them through free training, to ensure that there is a consistent level of excellence.

Customer security

M.A.G treats the safety and security of our customers and employees as our number one priority. We act with the highest standards of honesty, integrity and responsibility and consistently deliver on our promises.

Over the past year, there have been significant changes in the security provision at both Bournemouth and East Midlands Airports. Using the expertise and knowledge of our staff members and to gain further control of customer service levels, M.A.G took the decision to in-source security. Security at Manchester and Humberside Airports has remained in the control of M.A.G.

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

Improving customer service

Empowering our colleagues and service partners to improve customer service is important to M.A.G. We need to continually asses our processes for customers and we recognise that our colleagues are the best people to do this.

We encourage our colleagues and service partners to become members of our Customer First programme, which enables them to put forward their ideas of ways in which we can improve the area that they have identified. Across the Group, 22% of colleagues are engaged in Customer First Teams and there has been a steady increase in new membership of colleagues in 2011/12.

OVERALL SATISFACTION: TOP QUARTILE TARGET WITHIN RELEVANT EUROPEAN BENCHMARK GROUP FOR EACH AIRPORT

Airport	2010	2011	2012
Manchester Airport	Top quartile	Top quartile	2nd quartile
East Midland Airport	Top quartile	Top quartile	Top quartile
Bournemouth Airport	4th quartile	Top quartile	3rd quartile
Humberside Airport	Top quartile	Top quartile	Top quartile

Note 1 Manchester's Overall Satisfaction mean score improved from 3.94 last year to 3.98 this year (1-5 scale); however the Airport fell from top quartile position, due to improved performance of other airports in benchmark group.

Note 2 Bournemouth has experienced a fall in overall satisfaction scores due, mainly, to the introduced drop off charge in April 2011, scores started to recover during second half of the year, but remain outside upper quartile.

Airport Service Quality Survey

The Airport Service Quality (ASQ) Survey is the world's largest survey, providing the industry standard for passenger satisfaction data. The survey is conducted by Airports Council International (ACI) and helps airports to benchmark their customer satisfaction results against other European airports of a similar size.

M.A.G's objective is to ensure that customer satisfaction levels are at the highest possible standard and we aim to achieve top-quartile ranking for each airport in their retrospective benchmark groups. The survey focuses on four areas that are important to customers, these being cleanliness, ambience, courtesy and helpfulness of staff and overall satisfaction. M.A.G's approach to customer service is to ensure that every aspect of the customer journey is the best it can possibly be, that's why this survey is used as the foundation to making the right changes to the customer experience in a M.A.G airport.

Promoting sustainability

Over the past five years, customers have become more knowledgeable about the environment and the effects that carbon emissions are having on the climate. Customers want to know that businesses are making responsible choices.

M.A.G promotes a healthy sustainability culture to passengers and customers alike. The business has environment zones located in public areas of the terminal building and educates passengers on the choices that we have made as a business and helps to raise awareness of our goals. On each airport website, there is a detailed and comprehensive section on the environment and the steps we are taking to reduce carbon in the areas that we control. Within the website, passengers can also take the opportunity to offset their flight's emissions.

Our key indicators

We set ourselves long-term objectives and short term targets for our environmental and social performance at all four airports. Our progress is summarised below.

Area	Indicator	Calendar or financial year	Airports	Performance					Target
				2007 or 2007/08	2008 or 2008/09	2009 or 2009/10	2010 or 2010/11	2011 or 2011/12	
Our Environment									
Energy and fuel use	Total net CO2 emissions	Calendar	All	105,692	93,280	77,169	74,414	33,108[2]	2012: 0 (EMA, BOH, HUY) 2015: 0 (MAN)
Water	Total mains water used (m^3)	Financial	All	908,992	875,223	866,808	907,779	843,405	
	Samples within surface water discharge consent limits	Calendar	MAN[1] EMA BOH	98% 90% 100%	92% 85% 100%	100% 96% 100%	95% 100% 100%	97% 100% 100%	All years: 100%
	Samples within effluent discharge consent limits	Calendar	MAN EMA BOH	100% 100% NR	100% 100% NR	100% 100% NR	97.5% 100% NR	100% 100% 100%	All years: 100%
Waste	Total waste (tonnes)	Financial	MAN EMA BOH	9,955 (MAN and EMA only)	8,673 (MAN and EMA only)	7,331 (MAN and EMA only)	7,035 (MAN and EMA only)	7,469	
	Waste recycled/ recovered	Financial Calendar Financial	MAN EMA BOH	21% 30% NR	21% 46% NR	21% 43% NR	43% 88% NR	62% 88% 40%	2015: 100%
Our Communities									
Noise	Departures within preferred noise routes	Calendar	MAN EMA	98% 97%	99% 98%	98% 98%	97% 99%	98% 98%	
	Flights using continuous descent approach[3]	Calendar	MAN EMA	76% 79%	81% 84%	78% 87%	77% 86%	71% 90%	EMA: 80%
Air quality	Total breaches of air quality limits	Calendar	MAN EMA	0 0	0 0	0 0	0 0	0 0	All years: 0
Community funds	Total community investment (£)	Financial	All	229,851	314,197	244,211	217,750	180,843	
	Employee volunteering hours[4]	Financial	All	1,223	1,722	2,268	3,755	MAN: 3,432 EMA: 569 BOH: 130	3,785 (MAN target for 2012/13
Our People									
Health, safety and security	RIDDOR[5] reportable accidents	Financial	All	70	55	34	33	28	
Employee engagement	Colleague engagement (a composite score)	Financial	All	49%	52%	60%	64%	58%	2013: 80%
Our customers									
Putting the customer first	Colleagues involved in CFT teams	Calendar	All	NR	NR	14%	21%	22%	2013: 40%
Customer satisfaction	Overall ASQ rankings (in relevant benchmark group)	Calendar	MAN EMA BOH HUY	NR NR NR NR	NR NR NR NR	Top quartile Top quartile 4th quartile Top quartile	Top quartile Top quartile Top quartile Top quartile	2nd quartile Top quartile 3rd quartile Top quartile	2013: upper quartile position in relevant benchmark group for each airport.

1 MAN = Manchester, EMA = East Midlands, BOH = Bournemouth, HUY = Humberside.
2 These figures are calculated assuming that electricity provided from renewable sources is zero rated for emissions.
Note: Excluding the benefit of electricity purchased from renewable sources would have increased MAG's emissions by 87,086 tonnes in 2011/12.
3 The figures provided for Manchester Airport are for night flights (22:00–06:00). The figures provided for East Midlands Airport are for all flights, not just the night-time period.
4 The volunteering hours for 2007-2010 relate to Manchester and East Midlands Airports, as no data was recorded for Bournemouth and Humberside.
5 RIDDOR stands for the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

NR: Not reported

REPORT ON CORPORATE GOVERNANCE

This corporate governance statement forms part of and should be read in conjunction with the Directors' report set out on page 54.

The Group is committed to high standards of corporate governance. This statement sets out how it has complied with the Combined Code published by the Financial Reporting Council in June 2008 ("the Code").

THE BOARD OF DIRECTORS

The names of the directors who served on the Board during the year and their biographical details are set out on page 49. The non-executive directors contribute extensive knowledge and experience. Their role is also to bring independent and objective judgement to the Board and committees of the Board as the case may be.

The Board meets formally at least ten times a year and also on additional occasions to consider specific business matters. Arrangements are in place for the Chairman to meet with the non-executive directors without the executive directors being present, such meetings are held as and when required.

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

	Board	Audit Committee	Remuneration and Review Committee	Nominations Committee
Total number of meetings in 2011/12	10	4	4	3
Number of meetings attended in 2011/12				
Non Executive directors				
Mike Davies	10	n/a	n/a	3
Stuart Chambers	9	4	4	2
Dave Goddard	9	n/a	3	2
Mike Hancox	7	4	n/a	2
Vanda Murray	9	4	n/a	3
David Partridge	8	n/a	4	2
Angela Spindler	9	n/a	4	2
James Wallace	9	4	n/a	3
Richard Leese *(Note 1)*	2	n/a	n/a	n/a
Bernard Priest *(Note 2)*	7	n/a	n/a	3
Executive directors				
Charlie Cornish	10	n/a	n/a	n/a
Neil Thompson *(Note 3)*	4	n/a	n/a	n/a
Ken O'Toole *(Note 4)*	2	n/a	n/a	n/a
Penny Coates *(Note 5)*	6	n/a	n/a	n/a

Note 1 Richard Leese resigned in May 2011.
Note 2 Bernard Priest was appointed in June 2011.
Note 3 Neil Thompson was appointed to the Board in November 2011.
Note 4 Ken O'Toole was appointed in January 2012.
Note 5 Penny Coates resigned in January 2012.
Note 6 n/a in the table above denotes that the director is not a member of that committee.

REPORT ON CORPORATE GOVERNANCE

GOVERNANCE SUMMARY

The Board is accountable to the Shareholders for delivery of Group performance against Shareholders' objectives and is responsible for developing and setting the strategic direction of the Group. The Board has adopted a formal schedule of matters that are reserved to it for decision-making. At each meeting the Board considers a series of regular reports covering finance, commercial matters, operations and health and safety for the Group and a report from the Group Chief Executive. Directors receive timely and accurate information that allows them to discharge their duties effectively. The Board has also established a number of committees with specific delegated authority; more information on the membership and the terms of reference of these committees is provided later in this report.

During the year a new post of Chief Commercial Officer was created whose primary responsibility is strategy development, key account management, commercial management and retail development across the four airports. Ken O'Toole was appointed Chief Commercial Officer in January 2012.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and Group Chief Executive are separate and clearly defined. The Chairman is responsible for the working of the Board and provides leadership, ensuring that it delivers effectively on its accountabilities. The day- to-day management of the Group and the delivery of Group financial and operational objectives is the responsibility of the Group Chief Executive who is supported by the Chief Financial Officer and Chief Commercial Officer.

BOARD BALANCE AND INDEPENDENCE

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

All non-executive directors are appointed subject to objective capability criteria. The Board considers that all the non-executive directors are independent both in character and judgement. The Group meets the requirement of the Code that at least half the Board comprises independent directors. The Chairman was deemed independent for the purposes of the Code at the time of his appointment.

The Board has reviewed its decision not to appoint a senior independent director and has concluded that since the roles of the Chairman and Group Chief Executive are not held by the same person and since there are only a small number of shareholders thus facilitating communication between the Group and its owners, a senior independent director is not necessary. The prior approval of the shareholders is required in respect of all Board appointments. Non-executive directors are appointed for periods of up to three years.

CONFLICTS OF INTEREST

Since 1 October 2008, directors have been under a statutory duty to avoid any situation in which they have or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company. The duty is not infringed where a conflict has been authorised in advance by the unconflicted directors or shareholders of the Company or where the situation cannot be reasonably regarded as likely to give rise to a conflict of interest. The Company's articles of association were amended to include provision which permit the unconflicted directors to authorise conflict situations and procedures have been put in place for the disclosure of any conflicts by the directors to the board and for the consideration and if appropriate authorisation of such conflicts. The procedures permit any authorisation to be subject to any limits and/or conditions that the directors think fit.

BOARD PROCESSES AND PROCEDURES

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

During the year an evaluation of the effectiveness of the Board's performance and its committees was carried out. This was an internal exercise. A questionnaire was prepared and circulated forming the basis of a one to one discussion with the directors. The Board considered feedback from the review and considered that it and the committees are operating in an effective manner.

BOARD COMMITTEES

The principal committees are as follows:

Audit Committee

The Audit Committee's members are James Wallace (Chairman), Mike Hancox, Vanda Murray and Stuart Chambers.

The Audit Committee is responsible for reviewing the Group's financial statements, internal control procedures, legal and regulatory compliance, risk management assessments, controls and procedures and matters including the appointment, independence, performance and cost effectiveness of the Group's external auditors. These responsibilities are discharged as follows:

- At its meetings in June and November the Audit Committee reviews the annual report and accounts and interim report. Compliance with the Group treasury policy is formally reviewed twice a year;
- The external auditors meet with the audit committee in June and November without management present;
- The Director of Risk Assurance presents a report on risk management and internal audit (including any matters relating to the whistle blowing policy) to each meeting;
- Board control procedures and the effectiveness of Internal Audit are reviewed each year.

The Audit Committee has established a policy on the engagement of the external auditors for non-audit services. The Audit Committee receives a report providing details of non-audit services (and related fees) carried out by the external auditors. This report is used by the Committee to monitor and review the independence and objectivity of the external auditors.

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

Remuneration and Review Committee

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

In addition, it sets annual performance targets for the Group Chief Executive and appraises performance against these targets. More information on the work of the Remuneration and Review Committee and directors' remuneration and related matters can be found in the Report on Directors' Remuneration on page 50.

The Remuneration and Review Committee's members during the year were Angela Spindler (Chairman), Stuart Chambers, Dave Goddard and David Partridge. All members of the Remuneration and Review Committee are independent non-executive directors.

This committee meets at least twice a year and at other times as it sees fit.

Nominations Committee

The Nominations Committee is responsible for reviewing the structure, size and composition of the Board, to lead the process for potential appointments and to oversee succession planning in respect of the Board and senior executives. The appointment of the Chairman is managed by the Shareholders' Appointments Panel. The committee meets at least once a year and at other times as it sees fit. Its members are the non-executive directors including the Chairman (who is also chairman of the committee). During the year the Nominations Committee considered the appointments of the Chief Financial Officer and Chief Commercial Officer.

Following a strategic review, the Group adopted a new operating model that aligned accountabilities around core processes. In addition, the Group Chief Executive reconstituted EXCO comprising Neil Thompson, Chief Financial Officer; Ken O'Toole, Chief Commercial Officer; Andrew Harrison, Chief Operating Officer; Mark Johnson, Business Services Director; Collette Roche, Human Resources Director; Andy Cliffe, Managing Director Assets; and Emma Terry, General Counsel. EXCO provides a regular forum for discussing group-wide operational and strategic issues impacting the business.

RELATIONS WITH SHAREHOLDERS

The Board is committed to a proactive communications programme with its Shareholders. The Chairman, Group Chief Executive and Chief Financial Officer attend meetings with the Shareholders' Committee at its invitation.

The Company presents information and documentation to the Shareholders' Committee annually on, inter alia, the following matters:

- Three year business plan;
- Dividend policy;
- Major capital investments; and
- Financial Results.

The Shareholders' Committee, whenever necessary, deals with reserved matters pursuant to the Articles of Association in general meeting.

CORPORATE RESPONSIBILITY

The Group recognises the increasing importance of effective management of corporate responsibility (CR) and the link between CR and corporate governance. The Group acknowledges its responsibilities to its stakeholders, shareholders, employees, customers and the wider communities its airports serve and endeavours to inform them of the way it conducts its business. Corporate, social and ethical risks are identified and managed pursuant to the Group's risk assessment and management process. More information on the Group's commitment to CR can be found in the Corporate Responsibility Report on page 32.

INTERNAL CONTROL

The Code has extended the requirement that the Board reviews the effectiveness of the Group's system of internal financial control to cover all controls including financial, operational, compliance and risk management.

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

CONTROL ENVIRONMENT

The Group's overall system of internal control has been in place throughout the year and up to the date of this annual report. The key elements of the internal control environment are:

- Clearly defined organisational structures, schemes of delegation and lines of responsibilities;
- Regular board meetings with a formal schedule of matters reserved to the Board for decision;
- Board approval of long term business strategies, key business objectives and annual budgets (an annual review is undertaken to update the business strategies and key business objectives);
- Preparation and Board approval of revised forecasts during the year;
- Monitoring performance on a monthly basis against budget and benchmarking of key performance indicators, with remedial action being taken where appropriate;
- Monitoring annual performance against business plans;
- Established procedures for planning, approving and monitoring capital projects, together with post investment project appraisal;
- An internal audit function; and
- Implementation of Group wide procedures, policies, standards and processes on business activities, such as financial reporting, health and safety and human resources.

RISK MANAGEMENT

The management of risks rests ultimately with the Board. These risks include health and safety, security, environmental, global economy, political, regulatory, strategy and human resource.

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

Risk Registers are managed by individual risk owners and are updated on a regular basis. The holding of regular Business Risk Workshops at a divisional level and quarterly reviews of Group wide risk issues by the executive directors support this process.

The Board can confirm that enhanced risk management procedures have promoted greater awareness and that there is an ongoing process for the identification, evaluation and management of significant risks faced by the Group that is regularly reviewed by the Board.

GOING CONCERN

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

THE BOARD OF DIRECTORS

CHAIRMAN

Mike Davies
Appointed non-executive chairman of the Company in April 2009. Formerly chairman of Baxi Group and Marshalls plc, currently Non-executive Chairman of the Royal Mint and Pendragon PLC.

EXECUTIVE DIRECTORS

Charlie Cornish
Appointed Group Chief Executive in October 2010. Prior to joining M.A.G, Charlie was Managing Director of Utility Solutions, the commercial business of United Utilities (UU) with operations in UK, Middle East, Australia, Bulgaria, Poland, Estonia and Philippines and was a Director of UU PLC. Previously he worked for a number of manufacturing and service companies including Plessey Telecommunications, British Aerospace and ABF.

Ken O'Toole FCA
Ken was appointed as Chief Commercial Officer in January 2012. Prior to that he spent six years with Ryanair Holdings Plc, joining initially as Head of Revenue Management and latterly as Director of New Route Development. A qualified Chartered Accountant his previous experience includes Musgrave Group, a leading Irish and UK based retailer and Credit Suisse First Boston.

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

NON-EXECUTIVE DIRECTORS

Stuart Chambers
Appointed in January 2010, Stuart is also a non-executive director of Tesco plc and of Smiths Group PLC. He was formerly CEO of NSG Group, the Tokyo based global glass company which acquired Pilkington PLC in 2006. Prior to the glass industry Stuart spent 10 years with Mars Corporation and 10 years with Shell. Stuart is also non-executive chairman of Rexam plc.

Councillor Dave Goddard
Appointed in January 2010. In 1990 he was first elected to Stockport Council, he then became a full time Councillor in 2002 responsible for Regeneration Housing and Tourism. He became Leader in 2007. He represents Stockport on the new Combined Authority for Greater Manchester and is the Environment Commissioner. Dave is a board member of MIDAS, and a member of the Greater Manchester Police Authority. He is the LGA National Markets Champion and a Governor at Stockport School. Dave resigned from the Board in May 2012.

Mike Hancox FCMA
Appointed in February 2007. He is currently CEO of Ideal Shopping Direct Limited and Non-executive Chairman of Character World Ltd. He was formerly Chief Operating Officer of Littlewoods Shop Direct Group and formerly Finance Director of GUS Home shopping and Premier Brands Ltd.

Vanda Murray OBE, FCIM, BA (Hons)
Appointed in January 2010, Vanda holds a portfolio of non-executive directorships, including Carillion plc, Chemring plc, and Fenner plc. She also chairs an AIM quoted technology business, VPhase plc. Prior to this she was CEO of Blick plc a FTSE quoted International Group. She was appointed OBE in 2002 for services to industry and to export.

David Partridge MA (Hons) Cantab; Dip Arch; RIBA; FRSBS
Appointed in January 2010, David is currently Joint Chief Executive of the Argent Group PLC, is a former chairman of the Piccadilly Partnership and of Cityco (the Manchester City Centre Management Company Ltd).

Angela Spindler
Appointed in January 2008. CEO of Burnley based retail chain 'The Original Factory Shop' which she joined from Debenhams PLC where she was Managing Director. Prior to this Angela spent 10 years with Asda Stores Ltd, where she held various board positions, most recently as managing director of George Clothing.

James Wallace BSc (ECON), FCA, FCT
Appointed in January 2008. He is currently Chairman of Scapa Group PLC and a non-executive director of a number of other companies. He was formerly Chairman of Bodycote PLC.

Bernard Priest
Appointed in 2011 he is an elected member of Manchester City Council representing the Ardwick Ward. He has experience as a scrutiny committee chair and as a member of the Council's executive committee, and is the vice chair of the board of Eastlands Homes. Most of his working life has been spent as a lecturer and manager in further education.

DIRECTORS' REMUNERATION REPORT

Although the Company is not a quoted company, as a matter of best practice it implements the Directors' Remuneration Regulations, as appropriate to its circumstances. This report covers the remuneration of directors and related matters, including pay and benefits, remuneration policy and detailed terms of reference of the Remuneration and Review Committee. The first part of this report is unaudited.

This report covers the remuneration of directors and related matters, including pay and benefits, remuneration policy and detailed terms of reference of the Remuneration and Review Committee.

REMUNERATION AND REVIEW COMMITTEE TERMS OF REFERENCE

The members of the Committee are set out on page 46. The terms of reference for the Committee are as follows:

- To determine and review the policy for the remuneration and conditions of service for executive directors and senior executives within the Manchester Airport Group;
- To determine short term incentives and long term incentives for executive directors and senior executives within the Manchester Airport Group;
- To determine the policy for and scope of pension arrangements and employee benefits for the Manchester Airport Group;
- To set annual performance targets for the Group Chief Executive and to review the performance of the Group Chief Executive against such targets.

The Committee meets at least twice a year and at other times as it sees fit.

The Group Chief Executive, the Human Resources Director and the Reward & Employment Policy Director attend meetings with the Committee as and when appropriate. No director has any involvement in any decisions relating to their own remuneration.

The Committee is responsible for appointing external independent consultants to advise on executive remuneration matters. This advice and assistance has been provided throughout the year by New Bridge Street (NBS). The Human Resources Director has also provided advice to the Committee.

REMUNERATION POLICY

The objective of the remuneration policy in respect of the executive directors and senior executives is to offer remuneration packages that:

- allow the Group to attract, motivate and retain senior executives of high calibre who are capable of delivering the Group's objectives; and
- link rewards to both individual and corporate performance, responsibility and contribution.

The policy seeks to provide total remuneration packages that are positioned to provide a competitive level of remuneration in the markets in which executives are based and which assist in attracting and retaining high-calibre management. The Committee is, however, aware of the risk of an upward ratchet in remuneration levels through over-reliance on comparative survey data.

The commercial environment is a demanding one and it is critical that incentives are in place for executives to be rewarded for the achievement of specific and measurable performance goals. Where the goals are not met, it is also appropriate that this is recognised in a considerably reduced level of remuneration received. Accordingly the annual and long-term incentives, which were reviewed during 2011 and which were aligned to best and market practice, make up a significant part of each executive director's compensation package.

Remuneration packages comprise:

- Basic salaries set based on an assessment of a number of factors considered relevant (as explained below).
- Discretionary incentives which are payable to the executive directors and senior executives subject to the fulfillment of certain performance criteria. The Committee agrees the amount of performance incentive and the ongoing criteria are examined to ensure that they remain focused upon motivating directors to enhance individual performance and create shareholder value.
- Other benefits include a car cash allowance, or an equivalent car, in addition to permanent health insurance, critical illness cover and death in service life cover; and
- All executive directors and senior executives are entitled to join the Group's pension scheme.

EXECUTIVE DIRECTORS' BASIC SALARIES AND INCENTIVES

The basic salaries of executive directors are reviewed annually, having regard to personal performance, Group size and performance, responsibility levels, affordability and competitive market practice. To assist in market comparison, NBS provides data and independent advice on remuneration levels in companies considered to be comparable in terms of market capitalisation, industry sector and revenue, although the Committee is careful not to place excessive reliance on such data.

The executive directors are eligible to participate in a revised M.A.G Executive Directors Short Term Incentive Plan (STIP). Subject to satisfactory personal and strategic and financial Group performance, the executive directors can earn a maximum incentive of 100% of base salary and 75% of base salary for senior executives. For executive directors any incentive payable up to the 60% of the maximum level is paid in cash, whilst the remaining element above 60% is deferred and will be released to the directors two years after the initial payment, subject to continued employment. For senior executives any incentive payable up to 45% of base salary is paid in cash, whilst the remaining element above 45% is deferred for two years.

A revised long-term incentive plan (LTIP) was also introduced in 2011 where an incentive of up to 100% of base salary for executive directors and up to 75% of base salary for senior executives could be paid dependant on achievement of targets linked to growth in the Group's total shareholder return and return on capital over a three year period. For executive directors 50% of the 2011 award is paid in cash and 50% deferred into notional shares. Future awards will continue on a similar basis until the aggregate notional shareholding reaches 75% of the participant's base salary. The participant will be required to keep notional shares to the value of 75% of base salary once this position is reached throughout their employment. For senior executives the maximum aggregate notional shareholding level is 50% of the participant's base salary. The value of the notional shareholding will be calculated each year based upon movements in M.A.G's value as determined by external valuation. To the extent that the notional shareholding requirement is exceeded, a cash amount will be payable to participants. To the extent that the future shareholding requirement is not met, 50% of vesting LTIP payments will be structured as a right to a future cash payment and allocated into the notional shareholding fund. This deferral requirement will only apply to 2011/14 and future grants.

In addition to the challenging performance targets, the Committee retains discretion to reduce STIP and LTIP awards in part or in full, in exceptional circumstances, such as an exceptional event impacting the Group.

CLAWBACK

In line with best practice, a clawback provision is included in the STIP and the LTIP. This provision enables the Group to reduce awards or reclaim payments made, in the event of a material misstatement or error in the financial results, or where the Group has made an error in calculating the amount of award, or where there has been gross misconduct on the part of the participant. The clawback will apply to 2011 and future grants.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The Group's policy is that directors will be employed with a notice period of twelve months.

EXTERNAL DIRECTORSHIPS

Executive directors are not permitted to accept external directorships without the prior approval of the Board.

NON-EXECUTIVE DIRECTORS

The non-executive directors (other than Dave Goddard, Richard Leese and Bernard Priest) receive fees for their services but do not participate in any of the incentive or benefit schemes of the Group (including pensions).

The Board determines the remuneration for non-executive directors excluding the Chairman. The Shareholders' Appointments Panel determines the remuneration for the Chairman.

The Board's current policy with regard to non-executive directors is that appointments are on fixed terms of either one, two or three years with a notice period of one month.

AUDITED INFORMATION

The remainder of the Directors' Remuneration Report is audited information. Individual aspects of remuneration are as follows:

	Salary/fees/ expenses (Note 1) £'000	Car/fuel card cash alternative £'000	Incentives £'000	Benefits in kind (Note 2) £'000	Total emoluments 2012 £'000	Total emoluments 2011 £'000
Executive directors						
Charlie Cornish	406	15	55	4	480	200
Neil Thompson *(Note 5)*	199	5	22	6	232	–
Penny Coates *(Note 4)*	211	–	111	11	333	283
Ken O'Toole *(Note 6)*	71	12	–	–	83	–
Non-executive directors						
Mike Davies	125	–	–	–	125	125
Stuart Chambers	25	–	–	–	25	25
Dave Goddard *(Note 7 & 11)*	–	–	–	–	–	–
Mike Hancox	25	–	–	–	25	25
Brian Harrison *(Note 7 & 8)*	–	–	–	–	–	–
Vanda Murray	25	–	–	–	25	25
David Partridge	25	–	–	–	25	19
Angela Spindler	25	–	–	–	25	25
James Wallace	25	–	–	–	25	25
Richard Leese *(Note 7 & 9)*	–	–	–	–	–	–
Bernard Priest *(Note 7 & 10)*	–	–	–	–	–	–
Former directors *(Note 3)*	–	–	–	–	–	896
	1,162	32	188	21	1,403	1,648

Notes

(1) In practice, the basic salaries and incentives paid to executive directors have been reduced due to their participation in the Company's SMART Pensions salary sacrifice arrangement. The salary reductions in 2012 were £111,400 (2011: £41,300) These correspond to their contributions to the MAG Retirement and Death Benefit Scheme, which are now met directly by the Company as part of this arrangement.

(2) Benefits in kind include the taxable values of cars, fuel and critical illness insurance provided by the Group.

(3) Andrew Cornish and Geoff Muirhead resigned in September 2010. Ken Duncan resigned in March 2011.

(4) Penny Coates stood down in January 2012.

(5) Neil Thompson was appointed as Chief Financial Officer in March 2011 and was appointed to the Board in November 2011. (Emoluments are determined from March 2011).

(6) Ken O'Toole was appointed Chief Commercial Officer in January 2012. Emoluments have been pro-rated to reflect the period of directorship.

(7) Dave Goddard, Brian Harrison, Richard Leese and Bernard Priest receive no remuneration or fees.

(8) Brian Harrison resigned in May 2010.

(9) Richard Leese was appointed in May 2010 and resigned in May 2011.

(10) Bernard Priest was appointed in June 2011.

(11) Dave Goddard resigned as a director in May 2012.

Subsequent to her retirement from the Board in January 2012 Penny Coates continued to be employed by the Group until 7 April 2012 and received remuneration of £61,200 and pension contributions £9,400, during this period.

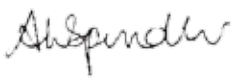
RETIREMENT BENEFITS

The company provides pension benefits to eligible employees through legacy defined benefit arrangements or the M.A.G Retirement and Death Benefit Scheme which is a defined contribution (DC) arrangement. The DC arrangement is available for newly eligible employees and provides money purchase pension benefits.

A salary sacrifice arrangement for the payment of employee pension contributions (called SMART pensions) was introduced in March 2010.

Charlie Cornish, Neil Thompson, Penny Coates and Ken O'Toole are members of the Group's money purchase scheme and the Group paid total contributions of £203,300 (2011: £65,624) to this scheme on their behalf during the year. No elements of remuneration, other than basic salary, are pensionable.

The Company is not compensating any member of the Schemes for any additional tax which is payable as a result of changes to government policy. However, since the lowering of the Annual Allowance threshold in April 2011 members of the DC arrangement do have the opportunity to voluntarily give up some of their pension contributions in order to avoid incurring Annual Allowance tax charges. To the extent that contributions are given up voluntarily the Company will pay a discretionary cash supplement in lieu of pension provision given up.



Angela Spindler
Chair of the Remuneration and Review Committee
26 July 2012

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012

The Directors present their report and the audited financial statements of the Manchester Airport Group ('the Group') and The Manchester Airport Group PLC, the parent company ('the Company') for the year ended 31 March 2012.

PRINCIPAL ACTIVITES

The Group comprises the Company and its subsidiaries. The principal activities of the Group during the year were the ownership, operation and development of airport facilities in the UK. The Group's revenues were derived from aircraft and passenger handling charges, together with income from airport commercial and retail activities and property.

RESULTS, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated results for the year are set out on page 64.

The Company intends to continue its development of the Group as an operator of high quality airports and airport facilities, meeting the demand for air travel arising in the regions served, with a reputation for quality, customer service, value for money and a sustainable approach to development.

A more detailed review of the Group's principal activities, results and future developments is provided in the Chairman's Statement, the Review of Operations and the Finance Review.

DIVIDENDS AND TRANSFERS TO RESERVES

The retained loss for the year of £29.2m (2011: profit £64.7m) after dividends paid of £20.0m (2011: £20.0m) will be transferred to reserves.

SHAREHOLDERS

The Shareholders as at 31 March 2012 are set out below:

THE BOARD OF DIRECTORS

	Number of ordinary shares	Percentage
The Council of the City of Manchester	112,353,999	55
The Borough Council of Bolton	10,214,000	5
The Council of the Metropolitan Borough of Bury	10,214,000	5
The Oldham Borough Council	10,214,000	5
The Rochdale Borough Council	10,214,000	5
The Council of the City of Salford	10,214,000	5
The Metropolitan Borough Council of Stockport	10,214,000	5
The Tameside Metropolitan Borough Council	10,214,000	5
The Trafford Borough Council	10,214,000	5
The Wigan Borough Council	10,214,000	5

The names and biographical details of the directors are set out on page 49.

Richard Leese resigned as a non-executive director in May 2011.

Bernard Priest was appointed as a non-executive director in June 2011.

Neil Thompson was appointed as Chief Financial Officer in March 2011 and appointed to the Board in November 2011.

Penny Coates resigned as Chief Operating Officer in January 2012.

Ken O'Toole was appointed as Chief Commercial Officer in January 2012.

The Directors of the Company, who held office during the year, 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.

CHANGES TO THE BOARD OF DIRECTORS SINCE THE YEAR END

Mike Davies has been re-appointed as a non-executive director for a further term of three years with effect from April 2012. Dave Goddard resigned as a director in May 2012, and Kieran Quinn was appointed to the Board in June 2012.

CONTRACTS OF SIGNIFICANCE

Details of contracts of significance with The Council of the City of Manchester are set out in Note 33 to these financial statements.

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 understand and anticipate the diverse needs of it's customers.

To get the best from employees and meet the varying needs of it's 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, more information on consultation is provided in the report on corporate responsibility. In addition, briefings are cascaded throughout the organisation to communicate key business and operational issues and there is a Group wide in-house magazine, which is produced on a quarterly basis.

POLICY AND PRACTICE ON PAYMENT OF PAYABLES

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 2012 was 47 days (2011: 41 days), which has been calculated in accordance with the average number of days between date of invoice and the payment of the invoice.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group and its subsidiaries during the year totalled £0.4m (2011: £0.4m). The donations were all made to recognised local and national charities for a variety of purposes. It is the Group's policy not to make contributions to political parties.

AUDITORS

A resolution to reappoint KPMG LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board

S Welsh
Secretary
For and on behalf of the Board of Directors
26 July 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the company.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANCHESTER AIRPORT GROUP PLC

We have audited the group financial statements of The Manchester Airport Group PLC for the year ended 31 March 2012 set out on pages 59 to 94. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 57, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

OPINION OF 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 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the parent company financial statements of The Manchester Airport Group PLC for the year ended 31 March 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Jonathan Hurst (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
26 July 2012

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.

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

At the year ended 31 March 2012, M.A.G had £525.8m (2011 £526.8m) of committed facilities and a net debt position of £398.7m (2011: £372.9m). M.A.G had financial headroom of £120m at the year-end, a level comfortably in excess of the internal compliance target.

Under existing facilities and based on the board approved three-year business plan M.A.G is forecast to have financial headroom in excess of £90m over the next 12 months.

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.

New accounting standards adopted for the first time in the preparation of these financial statements include the following:

- IAS 24 Related Party Disclosures (revised 2009). The changes introduced relate mainly to the related party disclosure requirements for government-related entities, and the definition of a related party;
- The amendment to IFRIC 14 removes unintended consequences arising from the treatment of prepayments when there is a minimum funding requirement (MFR). The amendment results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense;
- IFRS 7 is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments;
- IAS 1 is amended to clarify that a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity for each component of equity. IAS 1 is also amended to allow the analysis of the individual OCI line items by component of equity to be presented in the notes. Previously, such analysis could only be presented in the SOCIE. A number of examples have been added to the list of events or transactions that require disclosure under IAS 34; and
- IFRIC 13 is amended to state that the fair value of award of credits takes into account the amount of discounts or incentives that would otherwise be offered to customers that have not earned the award credits.

The adoptions of the amendments and improvements did not have a significant effect on the Group's result for the period, net assets or cash flows.

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.

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 The Manchester Airport Group PLC and all of its subsidiaries. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries have been consolidated from the date that control commences until the date that control ceases.

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

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

DISCONTINUING OPERATIONS

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

The conditions required for held for sale classification are:

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

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

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax or duty.

The following revenue recognition criteria apply to the Group's main income streams:

- Various passenger charges for handling and security based upon the number of departing passengers, recognised at point of departure;
- Aircraft departure and arrival charges levied according to weight, recognised at point of departure;
- Aircraft parking charges based upon a combination of weight and time parked, recognised at point of departure;
- Car parking income recognised at the point of exit for turn-up short and long stay parking. Contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis;
- Concession income from retail and commercial concessionaries is recognised in the period to which it relates on an accruals basis;
- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term; and
- Development profits are recognised upon legal completion of contracts.

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 constitutes the Group's operational asset base including terminal, airfield, car parking, land, plant, and owner occupied property assets.

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.

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 it's recoverable amount.

HELD FOR SALE ASSETS

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

LEASES

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

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

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

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

INVENTORIES

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

GRANTS

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

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at fair value, and subsequently less any provision for impairment.

Trade and other receivables are appraised throughout the year to assess the need for any provision for impairment.

Specific provision for impairment has been determined by identifying all external debts where it is more probable than not, that they will not be recovered in full, and a corresponding amount is charged against operating profit. Trade receivables are stated net of any such provision.

With regard to other receivables specific provision for impairment would be recognised upon the carrying value of such receivables being higher than the their recoverable amount.

CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts, which have an original maturity of three months or less.

BORROWINGS

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

BORROWING COSTS

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

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

TRADE AND OTHER PAYABLES

Trade and other payables are recognised at fair value.

PROVISIONS

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

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

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 26% applicable to accounting periods ending 31 March 2012 (2011: 28%).

On 21 March 2012 the Chancellor announced that the main rate of UK corporation tax will reduce from 26% to 24% with effect from 1 April 2012. This change became substantively enacted on 26 March 2012 and therefore the effect of the rate reduction on the deferred tax balances has been included in the calculations as at 31 March 2012.

The Chancellor has also proposed changes to further reduce the main rate of UK corporation tax by 1% per annum to 22% by 1 April 2014. These reductions have not been substantively enacted as at 31 March 2012 and are therefore not reflected in the deferred tax balance.

EMPLOYEE BENEFIT COSTS

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

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

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

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

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

Under IFRIC 14 surplus on pension schemes are not recognised unless there is an unconditional right to recover or realise them at some point during the life of the plan. The unconditional right would not exist when the availability of the refund or the reduction in future contribution would be contingent upon factors beyond the entity's control (for example, approval by third parties such as plan trustees). To the extent the right is contingent, no asset would be recognised.

DIVIDENDS

A dividend to the Group's shareholders is recognised as a liability in the consolidated financial statements during the period in which the right to receive a payment is established via the declaration of a dividend by the Group's Board of Directors.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £m Before significant items	2012 £m Significant items	2012 £m After significant items	2011 £m Before significant items	2011 £m Significant items	2011 £m After significant items
Continuing operations							
Revenue	1	**373.2**	**–**	**373.2**	343.6	–	343.6
Result from operations before significant items	4	**65.5**	**–**	**65.5**	52.0	–	52.0
Significant items							
Pensions credit	4	**–**	**0.4**	**0.4**	–	41.4	41.4
Restructuring costs	4	**–**	**(4.4)**	**(4.4)**	–	–	–
Impairment of property, plant and equipment	4	**–**	**(38.5)**	**(38.5)**	–	–	–
Result from operations	4	**65.5**	**(42.5)**	**23.0**	52.0	41.4	93.4
Movement in investment property fair values	15	**(1.1)**	**–**	**(1.1)**	13.0	–	13.0
Finance income	7	**–**	**–**	**–**	0.2	–	0.2
Finance costs	8	**(28.6)**	**–**	**(28.6)**	(26.5)	–	(26.5)
Result before taxation	9	**35.8**	**(42.5)**	**(6.7)**	38.7	41.4	80.1
Taxation	10	**8.4**	**4.5**	**12.9**	15.9	(11.6)	4.3
Result from continuing operations		**44.2**	**(38.0)**	**6.2**	54.6	29.8	84.4
Discontinuing operations							
Result from discontinuing operations (net of tax)	3	**–**	**(15.4)**	**(15.4)**	–	0.3	0.3
Result for the year		**44.2**	**(53.4)**	**(9.2)**	54.6	30.1	84.7
Earnings per share expressed in pence per share –							
Continuing operations	12			**3.03**			41.31
Discontinuing operations	12			**(7.54)**			0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £m	2011 £m
Result for the year		**(9.2)**	84.7
Actuarial loss on retirement benefit liabilities	25	**(33.5)**	(13.4)
Deferred tax on retirement benefits actuarial movements	10	**8.0**	3.5
Deferred tax on pension lump sum contribution	10	**–**	(5.6)
Effect of change in rate of corporation tax	10	**(0.4)**	(1.3)
Other comprehensive expense for the year		**(25.9)**	(16.8)
Total comprehensive (expense) / income for the year		**(35.1)**	67.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012

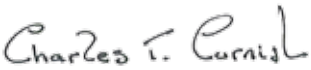
		Attributable to equity holders		
	Note	Share capital £m	Reserves £m	Total £m
At 1 April 2011		204.3	612.7	817.0
Result for the year		–	(9.2)	(9.2)
Defined benefit actuarial loss net of tax		–	(25.5)	(25.5)
Dividends paid to equity holders	11	–	(20.0)	(20.0)
Effect of change in rate of corporation tax		–	(0.4)	(0.4)
Balance at 31 March 2012		**204.3**	**557.6**	**761.9**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £m	2011 £m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,157.0**	1,220.5
Intangible assets	14	**20.0**	10.0
Investment properties	15	**354.9**	334.8
Deferred tax assets	26	**18.0**	12.7
		1,549.9	1,578.0
Current assets			
Inventories	16	**0.9**	1.1
Trade and other receivables	17	**33.7**	32.9
Cash and cash equivalents	18	**1.8**	8.5
Assets classified as held for sale	3	**0.2**	–
		36.6	42.5
LIABILITIES			
Current liabilities			
Borrowings	19	**(1.1)**	(1.7)
Trade and other payables	24	**(94.7)**	(89.7)
Deferred income		**(14.6)**	(13.5)
Current tax liabilities		**(9.5)**	(7.7)
		(119.9)	(112.6)
NET CURRENT LIABILITIES		**(83.3)**	(70.1)
Non-current liabilities			
Borrowings	19	**(399.4)**	(379.7)
Retirement benefit liabilities	25	**(75.2)**	(45.1)
Deferred tax liabilities	26	**(213.9)**	(246.1)
Other non-current liabilities	27	**(16.2)**	(20.0)
		(704.7)	(690.9)
NET ASSETS		**761.9**	817.0
Shareholders' equity			
Share capital	28	**204.3**	204.3
Retained earnings	29	**557.6**	612.7
Total equity		**761.9**	817.0

The financial statements on pages 59 to 94 were approved by the Board of Directors on 26 July 2012 and signed on its behalf by:

Mike Davies **Chairman**



Charlie Cornish **Group Chief Executive**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities:			
Result before taxation – continuing operations		(6.7)	80.1
Result before taxation – discontinuing operations		(15.6)	0.5
Change in value of investment properties		1.1	(13.0)
Finance income and expense		28.6	26.3
Depreciation and amortisation		66.2	64.2
Impairment of property, plant and equipment		38.5	–
Loss on sale of property, plant and equipment		0.3	0.4
Increase in trade, other receivables and inventories		(1.9)	(2.8)
Release of grants		(0.7)	(0.7)
Increase/(decrease) in trade and other payables		4.0	(3.1)
Decrease in retirement benefits provision		(3.5)	(41.2)
Impairment on available for sale assets		15.6	–
Increase in available for sale assets		(0.2)	–
Cash generated from operations		125.7	110.7
Interest paid		(28.0)	(29.3)
Interest received		–	0.2
Tax paid		(12.9)	(13.9)
Net cash from operating activities		84.8	67.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(54.1)	(74.8)
Purchase of intangible assets		(10.0)	–
Purchase of investment properties		(28.1)	(1.0)
Proceeds from sale of investment properties		1.1	–
Net cash used in investing activities		(91.1)	(75.8)
Cash flows from financing activities			
Increase in bank loan borrowings		20.1	36.0
Repayment of other borrowings		–	(0.1)
Finance lease principal payments		(1.3)	(1.9)
Dividends paid to shareholders		(20.0)	(20.0)
Net cash used in financing activities		(1.2)	14.0
Net movement in cash and cash equivalents		(7.5)	5.9
Cash and cash equivalents at 1 April		8.2	2.3
Cash and cash equivalents at 31 March	34	0.7	8.2

Cash and cash equivalents include overdrafts of £1.1m (2011: £0.3m)

1. REVENUE

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

	2012 £m	2011 £m
Aviation income	**169.6**	158.3
Commercial income		
Car parking	**52.0**	46.8
Property and property related income	**37.5**	33.0
Retail concessions	**74.6**	69.4
Other	**39.5**	36.1
Total commercial income	**203.6**	185.3
Total revenue	**373.2**	343.6

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.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised into five main operating divisions: Manchester Airport, M.A.G Developments, East Midlands Airport, Bournemouth Airport and Humberside Airport. The divisions are the basis of which the Group reports its primary information.

2012

	Manchester Airport	M.A.G Developments	East Midlands Airport	Bournemouth Airport	Group, consolidation and other	**Consolidated – continuing operations**	Discontinuing operations – Humberside Airport
	£m	£m	£m	£m	£m	**£m**	£m
Revenue							
External sales	282.1	28.7	49.9	10.1	2.4	**373.2**	6.6
Inter-segment sales	(0.1)	2.7	0.3	–	(2.9)	**–**	–
Total revenue	282.0	31.4	50.2	10.1	(0.5)	**373.2**	6.6
Result							
Segment result before significant items	72.2	18.8	6.6	(2.7)	(29.4)	**65.5**	–
Impairment of property, plant and equipment	–	–	–	38.5	–	**38.5**	–
Other information							
Segment assets	1,144.1	*(Note 1)*	301.1	80.2	60.9	**1,586.3**	0.2
Segment liabilities	(491.3)	*(Note 1)*	(78.6)	(11.4)	(243.3)	**(824.6)**	–
Capital expenditure	77.5	*(Note 1)*	2.9	3.1	–	**83.5**	1.4
Depreciation	54.7	0.8	7.2	2.1	0.7	**65.5**	0.7
Taxation charge/(credit)	(9.2)	*(Note 1)*	(1.7)	(3.2)	1.2	**(12.9)**	–
Result – geographical location *(Note 2)*							
Segment result before significant items	87.3	–	7.5	0.2	(29.5)	**65.5**	–

2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

2011

	Manchester Airport	M.A.G Developments	East Midlands Airport	Bournemouth Airport	Group, consolidation and other	**Consolidated – continuing operations**	Discontinuing operations – Humberside Airport
	£m	£m	£m	£m	£m	**£m**	£m
Revenue							
External sales	257.7	24.2	48.7	11.4	1.6	**343.6**	6.6
Inter-segment sales	(0.1)	2.8	(0.2)	(0.7)	(1.8)	**–**	–
Total revenue	257.6	27.0	48.5	10.7	(0.2)	**343.6**	6.6
Result							
Segment result before exceptional items	58.1	16.7	7.1	(1.7)	(28.2)	**52.0**	(0.7)
Other information							
Segment assets	1,148.6	*(Note 1)*	284.4	113.9	50.8	**1,597.7**	22.8
Segment liabilities	(489.9)	*(Note 1)*	(80.5)	(16.1)	(207.3)	**(793.8)**	(9.7)
Capital expenditure	52.7	*(Note 1)*	7.5	10.9	–	**71.1**	0.2
Depreciation	53.7	0.8	7.6	1.4	–	**63.5**	0.7
Taxation charge/(credit)	3.3	*(Note 1)*	1.0	(0.5)	(8.1)	**(4.3)**	0.2
Result – geographical location *(Note 2)*							
Segment result before significant items	71.6	–	7.8	0.8	(28.2)	**52.0**	(0.7)

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

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

3. DISCONTINUING OPERATIONS

Humberside International Airport is presented as a disposal group held for sale following a commitment in February 2012 by the Group's management to sell the subsidiary. The segment was not classified as a discontinuing operation or classified as held for sale at 31 March 2011 and the comparative consolidated statement of comprehensive income has been re-presented to show the discontinuing operation.

	2012 £m	2011 £m
Result of discontinuing operations		
Revenue	6.6	6.6
Expenses	(6.6)	(7.3)
Result from operations – before significant items	–	(0.7)
Significant item – Pensions Credit	–	1.2
Result from operations – before significant items	–	0.5
Taxation	0.2	(0.2)
Result from operations (net of tax)	0.2	0.3
Loss on impairment of available for sale assets and liabilities	(15.6)	–
Result from discontinuing operations (net of tax)	(15.4)	0.3

Effect of disposal on the financial position of the Group:

	2012 £m
Property, plant and equipment	(15.2)
Investment properties	(5.9)
Trade and other receivables and inventories	(1.3)
Trade and other payables	4.9
Retirement benefit liabilities	0.9
Deferred tax liabilities	2.1
Net assets and liabilities classified as held for sale	(14.5)
Proceeds	0.2
Less selling costs	(0.4)
Retirement benefit liability arising on sale	(0.9)
Loss on impairment of available for sale assets and liabilities	(15.6)

The additional retirement benefit liability arising on sale relates to a valuation of actuarial liabilities of the East Riding's pension scheme as at the date of disposal.

Cash flows from (used in) discontinuing operations

	2012 £m	2011 £m
Net cash used in operating activities	0.4	(1.3)
Net cash from investing activities	(1.4)	(0.2)
Net cash from financing activities	(0.1)	(0.1)
Net cash flows for the year	(1.1)	(1.6)

3. DISCONTINUING OPERATIONS continued

Assets and liabilities classified as held for sale comprise the following:

	2012 £m
Net assets and liabilities held for sale	14.5
Impairment	(14.3)
Net assets classified as held for sale	**0.2**

An impairment provision of £14.3m has been made against the carrying value of the net assets in Humberside International Airport, with net assets being measured at their recoverable amount on sale.

4. RESULT FROM OPERATIONS

	2012 £m	2011 £m
Turnover	**373.2**	343.6
Wages and salaries *(Note 1)*	**(69.8)**	(67.4)
Social security costs	**(6.2)**	(5.7)
Pension costs	**(5.6)**	(7.4)
Employee benefit costs	**(81.6)**	(80.5)
Depreciation	**(65.5)**	(63.5)
Loss on disposal of fixed assets	**(0.3)**	(0.4)
Other operating charges *(Note 2)*	**(160.3)**	(147.2)
Result from operations before significant items	**65.5**	52.0
Pensions credit *(Note 3)*	**0.4**	41.4
Restructuring costs *(Note 1)*	**(4.4)**	–
Impairment of property, plant and equipment *(Note 4)*	**(38.5)**	–
Result from operations	**23.0**	93.4

(Note 1) Wages and salary costs are disclosed before restructuring costs amounting to £4.4m (2011 £nil) which are reported separately. The restructuring costs are in respect of an organisational efficiency programme. The costs include severance pay and exceptional pension contributions.

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

(Note 3) The significant pension credit relates to a credit to the Income Statement relating to a past service cost gain. This gain was a result of the government announcement in June 2010 that local government pension increases will link to Consumer Price Index rather than Retail Price Index. The 2011 credit is in respect of the GMPF scheme, the 2012 credit relates to the EMIA scheme, which adopted the change in the financial year following a change in the trust deed.

(Note 4) A provision of £38.5m has been made against the carrying value of property, plant & equipment at Bournemouth Airport following a review of carrying values. Continued deterioration in the Airport's performance during the year resulted in the Group revising its assumptions regarding future activity levels. This has resulted in revised forecast cash flows arising in the cash generating unit. An impairment loss has been calculated on a value-in-use basis and further details of the impairment testing are set out in note 13.

5. EMPLOYEE INFORMATION

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

	2012 Number	2011 Number
By location		
Manchester Airport	2,052	2,072
East Midlands Airport	243	245
Bournemouth Airport	126	125
Humberside Airport	155	149
	2,576	2,591

6. DIRECTORS EMOLUMENTS

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 50 to 53 in the Remuneration Report.

	2012 £m	2011 £m
Aggregate emoluments	1.4	1.7

An amount of £203,300 (2011: £65,624) was paid in to money purchase schemes in respect of four directors (2011: two directors).

	2012 £m	2011 £m
Highest paid director		
Aggregate emoluments and benefits	0.5	0.5

7. FINANCE INCOME

	2012 £m	2011 £m
Other interest receivable	–	0.2
	–	0.2

8. FINANCE COSTS

	2012 £m	2011 £m
Interest payable on bank loans and overdrafts	9.1	6.8
Interest payable on finance leases	–	0.2
Interest payable on other borrowings	19.5	19.5
	28.6	26.5

9. RESULT BEFORE TAXATION

	Note	2012 £m	2011 £m
Result before taxation has been arrived at after charging/(crediting):			
Hire of plant and machinery – operating leases		**0.3**	0.3
Hire of other assets – operating leases		**10.3**	10.4
Release of capital based grants		**(0.8)**	(0.8)
Depreciation of property, plant and equipment:			
Owned assets – continuing operations	13	**65.5**	63.3
Owned assets – discontinuing operations	13	**0.7**	0.7
Leased assets	13	**–**	0.2
Loss on disposal of property, plant and equipment and investment properties		**0.3**	0.4
Impairment of property, plant and equipment	13	**38.5**	–
Decrease / (increase) in fair value of investment property	15	**1.1**	(13.0)
Employee benefit costs	4	**81.6**	80.5
Pensions credit – continuing operations	4	**(0.4)**	(41.4)
Pensions credit – discontinuing operations	4	**–**	(1.2)
Auditors' remuneration:			
Audit of these financial statements		**0.2**	0.2
Amounts receivable by auditors and their associates in respect of:			
Other services relating to taxation		**0.1**	0.2
All other services		**0.6**	0.2

10. TAXATION

ANALYSIS OF CHARGE IN THE PERIOD

	2012 £m	2011 £m
Current taxation		
UK Corporation tax on result for the year	15.9	13.5
Adjustment in respect of prior year	(1.2)	(1.9)
Total current taxation	14.7	11.6
Deferred taxation		
Temporary differences arising in the period	(9.8)	6.2
Adjustment in respect of prior year	0.4	(3.2)
Effect of change in rate of corporation tax	(18.2)	(18.9)
Total ordinary deferred taxation	(27.6)	(15.9)
Total taxation credit	(12.9)	(4.3)

TAXATION ON ITEMS CHARGED TO EQUITY

	2012 £m	2011 £m
Deferred taxation on actuarial losses	(8.0)	(3.5)
Deferred taxation on pension lump sum contribution	–	5.6
Effect of change in rate of corporation tax	0.4	1.3
	(7.6)	3.4

FACTORS AFFECTING THE TAXATION CHARGE FOR THE YEAR

The total taxation for the year ended 31 March 2012 is lower than the standard rate of corporation taxation in the UK of 26% (2011: 28%).
The differences are explained below:

	2012 £m	2011 £m
Result before taxation	(6.7)	80.1
Result before taxation multiplied by the standard rate of corporation tax in the UK of 26% (2011: 28%)	(1.7)	22.4
Effect of:		
Origination and reversal of timing differences	0.5	(0.3)
Permanent timing differences	–	(2.4)
Non-taxable items	7.3	–
Adjustments to prior year taxation charge	(0.8)	(5.1)
Effect of change in rate of corporation tax	(18.2)	(18.9)
Total taxation credit	(12.9)	(4.3)

On 21 March 2012 the Chancellor announced that the main rate of UK Corporation tax will reduce from 26% to 24% with effect from 1 April 2012. This change became substantively enacted on 26 March 2012 and therefore the effect of the rate reduction on the deferred tax balances has been included in the calculations as at 31 March 2012. The Chancellor has also proposed changes to further reduce the main rate of UK Corporation tax by 1% per annum to 22% by 1 April 2014. These reductions were not substantively enacted at the balance sheet date and are not reflected in the above figures. The effect of a further 1% reduction to the main UK Corporation tax rate when deferred tax liabilites reverse would be £8.2m.

11. DIVIDENDS

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the year:		
Dividend paid in relation to the year ended 31 March 2011 of 9.79 pence (2010: 9.79 pence) per share	**20.0**	20.0
Proposed final dividend for the year ended 31 March 2012 of 9.79 pence (2011: 9.79 pence) per share	**20.0**	20.0

12. 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.

	2012			2011		
	Earnings £m	Weighted average number of shares m	Per share amount Pence	Earnings £m	Weighted average number of shares m	Per share amount Pence
EPS attributable to ordinary shareholders – continuing operations	**6.2**	**204.3**	**3.03**	84.4	204.3	41.31
EPS attributable to ordinary shareholders – discontinuing operations	**(15.4)**	**204.3**	**(7.54)**	0.3	204.3	0.15

13. PROPERTY, PLANT AND EQUIPMENT

2012	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Leased assets £m	Assets in the course of construction £m	Total £m
Cost							
At 1 April 2011	227.8	407.1	816.3	382.2	16.3	59.1	1,908.8
Additions	–	–	–	–	–	84.9	84.9
Reclassification	(4.7)	13.1	49.6	37.3	(16.3)	(107.1)	(28.1)
Disposals	–	(0.2)	(19.4)	(3.4)	–	(0.2)	(23.2)
Reclassification as assets held for sale *(Note 3)*	(6.4)	–	(16.2)	(5.0)	–	(1.2)	(28.8)
At 31 March 2012	**216.7**	**420.0**	**830.3**	**411.1**	**–**	**35.5**	**1,913.6**
Depreciation							
At 1 April 2011	54.8	62.0	260.0	295.4	15.7	0.4	688.3
Charge for the period	0.6	12.3	20.7	32.6	–	–	66.2
Reclassification	–	–	12.9	3.2	(15.7)	(0.4)	–
Impairment	5.2	11.3	13.8	8.2	–	–	38.5
Disposals	–	(0.2)	(19.3)	(3.3)	–	–	(22.8)
Reclassification as assets held for sale *(Note 3)*	(2.6)	–	(7.1)	(3.9)	–	–	(13.6)
At 31 March 2012	**58.0**	**85.4**	**281.0**	**332.2**	**–**	**–**	**756.6**
Carrying amount							
At 31 March 2012	**158.7**	**334.6**	**549.3**	**78.9**	**–**	**35.5**	**1,157.0**
At 31 March 2011	173.0	345.1	556.3	86.8	0.6	58.7	1,220.5

13. PROPERTY, PLANT AND EQUIPMENT continued

2011	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Leased assets £m	Assets in the course of construction £m	Total £m
Cost							
At 1 April 2010	204.7	414.9	823.3	412.0	16.3	32.3	1,903.5
Additions	–	–	–	–	–	70.3	70.3
Reclassification	23.1	2.4	9.6	12.8	–	(43.5)	4.4
Disposals	–	(10.2)	(16.6)	(42.6)	–	–	(69.4)
At 31 March 2011	**227.8**	**407.1**	**816.3**	**382.2**	**16.3**	**59.1**	**1,908.8**
Depreciation							
At 1 April 2010	54.8	61.6	255.5	306.1	15.5	–	693.5
Charge for the period	–	10.6	21.1	31.9	0.2	0.4	64.2
Disposals	–	(10.2)	(16.6)	(42.6)	–	–	(69.4)
At 31 March 2011	**54.8**	**62.0**	**260.0**	**295.4**	**15.7**	**0.4**	**688.3**
Carrying amount							
At 31 March 2011	**173.0**	**345.1**	**556.3**	**86.8**	**0.6**	**58.7**	**1,220.5**
At 31 March 2010	149.9	353.3	567.8	105.9	0.8	32.3	1,210.0

Impairment

Deterioration in the trading performance of Bournemouth Airport has resulted in the Group revising its' expectations about the level of activity which will be delivered by the airport in the longer term. An impairment loss has been calculated on a value-in-use basis, resulting in a write-down in the value of long leasehold property, airport infrastructure and plant, fixtures and equipment amounting to £38.5m. The value-in-use calculations use the Group's cash flow projections, based on the 2012-13 Long Term Financial Forecast, discounted at the pre-tax discount rate of 7.75%, and reflecting a long term growth rate of 2.5% per annum beyond the detailed 3 year plan period to March 2015. The key assumptions for these forecasts relate to passenger and revenue growth rates, EBITDA margin, and the level of capex required to support trading, which management estimates based on past experience and currently available information. Impairment calculations are sensitive to changes in key assumptions of revenue growth and discount rate. With all other assumptions held constant, an increase in the discount rate of 1% would result in an additional impairment charge of £5.4m. A 1% reduction in the forecast revenue growth with all other assumptions held constant, would result in an additional impairment charge of £7.4m.

14. INTANGIBLE ASSETS

	Intangible assets £m
Cost	
At 1 April 2011	10.0
Additions	10.0
At 31 March 2012	**20.0**
Amortisation	
At 1 April 2011	–
At 31 March 2012	**–**
Carrying amount	
At 31 March 2012	**20.0**
At 31 March 2011	10.0

The Group has secured rights to ensure that the Greater Manchester Metrolink light rail system is extended to Manchester Airport, connecting to the wider Metrolink network. The contractual agreement ensures that the Metrolink service, expected to commence in 2016, will be operated for a period of 30 years. The cost of securing the rights is being capitalised pending the commencement of the operation. It is proposed that the contract-based intangible will be amortised over 20 years, which the directors believe to be the foreseeable period over which the majority of the benefits from the service will accrue to the Airport.

15. INVESTMENT PROPERTIES

2012

	Investment properties £m
Cost or valuation	
At 1 April 2011	334.8
Reclassification from assets in the course of construction *(Note 13)*	28.1
Disposals	(1.0)
Revaluation	(1.1)
Reclassification as assets held for sale *(Note 3)*	(5.9)
At 31 March 2012	**354.9**
Carrying amount	
At 31 March 2012	**354.9**
At 31 March 2011	334.8

15. INVESTMENT PROPERTIES continued

2011	Investment properties £m
Cost or valuation	
At 1 April 2010	325.6
Additions	1.0
Reclassification from assets in the course of construction *(Note 13)*	(4.4)
Disposals	(0.4)
Revaluation	13.0
At 31 March 2011	**334.8**
Carrying amount	
At 31 March 2011	**334.8**
At 31 March 2010	325.6

Investment properties

The fair value of the Group's investment property at 31 March 2012 has been arrived at on the basis of a valuation carried out at that date by Drivers Jonas Deloitte Chartered Surveyors, independent valuers not 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 £23.2m (2011: £23.3m). Direct operating expenses arising on the investment property in the period amounted to £2.5m (2011: £2.9m). This includes £0.3m (2011: £0.3m) of operating costs where no income was derived.

16. INVENTORIES

	2012 £m	2011 £m
Consumables	**0.9**	1.1
	0.9	1.1

17. TRADE AND OTHER RECEIVABLES

	2012 £m	2011 £m
Trade receivables	17.7	17.0
Other receivables	2.8	4.6
Prepayments and accrued income	13.2	11.3
	33.7	32.9

The average credit period taken on sales is 14 days (2011: 15 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £1.1m (2011: £1.1m). This allowance has been determined by identifying all specific external debts where it is probable that they will not be recovered in full.

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

Credit risk

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

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

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

	2012 £m	2011 £m
Debt due over 90 days	0.8	0.9
Total	0.8	0.9

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

	£m
Balance at 1 April 2011	1.1
Increase in provision for impaired receivables	0.3
Provision utilised	(0.3)
Balance at 31 March 2012	**1.1**

As of 31 March 2012, trade receivables of £1.1m (2011: £1.1m) were considered for impairment and of which an amount of £1.1m (2011: £1.1m) was provided.

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:

	2012 £m	2011 £m
Less than 60 days	0.1	–
60 to 90 days	0.2	0.2
Over 90 days	0.8	0.9
Total	1.1	1.1

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

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

18. CASH AND CASH EQUIVALENTS

	2012 £m	2011 £m
Cash at bank and in hand	1.8	0.7
Short term deposits	–	7.8
	1.8	8.5

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

The credit risk on short term deposits is limited as reflected in the Fitch credit ratings of the counterparty banks of not less than F2.

19. BORROWINGS

	Notes	2012 £m	2011 £m
Overdraft		1.1	0.3
Bank loans	20	237.4	216.7
Other borrowings	21	162.0	163.1
Obligations under finance leases	22	–	1.3
		400.5	381.4
Borrowings are repayable as follows:			
In one year or less, or on demand			
Overdraft		1.1	0.3
Other borrowings		–	0.1
Obligations under finance leases		–	1.3
		1.1	1.7
In more than one year, but no more than two years			
Bank loans		162.7	142.0
Other borrowings		–	0.1
		162.7	142.1
In more than two years, but no more than five years			
Other borrowings		–	0.1
		–	0.1
In more than five years – due other than by instalments			
Bank loans		74.7	74.7
Other borrowings		162.0	162.0
		236.7	236.7
In more than five years – due by instalments			
Other borrowings		–	0.8
		–	0.8
Non Current Borrowings		399.4	379.7
Total Borrowings		400.5	381.4

See Note 23 for further information on financial liabilities, including maturity analysis.

20. BANK LOANS

	2012 £m	2011 £m
Unsecured bank revolving credit facility of £280.0m (2011: £280.0m) repayable on or before 22 December 2015 *(Note 1)*	165.1	145.0
Less: unamortised debt issue costs	(2.4)	(3.0)
Unsecured term loan of £75.0m (2011: £75.0m) repayable on 27 June 2028 *(Note 2)*	75.0	75.0
Less: unamortised debt issue costs	(0.3)	(0.3)
	237.4	216.7

(Note 1) The unsecured syndicated bank revolving credit facility is subject to a floating interest rate linked to LIBOR + margin. The margin is then linked to leverage and is capped at a maximum of 185 basis points.
(Note 2) The unsecured term loan is subject to an underlying fixed interest rate of 5.31% + margin. The margin is linked to credit rating and leverage and is capped at a maximum 150 basis points.

21. OTHER BORROWINGS

	2012 £m	2011 £m
Repayable by instalments		
Unsecured loan from North Lincolnshire District Council to Humberside International Airport Limited at an interest rate midway between NatWest Bank base rate and the Council's consolidated loans pool rate repayable in 22 annual instalments from 31 May 2002 (Rate during 2011: 5.84% (2010: 5.87%))	–	1.0
Repayable by due other than by instalments		
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	162.5	162.6
Less: unamortised debt issue costs	(0.5)	(0.5)
	162.0	163.1

Security of other borrowings

The £162.5m shareholders' loan is unsecured.

See Note 23 for further information on financial liabilities, including maturity analysis.

22. FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	£m	£m	**£m**	£m
Amounts payable under finance leases:				
Within one year	–	1.4	–	1.3
Less: future finance charges	–	(0.1)		
Present value of lease obligation	–	1.3		
Less: amount due for settlement within 12 months			–	(1.3)
Amount due for settlement after 12 months			–	–

The Group leased fixtures and equipment under finance leases. The average lease term from inception was 15 years, and the leases expired during the year.

For the year ended 31 March 2012, the average effective borrowing rate was 6.4% (2011: 6.4%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligation are denominated in sterling.

The fair value of the Group's lease obligation approximates to their carrying amount.

The Group's obligation under finance leases are secured by the lessors' charges over the leased assets.

See Note 23 for further information on financial liabilities, including maturity analysis.

23. FINANCIAL INSTRUMENTS

Risk management

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

Treasury operations are conducted within a framework of policies, which are approved and subsequently monitored by the Board. These include guidelines on funding, interest rates management and counterparties, which together form key areas of treasury risk.

Interest rate risk

The Group has an exposure to interest rate risk, arising principally on changes in sterling interest rates. To mitigate interest rate risk, the Group manages its proportion of fixed to floating rate borrowings within policy guidelines, primarily through fixed and floating rate term debt. These practices serve to reduce the volatility of the Group's interest cost.

Liquidity risk

The Group's key guideline in managing liquidity risk is to limit the amount of borrowings maturing within 12 months to 35% of gross borrowings less money market demand deposits.

At the year ended 31 March 2012, M.A.G had £525.8m (2011 £526.8m) of committed facilities and a net debt position of £400.5m (2011 £372.9m). M.A.G had financial headroom of approximately £120m at the year end, a level comfortably in excess of the internal compliance target.

Under existing facilities and based on the board approved three year business plan M.A.G is forecast to have financial headroom in excess of £90m for the next 12 months.

Foreign Exchange Risk

The Group is not materially exposed to foreign exchange risk.

Capital Management

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

The Group's policy is to manage its debt level so as to maintain a strong investment grade credit rating. The Group's credit rating from Standard and Poor's remains A.

Credit risk

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

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

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

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

23. FINANCIAL INSTRUMENTS continued

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

FINANCIAL LIABILITIES

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2012 was as follows:

	2012	2011
	£m	£m
Fixed rate financial liabilities	**236.7**	239.1
Floating rate financial liabilities	**163.8**	142.3
	400.5	381.4

Financial liabilities shown above are all denominated in sterling.

Financial liabilities are shown net of unamortised issue costs amounting to £3.2m (2011: £3.8m).

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

59% (2011: 63%) of the Group's debt is at a fixed rate of interest. The Group has prepared analysis on the impact of potential, likely changes in interest rates. The result of an increase in LIBOR of 1% would be to increase financial liabilities by £1.6m.

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

	2012	2011
Weighted average annual interest rate	**10.06%**	10.01%
Weighted average period for which interest rate is fixed	**36y 0m**	36y 8m

The weighted average period for non-interest bearing liabilities as at 31 March 2012 was 1 year (2011: 1 year).

(c) Maturity analysis of financial liabilities

The maturity profile of the fair value of the Group's financial liabilities as at 31 March 2012 was as follows:

	2012	2011
	£m	£m
In one year or less, or on demand	**35.9**	28.6
In more than one year but not more than two years	**–**	–
In more than two years but not more than five years	**162.7**	142.0
In more than five years	**236.7**	239.1
	435.3	409.7

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

UNDRAWN COMMITTED BORROWING FACILITIES

As at 31 March 2012, the Group had an undrawn committed borrowing facility available amounting to £118.8m (2011: £149.7m).

	2012 Floating rate £m	2011 Floating rate £m
Expiring in less than one year	**3.9**	4.7
Expiring in one to two years	**–**	–
Expiring in more than two years	**114.9**	145.0
	118.8	149.7

23. FINANCIAL INSTRUMENTS continued

FINANCIAL ASSETS

Interest rate profile of financial assets

	2012 £m	2011 £m
Short term fixed rate, sterling deposits	–	7.8
	–	7.8

All financial assets are denominated in sterling.

The fixed rate assets held at the end of the year will earn interest at an annual equivalent rate of 0.625%. Non-interest bearing assets primarily relate to long term trading receivables or current asset investments.

(d) Fair value 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 2012 and 2011. 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.

	2012		2011	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Bank loans and overdrafts	(238.5)	(238.5)	(217.0)	(217.0)
Trade payables	(34.8)	(34.8)	(28.3)	(28.3)
Other borrowings	(162.0)	(162.0)	(163.1)	(163.1)
Short and long term finance leases	–	–	(1.3)	(1.3)
	(435.3)	(435.3)	(409.7)	(409.7)
Cash at bank and in hand	1.8	1.8	0.7	0.7
Cash on short term deposit	–	–	7.8	7.8
Trade receivables	17.7	17.7	17.0	17.0
	19.5	19.5	25.5	25.5
Net financial liabilities	(415.8)	(415.8)	(384.2)	(384.2)

Summary of methods and assumptions

Bank loans	The bank debt is stated net of unamortised issue costs of £2.7m (2011: £3.3m), which would be charged in full to the income statement in the event of an immediate refinancing of this debt.
Trade receivables and payables	The directors consider that the carrying value of trade receivables and payables approximates to their fair value.
Other borrowings	Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.
Short term finance leases	The fair value of short-term finance leases (that is finance leases that are due to expire in less than one year) approximates to the book values of such instruments due to their short maturity dates.
Long term finance leases	The fair values of the Group's fixed rate long-term finance leases have been calculated by reference to discounted cash flows at prevailing market rates.
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.

23. FINANCIAL INSTRUMENTS continued

Interest rates used in determining fair values:	2012	2011
Bank loans and overdrafts	1.60% – 5.82%	1.60% – 5.82%
Other borrowings	12.00%	12.00%
Long term finance leases	n/a	6.09%

(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	
	2012	2011
	£m	£m
Trade receivables	17.7	17.0
Cash at bank and in hand	1.8	0.7
Cash on short term deposit	–	7.8
Credit exposure	19.5	25.5

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

24. TRADE AND OTHER PAYABLES

	2012	2011
	£m	£m
Trade payables	34.8	28.3
Other taxation and social security	2.0	2.1
Other payables	6.2	7.6
Accruals	51.0	50.9
Capital-based grants	0.7	0.8
	94.7	89.7

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

25. RETIREMENT BENEFITS

Defined contribution schemes

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

The total cost charged to income of £1.4m (2011: £1.3m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2012, there was £0.03m (2011: £0.05m) 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
- The East Midlands International Airport Pension Scheme
- The East Riding Pension Fund (Humberside Airport)
- The Airport Ventures Pension Scheme.

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

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2012 amounted to £7.0m (2011: £5.7m), there were no one off contributions this financial year (2011: £nil).

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

The Greater Manchester Pension Fund (GMPF)

The majority of the employees of the Group in defined benefit pension schemes, participate in the Greater Manchester Pension Fund (GMPF) administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £5.4m (2011: £3.9m) 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 2010 by an independent actuary. The fund was valued using the projected unit method. The purposes of the valuation were to determine the financial position of the fund and to recommend the contribution rate to be paid by Manchester Airport PLC and the other participating employers. The market value of the fund's assets at 31 March 2010 was £10,445m (previous valuation in 2007: £9,563m). The funding level of the scheme as measured using the actuarial method of valuation was 96.4% (previous valuation in 2007: 100%).

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

Salary increases	4.8% per annum
Pensions increase/price inflation	3.8% per annum

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

25. RETIREMENT BENEFITS continued

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
- East Riding Pension Fund – 31 March 2010
- 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.

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

	GMPF			EMIA			East Riding			Ventures		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Rate of increase in salaries *(Note 1)*	**3.20%**	4.30%	5.30%	**3.20%**	4.30%	5.30%	3.20%	4.30%	5.30%	**3.20%**	4.30%	5.30%
Rate of increase of pensions in payment *(Note 2)*	**2.50%**	2.80%	3.80%	**2.50%**	2.80%	3.80%	**2.50%**	2.80%	3.80%	**2.50%**	2.80%	3.80%
Discount rate	**4.95%**	5.50%	5.70%	**4.95%**	5.50%	5.70%	**4.95%**	5.50%	5.70%	**4.95%**	5.50%	5.70%
Inflation assumption	**2.50%**	2.80%	3.80%	**2.50%**	3.60%	3.80%	**2.50%**	2.80%	3.80%	**2.50%**	3.60%	3.80%

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

	2012	*2011*
Years 1 to 2	*3.20%*	*2.80%*
Year 3	*2.50%*	*2.80%*
Years 4 to 10	*3.50%*	*4.60%*
Years 11 and onwards	*3.50%*	*5.10%*

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

GMPF life expectancy is based upon the Funds's Vita Curves with improvements in line with a 1% underpin from 1 April 2010 adopted in the latest valuation 31 March 2010. Historic life expectancy have been valued using the PMA92 and PFA92 mortality tables.

EMIA, East Riding and Ventures life expectancy is based upon S1NMA and S1NFA tables with improvements in line with a 1% underpin from 1 April 2010. Historic life expectancy have been valued using the PMA92 and PFA92 mortality tables.

The attributable share of assets in the schemes and the expected long-term rate of return as at 31 March 2011:

	Rate of return 2012 %	**Value 2012 £m**	Rate of return 2011 %	Value 2011 £m	Rate of return 2010 %	Value 2010 £m
Equities and property	**6.16%**	**259.3**	7.35%	246.9	7.51%	247.1
Bonds	**3.90%**	**66.1**	4.90%	62.4	5.00%	55.6
Other	**3.50%**	**23.5**	4.60%	39.4	4.79%	33.6
		348.9		348.7		336.3

25. RETIREMENT BENEFITS continued

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

	Total market value of assets £m	Present value of scheme liabilities £m	(Deficit)/ surplus in the scheme £m
GMPF *(Note 1)*			
2012	**295.0**	**(359.9)**	**(64.9)**
2011	297.7	(335.3)	(37.6)
2010	288.5	(354.9)	(66.4)
2009	216.1	(236.9)	(20.8)
2008	263.1	(254.2)	8.9
EMIA			
2012	**41.2**	**(51.5)**	**(10.3)**
2011	38.7	(45.8)	(7.1)
2010	35.7	(42.7)	(7.0)
2009	26.0	(29.6)	(3.6)
2008	31.4	(33.4)	(2.0)
East Riding *(Note 2)*			
2012	**9.7**	**(10.7)**	**(1.0)**
2011	9.3	(9.7)	(0.4)
2010	9.3	(12.0)	(2.7)
2009	6.5	(7.4)	(0.9)
2008	8.4	(8.2)	0.2
Airport Ventures *(Note 3)*			
2012	**3.0**	**(3.0)**	**–**
2011	3.0	(3.0)	0.0
2010	2.8	(2.8)	0.0
2009	1.9	(1.3)	0.6
2008	2.4	(1.7)	0.7
Total *(Note 2)*			
2012	**348.9**	**(425.1)**	**(76.2)**
2011	348.7	(393.8)	(45.1)
2010	336.3	(412.4)	(76.1)
2009	250.5	(275.2)	(24.7)
2008	305.3	(297.5)	7.8)

(Note 1) The figures as shown represent the proportion of the schemes which are attributable to the Group. £6.6m (2011 £6.5m) of the liabilities are unfunded.

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

(Note 3) The Airport Ventures Scheme has a surplus of £1.1m (2011: £1.1m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

25. RETIREMENT BENEFITS continued

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

	GMPF		EMIA		East Riding		Ventures		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Current Service Cost of Defined Benefit Schemes	**3.9**	3.8	**1.4**	1.4	**0.3**	0.2	**–**	–	**5.6**	5.4
Past service cost	**0.6**	(41.3)	**(0.4)**	–	**–**	(1.2)	**–**	–	**0.2**	(42.5)
Expected return on pension scheme assets	**(19.4)**	(19.7)	**(2.4)**	(2.4)	**(0.7)**	(0.7)	**(0.1)**	(0.2)	**(22.6)**	(23.0)
Interest on pension scheme liabilities	**18.2**	18.2	**2.5**	2.4	**0.5**	0.7	**0.1**	0.1	**21.3**	21.4
Net amount charged against income	**3.3**	(39.0)	**1.1**	1.4	**0.1**	(1.0)	**–**	(0.1)	**4.5**	(38.7)

The above charge has been included in operating expenses.

Movement in deficit during year

	GMPF		EMIA		East Riding		Ventures		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Surplus/(deficit) in scheme at beginning of year	**(37.6)**	(66.4)	**(7.1)**	(7.0)	**(0.4)**	(2.7)	**–**	–	**(45.1)**	(76.1)
Movement in year:										
Current service cost	**(3.9)**	(3.8)	**(1.4)**	(1.4)	**(0.3)**	(0.2)	**–**	–	**(5.6)**	(5.4)
Past service cost / (credit)	**(0.6)**	41.3	**0.4**	–	**–**	1.2	**–**	–	**(0.2)**	42.5
Contributions	**5.4**	3.9	**1.2**	1.7	**0.4**	0.1	**–**	–	**7.0**	5.7
Other finance (expense)	**1.2**	1.5	**(0.1)**	–	**0.1**	–	**–**	0.1	**1.2**	1.6
Actuarial gain/(loss) in SOCI	**(29.4)**	(14.1)	**(3.3)**	(0.4)	**(0.8)**	1.2	**–**	(0.1)	**(33.5)**	(13.4)
Deficit in scheme at end of year	**(64.9)**	(37.6)	**(10.3)**	(7.1)	**(1.0)**	(0.4)	**–**	–	**(76.2)**	(45.1)

The total actuarial loss for the 2010 and 2009 periods were (£50.4m) and (£31.6m) respectively.

Amount recognised in the statement of comprehensive income (SOCI)

	GMPF		EMIA		East Riding		Ventures		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Actual return less expected return on pension scheme assets	**(15.1)**	(3.3)	**(0.1)**	0.3	**(0.5)**	(0.7)	**–**	0.1	**(15.7)**	(3.6)
Experience (losses)/gains arising on scheme liabilities	**–**	–	**–**	–	**–**	–	**–**	(0.4)	**–**	(0.4)
Changes in assumptions underlying the present value of the scheme liabilities	**(14.3)**	(10.8)	**(3.2)**	(0.7)	**(0.3)**	1.9	**–**	0.2	**(17.8)**	(9.4)
Actuarial gain/(loss) recognised in SOCI	**(29.4)**	(14.1)	**(3.3)**	(0.4)	**(0.8)**	1.2	**–**	(0.1)	**(33.5)**	(13.4)

25. RETIREMENT BENEFITS continued

Movement in present value of defined benefit obligations

	GMPF		EMIA		East Riding		Ventures		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
1 April	**335.3**	354.9	**45.8**	42.7	**9.7**	12.0	**3.0**	2.8	**393.8**	412.4
Service cost	**4.5**	(37.5)	**1.0**	1.4	**0.3**	(1.0)	**–**	–	**5.8**	(37.1)
Benefits paid and employee contributions	**(12.4)**	(11.1)	**(1.0)**	(1.4)	**(0.2)**	(0.1)	**–**	(0.1)	**(13.6)**	(12.7)
Interest cost	**18.2**	18.2	**2.5**	2.4	**0.6**	0.6	**–**	0.1	**21.3**	21.4
Actuarial gains and losses	**14.3**	10.8	**3.2**	0.7	**0.3**	(1.8)	**–**	0.2	**17.8**	9.8
31 March	**359.9**	335.3	**51.5**	45.8	**10.7**	9.7	**3.0**	3.0	**425.1**	393.8

Movement in fair value of scheme assets

	GMPF		EMIA		East Riding		Ventures		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
1 April	**297.7**	288.5	**38.7**	35.7	**9.3**	9.3	**3.0**	2.8	**348.7**	336.3
Expected return on scheme assets	**19.4**	19.7	**2.5**	2.4	**0.7**	0.7	**–**	0.2	**22.6**	23.0
Contributions	**5.4**	3.9	**1.2**	1.7	**0.4**	0.1	**–**	–	**7.0**	5.7
Benefits paid and employee contributions	**(12.4)**	(11.1)	**(1.1)**	(1.4)	**(0.2)**	(0.1)	**–**	(0.1)	**(13.7)**	(12.7)
Actuarial gains and losses	**(15.1)**	(3.3)	**(0.1)**	0.3	**(0.5)**	(0.7)	**–**	0.1	**(15.7)**	(3.6)
31 March	**295.0**	297.7	**41.2**	38.7	**9.7**	9.3	**3.0**	3.0	**348.9**	348.7

History of experience gains and losses

	GMPF		EMIA		East Riding		Ventures		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Difference between actual and expected returns on assets amount	**(15.1)**	(3.3)	**(0.1)**	0.3	**(0.5)**	(0.7)	**–**	0.1	**(15.7)**	(3.6)
% of scheme assets	**(5.1%)**	(1.1%)	**(0.2%)**	0.8%	**(5.2%)**	(7.5%)	**–**	3.3%	**(4.5%)**	(1.0%)
Experience gains and losses on liabilities amount	**–**	–	**–**	–	**–**	–	**–**	(0.4)	**–**	(0.4)
% of scheme liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total amount recognised in SOCI	**(29.4)**	(14.1)	**(3.3)**	(0.4)	**(0.8)**	1.2	**–**	(0.1)	**(33.5)**	(13.4)
% of scheme liabilities	**(8.2%)**	(4.2%)	**(6.4%)**	(0.9%)	**(7.5%)**	12.4%	**–**	(3.3%)	**(7.9%)**	(3.4%)

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2013 is £6.5m (31 March 2012: £6.8m).

26. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated capital allowances £m	Investment properties and operational assets carried at deemed cost £m	Retirement benefit obligations £m	Tax losses £m	Fair value acquisition adjustment £m	Short term timing differences £m	Total £m
At 1 April 2011	131.5	107.5	(11.7)	(0.9)	7.1	(0.1)	233.4
Charge/(credit) to income – continuing operations	(14.2)	(14.2)	0.5	–	–	0.3	(27.6)
Charge/(credit) to income – discontinuing operations	(0.2)	(0.1)	0.1	–	–	–	(0.2)
Charge/(credit) to equity	–	–	(7.1)	–	(0.5)	–	(7.6)
Reclassification to assets held for sale	(2.3)	(0.9)	0.2	0.9	–	–	(2.1)
At 31 March 2012	**114.8**	**92.3**	**(18.0)**	**–**	**6.6**	**0.2**	**195.9**
At 1 April 2010	147.8	118.8	(28.8)	(0.8)	7.7	1.0	245.7
Charge/(credit) to income	(16.3)	(11.3)	11.6	(0.1)	–	0.4	(15.7)
Charge/(credit) to equity	–	–	5.5	–	(0.6)	(1.5)	3.4
At 31 March 2011	**131.5**	**107.5**	**(11.7)**	**(0.9)**	**7.1**	**(0.1)**	**233.4**

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:

	2012 £m	2011 £m
Deferred tax liabilities	**(213.9)**	(246.1)
Deferred tax assets	**18.0**	12.7
	(195.9)	(233.4)

27. OTHER NON-CURRENT LIABILITIES

	2012 £m	2011 £m
Accruals and deferred income	**6.0**	6.2
Capital-based grants	**10.2**	13.8
	16.2	20.0

28. SHARE CAPITAL

	Number (m)	£m
Authorised, allotted, called up and fully paid		
204,280,000 ordinary shares of £1 each	204.3	204.3
At 31 March 2011 and 31 March 2012	**204.3**	**204.3**

29. RESERVES

	Retained earnings £m
At 1 April 2011	612.7
Actuarial losses on retirement benefit liabilities	(33.5)
Deferred tax on retirement benefits actuarial movements	8.0
Effect of change in rate of Corporation tax on deferred tax	(0.4)
Profit for the year after dividends	(29.2)
At 31 March 2012	**557.6**

Reconciliation of movements in shareholders' funds	**2012 £m**	2011 £m
Opening shareholders' funds	**817.0**	769.1
Total comprehensive income for the year	**(35.1)**	67.9
Dividends paid in the year	**(20.0)**	(20.0)
Equity shareholders' funds as at 31 March	**761.9**	817.0

30. CAPITAL COMMITMENTS

	2012 £m	2011 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**37.6**	70.7

31. 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.

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.

32. OPERATING LEASE ARRANGEMENTS

At 31 March 2012 the Group has commitments under non-cancellable operating leases which expire as follows:

	2012		2011	
	Land £m	**Other £m**	Land £m	Other £m
Expiring within one year	**–**	**0.1**	–	0.1
Expiring between two and five years inclusive	**–**	**0.3**	0.1	0.4
Expiring in over five years	**44.0**	**–**	45.4	–
	44.0	**0.4**	45.5	0.5

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

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

Lease and sublease payments recognised in the income statement are summarised in Note 9 and Note 15.

33. RELATED PARTY TRANSACTIONS

Transactions involving the councils

The Council of the City of Manchester 'MCC' is a related party to, and the ultimate controlling party of, The Manchester Airport Group PLC as MCC owns 55% of the share capital of the Company. During the year the Group entered into the following transactions with MCC.

As at the 31 March 2012 the amount of loans outstanding owed to MCC was £83.2m (2011: £83.2m). The Manchester Airport Group PLC made loan repayments of £nil (2011: £nil) to MCC during the year and paid interest of £10.0m (2011: £10.0m).

As at 31 March 2012 the amount of loans outstanding owed to the other nine councils listed on the inside cover was £79.4m (2011: £79.4m). The Manchester Airport Group PLC made loan repayments of £nil (2011: £nil) to the nine other councils during the year and paid interest of £9.5m (2011: £9.5m).

Included in external charges are charges for rent and rates amounting to £23.6m (2011: £22.8m) and other sundry charges of £0.1m (2011: £0.2m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Other related party transactions

North Lincolnshire District Council 'NLDC' is the minority shareholder of Humberside International Airport Limited. During the year NLDC charged £0.3m (2011: £0.4m) for rates to Humberside International Airport Limited.

During the year NLDC provided a rates rebate for the period 2005-2010 £0.4m (2011: £nil).

As at 31 March 2012 the amount of loans outstanding owed to NLDC was £1.0m (2011: £1.1m). Humberside International Airport Limited paid NLDC interest of £0.1m during the year (2011: £0.1m).

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

	2011 £m	Cash flow £m	Other non-cash movements £m	**2012 £m**
Cash at bank and in hand	0.7	1.1	–	**1.8**
Cash on short term deposit	7.8	(7.8)	–	**–**
Cash and cash equivalents disclosed on the Statement of Financial Position	8.5	(6.7)	–	**1.8**
Overdrafts	(0.3)	(0.8)	–	**(1.1)**
Total cash and cash equivalents (including overdrafts)	8.2	(7.5)	–	**0.7**
Current debt	(1.4)	1.4	–	**–**
Non-current debt	(379.7)	(19.1)	(0.6)	**(399.4)**
Net debt	(372.9)	(25.2)	(0.6)	**(398.7)**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORT GROUP PLC

We have audited the parent company financial statements of The Manchester Airport Group PLC for the year ended 31 March 2012 set out on pages 97 to 102. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare (in addition to that required to be prepared) as if the company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

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 and, in respect of the separate opinion in relation to the Directors' Remuneration Report, on terms that have been agreed. 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, in respect of the separate opinion in relation to the Directors' Remuneration Report, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 57, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 2012;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 AND UNDER TERMS OF OUR ENGAGEMENT

In our opinion:

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the company;

  and

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORT GROUP PLC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 The Manchester Airport Group PLC for the year ended 31 March 2012.

Jonathan Hurst (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St James' Square

Manchester

M2 6DS

26 July 2012

ACCOUNTING POLICIES

These financial statements are prepared on a going concern basis and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

The accounting policies that the Company has adopted in respect of the material items shown in the Balance Sheet, and also to determine the profit and loss are shown below. Unless stated otherwise, these have been applied on a consistent basis.

The Company has taken advantage of the exemption from preparing a Cash Flow Statement under the terms of Financial Reporting Standard ('FRS') 1 (revised 1996). Furthermore, the Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of The Manchester Airport Group PLC.

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

Intercompany accounting
Intercompany balances are stated at historic cost.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight-line basis over the expected useful lives of tangible fixed assets as follows:

	Years
Plant and machinery	5 – 30
Motor vehicles	3 – 7

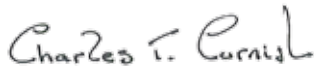
Fixed asset investments
Fixed asset investments are stated at cost less any provision for diminution in value. Costs incurred to acquire investments are capitalised within the cost of the investment.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Tangible assets	3	–	–
Investments	4	**350.0**	359.5
		350.0	359.5
Current assets			
Debtors	5	**228.2**	95.7
Cash at bank and in hand	6	**1.4**	7.7
		229.6	103.4
Creditors: amounts falling due within one year	7	–	(0.7)
Net current assets		**229.6**	102.7
Total assets less current liabilities		**579.6**	462.2
Creditors: amounts falling due after more than one year	8	**(263.3)**	(242.6)
Net assets		**316.3**	219.6
Capital and reserves			
Called up share capital	9	**204.3**	204.3
Profit and loss account	10	**112.0**	15.3
Equity shareholders' funds		**316.3**	219.6

The financial statements on pages 97 to 102 were approved by the Board of Directors on 26 July 2012 and signed on its behalf by:

Mike Davies **Chairman**



Charles Cornish **Group Chief Executive**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

1. AUDITORS' REMUNERATION

	2012 £m	2011 £m
Auditors' remuneration:		
Audit of these financial statements	0.2	0.2
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	0.1	0.2
All other services	0.6	0.2

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 11, the profit (2011: loss) attributable to the Shareholders includes a loss of £33.3m (2011: loss of £22.5m) before dividends, is dealt with in the financial statements of the Company.

3. TANGIBLE FIXED ASSETS

	Plant and machinery, motor vehicles £m
Cost	
At 1 April 2011 and 31 March 2012	0.1
Depreciation	
At 1 April 2011 and 31 March 2012	0.1
Net book value	
At 1 April 2011 and 31 March 2011	–

4. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost and net book value	
At 1 April 2011	359.5
Impairment *(Note 1)*	(9.5)
At 1 April 2011 and 31 March 2012	350.0

Particulars of principal subsidiary undertakings are listed on page 102, which forms part of these financial statements.

(Note 1) A provision of £9.5m has been made against the carrying value of preference shares in Humberside International Airport Limited, following a commitment in February 2012 by the Group's management to sell the subsidiary. The shares have been measured at their recoverable amount. Further details of the sale are set out on page 70 of the Group Consolidated Accounts.

5. DEBTORS

	2012 £m	2011 £m
Other debtors	0.1	0.2
Amounts due from subsidiary undertakings	228.1	95.5
	228.2	95.7

6. CASH AT BANK AND IN HAND

	2012 £m	2011 £m
Cash at bank and in hand	1.4	–
Short term deposits	–	7.7
	1.4	7.7

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £m	2011 £m
Bank overdrafts	–	0.3
Corporation tax	–	0.4
	–	0.7

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

	2012 £m	2011 £m
Bank loans and overdrafts	236.9	216.2
Amounts owed to subsidiary undertakings	26.4	26.4
	263.3	242.6

9. SHARE CAPITAL

	Number (m)	£m
Authorised, allotted, called up and fully paid		
204,280,000 ordinary shares at £1 each	204.3	204.3
At 31 March 2011 and 31 March 2012	**204.3**	**204.3**

10. RESERVES

	Profit and loss account £m
At 1 April 2011	15.3
Movement in the year	96.7
At 31 March 2012	**112.0**

11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2012 £m
Loss for the financial year	(33.3)
Dividends received from subsidiary undertakings	150.0
External dividends paid	(20.0)
Net increase in equity shareholders' funds	**96.7**
Opening equity shareholders' funds	219.6
Closing equity shareholders' funds	**316.3**

12. CONTINGENT LIABILITIES

The Company has entered into a cross guarantee, up to a maximum of £20.0m in aggregate, for any bank advances made to certain subsidiary undertakings in existence as at 31 March 2012. No loss is expected to arise from this arrangement.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Name of undertaking	Description of shares held	Proportion of nominal value of issued 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
East Midlands Airport Nottingham Derby Leicester Limited	Ordinary £1 shares	100%	100%	Intermediate holding company of East Midlands International Airport Limited and Bournemouth International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited	Ordinary £1 shares	100%	–	Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%	–	Investment property holding company
East Midlands Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%	–	Investment property holding company
East Midlands International Airport Limited	Ordinary £1 shares	100%	–	Airport operator
	9% cumulative redeemable preference shares	100%	–	
Humberside International Airport Limited	Ordinary £1 shares	82.71%	–	Airport operator
	Deferred ordinary £1 shares	82.71%	–	
	12% non-voting redeemable preference shares	100%	–	
Manchester Airport Aviation Services Limited	Ordinary £1 shares	100%	100%	Intermediate holding company for Ringway Handling Services Limited and Ringway Handling Limited
Manchester Airport Group Property Developments Limited	Ordinary £1 shares	100%	100%	Propery development company
Manchester Airport Group Property Services Limited	Ordinary £1 shares	100%	100%	Property management company
Manchester Airport PLC	Ordinary £1 shares	100%	100%	Airport operator
Manchester Airport Property Investments (Hotels) Limited	Ordinary £1 shares	100%	–	Investment property holding company
Manchester Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%	–	Investment property holding company
Manchester Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%	–	Investment property holding company
Manchester Airport Ventures Limited	Ordinary £1 shares	100%	100%	Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
Ringway Developments PLC	Ordinary £1 shares	100%	–	Property holding company
Ringway Handling Limited	Ordinary £1 shares	100%	–	Non trading
Ringway Handling Services Limited	Ordinary £1 shares	100%	–	Non trading
Worknorth Limited	7% cumulative redeemable preference shares	100%	–	Non trading
	Ordinary £1 shares	100%	–	
Worknorth II Limited	7% cumulative redeemable preference shares	100%	–	Non trading
	Ordinary £1 shares	100%	–	

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

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 2012 will be appended to the Company's next annual return.

M.A.G
Registered office: Town Hall, Manchester M20 2LA,
United Kingdom
Registered Number 4330721