

The Manchester Airport Group PLC
Annual Report and Accounts 2010-11

The Manchester Airport Group PLC
Registered office Town Hall, Manchester M20 2LA,
United Kingdom
Registered Number 4330721

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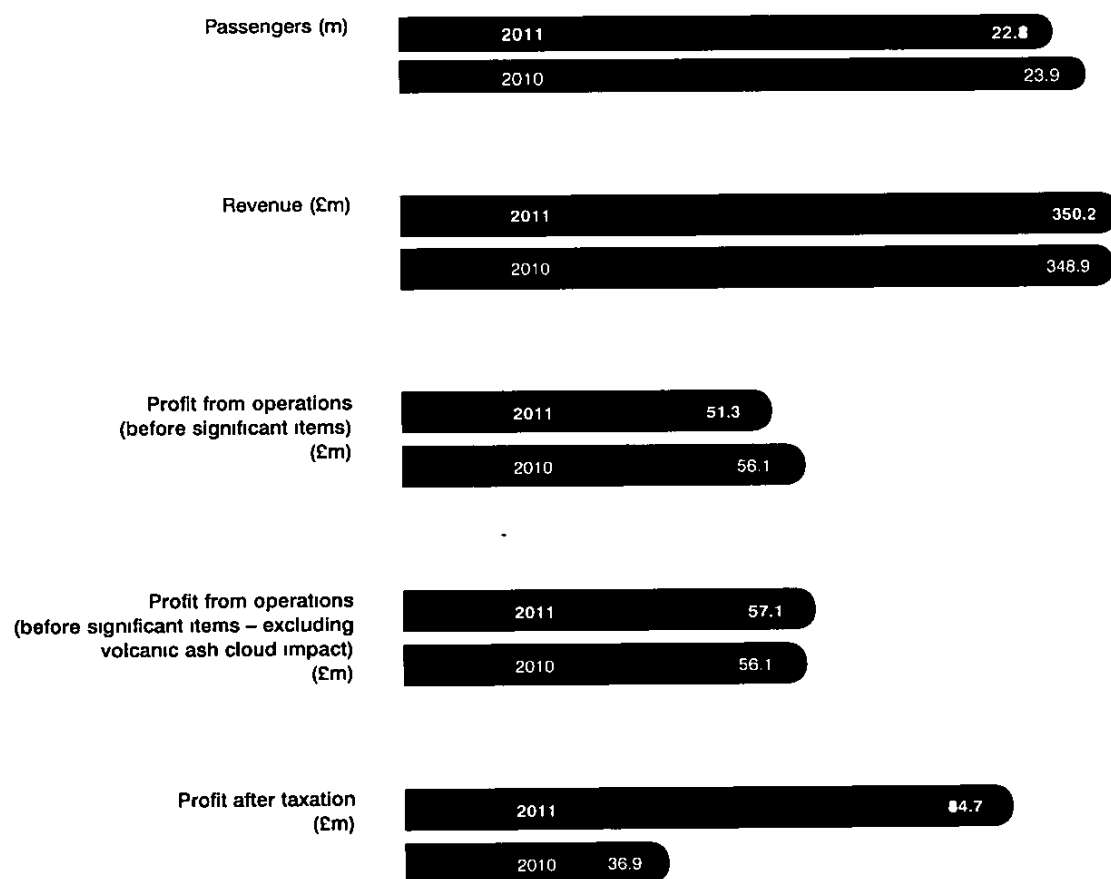
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Financial highlights



Chairman's Statement

It has been another challenging year for the Group, reflecting a combination of a slower than anticipated economic recovery, closure of UK and European airspace for six days following the eruption of the Icelandic volcano and the coldest December in the UK since records began. Against this backdrop, I am pleased to report that the Group has hit its targets for the year, excluding the impact of the volcanic ash and is well positioned to respond to improved market conditions and opportunities as and when they arise.

The Group has recorded a slight improvement in revenue, up by 0.4% compared to the prior year. This has been achieved despite a decline in passenger traffic of 4.6%. At 22.8m passengers, the reduction included approximately 2.1% attributed to the business disruption from the volcanic ash in late April, early May 2010. We continue to focus on sustainable, profitable volume growth and increased traffic from all market segments will continue to support this strategy.

Commercial yields have increased by 6.2% year-on-year as a result of investment aimed at improving the customer experience and quality of service. This, combined with successful management of the cost base has delivered an operating profit before significant items of £51.3m (2010 £56.1m), together with significant cash generation from operational activities of £110.7m (2010 £105.7m). The disruption caused by volcanic ash had a direct impact on operating profit of £5.8m and the knock-on effect on reduced travel patterns in the following months had a further impact on income. Underlying profit, excluding this effect, would have increased by 1.8% on the prior year.

The Group continues to invest in its asset base, supporting new projects related to security, operational and terminal facilities. Manchester Airport was the first UK airport to roll-out body scanner technology in March 2011 and the redevelopment of the Bournemouth Airport terminal is now complete.

The Group has also continued to invest in its significant property portfolio. In April 2011 we announced plans for Airport City, complemented by the Government's creation of the Enterprise Zone in the budget. This initiative 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.

As the largest UK owned airport operator, the Group's four airports and property business already contribute £3.2bn to the UK economy and support over 130,000 jobs. We face considerable challenges in the UK aviation sector from

issues such as Air Passenger Duty, which makes flying more expensive through the UK compared to Europe. We are however looking to grow value further through development of our existing businesses and potentially through value-creating acquisitions.

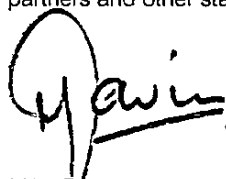
The Group's performance has again been recognised by the travel industry, resulting in a number of important awards across our portfolio of airports. Our reputation for delivering an excellent passenger experience has been reflected in all our airports being in the top quartile of their peer group in Airport Service Quality ('ASQ') customer survey scores. It is also gratifying to see that the colleague engagement survey scores have improved on the previous year, as we continue to listen and respond to colleague feedback in a positive manner.

MAG is committed to a sustainable future and to improving the social, economic and environmental well-being of the community and environment through the investment in and development of, renewable energy schemes and reductions in energy usage and waste across the Group. We are striving towards being operationally carbon neutral by 2015 and currently 100% of energy needs are achieved through renewable sources. We have introduced wind turbines at East Midlands Airport and are developing plans for a further two turbines and an on-site bio mass boiler.

During the year, the Group renewed its bank facilities. The new arrangements provide the Group with combined facilities of £355m, made available until December 2015. This gives the Group a solid foundation for its current finance needs and provides flexibility and capacity for the foreseeable future.

There have been a number of changes to the board during 2011. I would like to thank Geoff Muirhead, Andrew Cornish and Ken Duncan for their contribution to the Group and welcome Charlie Cornish, who joined MAG as Group Chief Executive in October 2010. It is with great sadness that I report the death of Brian Harrison in December 2010 who served MAG for a considerable number of years as a former chairman of Manchester Airport and latterly as a non-executive director of the Company. I would also like to acknowledge the contribution of Sir Richard Leese during his term and welcome Bernard Priest to the Board.

Finally, I wish to thank all Group colleagues for their hard work and efforts during a challenging and successful year and the continued effort and contribution of our commercial partners and other stakeholders.



Mike Davies
Chairman
1 July 2011

Summary

The worldwide aviation industry has experienced a challenging year, significantly impacted by reduced passenger volumes across all markets with further reductions as a result of the volcanic ash cloud experienced earlier in the year. Notwithstanding the reduction in MAG passenger numbers of 4.6% the Group has managed to secure revenues of £350.2m, an increase of 0.4% year on year, driven by achieving higher commercial returns across all our businesses.

The eruption of the Icelandic volcano in April 2010 led to the unprecedented six-day closure of UK airspace, with further disruption experienced until the end of May. The estimated direct impact of this on MAG's operating profit was £5.8m, with the related effect of reduced travel patterns in the months following the disruption having a further impact on income. Underlying profits, excluding the impact of the volcanic ash cloud, have grown by 1.8%, with strong yield growth from all income streams.

The UK passenger market declined by 2.9% in the year, 4% excluding the Heathrow hub, with MAG having a 4.6% reduction in passenger traffic. Most of this reduction was experienced in the first half of the year and passenger numbers in the second half of the year were consistently

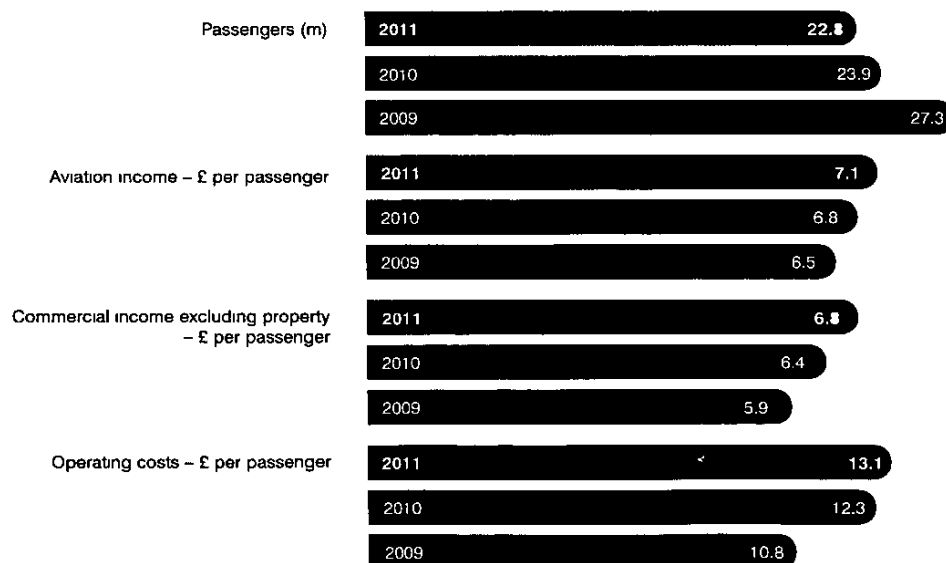
slightly ahead of the prior year. This trend has continued into the current financial year with an increase in passenger numbers of approximately 3%.

Commercial yields achieved by the aviation, retail and car park businesses have increased overall by 6.2% year on year. This has been achieved by focusing on the customer journey and providing them with an experience intended to make them want to use our airports time and again.

Aviation income per passenger has increased by 4.4%. This is due to reductions in lower yielding off peak traffic, together with a favourable traffic mix, as the domestic decline, such as the suspension of winter flying from Ryanair, has led to a higher proportion of international scheduled and charter passengers. In general these yield more due to the size of the aircraft and the associated international charges.

Retail growth is driven by an increase in duty free income across the Group. This reflects the investment in retail and security in the terminals, as a result of the Group focus on the passenger experience.

Car park yield has grown as the Group focuses on competitively priced pre-book parking. Furthermore the continued focus on offering a wide range of amenities has allowed the Group to gain revenues from valet parking and the "meet and greet" product.



As our business is driven by passenger numbers it has been imperative to improve commercial offerings in order to drive the most income from our reducing passengers. The Group has successfully achieved this as yields are up across the Group, which has increased our revenue streams and helped generate a robust operating profit of £51.3m.

MAG's performance across commercial and operational areas has helped to mitigate the impact of reduced passenger numbers. MAG has achieved operating profit of £51.3m (2010: £56.1m) and higher cash generation from operations of £110.7m (2010: £105.7m).

MAG revenue of £350.2m (2010: £348.9m) shows a 0.4% increase on prior year, however, underlying revenue after removing the impact of the volcanic ash cloud, has increased by 2.1%.

MAG continues to invest in its airport infrastructure, providing an improved passenger experience with better security facilities, an enhanced retail environment and new executive lounges. Investment within the year has included the new flagship departures and arrivals terminals buildings at Bournemouth. This year also saw the opening of the new lounge for customers traveling with Emirates at Manchester. We have invested in security body scanners at Manchester Airport, ensuring our passengers' safety whilst also moving passengers through the security process quickly, improving the passenger journey. Safety is paramount to our business and our aim is to continue to ensure that our standards of security are world class.

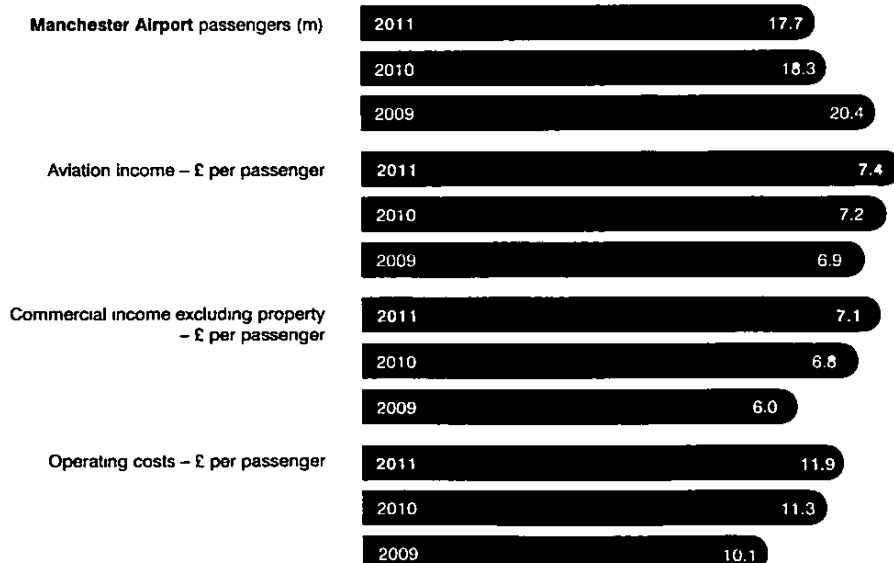
Customer service excellence is very much at the forefront of our priorities. Continued improvement in this area will underpin commercial success for the Group. We aim to make every passenger feel special and have continued our "Fix the Basics" programme, focusing on the areas that our customers value the most, including a clean environment in food areas and toilets, the provision of quality seating, reduced queue times and effective wayfinding. We have set ourselves tough service quality targets to reflect this.

Our most important asset is of course our people. Investment in our staff will remain vital to the ongoing success of the Group, as the dedication and focus of all colleagues is the key to providing our customers with a consistently excellent experience as they journey through our airports.

Manchester Airport

Putting the customer at the heart of the business remains as our focus during 2011. The Customer First programme continues to drive the fulfilment of our brand promise to "make the customer journey easy".

In July 2010, a new Escape executive lounge opened in terminal 1 at a cost of over £1.5m and to date over 80,000 guests have enjoyed the service. The creation of this new lounge adds to the long-term success of terminal 2 Escape lounge, which serves our scheduled airline partners including Singapore Airlines, PIA, Qatar Airways, Virgin Atlantic and United Airlines.



Manchester Airport was also very proud to have received several awards throughout the year including

- UK Airport of the Year – TTG
- Best Major UK airport – TTG
- Best Airport for business traveller (silver) – TTG
- Best UK regional airport – Globe Travel Awards
- Best UK Airport – Business Travel Awards
- North of England Business Excellence Award

These successes mean MAG is currently holding the majority of the prestigious travel trade industry awards

Throughout the financial year 2011, a number of carriers increased frequencies on their existing routes including Islamabad, Singapore, Dusseldorf, Helsinki and Dublin. In September 2010, Manchester became the first regional airport in the world to receive the A380, as Emirates chose to bring the aircraft here. As well as building a new stand the airport has also updated the pier with a new pre-boarding lounge to accommodate the 517 passengers the new aircraft could have onboard at any one time.

The Manchester Airport team remain focused on maximising commercial income streams, tight cost control and an absolute focus on customer satisfaction. Recent performance suggests that further improvements will be delivered in the current year.

East Midlands Airport

East Midlands Airport posted solid numbers for the period, despite several exceptional challenges throughout the year, for example, the volcanic ash cloud closing UK airspace, heavy snowfall during the winter and the 'printer cartridge' explosive device that was discovered on an aircraft inbound from Cologne whilst en-route to Chicago.

In each instance the East Midlands Airport team managed the situation with professionalism, mitigating any effect on our customers and enhancing our operational reputation.

We are on track to achieve our carbon neutrality goal for our operations in 2012. This is demonstrable, through two wind turbines contributing to the electricity network and a further two turbines in the design stage.

Plans are being developed for an on-site bio mass boiler, to make use of the 26 hectares of willow planted last year. In addition, work started on site for the UK's first BREEAM rated "Good" four star hotel, which is due to complete in the autumn of 2011.

Income and yields for retail and car parking revenue have exceeded expectations year on year and cargo has continued to demonstrate its importance to the airport, with tonnage flown having exceeded all previous levels.



Such increases have compensated for a decrease in overall passenger volumes, which were the result of the recession continuing to unwind. In such economic conditions our airline partners have not found it possible to maintain the winter programme previously experienced.

However, towards the end of the year there has been a slight increase in passenger numbers. It is anticipated this trend will continue into the new year.

We continue to develop our relationships with our business partners, as we recognise the important role they play in the customer journey. To this end we have invested resource in improving our security facility and car parks.

The airport team remain committed and focused on delivering great customer experiences, growing shareholder value and building on our traditions of innovation and willingness to go the extra-mile.

Bournemouth Airport

On 9 June 2010 the airport's redevelopment programme reached a key milestone with the official opening of the new and vastly improved departures terminal. Other improvements have continued to be made across the site including a new road entrance junction and the procurement of new radars. The year ended with work on the new low carbon arrivals terminal reaching completion in May 2011.

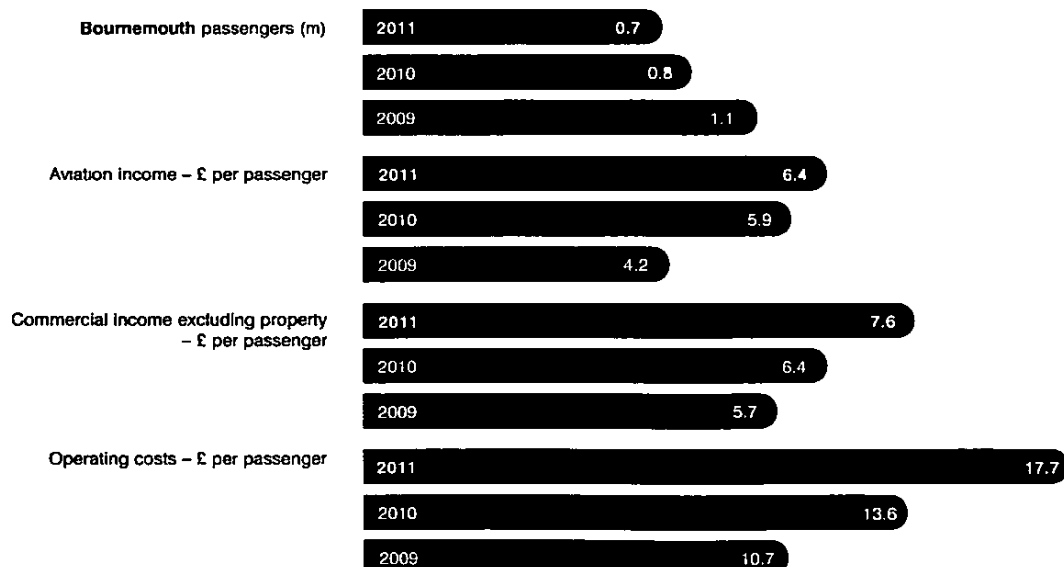
The quality of the new, larger departures terminal has been widely recognised by customers, business partners

and a wide range of regional stakeholders. There are significant enhancements to the catering and retail offers both landside and airside. The airport's team focus on customer service combined with the new facilities have been major factors in Bournemouth gaining the accolade of most improved smaller airport in Europe from Airports Council International in 2010. ACI conducts comprehensive passenger surveys at airports across the world measuring over 30 elements of the customer experience.

During the winter season, Bournemouth, like many other smaller airports around the UK, saw a marked downturn in passenger traffic as a result of the ongoing weakness in the economy. As an overwhelmingly leisure travel-focused airport, Bournemouth has been susceptible to the general reduction in discretionary spending and macro-economic factors such as the weakness of sterling versus the euro.

Bournemouth Airport's catchment area characteristics remain strong and there are significant opportunities for future commercial airline traffic development once the pace of the recovery in the economy starts to pick up. The future appeal of the airport for passengers and airline/tour operator customers will be greatly enhanced once the full redevelopment of the facilities is completed later in 2011.

The airport continues to be a significant base for a wide range of other activities such as general and executive aviation, maintenance, private and commercial pilot training, military training and specialised freight operations.



Humberside Airport

Trading conditions have been particularly difficult in the last twelve months, the Humberside region is still feeling the effects of the recession with a subsequent reduction in the disposable income within the catchment area. However, Humberside continues its track record of identifying where it can expand its participation in niche markets which provide it with a significant number of opportunities to grow income.

Opportunities connected with the establishment of a significant offshore wind farm manufacturing facility in the region looked to have strengthened, Siemens being the latest company to state their intentions to build a facility on the North Humber Bank. Humberside Airport will continue to work with North Lincolnshire Council and the developers, Able UK Limited, to ensure we are best placed to benefit from all developments.

Offshore traffic continues to perform strongly with Bristow Helicopters increasing its presence. The onsite hotel dedicated to the offshore workers is now open and successfully operating with the developer looking to establish a conventional full service hotel within the next three years.

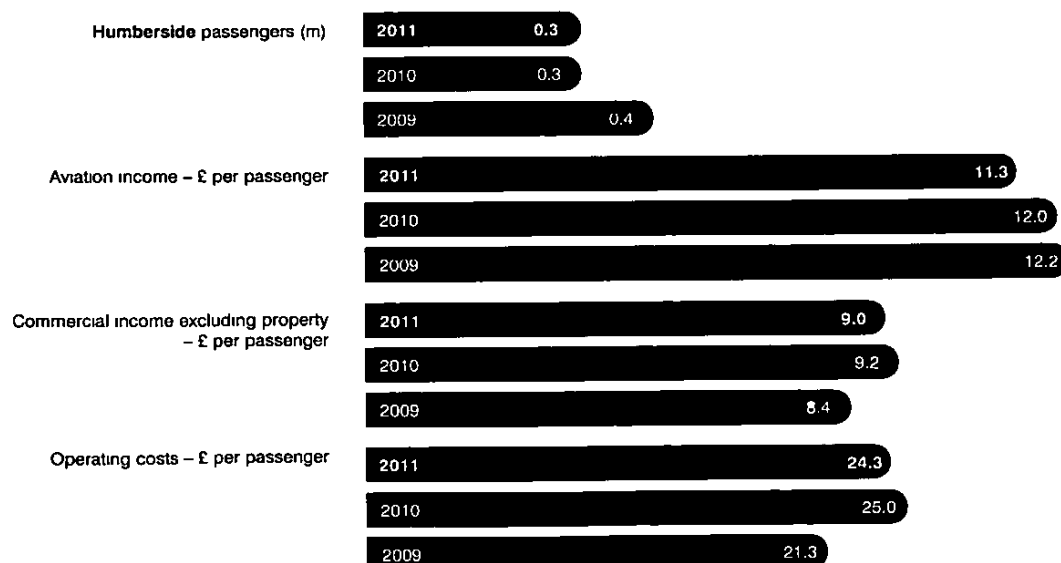
The KLM service continues to perform well and is one of their strongest UK stations.

Following the highly successful Malaga Flybe operation last year the Airport has secured a double-weekly Alicante service with Ryanair. Initial loads and yields have been excellent opening up the possibility of expanding the route choice for summer 2012.

The focus on the passenger experience continues and the Airport was awarded the ACI Airport Service Quality Award for 2010 as the best European Regional Airport for Customer Service.

The Airport has entered into an agreement with Weston Aviation to open an executive jet fixed base operation (FBO). This will be the first such dedicated facility at the airport and establishes a new niche opportunity.

Humberside Airport has continued to focus on its sustainability and community engagement targets in 2010. The airport was recognised at the North Lincolnshire Business Awards in 2010 by winning the Conoco Philips Excellence in Community Relations Award.



Property

MAG's investment property portfolio comprises offices, hotels and cargo properties managed by our MAG Developments team (MAGD)

Property income earned by MAGD has increased to £27.0m (2010: £25.9m), due to continued levels of high occupancy across the portfolio. A 6% void rate compares favourably with the property market. The new development of starter units at Bournemouth were completed in 2010 and is now virtually fully let. Operating profits from MAGD have increased by 4.2% to £16.7m (2010: £15.2m).

This year has seen an increase of £13.0m in the valuation of MAG's investment property portfolio to £334.8m, reflecting the increased optimism in property as an asset class. The Group continues to invest in its property portfolio, which during the year included construction of a new four star hotel at East Midlands due to complete in the autumn of 2011. The announcement of the Airport City projects and Enterprise Zone at Manchester Airport is a significant opportunity for MAG Developments to deliver new developments leveraging off the international routes at the airport and the investment in the ground transport facilities at the station. The Government's approval of the Metrolink extension, due to be completed in 2016, will add to the portfolio of transport links serving Manchester Airport and Airport City.

Outlook

The Group continues to operate in a highly competitive environment. The aviation industry continues to experience cost pressures from ongoing high oil prices together with increasing costs of regulation and high levels of customer uncertainty. Looking forward, we expect aviation yields to remain under pressure as airlines seek to mitigate the impact of these pressures. MAG is however looking to grow improvements in passenger numbers during 2011/12, and build on efficiencies that have been established over the past two years.

The Group will continue its focus on the key areas of aviation, commercial and property development, sustainability, customer experience and our people. Much of this will be achieved through collaborative partnership with our airlines and services partners.

Headlines

Operating profit of £51.3m (2010: £56.1m) reflects growth in commercial operations against the backdrop of continuing difficult economic conditions and the £5.8m impact of the volcanic ash cloud closure of UK airspace.

The Group generated increased cash from operations of £110.7m (2010: £105.7m). Investment has continued in infrastructure to support strategic development opportunities.

Overall passenger numbers reduced by 4.6% to 22.8m, primarily reflecting the trend across the UK airport market and including the impact of the disruption to services caused by the April 2010 volcanic ash. Despite this, revenue has increased by 0.4% to £350.2m (2010: £348.9m). The volcanic ash is estimated to have reduced passenger numbers by approximately 0.5m and reduced operating profit by approximately £5.8m. Adjusting for this revenue would have grown by 2.1%.

All commercial revenue streams reported growth on a per passenger basis, with yield growth reflecting both the success of MAG's strategic capital investments and commercial responses to changes within the market.

Costs continue to be tightly controlled. Underlying operating costs, excluding marketing support costs, have reduced compared to the prior year as a result of improvements delivered by ongoing efficiency programmes. Depreciation has increased by £3.1m reflecting the increase in capital investment.

Reported operating profit reduced by £4.8m to £51.3m (2010: £56.1m), however excluding the volcanic ash impact of £5.8m underlying profit is up by £1.0m (1.8%) year on year.

Cash flow generated from operating activities has increased to £110.7m (2010: £105.7m). This has enabled the business to continue to invest effectively in both the existing infrastructure and in strategic development opportunities.

During the year the group paid the first £10m of its investment in the Metrolink extension. In total this investment will amount to £50m, providing a direct light rail transport link from central Manchester to the airport and the new Airport City development once the line is completed in 2016.

The tax charge benefited from the change in corporation tax rate announced in the Budget. The closing deferred tax liability has been reduced to reflect the lower tax rate on future charges. The resulting taxation credit in the year is £4.1m (2010: charge £8.7m).

The UK property market has started to show signs of recovery and this together with development work around our property portfolio is reflected in a £13.0m (4.0%) upward revaluation on investment property to £334.8m (2010: £325.6m).

Net debt increased by £25.3m to £372.3m (2010: £347.6m) driven by continued investment.

Summary of the year's results (£m)

	2011	2010	Change %
Passenger numbers	22.8	23.9	(4.6%)
Revenue	350.2	348.9	0.4%
Operating profit before significant items	51.3	56.1	(8.6%)
Profit after taxation	84.7	36.9	128.6%
Cash generated from operations	110.7	105.7	(4.7%)
Increase in net debt	25.3	26.5	(4.5%)
Net debt	372.9	347.6	7.3%
Equity shareholders' funds	817.0	769.1	6.2%

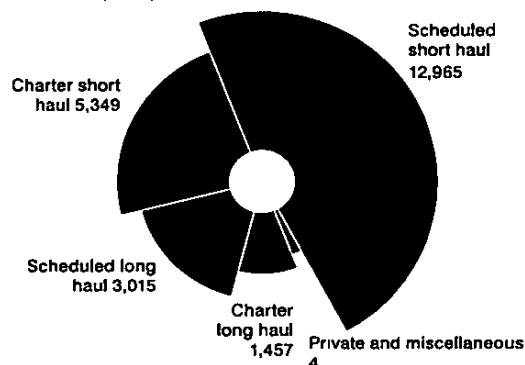
Ash cloud profit impact

	% growth including ash cloud impact	% growth excluding ash cloud impact
Passenger numbers (%)	(4.6%)	(2.4%)
Income		
Aviation	(0.9%)	1.0%
Retail concessions	(0.9%)	1.1%
Car parking	2.8%	4.9%
Property and property related income	6.0%	6.0%
Other	0.5%	1.9%
Total income	0.4%	2.1%
Operating profit	(8.6%)	3.0%

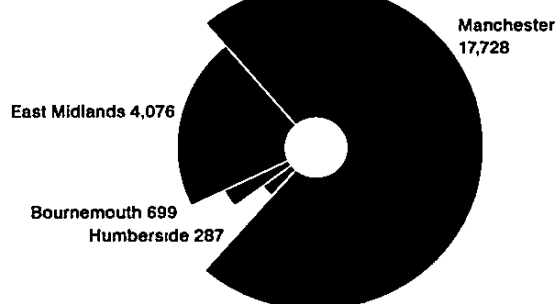
Passenger traffic

Passenger traffic is 4.6% lower than the prior year, of which approximately 2.1% is attributed to the impact of the volcanic ash. The Group has seen an encouraging increase in the number of passengers on scheduled long haul flights, which is as a result of the increase in routes to the Middle East. This follows the investment in the Emirates executive lounge in 2010 and the commencement of the A380 service at Manchester during the year. Passenger numbers on short haul flights have declined 6.8% on the prior year, impacted by the volcanic ash, strike action at BA and the strong competition from land transport, particularly on routes to Scotland and London.

Passengers by airline type
Total 22,790 (000's)



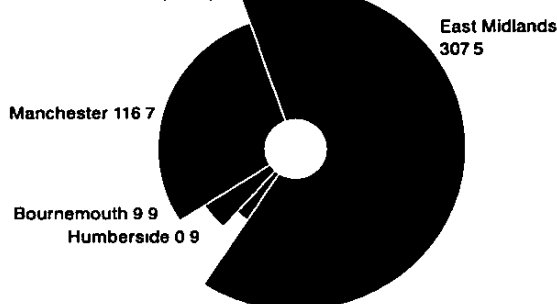
Passengers by airport
Total 22,790 (000's)



Cargo

Cargo volumes increased by 6.4% to 435,000 tonnes (2010: 409,000 tonnes) during the year. The Group's core cargo business is at East Midlands Airport, the UK's largest pure freight and mail hub. The airport represents 70% of the Group's cargo business by volume, and delivered a further year of encouraging growth of 16,100 tonnes (5.5%) from this established base. The cargo operation at Manchester has been growing from a relatively small base over recent years, and generated a 9,700 tonnes (9.1%) improvement over the prior year.

Cargo
Total 435 Tonnes (000's)



Trading performance

Group revenue of £350.2m increased by 0.4% as a result of continuing the improvement in commercial revenue per passenger, despite the declining passenger volumes.

Aviation yield has increased by 4.4%, the reduction being due to a reduction in the proportion of lower yielding off-peak traffic, a change in mix towards long haul flights, and the continued concentration on growing more profitable business. The reduction in passenger numbers has resulted in aviation income being £1.5m lower compared to the prior year, a reduction of 0.9%.

The retail business has generated a 6.2% increase in retail income per passenger. The business continues to benefit from investment in improving retail and security facilities at its airports, which has enhanced the passenger experience. Overall retail income of £69.8m has fallen by £0.6m, a reduction of just 0.9%, which is attributable to the reduction in income experienced as a result of the volcanic ash business disruption and after adjusting for this, income is estimated to have grown by 1.1%.

Car parking yields have improved by 7.8%, as the group focuses on competitively priced pre-booking parking. Furthermore the continued focus on offering a wide range of amenities has allowed the group to gain revenues from valet parking and the "meet and greet" product. Additional car park capacity is being created and car parking income grew £1.3m (2.8%) in the year.

Income generated by the property business grew 6% year on year to £33.5m, which is attributable to improved tenant retention and improvements in market rates. Growth has also been generated from new customers being added to the property portfolio. Shortly after the year end the Group announced the intention to develop the Airport City initiative, significantly expanding the commercial property infrastructure within the Manchester Airport estate.

In the face of tough trading conditions MAG has implemented vigorous cost constraints across the business, whilst ensuring both customer service and the operational infrastructure is safely maintained. Savings made as a result of the detailed operational efficiency review implemented during the first half of the year, as well as other discretionary cost reductions across the Group, have mitigated the impact of increases in infrastructure related overhead charges. The increase in depreciation charge reflects investment in airport infrastructure.

Summary of trading performance by division

	2011	2010
Revenue (£m)		
Manchester Airport	257.6	256.3
Manchester Airport Group Developments	27.0	25.9
East Midlands Airport	48.5	49.7
Bournemouth Airport	10.7	10.6
Humberside Airport	6.6	6.8
Other businesses and consolidation	(0.2)	(0.4)
	350.2	348.9

EBITDA¹ (£m)

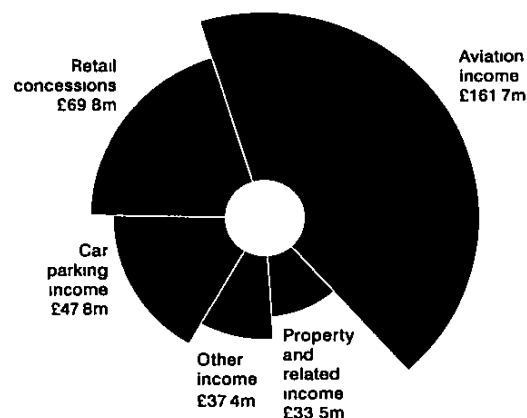
	2011	2010
Manchester Airport	111.8	110.6
Manchester Airport Group Developments	17.5	16.0
East Midlands Airport	14.7	17.4
Bournemouth Airport	(0.3)	0.4
Humberside Airport	-	-
Other businesses and consolidation	(28.2)	(27.8)
	115.5	117.2

Operating profit before exceptional items (£m)

	2011	2010
Manchester Airport	58.1	60.0
Manchester Airport Group Developments	16.7	15.2
East Midlands Airport	7.1	9.7
Bournemouth Airport	(1.7)	(0.3)
Humberside Airport	(0.7)	(0.7)
Other businesses and consolidation	(28.2)	(27.8)
	51.3	56.1

¹ The EBITDA is defined as earnings before interest, taxation, depreciation, restructuring costs and impairment.

Trading performance Total £350.2m



Group profit and loss account (£m)

	2011	2010
Profit from operations	51.3	56.1
Significant items from 2011	42.6	-
Profit from operations after significant items ²	93.9	56.1
Movement in fair values	13.0	12.4
Net interest payable	(26.3)	(22.9)
Profit before tax	80.6	45.6
Taxation	4.1	(8.7)
Profit after tax	84.7	36.9

² Significant items are shown before related tax charge of £11.1m

For management accounting purposes MAG reports property income from each airport site within the Manchester Airport Group Developments division.

For statutory purposes property income is reported in the subsidiary companies depending on the geographical location of the investment properties.

The table below shows how profit from operations would appear with property reported by statutory entity for each airport site.

Operating profit before exceptional items – by statutory entity (£m)

	2011	2010
Manchester Airport	70.9	70.9
East Midlands Airport	8.0	10.7
Bournemouth Airport	1.3	3.0
Humberside Airport	(0.7)	(0.7)
Other businesses and consolidation	(28.2)	(27.8)
	51.3	56.1

Interest, tax and dividends and equity shareholders funds

Group interest payable increased from £23.0m to £26.5m, reflecting the increase in net debt compared to the prior year and the impact of the restructuring of the shareholder loans completed in February 2010.

The tax credit for the year includes the benefit of an adjustment to deferred tax liability as a result of a change in corporation tax rate, which reduced the tax charge by £18.9m. The reduction in industrial buildings allowances has increased the charge by £2.4m, as the level of allowance reduced from 2% to 1%. These factors, together with adjustments in respect of prior years, the Group's effective tax rate was (5.1%) (2010: 19.1%).

Equity shareholders' funds are at £817.0m (2010: £769.1m).

Financing, cash flow and capital expenditure

The Group generated cash from operations for the year of £110.7m (2010: £105.7m).

Net debt of £372.9m at March 2011 shows an increase of £25.3m on prior year, reflecting continued capital investment across the Group. This expenditure has been focused on important maintenance programmes and investment capital programmes, which will help to grow the future profits of the Group, notably the new terminal building at Bournemouth and the 4 star hotel at East Midlands. During the year, the Group renewed its bank facilities. This provides the Group with a combined bank facilities of £355m made available until December 2015. The Group maintained a Standard and Poor's 'A' credit rating during the year. The rating reflects MAG's strong business profile and its position as one of the UK's largest airport operators.

Group cash flow (£m)

	2011	2010
Cash generated from operations	110.7	105.7
Interest, tax and dividends	(63.0)	(51.9)
Capital expenditure, net	(75.8)	(80.4)
Non-cash movements	2.8	0.1
Increase in net debt	(25.3)	(26.5)

Analysis of net debt (£m)

	2011	2010
Unsecured bank loans	220.0	184.0
Secured loans	163.6	163.7
Finance leases	1.3	3.2
Unamortised issue expenses	(3.8)	(1.0)
Total debt	381.1	349.9
Net cash balances	8.2	2.3
Net debt	381.1	347.6

Pensions

During the year the aggregate of the Group's four defined benefit schemes moved from an IAS19 Accounting net deficit of £54.8m to a £33.4m deficit, after allowing for 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 on the date of the accounting year end. The Greater Manchester Pension Fund (GMPF) scheme comprises 83% of the aggregate Group pension scheme deficit.

The reduction is largely as result of the Government announcement in June 2010 that local government pension increases will link to Consumer Price Index inflation rather than Retail Price Index inflation. The change in inflationary measure has created a past service cost gain of £42.6m, which is recognised as a one off credit to the Income Statement. This gain is offset by a £10m increase in liabilities arising as a result of a change in actuarial longevity assumptions on the GMPF scheme following the funds full actuarial valuation performed at 31 March 2010.

All of the Group's defined benefit pension schemes have been closed to new entrants and have been replaced with a Group-wide defined contribution scheme.

Summary of change in aggregate pension fund deficits (£m)

Deficit as at 31 March 2010	(76.1)
Current and past service cost	37.1
Contributions	5.7
Other finance expense	1.6
Actuarial loss	(13.4)
Deficit as at 31 March 2011	(45.1)

Assets and liabilities in pension scheme (£m)

	2011	2010
Total market value of assets	348.7	336.3
Present value of liabilities	(393.8)	(412.4)
(Deficit)	(45.1)	(76.1)
Deferred tax on pension fund deficit	11.7	21.3
Net deficit as at 31 March 2011	(33.4)	(54.8)

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 management of risk is embedded in the strategic and operational processes of MAG. 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 MAG in achieving its targets. It is also one of the top team's key targets and this will ensure that risk policy in terms of process and outputs is monitored.

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 assessed 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.

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 key corporate risks and mitigation profiles are detailed below.

Security

Security of customers and colleagues is ranked as one of the most important operational risks that the Group has to manage. 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.

The Group has continued to invest heavily in training security staff to deliver an even higher standard of security service to customers. Close co-operation is maintained with Government agencies and the police to ensure that the security regime is responsive to changes in external threats, including an awareness of developments in IT security.

Health and safety

The Health and Safety of customers and colleagues is also a priority operational issue for the Group. 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.

Environmental compliance

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 also actively working with the airlines to research ways to operate in more environmentally efficient ways.

Changes in demand

The reality of the aviation business is that there is a constant threat of a downturn in demand due to adverse global economic factors or specific events, such as a terrorist incident. The risk is mitigated by the application of prudent financial controls, the gathering of business intelligence and contingency planning. The combined effect of these mitigating actions is to make the Group capable of a flexible response in the event of a business interruption.

Political and regulatory

MAG will continue to contribute to the constructive engagement with government agencies and other stakeholders to help create a sustainable framework for UK aviation.

Capacity shortfall

Failure to secure the appropriate planning permissions would expose the Group to operational capacity constraints. Medium and long term planning is in progress for increasing capacity at Manchester, East Midlands and Bournemouth airports in line with future projected growth.

Competition

The development of competitor airports clearly presents a challenge to the Group. Within a dynamic market, considerable effort is being made to develop and customise the offer at all four sites to preserve customer preference for flying from MAG airports. The focus is on developing the proposition to customers in all aspects of their travelling experience.

We are striving to ensure MAG is a responsible, sustainable business, supporting local, regional and national prosperity. We continually aim to improve our performance and have a clear programme of action that will ensure we maximise the economic and social benefits of our business, whilst minimising any harmful impact on the environment and our neighbours.

Future plans

In all our plans, from environmental management to new developments, we are firmly focused on creating a platform for long-term, sustainable growth.

- At Manchester, further substantial investment in public transport of £50.0m will see the Metrolink system extended to the airport by 2016. We continue to work with our partners to develop our plans for Airport City, which is now one of the first of the UK's new Enterprise Zones focussing on growing local economies.
- At Bournemouth, we are working on plans to make the Airport Business Park an even more important part of the local economy by developing more brownfield sites for local businesses to use.
- At East Midlands, construction of a new four star hotel is nearing completion. Designed with sustainability firmly in mind, it reflects the local surroundings, and will be rated 'Excellent' under the Building Research Establishment Environmental Assessment Method (BREEAM) standard. As well as being an important new local employer, it will also boost the local tourism economy.
- At Humberside we are working with off-shore renewable energy businesses and helicopter operators on the creation of new wind energy developments.

Sustainable strategy

At MAG, sustainability is an integral part of our business strategy. This section describes how we intend to maximise the economic and social benefits of our business and how we address challenges, including greenhouse gas emissions, land use and impacts on local communities.

All our airports have Master Plans that set out a long-term framework to guide how we operate and grow. It is important that our development is in line with national and local policy, including airport policy, developments in the transport network, as well as the evolving climate change agenda. The Government has started a review of UK aviation policy, and our Master Plans will be updated to contribute to and reflect this. This new aviation policy is expected to be complete in 2013.

Our sustainability strategy is based on:

- Being an integral part of our regions – with our airports contributing to the creation of vibrant regional economies.
- Our community involvement – we continually strive to be responsible neighbours and to support local communities where possible, while minimising the harm we cause.
- Our environmental commitments – including our goal to make the ground operations of our business (buildings and vehicles) carbon neutral by 2012 for Bournemouth, East Midlands and Humberside airports and by 2015 for Manchester Airport – a first for the UK airport industry.
- A fair workplace – we want to be the employer of choice for the 2,600 people who come to work with us and for the 26,000 people on our sites.
- A strong customer focus – we aim to make the journey secure and easy for the 23 million people who use our airports every year.

Managing sustainability

The Board considers sustainability a business priority and we are committed to high standards of corporate governance. Penny Coates, Chief Operating Officer, advises the Board on sustainability progress and chairs a Sustainability Board with representation from across the business.

We implement our strategies through a number of working and technical groups that co-ordinate day-to-day activities both within MAG and with our partners.

Stakeholder engagement

We regularly consult with a wide range of stakeholders and use this process as a means of defining and prioritising our major sustainability themes. As a Group, we are committed to building long-term partnerships with our customers, suppliers, neighbours and other stakeholders.

Our business	Our communities	Our environment	Our people	Our customers
Statutory obligations	Noise	Climate change adaptation/ carbon reduction	Health and safety	Passenger security
Integrity and ethics	Air quality	Evolving carbon legislation/ compliance	Security	Managing demand and capacity
Corporate governance/ strategic policies	Consultation and dialogue	Energy and fuel use	Engagement and motivation	Service and choice
Transparent and honest communications	Mitigation schemes	Land use and new development ■ Landscape ■ Biodiversity and ecology ■ Archaeology and heritage	Recruitment and skills	Surface access
Economic growth and regeneration (gross value added)	Community investment	Resource use ■ Water consumption ■ Water emissions	Consultation and representation	Social inclusion
Public policy ■ Sustainable Aviation Strategy ■ UK Air Transport	Employee volunteering	Waste and recycling	Diversity	International connectivity and route development
	Arts Sponsorship	Indirect impacts (supply chain, passengers)	Absence and sickness	

Stakeholder management is one of our core strengths, borne out of our commitment to serve the regions where we operate. We have regular formal and informal stakeholder management processes at all levels across our business.

Through dialogue and consultation with our stakeholders, we have identified our material sustainability issues. These are grouped under five themes, as shown below.

External engagement

In addition to regular liaison and engagement with our stakeholders, we also contribute our opinions to public policy debate on matters affecting our business and our industry. As such, we are members of The International Air Transport Association (IATA), Airports Council International (ACI), The Air Transport Action Group (ATAG), The UK Airport Operators Association (AOA) and Sustainable Aviation.

We also work closely with academics and experts to develop our knowledge and resources to extend positive impacts beyond our own business.

We contributed to OMEGA, a UK Government-funded research project to find new technological, operational and business approaches to reduce the environmental impact of aviation. We are also working closely with Manchester Metropolitan University's Centre for Air Transport and the Environment, where we created the position of Chair of Sustainable Aviation.

Recognition

Our efforts have been recognised through a number of industry awards.

- Manchester Airport won the 2010 North West Business Excellence Award, recognising excellence in all the categories included in the sustainability award.
- For the fourth consecutive year, East Midlands Airport won a Green Apple Award for environmental best practice.
- East Midlands Airport's bus network, Skylink, was Highly Commended, at the 10th annual National Transport Awards, in the Travel Information and Marketing category.
- We hold five Big Tick awards from Business in the Community, recognising our sustainability programme as exemplary.

Our communities

Together, we're being good neighbours

As a responsible business, we aim to be a good neighbour and to be an employer of choice, successfully contributing to regional economic growth. We want our stakeholders to see the value in our business and the benefits we bring. Where our impacts are negative, we seek to explain why and how we do all we can to reduce them.

Our successes

- East Midlands Airport won two Business in the Community Awards – a Big Tick for Climate Change and winner of the East Midlands Mayday Awards Carbon Positive Footprints Award for large businesses
 - Since the Learning and Environment zone opened at Humberside Airport, 1,500 children from local schools have visited to learn more about the airport and our approach to sustainability
 - All our airports are now in the upper quartile of similar sized airports in their respective Airports Council International (ACI) European benchmark groups
- Humberside Airport is the top scoring airport in Europe

Community Investment

Investing in our local communities is a vital part of our sustainability strategy. We do this in many ways, from community funding programmes and initiatives, to investment in terms of time and resource. This year, we have particularly focused on volunteering programmes, offering colleagues up to two working days per year to dedicate to community activities. In 2010/11, colleagues at Manchester Airport donated 3,755 hours to activity in the local community.

This year we look forward to working with the local community on the Airport City development at Manchester Airport. This will create a major new business destination to attract global businesses to the North West.

Education and employment

Our airports work hard to offer opportunities to support local schools and colleges and provide inspirational experiences for young people. This includes financial support to local schools, such as the Portfield School in Bournemouth, on-site education opportunities like the Aerozone centre at East Midlands Airport and sponsorship of the Manchester Enterprise Academy. 872 young people have visited the Aerozone since it opened in 2010.

Supporting art and culture

We are one of the largest arts sponsors in the UK, with our unique sponsorship programme now entering its 22nd year. Our aim is to promote art forms to those who would not normally have access to them, create jobs and enrich the cultural life of the nation.

Community Funds

All four airports have independently-managed Community Funds, to support local community groups and charities. Local groups can also apply for funding for initiatives benefiting the community or environment.

Highlights from the year

Humberside Airport hosts numerous visits every year from local schools to their onsite Environment and Learning zone. Since it opened in 2009, 1,500 children from local schools have visited to learn more about the airport and our approach to sustainability. Over Christmas, Ulceby Community Cafe brought people from all the local villages to visit the Environment and Learning zone.

This year, Manchester Airport launched the 'Student Tourist Ambassador Recruits' (STARs) programme, funded by the Government's Future Jobs Fund. Recruits undertake six months' work experience to learn about the business benefits of good customer service at the airport, while completing a Level 2 Customer Service NVQ. The STARs work in different parts of the business, supporting our colleagues to ease our customers' journey through the airport. We have had 129 STARs in total and, to date, 44 have gained employment and 10 have job offers in place.

The annual Travel to Work survey asked over 2,250 people at East Midlands Airport how they commute to work and how they intend to further reduce their carbon footprint. Highlights include:

- Single car use has decreased from 77% to 71%
- Bus travel has increased from 8.0% to 10.2%
- Car sharing has increased from 9.1% to 12.8%
- Cycling and walking has increased from 2.1% to 2.4%

The overall aim for East Midlands Airport is to encourage 30% of staff members to travel green.

Noise

At all our airports we have various initiatives to reduce aircraft noise. Statutory Noise Action Plans have been prepared at Bournemouth, East Midlands and Manchester Airports, building on our earlier locally agreed obligations and agreements.

We report noise footprints for both daytime and night-time aircraft operations by measuring and publishing noise contours. We then monitor our compliance with our procedures and openly publish the results.

Complaints about noise

	2007	2008	2009	2010
Manchester Airport	1 928	950	1 282	1 084
East Midlands Airport	6 674	2 618	1 064	800

We work with our airlines to minimise and contain noise by fining noisier aircraft, rewarding good performance, using Preferred Noise Routes (PNRs) and Continuous Descent Approaches (CDA), all of which have contributed to a marked decrease in noise complaints this year.

Air quality

Air quality monitoring remains a vital part of our environment programme. To be open and provide reassurance to the local community, the airport routinely measures and reports the results of air quality monitoring.

We continue to work hard to reduce our contribution to emissions, especially those arising from road transport to and from the airport. We have a number of initiatives in place, ranging from extensive bus and rail services through to staff traffic reduction measures by encouraging alternative Cycle to Work schemes, partnerships with local transport providers, and car sharing initiatives.

Our environment

Together, we're working towards carbon neutrality

Our goal is to grow our business sustainably by striking a careful balance between the environmental impact of our airports and the economic and social benefits we bring. Throughout this year we have continued to build upon our aims to use resources carefully, make our ground operations carbon neutral by 2015 and actively manage our environmental impacts, with the regional airport business being carbon neutral by 2013.

Highlights from the year

- At East Midlands, installed the first commercial scale wind turbines at a UK airport
- Following the successful accreditation of Manchester Airport in 2008, we received Carbon Trust accreditation for Bournemouth, East Midlands and Humberside airports
- Manchester Airport launched the Carbon Challenge – an engagement programme encouraging onsite businesses to reduce their carbon footprint
- East Midlands Airport launched Sustainability Champions – an initiative to engage colleagues in sustainability

Managing our impacts

MAG's future depends upon our ability to manage and minimise the adverse impact of our operations through a systematic approach. East Midlands was the first airport in the UK to obtain certification to the ISO14001 environmental management system and we expect Bournemouth, Humberside and Manchester Airports to gain certification in 2011/12.

Our successes

In March 2010, we planted the first cuttings for a willow farm at East Midlands Airport. The second phase of planting began in March 2011, with first harvest expected in 2013. The 26-hectare woodland will provide fuel for a biomass boiler to heat and power terminal buildings. We expect the farm to produce around 280 tonnes of wood fuel annually, and in turn, save 350 tonnes of CO₂ emissions.

During 2011 Manchester Airport made a £107m capital investment in energy reduction technologies that involved introducing lighting controls and LED lights, which typically halve energy use.

The car parks in terminals 1 and 3 now have LED lights. The terminal 3 car park has lighting controls around each parking deck, which switch the LED lights off when there is sufficient daylight. This provides total energy savings of 55% or 288 tonnes carbon dioxide per year. Terminal 2 is currently being fitted with LED lights and we are now using LED lights in the baggage halls in all three terminals, which replaced over 2,000 fluorescent lamps.

Our design brief for the arrivals building at Bournemouth Airport included the requirement to deliver a low-carbon building with 70-100% lower carbon consumption than a traditional building by

- Minimising energy use
- Maximising natural lighting
- Using solar shading roof to reduce solar gain in the summer months
- Using photo-voltaic tiles on the roof to generate green electricity

Climate change

Our carbon neutral commitment for our ground operations sits at the core of our environmental strategy

All our airports adhere to the Government's mandatory CRC Energy Efficiency Scheme to cut CO₂ emissions in large public and private sector organisations. As part of our business strategy, Manchester has already set a target of becoming carbon neutral for our ground operations by 2015 – 2012 for Bournemouth, East Midlands and Humberside, working collaboratively with our business partners is central to our commitment. Initiatives include the construction of the UK's most eco-friendly hotel at East Midlands Airport, the UK's first low-carbon arrivals building at Bournemouth and the introduction of automatic metering systems for electricity and water.

In 2010/11, we implemented 32 energy efficiency schemes saving 16,090 tonnes of CO₂ annually

Total MAG net CO₂ emissions (tonnes)

Source	2007	2008	2009	2010
Gas	24,188	17,884	18,301	20,165
Electricity	75,790	70,619	54,024	47,256
Gas oil	1,289	294	332	2,392
Vehicle fuel	4,425	4,483	4,512	4,561
Total	105,692	92,380	77,169	74,414

Water

The majority of our water comes from the mains supply, with some rainwater and grey water collected for reuse. We now have water meters across all our sites to accurately measure use and target improvements. We operate close to sensitive habitats and the Environment Agency imposes strict limits on the quality of water we discharge. We work closely with our on-site business partners to monitor quality, minimise the impact of their operations and provide expert guidance.

Waste and recycling

We are committed to produce less waste and increase recycling and waste recovery rates. We work together with our business partners to encourage and influence how they manage waste and recycling. Manchester Airport chairs a coalition of UK airlines and airports looking at ways to recycle more aircraft waste. During 2011, a record of 88% of waste handled by East Midlands Airport was diverted from landfill.

Land use

Within our operational areas we manage over 1,500 hectares of land and are committed to carefully managing, protecting and enhancing its quality. We recognise the value of our land, its scarcity as a business resource and its ecological and landscape character. Our Master Plans show how we will achieve this. At Bournemouth Airport we manage heathland on a site of Special Scientific Interest, we have developed an airport wildlife trail at East Midlands Airport and continue with a landscape and ecology management plan on 350 hectares of land at Manchester Airport.

Sustainable buildings

Our design standards for new buildings and refurbishments are frequently updated to include the latest advances in environmental design and technology. We aim for all new buildings to meet the widely-recognised BREEAM standard 'Excellent'.

The new Radisson Blu hotel at East Midlands Airport, built by MAG Developments, has been awarded the highest-ever BREEAM rating (Excellent) for a commercial hotel. The hotel uses a range of low energy technologies delivering an 87% reduction in CO₂ and supplying 90% of the consumed energy from a renewable source.

Ground transport

We have surface access strategies in place at each of our airports to promote public transport and maximise sustainable methods of transport. We work closely with local public transport providers to make sure that our passengers have easy access to a wide range of travel options. In 2011, construction started on a £1.4 billion project to extend the Metrolink to Manchester Airport, due to open in 2016. The new Metrolink line will provide a new, frequent and 'greener' form of public transport, especially for staff.

East Midlands Airport launched a new site-wide travel plan 'iCommute' to promote green travel options to colleagues from on-site businesses. This includes measures that businesses can implement and is supported by literature and new website content covering green travel options which all help to promote three key messages – save money, time and the environment.

Our people

Together, we're becoming an employer of choice

We aim to be an employer of choice with the goal of attracting, recruiting and retaining a committed and diverse workforce. Our Group directly employs 2,600 people, supports a further 130,000 jobs and contributes £3.2 billion to the UK economy.

Highlights from the year

- 3,755 total employee volunteer hours
- 76% of colleagues participated in the annual colleague survey, up from 54% in the prior year
- We have started rolling out an online Learning Management System to support colleague's learning and development needs

Delivering our people strategy

We aim to be a good neighbour and a well-respected employer, successfully contributing to regional economic growth. We will achieve this by creating employment opportunities within our local communities, investing in education and engaging both our colleagues and our communities.

Our People Strategy is key to our overall business strategy and supports our other strategic workstreams. We base all the activities on four key areas:

- Ensuring our business is structured, resourced and supported in the right way to enable our sustainable, future growth
- Focusing on employee engagement and addressing those areas that colleagues feel most strongly about
- Ensuring we have the right processes and procedures in place to support our colleagues
- Encouraging our managers to lead by example and to create a robust talent and succession planning process

Our annual colleague engagement survey acts as a temperature check to ensure that we're meeting our People Strategy targets and we're focusing on the areas that matter most to our colleagues.

We hold the Investors in People accreditation, a standard for businesses that are committed to supporting and developing their employees. Investors in People is a business improvement tool, administered by Investors in People UK and supported by the Department for Business, Innovation and Skills.

Our people

So that our colleagues know about our business strategy and opportunities to get involved, we hold an annual employee briefing roadshow. The roadshow takes place at all four airports and comprises six strategy 'zones' with each zone showing images and information relating to each aspect of the strategy.

A member of the Senior Leadership Team is based at each zone to emphasise two-way communication and interactivity with the strategy. In the 2010/11 annual colleague survey, 89% of colleagues agreed that they fully understand our strategy and the importance of our vision.

Taking an innovative approach and generating new ideas will help us to deliver better customer service, make us a better place to work and ultimately, help us to grow sustainably. In January 2011, we launched an exciting new scheme called Innovation Activists encouraging colleagues to promote, encourage and support new ideas. To date, 16 colleagues have volunteered to become Innovation Activists, 12 of whom have been through innovation training to help them in their roles. East Midlands Airport has recently launched a new volunteering scheme 'Sustainability Champions' giving colleagues the opportunity to get involved in a range of one-off or regular environmental and community activities. The Senior Management Team fully supports this scheme and has dedicated one day a year for each employee to volunteer.

Health and safety

The health and safety of colleagues and customers is a priority for MAG. We have a Group-wide structure in place providing employee training, auditing and specialist advice on health and safety, for both operational and non-operational requirements.

Health and safety risk assessment is built into daily management routines and monitored by specific committees. We provide colleagues at all our airports with Occupational Health services and our Employee Well-Being Programme offers confidential Life Management and Personal Support services.

Total MAG health and safety incidents

	2007/08	2008/09	2009/10	2010/11
RIDDOR ¹ reportable incidents	70	55	33	26

¹RIDDOR 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

In 2010, the accident reporting process was substantially revised to encourage the reporting of 'near-miss' events. This has resulted in 689 reported incidents in 2011, which form part of the Health and Safety programme

Employee 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. Our annual colleague survey helps us to track opinion and the success of our communications. In 2010/11, we saw a 22% increase in the survey response rate to 76%, giving us a clearer indication than ever before of how our colleagues feel about the business. The colleague engagement score increased by 4% to 64%. Our overall target is to achieve an engagement score of 80% by 2013.

Diversity and equality

MAG is committed to treating all colleagues fairly and equally, ensuring that everyone is able to work and develop in an environment free from discrimination and harassment. During 2010/11, we dealt with 13 cases of discrimination at work, compared to 20 in 2009/10. To further reduce this number, we are focusing on Dignity at Work and we delivered training on our policy in several operational areas and launched an online course for office-based colleagues. We monitor the ethnic origin, disability status, gender and age of job applicants.

Training and development

We invest in training and developing our colleagues to help them build a successful career with MAG and to attract new talent to our business.

We have made progress in 2010/11 in offering development and career progression opportunities for all levels of the business. We launched two new development programmes – Aspiring Leaders and Early Talent – offering colleagues further opportunities to develop in their careers, gaining valuable work experience and formal qualifications.

We now have 945 colleagues registered on our online Colleague Achievement Review system and have also expanded the system to introduce a learning management aspect and a 360 degree review process. We also re-launched our Management Development Programme with more tailored content for the different leadership levels within the business.

Reward and recognition

Recognising our colleagues for doing their jobs well and for going over and above what is expected of them is a key part of our People Strategy.

We run an annual colleague bonus scheme based on financial targets for the business and customer service targets for each airport. We also offer a flexible benefits package. Our discount scheme, MAG Rewards, offers colleagues discounts and savings with a number of retailers with 1,058 colleagues now registered.

Our customers**Together, we're serving our customers**

MAG's brand promise is to make the customer journey as easy, seamless, relaxed and worry-free as possible. This year, we continued to focus on working closely with our key airline and retail customers, building high quality shopping facilities across the Group, and developing new car parking facilities.

Highlights from the year

- All our airports are in the upper quartile in their ACI Europe benchmark groups
- 21% of MAG colleagues are part of a Customer First team, helping to improve our service to customers
- Construction started on a Metrolink extension to Manchester Airport, providing customers and employees with an efficient form of public transport
- At the Bournemouth Tourism Awards Bournemouth Airport won Outstanding Customer Service of the Year Award

Serving our customers

We strive to offer our customers something more than they can get at other airports. Examples include our Travel Extras Store, offering customers convenient, travel-related products on our airports' websites, a new Escape lounge in Manchester Airport and the opportunity to book private jet flights and overseas assistance. Regular passenger surveys by the Civil Aviation Authority help us to continually refine and improve our offer and respond to any shifts in our customer demographics.

At Manchester Airport, we are at the forefront in new security technology and after trialling imaging technology (also known as body scanners) in Terminal 2, we extended its use to Terminals 1 and 3.

Safety and security is the greatest benefit of this technology, but it also helps to improve the customer experience at security. Since 2009, the trial has shown significantly faster security processes by removing the need for physical checks by security guards.

With 2010 seeing the coldest December recorded in the UK since nationwide records began 100 years ago, we certainly weren't short of challenges at our airports. Despite this, MAG once again minimised the snow-related disruption caused to our passengers. We received several letters of thanks for managing delays and disruptions so well.

At Humberside Airport, our strong relationships with local communities really shone through – local farmers even helped clear the snow on the airfield with their own equipment due to the unprecedented amount of snow in the region.

ACI Europe announced both Humberside and Bournemouth Airports as winners of the 2010 Airport Service Quality Awards. Humberside Airport won the regional award (Europe) for airports of less than 2 million passengers a year having secured the top spot in its benchmark group for four consecutive quarters. Bournemouth Airport won the Best Improvement Award for airports that have experienced the biggest improvement in ASQ overall satisfaction results between 2009 and 2010 in their region (Europe).

Customer security

Customer and colleague security is one of our top priorities. Over the past year we continued to invest in security technology linked with an independent quality assurance programme. We also invested heavily in training security staff to deliver even higher security standards.

All our security colleagues attend annual training courses to maintain standards of professionalism and knowledge of the latest security developments. At East Midlands and Bournemouth Airports, security is managed by G4S and we work closely with them to align their performance with the Airport Service Quality (ASQ) measures for security.

Improving customer service

Across MAG, we encourage colleagues to become members of Customer First teams, which enable them to put forward their ideas of ways we can improve our customer service. In 2010/11, we increased Customer First Team (CFT) membership by 6%, to 21%. Ideas can be as simple as changing the way we provide a service to introducing new facilities and helping colleagues develop their team-working skills.

Airport Service Quality Survey

The Airport Service Quality (ASQ) survey conducted by Airports Council International (ACI) is the world's largest such study and provides the industry standard for passenger satisfaction benchmark data. We aim to achieve top quartile ranking in our benchmark groups of similar sized European ASQ airports, reflecting our vision of becoming the World's Airports of Choice and focusing on criteria including cleanliness, ambience, overall satisfaction, and courtesy and helpfulness of staff.

Overall Satisfaction Top quartile target within relevant European benchmark group for each airport

	2011	2010
Humberside Airport	Achieved	Achieved
East Midlands Airport	Achieved	Achieved
Manchester Airport	Achieved	Achieved
Bournemouth Airport	Achieved	Not Achieved

Promoting sustainability

We have comprehensive sustainability sections on our Group and airport websites, which communicate our sustainability approach and objectives. We further promote carbon offsetting on our websites and work with our airline partners to offer customers the opportunity to calculate their flight's emissions and purchase credits to balance these emissions. Our Environment and Learning zones in all four airports continue to help us raise customer awareness of our sustainability goals.

Our performance

Our airports gather data across all areas of business performance including sustainability

We set ourselves short- and long-term objectives. Our progress is summarised below

Issue	Indicator	Calendar or financial year	Airports ¹	Performance				Target
				2007 or 2007/08	2008 or 2008/09	2009 or 2009/10	2010 or 2010/11	
Our Environment								
Energy and fuel use	Total net CO2 emissions	Calendar	All	105,692	93 280	77,169	74 414 ²	2012 0 (EMA, BOH, HUY) 2015 0 (MAN)
Water	Total mains water used (m3)	Financial	All	908 992	875 223	866 808	907,779	
	Samples within surface water discharge consent limits	Calendar	MAN EMA BOH	98% 90% 100%	92% 85% 100%	100% 96% 100%	95% 100% 100%	All years 100%
	Samples within effluent discharge consent limits	Calendar	MAN EMA	100% 100%	100% 100%	100% 100%	97.5% 100%	All years 100%
Waste	Total waste (tonnes)	Financial	MAN and EMA	9 955	8,673	7 331	7,035	
	Waste recycled/recovered	Financial	MAN	21%	21%	21%	43%	2010/11 25%
		Calendar	EMA	30%	46%	84%	88%	2010 50%
Our Communities								
Noise	Departures within preferred noise routes	Calendar	MAN EMA	98% 97%	99% 98%	98% 98%	97% 99%	
	Flights using continuous descent approach (MAN 22 00 – 06 00)	Calendar	MAN EMA	76% 79%	81% 84%	78% 87%	77% 86%	All years 80%
Air quality	Total breaches of air quality limits	Calendar	MAN EMA	0 0	0 0	0 0	0 0	
Community funds	Total community investment (£)	Financial	All	229 851	314,197	244,211	217,750	
	Employee volunteering hours	Financial	MAN EMA	1 223	1 722	2,268	3 755 363	MAN 2010/11 2,200
Our People								
Health, safety and security	RIDDOR reportable accidents	Financial	All	70	55	33	26	
Employee engagement	Colleague engagement (a composite score)	Financial	All	49%	52%	60%	64%	2013 80%
Putting the customer first	Colleagues involved in CFT teams	Calendar	All	–	–	14%	21%	2010 20% 2013 40%
Customer satisfaction	Overall ASQ rankings (in relevant benchmark group)	Calendar	MAN	–		Achieved	Achieved	2013 upper quartile position in relevant benchmark group for each airport
			EMA	–		Achieved	Achieved	
			BOH HUY	–		Not Achieved Achieved	Achieved Achieved	

¹ MAN = Manchester, EMA = East Midlands, BOH = Bournemouth, HUY = Humberside

² Defra's long-standing advice that electricity from renewable sources such as wind and solar should be assumed to give rise to zero CO₂ emissions has changed. This eliminates the incentive to purchase renewable electricity at a premium. We believe that generating and purchasing renewable electricity can make an important contribution to reducing our CO₂ emissions, which is why we are reporting our carbon emissions against our original carbon neutrality commitment. If the benefit of purchased electricity from renewable sources is excluded, this would increase MAG's emissions by 47,038 tonnes.

The data represents MAG's total CO₂ emissions as covered by our Carbon Neutral Commitment. This includes Scope 1 (oil, gas and vehicle fuel), Scope 2 (electricity with green tariff treated as zero CO₂ as outlined in our original commitment) and some Scope 3 (electricity, heating oil and fuel supplied to third-party tenants).

This corporate governance statement forms part of and should be read in conjunction with the Directors' Report set out on page 32

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 28. 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 2010/11	10	4	5	2
Number of meetings attended				
Non Executive directors				
Mike Davies	10	n/a	n/a	2
Stuart Chambers (Note 1)	8	2	3	2
Dave Goddard	8	n/a	–	–
Mike Hancox	9	4	n/a	2
Brian Harrison (Note 2)	1	–	n/a	–
Richard Leese (Note 2)	6	n/a	n/a	2
Vanda Murray	9	4	n/a	2
David Partridge	9	n/a	4	2
Angela Spindler	8	n/a	5	1
James Wallace	10	4	n/a	1
Executive directors				
Penny Coates	9	n/a	n/a	n/a
Andrew Cornish (Note 3)	5	n/a	n/a	n/a
Charlie Cornish (Note 4)	5	n/a	n/a	n/a
Ken Duncan (Note 5)	7	n/a	n/a	n/a
Geoff Muirhead (Note 3)	5	n/a	n/a	n/a

(1) Stuart Chambers joined the audit committee in November 2010

(2) Brian Harrison retired in May 2010 and Richard Leese was appointed in May 2010

(3) Andrew Cornish and Geoff Muirhead resigned in September 2010

(4) Charlie Cornish was appointed in October 2010

(5) Ken Duncan resigned in March 2011

Note: n/a in the table above denotes that the director is not a member of that committee

Governance Summary

The Board is accountable to the Shareholders for delivery of Group performance 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 including a report from the Group Chief Executive, a finance report, a health and safety report for the Group and a report on the group airports. 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 Group Chief Operating Officer was created whose primary responsibilities are to optimise best practice transfer in the Group, key account management and implement Group-wide strategies such as sustainability. Penny Coates formerly MD of Regional Airports Group was appointed Group Chief Operating Officer in August 2010.

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 Group Chief Finance Officer and Group Chief Operating 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 Company 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 Company 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 Company'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 Mike Hancox (Chairman), James Wallace, Vanda Murray and Stuart Chambers. All members of the Audit Committee are independent non-executive directors. The Board is satisfied that Mike Hancox and James Wallace have recent and relevant financial experience.

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

- At its meetings in June and November the audit committee reviews the annual report and accounts and interim report, respectively and the Group Treasury Policy,
- The external auditors meet with the audit committee in June and November without management present,
- The Head of Group Risk Assurance presents a report on risk management and internal audit (including matters relating to the whistle blowing policy) to each meeting,
- Board control procedures and the effectiveness of Internal Audit are reviewed in March each year

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

The Audit Committee meets at least four times a year. The external auditors, the Group Chief Executive, the Group Chief Finance Officer and the Head of Risk Assurance regularly attend meetings with the Audit Committee. The Head of Risk Assurance also has the opportunity to meet with the Chairman of the Audit Committee without executive management being present.

Remuneration and Review Committee

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

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 29.

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

Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, to lead the process for potential appointments and to oversee succession planning in respect of the Board and senior executives. The appointment of the Chairman is managed by the Shareholders' 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 a sub-committee of the Nomination Committee was formed to consider the appointment of Geoff Muirhead's successor. The Orcid Partnership was appointed to assist the committee with this process. The committee also considered and recommended the re-appointment of Angela Spindler and James Wallace as non-executive directors.

Relations with Shareholders

The Board is committed to a proactive communications programme with its Shareholders. The Chairman, Group Chief Executive and Group Chief Finance 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 15.

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 strategic planning, operational risks, acquisitions, investments, income and expenditure control, treasury, trading, reputation and customer service.

The Risk Assurance function, covering Risk Management, Internal Audit, Health & Safety compliance and Security

Quality Assurance, reports directly to the Group Chief Finance Officer.

Risk Registers are managed by individual risk owners and are updated as appropriate. The holding of annual 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.

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 1 October 2010. Prior to joining MAG, 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.

Penny Coates BSc (Hons), MBA

Joined MAG in April 2005 and appointed to the Board in December 2008. Penny is Group Chief Operating Officer responsible for the performance of the four airports plus capital projects, Group Sustainability Strategy and chairing the Group Health and Safety Committee. Penny has previously held a range of senior management roles with Mars, Pepsico, Boots and Asda. External appointments include non-executive directorships with the Co-operative Group, the UK Airport Operators Association and Prospect Leicestershire. Penny is also a lay member of the Council for Loughborough University.

Non-executive Directors

Stuart Chambers

Appointed in January 2010, he 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.

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.

Mike Hancox FCMA

Appointed in February 2007. He is currently CEO of Ideal Shopping Direct PLC 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.

Sir Richard Leese

Appointed in May 2010. Leader of The Council of the City of Manchester since May 1996.

Vanda Murray OBE, FCIM, BA (Hons)

Appointed in January 2010, Vanda is a non-executive director of Carillion PLC, Chair of Business Link NW, Vphase PLC and Deputy Chair of the North West Regional Development Agency. 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, FR SBS

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'. 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.

Other Directors

Neil Thompson ACA, CTA

Joined MAG in 2005, being Commercial FD and then Corporate FD, prior to taking on the role of Group Chief Finance Officer. 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 7 years in financial practice, specialising in Corporate Finance and M&A transactions, latterly with PricewaterhouseCoopers. Neil is also a non-executive director and Audit Chairman of NHS Manchester. Neil attends all board meetings and appropriate board committees.

Although the Company is not a quoted company, as a matter of best practice it implements the Directors' Remuneration Regulations 2002, 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.

Remuneration and Review Committee Terms of Reference

The members of the Committee are set out on page 25. The terms of reference for the Committee are as follows:

- To determine and review the policy for the remuneration of 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 Group Human Resources Director and the director of Employment Policy & Services attend meetings with the Committee as and when appropriate.

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 competitive in the markets in which executives are based and which assist in attracting and retaining high calibre executives.

Remuneration packages comprise:

- base salaries, which are benchmarked using external consultants and published survey data, allowing informed comparisons with companies of similar size and complexity. Individual performance and any changes in responsibilities are also taken into account.
- 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.
- all executive directors and senior executives are entitled to join the Group's pension scheme.

Executive directors' base salaries and annual bonuses

The base salaries of executive directors are reviewed annually, having regard to personal performance, Company performance, affordability and competitive market practice as determined by external research. The executive directors are eligible to participate in the MAG Executive Directors Short Term Incentive Scheme. Subject to satisfactory personal and company performance, the executive directors could earn a maximum incentive of 40% of base salary.

A revised long-term incentive plan was introduced in 2009 where an incentive of up to 60% of salary for executive directors and up to 45% of salary for senior executives could be paid dependant on achievement of targets linked to growth in the Group's return on capital employed and market share over a three year period. A further award was made in 2010/11 and accruals have been made at target levels for the return on capital employed element only. In both awards no elements of remuneration, other than base salary, are pensionable.

Executive directors' service contracts

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

Directors' Remuneration Report

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 and Richard Leese) 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	Car/fuel card cash alternative	Bonuses	Benefits in kind (Note 1)	Total emoluments 2011	Total emoluments 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Executive directors						
Geoff Muirhead (Note 2)	210	1	24	10	245	516
Ken Duncan (Note 3)	456	12	17	1	486	384
Andrew Cornish (Note 2)	121	–	33	11	165	334
Penny Coates	231	–	29	23	283	307
Charlie Cornish (Note 4)	192	8	–	–	200	–
Non-executive directors						
Mike Davies	125	–	–	–	125	125
Stuart Chambers	25	–	–	–	25	3
Dave Goddard (Note 5)	–	–	–	–	–	–
Mike Hancox	25	–	–	–	25	25
Brian Harrison (Note 5 & 6)	–	–	–	–	–	–
Vanda Murray	25	–	–	–	25	3
David Partridge	19	–	–	–	19	3
Angela Spindler	25	–	–	–	25	25
James Wallace	25	–	–	–	25	25
Richard Leese (Note 5 & 6)	–	–	–	–	–	–
Peter Smith (Note 5 & 7)	–	–	–	–	–	–
Thomas Marshall (Note 7)	–	–	–	–	–	21
Michael Medicott (Note 7)	–	–	–	–	–	21
Brenda Smith (Note 7)	–	–	–	–	–	21
	1,479	21	103	45	1,648	1,813

Notes

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

(2) Andrew Cornish and Geoff Muirhead stood down in September 2010.

(3) Ken Duncan stood down in March 2011.

(4) Charlie Cornish was appointed in October 2010.

(5) Dave Goddard, Brian Harrison, Richard Leese and Peter Smith receive no remuneration or fees.

(6) Brian Harrison stood down and Richard Leese was appointed in May 2010.

(7) Peter Smith, Thomas Marshall, Michael Medicott and Brenda Smith stood down in January 2010.

Subsequent to his retirement from the Board the Group paid Geoff Muirhead £82,000 for consultancy services provided in his role as ambassador to the Group

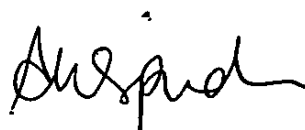
Retirement Benefits

Geoff Muirhead is a member of the Greater Manchester Pension Fund, a defined benefit scheme. Ken Duncan, Andrew Cornish, Charlie Cornish and Penny Coates are members of the Group's money purchase scheme and total contributions of £132,217, were paid by the Group to this scheme on their behalf during the year, including individual and employer contributions

Pension entitlements and corresponding increases in accrued lump sums and transfer values during the year are as follows

	Pensionable Service at 31 March 2011 Years	Accrued pension at 31 March 2011 £'000	Accrued pension at 31 March 2010 £'000	Accrued lump sum at 31 March 2011 £'000	Accrued lump sum at 31 March 2010 £'000
Geoff Muirhead	22 1	95	111	450	293

Voluntary contributions paid by directors and resulting benefits are not shown in the above table



Angela Spindler

Chair of the Remuneration and Review
Committee

1 July 2011

Directors' Report for the year ended 31 March 2011

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2011

Principal activities

The Manchester Airport Group ('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 42.

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 profit for the year of £64.7m (2010: £16.9) after dividends paid of £20.0m (2010: £20.0m) will be transferred to reserves.

Shareholders

The Shareholders as at 31 March 2011 are set out below:

	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 Board of Directors

The names and biographical details of the directors are set out on page 28.

Brian Harrison resigned as a non-executive director in May 2010. Richard Leese was appointed as non-executive director with effect from May 2010.

Andrew Cornish and Geoff Muirhead resigned as executive directors with effect from September 2010.

Charlie Cornish was appointed as an executive director with effect from October 2010.

Angela Spindler and James Wallace were both re-appointed as non-executive directors each for a term of three years with effect from January 2011.

Ken Duncan resigned as an executive director in March 2011.

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

Richard Leese resigned as a non-executive director in May 2011. Bernard Priest was appointed as a non-executive director with effect from June 2011.

Contracts of significance

Details of contracts of significance with The Council of the City of Manchester are set out in Note 32 to these financial statements.

Employees

Employment Policies

The Group's employment policies are regularly reviewed and updated by the Board

The Group is committed to providing equality of opportunity to all employees and potential employees. The Group gives full and careful consideration to applications for employment from all people regardless of their sex, ethnic origin, nationality, sexuality, age, disability or religious beliefs, bearing in mind the respective aptitudes and abilities of the applicant concerned. This also applies to training and promotion within the Group.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Diversity

The Group provides services for a changing and diverse society and the Board of Directors considers that to provide the best services for our customers it is essential that the Group embraces diversity in the workforce. 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, business briefings are cascaded throughout the organisation to communicate key business and operational issues and there are Group wide in-house newspapers, which are produced on a monthly 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 2011 was 31 days (2010: 51 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 £0.1m (2010: £0.1m). 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
 1 July 2011

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 parent Company 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 Companies Act 2006. The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, 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

We have audited the group financial statements of The Manchester Airport Group PLC for the year ended 31 March 2011 set out on pages 36 to 67. 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 34, 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 on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

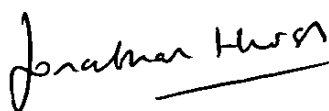
Matters on which we are required to report by exception

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 2011 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
4 July 2011

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 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 2011, MAG had £526.8m (2010 £541.9m) of committed facilities and a net debt position of £372.9m (2010 £347.6m). MAG had financial headroom of £159.7m at the year end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the board approved three year business plan MAG is forecast to have financial headroom in excess of £100m throughout 2011/12. 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:

The revised IFRS 3 'Business Combinations' includes changes relevant to any future business combinations involving the Group. Contingent consideration is measured at fair value, with subsequent changes to the fair value being recognised in profit. Transaction costs, other than share and debt issue costs, will be expensed as incurred. Any pre-existing interest in the acquiree is measured at fair value with the gain or loss recognised in profit. Any non-controlling (minority) interest is measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

The revised standard was effective for business combinations on or after 1 January 2010 and will be applied prospectively. As no business combinations have occurred during the period this new standard has no effect on the Group's results for the year.

The amendments to IAS 27 'Consolidated and Separate Financial Statements (2008)', IAS 39 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items', the amendment to IAS 32 'Classification of Rights Issues', IFRS 2 'Group Cash-settled Share-based Payment Transactions', IFRIC 17 'Distributions of Non-Cash Assets to Owners' and IFRIC 18 'Transfers of Assets from Customers' and the Improvements to IFRS (issued April 2009) have all been adopted in the year. The adoptions of the amendments and improvements did not have a significant effect on the Group's profit 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 Financial Position, Statement of Changes in Equity 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.

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 time of parking,
- Car parking income recognised at the point of parking for Short and Long Stay parking. Contract Parking recognised over the period to which it relates on a straight-line basis,
- Concession income from retail and commercial concessionaires 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

Property, plant and equipment

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

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

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 prudent.

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.

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 recognized 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.

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.

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 or the time until the first break option in the lease.

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.

Available for sale financial assets

The Group has investments in a number of small 'seedcorn' companies in the technology sector. The investments are classified as available for sale financial assets, which are fair valued at each reporting date. Any impairments are recognised in the income statement.

Fair value is the amount a knowledgeable and willing third party would exchange for the asset. Fair value is established by reference to a number of factors including the investments' profitability, cash flows, assets and general market conditions.

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 would have been 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 expected future economic benefit.

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 28% applicable to accounting periods ending 31 March 2011 (2010: 28%)

The March 2011 Budget Statement announced a phased reduction to the main UK Corporation tax rate to 23%, with the first reduction to 26% taking effect from 1 April 2011. This first reduction was substantively enacted on 29 March 2011 and deferred tax balances at 31 March 2011 have been calculated at 26% (2010: 28%)

Employee benefit costs

The Group participates in several defined benefit and defined contribution 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

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 2011

	Notes	2011 £m	2010 £m
Revenue	1	350.2	348.9
Profit from operations before significant items	3	51.3	56.1
Significant items			
Pensions credit	3	42.6	–
Profit from operations	3	93.9	56.1
Movement in investment property fair values	14	13.0	12.4
Finance income	6	0.2	0.1
Finance costs	7	(26.5)	(23.0)
Profit before taxation	8	80.6	45.6
Taxation	9	4.1	(8.7)
Profit for the year after taxation		84.7	36.9
Earnings per share expressed in pence per share –			
Basic	11	41.46	18.06
Diluted	11	41.46	18.06

Consolidated Statement of Comprehensive Income for the year ended 31 March 2011

	Note	2011 £m	2010 £m
Profit for the year after taxation		84.7	36.9
Actuarial loss on retirement benefit liabilities	24	(13.4)	(50.4)
Deferred tax on retirement benefits actuarial movements	9	3.5	14.1
Deferred tax on pension lump sum contribution	9	(5.6)	–
Effect of change in rate of corporation tax	9	(1.3)	–
Other comprehensive income for the year		(16.8)	(36.3)
Total comprehensive income for the year		67.9	0.6

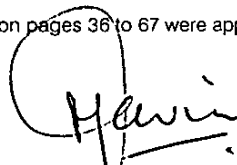
Consolidated Statement of Changes in Equity for the year ended 31 March 2011

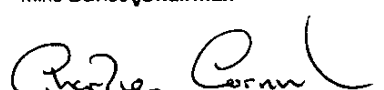
	Note	Attributable to equity holders		Total £m
		Share capital £m	Reserves £m	
At 1 April 2010		204.3	564.8	769.1
Profit for the period		–	84.7	84.7
Defined benefit actuarial loss net of tax		–	(9.9)	(9.9)
Dividends paid to equity holders	10	–	(20.0)	(20.0)
Deferred tax on pension lump sum contribution		–	(5.6)	(5.6)
Effect of change in the rate of corporation tax		–	(1.3)	(1.3)
Balance at 31 March 2011		204.3	612.7	817.0

Consolidated Statement of Financial Position as at 31 March 2011

	Notes	2011 £m	2010 £m
Assets			
Non-current assets			
Property plant and equipment	12	1,220 5	1 210 0
Intangible assets	13	10 0	–
Investment properties	14	334 8	325 6
Deferred tax assets	25	12 7	29 6
		1,578 0	1,565 2
Current assets			
Inventories	15	1 1	1 0
Trade and other receivables	16	32 9	30 2
Cash and cash equivalents	17	8 5	2 6
		42 5	33 8
Liabilities			
Current liabilities			
Borrowings	18	(1 7)	(2 3)
Trade and other payables	23	(89 7)	(84 8)
Deferred income		(13 5)	(13 9)
Current tax liabilities		(7 7)	(9 8)
		(112 6)	(110 8)
Net current liabilities		(70 1)	(77 0)
Non-current liabilities			
Borrowings	18	(379 7)	(347 9)
Retirement benefit liabilities	24	(45 1)	(76 1)
Deferred tax liabilities	25	(246 1)	(275 3)
Other non-current liabilities	26	(20 0)	(19 8)
		(690 9)	(719 1)
Net assets		817 0	769 1
Shareholders' equity			
Share capital	27	204 3	204 3
Retained earnings	28	612 7	564 8
Total equity		817 0	769 1

The financial statements on pages 36 to 67 were approved by the Board of Directors on 1 July 2011 and signed on its behalf by


Mike Davies Chairman


Charlie Cornish Group Chief Executive

	Note	2011 £m	2010 £m
Cash flows from operating activities			
Profit before taxation		80.6	45.6
Change in value of investment properties		(13.0)	(12.4)
Finance income and expense		26.3	22.9
Depreciation, amortisation and impairment		64.2	61.1
Loss on sale of property, plant and equipment		0.4	0.6
(Decrease)/increase in trade, other receivables and inventories		(2.8)	0.1
Release of grants		(0.7)	(1.1)
Decrease in trade and other payables		(3.1)	(12.1)
(Decrease)/increase in retirement benefits provision		(41.2)	1.0
Cash generated from operations		110.7	105.7
Interest paid		(29.3)	(23.1)
Interest received		0.2	0.1
Tax paid		(13.9)	(8.9)
Net cash from operating activities		67.7	73.8
Cash flows from investing activities			
Purchase of property, plant and equipment		(74.8)	(74.4)
Purchase of investment properties		(1.0)	(6.0)
Net cash used in investing activities		(75.8)	(80.4)
Cash flows from financing activities			
Increase in/(repayment of) bank loan borrowings		36.0	36.8
Repayment of other borrowings		(0.1)	(6.4)
Finance lease principal payments		(1.9)	(3.8)
Dividends paid to shareholders		(20.0)	(20.0)
Net cash used in financing activities		14.0	6.6
Net movement in cash and cash equivalents		5.9	-
Cash and cash equivalents at 1 April		2.3	2.3
Cash and cash equivalents at 31 March	33	8.2	2.3

Cash and cash equivalents include overdrafts of £0.3m (2010: £0.3m)

1. Revenue

An analysis of the Group's revenue is as follows

	2011 £m	2010 £m
Aviation income	161.7	163.2
Commercial income		
Car parking	47.8	46.5
Property and property related income	33.5	31.6
Retail concessions	69.8	70.4
Other	37.4	37.2
Total commercial income	188.5	185.7
Total revenue	350.2	348.9

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

2. Business and geographical segments

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

2011	Manchester Airport	Manchester Airport Group Developments	East Midlands Airport	Bournemouth Airport	Humberside Airport	Other and consolidation	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue							
External sales	257.5	29.8	48.3	10.0	7.5	(2.9)	350.2
Inter-segment sales	0.1	(2.8)	0.2	0.7	(0.9)	2.7	–
Total revenue	257.6	27.0	48.5	10.7	6.6	(0.2)	350.2
Result							
Segment profit before exceptional items	58.1	16.7	7.1	(1.7)	(0.7)	(28.2)	51.3
Other information							
Segment assets	1,148.6	(Note 1)	284.4	113.9	22.8	50.8	1,620.5
Segment liabilities	(489.9)	(Note 1)	(80.5)	(16.1)	(9.7)	(207.3)	(803.5)
Capital expenditure	52.7	(Note 1)	7.5	10.9	0.2	–	71.3
Depreciation	53.7	0.8	7.6	1.4	0.7	–	64.2
Taxation charge/(credit)	3.3	(Note 1)	1.0	(0.5)	0.2	(8.1)	(4.1)

(Note 1) There is no separate statement of Financial Position for Manchester Airport Group Developments division therefore segment assets and liabilities are reported in the subsidiary companies depending on the geographical location of the investment properties

2. Business and geographical segments continued**2010**

	Manchester Airport	Manchester Airport Group Developments	East Midlands Airport	Bournemouth Airport	Humberside Airport	Other and consolidation	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue							
External sales	256.2	23.2	49.7	10.6	6.8	2.4	348.9
Inter-segment sales	0.1	2.7	–	–	–	(2.8)	–
Total revenue	256.3	25.9	49.7	10.6	6.8	(0.4)	348.9
Result							
Segment profit before exceptional items	60.0	15.2	9.7	(0.3)	(0.7)	(27.8)	56.1
Other information							
Segment assets	1,146.9	(Note 1)	282.3	104.4	22.1	43.3	1,599.0
Segment liabilities	(527.7)	(Note 1)	(99.5)	(18.4)	(12.8)	(171.5)	(829.9)
Capital expenditure	37.7	(Note 1)	2.9	17.6	0.3	16.4	74.9
Depreciation	50.6	0.8	7.7	0.7	0.7	0.6	61.1
Taxation charge/(credit)	3.9	(Note 1)	3.3	0.6	1.0	(0.1)	8.7

3. Profit from operations

	2011 £m	2010 £m
Turnover	350.2	348.9
Wages and salaries	(64.4)	(63.2)
Social security costs	(6.0)	(5.9)
Pension costs	(7.6)	(8.8)
Employee benefit costs	(78.0)	(77.9)
Depreciation	(64.2)	(61.1)
Loss on disposal of property, plant and equipment and investment properties	(0.4)	(0.6)
Other operating charges (Note 1)	(156.3)	(153.2)
Profit from operations before significant items	51.3	56.1
Pensions credit (Note 2)	42.6	–
Profit from operations	93.9	56.1

(Note 1) Other operating charges includes maintenance, rent, rates, utilities and other operating expenses

(Note 2) 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 the Consumer Price Index rather than Retail Price Index.

4. Employee information

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

	2011 Number	2010 Number
By location		
Manchester Airport	2,072	2,040
East Midlands Airport	245	255
Bournemouth Airport	125	129
Humberside Airport	149	151
	2,591	2,575

5. Directors' emoluments

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 29 to 31 in the Remuneration Report

	2011 £m	2010 £m
Aggregate emoluments	1.7	1.8

An amount of £132,217 (2010: £85,638) was paid in to money purchase schemes in respect of four directors (2010: three)

Retirement benefits were accruing for one director during 2011 (2010: one) under a defined benefit scheme

	2011 £m	2010 £m
Highest paid director		
Aggregate emoluments and benefits	0.5	0.5
Defined benefit scheme		
Accrued pension at end of year	–	0.1
Accrued lump sum at end of year	–	0.3

6. Finance income

	2011 £m	2010 £m
Other interest receivable	0.2	0.1
	0.2	0.1

7. Finance costs

	2011	2010
	£m	£m
Interest payable on bank loans and overdrafts	6.4	5.9
Interest payable on finance leases	0.2	0.1
Interest payable on other borrowings	19.9	17.0
	26.5	23.0

8. Profit before taxation

	Note	2011	2010
		£m	£m
Profit before taxation has been arrived at after charging/(crediting)			
Hire of plant and machinery – operating leases		0.3	0.4
Hire of other assets – operating leases		10.4	10.5
Release of capital based grants		(0.7)	(0.8)
Depreciation of property, plant and equipment			
Owned assets	12	64.0	60.9
Leased assets	12	0.2	0.2
Loss on disposal of property, plant and equipment and investment properties		0.4	0.6
(Increase) in fair value of investment property	14	(13.0)	(12.4)
Employee benefit costs	3	78.0	77.9
Pensions credit	3	42.6	–
Auditors' remuneration			
Audit of these financial statements		0.1	0.1
Amounts receivable by auditors and their associates in respect of			
Other services relating to taxation		0.2	0.2
All other services		0.2	0.3

9. Taxation

Analysis of charge in the period

	2011 £m	2010 £m
Current taxation		
UK Corporation tax on profits for the year	13.5	13.5
Adjustment in respect of prior year	(1.9)	(1.9)
Total current taxation	11.6	11.6
Deferred taxation		
Temporary differences arising in the period	6.4	(5.7)
Adjustment in respect of prior year	(3.2)	2.8
Effect of change in rate of corporation tax	(18.9)	–
Total deferred taxation	(15.7)	(2.9)
Total taxation (credit)/charge	(4.1)	8.7

Taxation on items charged to equity

	2011 £m	2010 £m
Deferred taxation on actuarial losses and gains	(3.5)	(14.1)
Deferred taxation on pension lump sum contribution	5.6	–
Effect of change in rate of corporation tax	1.3	–
	3.4	(14.1)

Factors affecting the taxation charge for the year

The total taxation for the year ended 31 March 2011 is lower than the standard rate of corporation taxation in the UK of 28% (2010: 28%)

The differences are explained below

	2011 £m	2010 £m
Profit on ordinary activities before taxation	80.6	45.6
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	22.6	12.8
Effect of		
Origination and reversal of timing differences	(0.5)	(0.5)
Permanent timing differences	(2.4)	(4.8)
Non-taxable items	0.2	0.3
Adjustments to prior year taxation charge	(5.1)	0.9
Effect of change in rate of corporation tax	(18.9)	–
Total taxation (credit)/charge	(4.1)	8.7

The March 2011 Budget Statement announced a phased reduction to the main UK Corporation tax rate to 23%, with the first reduction to 26% taking effect from 1 April 2011. This first reduction was substantively enacted on 29 March 2011 and deferred tax balances at 31 March 2011 have been calculated at 26%. The effect of a further 1% reduction to the main UK Corporation tax rate when deferred tax liabilities reverse would be £9.0m.

10. Dividends

	2011	2010
	£m	£m
Amounts recognised as distributions to equity holders in the year		
Dividend paid in relation to the year ended 31 March 2010 of 9.79 pence (2009 9.79 pence) per share	20.0	20.0

11. Earnings per share

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

	2011			2010	
	Earnings £m	Weighted average number of shares m	Per share amount Pence	Earnings £m	Weighted average number of shares m
EPS attributable to ordinary shareholders	84.7	204.3	41.46	36.9	204.3
					Per share amount Pence
					18.06

12. Property, plant and equipment

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

12. Property, plant and equipment continued

2010	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 2009	194.1	347.2	720.2	508.0	51.0	34.7	1,855.2
Additions	18.3	–	–	–	–	50.6	68.9
Reclassification	(7.7)	68.4	103.1	(78.8)	(34.7)	(53.0)	(2.7)
Disposals	–	(0.7)	–	(17.2)	–	–	(17.9)
At 31 March 2010	204.7	414.9	823.3	412.0	16.3	32.3	1,903.5
Depreciation							
At 1 April 2009	56.4	97.4	189.7	290.6	15.6	–	649.7
Charge for the period	0.1	12.0	18.2	30.8	–	–	61.1
Impairment	(1.7)	(47.3)	47.6	1.4	–	–	–
Disposals	–	(0.5)	–	(16.7)	(0.1)	–	(17.3)
At 31 March 2010	54.8	61.6	255.5	306.1	15.5	–	693.5
Carrying amount							
At 31 March 2010	149.9	353.3	567.8	105.9	0.8	32.3	1,210.0
At 31 March 2009	137.7	249.8	530.5	217.4	35.4	34.7	1,205.5

13. Intangible assets

	Intangible assets £m
Cost	
At 1 April 2010	–
Additions	10.0
At 31 March 2011	10.0
Amortisation and impairment losses	
At 1 April 2010	–
At 31 March 2011	–
Carrying amount	
At 31 March 2011	10.0

14. Investment properties

2011	Investment properties £m
Cost or valuation	
At 1 April 2010	325.6
Additions	1.0
Reclassification	(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
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2010	Investment properties £m
Cost or valuation	
At 1 April 2009	304.5
Additions	6.0
Reclassification	2.7
Revaluation	12.4
At 31 March 2010	325.6

Carrying amount	
At 31 March 2010	325.6

At 31 March 2009	304.5
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Investment properties

The fair value of the Group's investment property at 31 March 2011 has been arrived at on the basis of a valuation carried out at that date by Drivers Jonas Deloitte Chartered Surveyors, independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cashflow methods.

The rental income earned by the Group from its property, amounted to £24.3m (2010: £23.4m). Direct operating expenses arising on the investment property in the period amounted to £2.9m (2010: £3.0m). This includes £0.3m (2010: £0.2m) of operating costs where no income was derived.

15. Inventories

	2011 £m	2010 £m
Consumables	1.1	1.0
	1.1	1.0

16. Trade and other receivables

	2011	2010
	£m	£m
Trade receivables	17.0	12.4
Other receivables	4.6	2.2
Prepayments and accrued income	11.3	15.6
	32.9	30.2

The average credit period taken on sales is 18 days (2010: 13 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £1.1m (2010: £0.9m). 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 impairment provision.

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

	2011	2010
	£m	£m
Debt due over 90 days	0.9	2.1
Total	0.9	2.1

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

	£m
Balance at 1 April 2010	0.9
Increase in provision for impaired receivables	0.2
Balance at 31 March 2011	1.1

As of 31 March 2011, trade receivables of £1.1m (2010: £2.2m) were considered for impairment and of which an amount of £1.1m (2010: £0.9m) was provided with the remaining amount expected to be fully recovered.

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows

	2011	2010
	£m	£m
Less than 30 days	–	–
30 to 60 days	0.2	0.1
Over 90 days	0.9	0.8
Total	1.1	0.9

The Group is not exposed to foreign currency exchange risk as all trade and other receivables are denominated in Sterling. Additional disclosure on financial risk management is included in Note 22.

17. Cash and cash equivalents

	2011	2010
	£m	£m
Cash at bank and in hand	0.7	1.4
Short term deposits	7.8	1.2
	8.5	2.6

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

18. Borrowings

	Notes	2011	2010
		£m	£m
Overdraft		0.3	0.3
Bank loans	19	216.7	183.5
Other borrowings	20	163.1	163.2
Obligations under finance leases	21	1.3	3.2
		381.4	350.2

Borrowings are repayable as follows

In one year or less, or on demand

Overdraft	0.3	0.3
Other borrowings	0.1	0.1
Obligations under finance leases	1.3	1.9
	1.7	2.3

In more than one year, but no more than two years

Bank loans	142.0	108.8
Other borrowings	0.1	–
Obligations under finance leases	–	1.3
	142.1	110.1

In more than two years, but no more than five years

Other borrowings	0.1	0.2
	0.1	0.2

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	0.9
	0.8	0.9

Non Current Borrowings	379.7	347.9
Total Borrowings	381.4	350.2

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

19. Bank loans

	2011 £m	2010 £m
Unsecured bank revolving credit facility of £280.0m (2010: £300.0m) repayable on or before 22 December 2015 (Note 1)	145.0	109.0
Less: unamortised debt issue costs	(3.0)	(0.2)
Unsecured term loan of £75.0m (2010: £75.0m) repayable on 27 June 2028 (Note 2)	75.0	75.0
Less: unamortised debt issue costs	(0.3)	(0.3)
	216.7	183.5

(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.

20. Other borrowings

	2011 £m	2010 £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%))	1.1	1.2
Repayable by due other than by instalments		
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	162.5	162.5
Less: unamortised debt issue costs	(0.5)	(0.5)
	163.1	163.2

Security of other borrowings

The £162.5m shareholders' loan is unsecured.

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

21. Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	£m	£m	£m	£m
Amounts payable under finance leases	1 4	3 5	1 3	3 2
Within one year	1 4	2 1	1 3	1 9
In the second to fifth years inclusive	–	1 4	–	1 3
	1 4	3 5	1 3	3 2
Less future finance charges	(0 1)	(0 3)		
Present value of lease obligation	1 3	3 2		
Less amount due for settlement within 12 months			(1 3)	(1 9)
Amount due for settlement after 12 months			–	1 3

The Group leases certain fixtures and equipment under finance leases. The average lease term from inception is 15 years, and the average lease term remaining to expiry is 1 year (2010: 1 year).

For the year ended 31 March 2011, the average effective borrowing rate was 6.4% (2010: 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 obligations are denominated in sterling.

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

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

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

22. Financial instruments

Risk management

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

Treasury operations are conducted within a framework of policies, which are approved and subsequently monitored by the Board. These include guidelines on funding, interest 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. Fixed rate borrowings are targeted within a guideline band of 60% to 90%.

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 2011, MAG had £526.8m (2010 £541.9m) of committed facilities and a net debt position of £372.9m (2010 £347.6m).

MAG had financial headroom of £159.7m at the year end, a level comfortably in excess of the internal compliance target.

Under existing facilities and based on the board approved three year business plan MAG is forecast to have financial headroom in excess of £100m throughout 2011/12.

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 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 current long-term credit rating by 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.

MAG have put in place additional measures to manage credit exposure within the current economic downturn.

Improved knowledge of the customer base via monthly risk reports and online aviation and financial services, these provide 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 via the prepayments process, and a process for request of deposits or bank guarantees, where longer term agreements are in place.

The Group Chief Finance Officer takes an active role in the management of credit risk, meeting with the credit management team on a monthly basis to address concerns and potential issues.

The maximum exposure to credit risk for receivables and payables is represented by their carrying amount.

22. 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 2011 was as follows

	2011	2010
	£m	£m
Fixed rate financial liabilities	239.1	239.2
Floating rate financial liabilities	142.3	111.0
	381.4	350.2

Financial liabilities shown above are all denominated in sterling

Financial liabilities are shown net of unamortised issue costs amounting to £3.8m (2010: £1.0m)

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

63% (2010: 68%) 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 £1.1m

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

	2011	2010
Weighted average annual interest rate	10.00%	10.01%
Weighted average period for which interest rate is fixed	36y 8m	37y 8m

The weighted average period for non-interest bearing liabilities as at 31 March 2011 was 1 year (2010: 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 2011 was as follows

	2011	2010
	£m	£m
In one year or less, or on demand	28.6	35.4
In more than one year but not more than two years	–	110.2
In more than two years but not more than five years	142.0	0.2
In more than five years	239.1	237.7
	409.7	383.5

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 2011, the Group had an undrawn committed borrowing facility available amounting to £149.7m (2010: £191m)

	2011	2010
	Floating rate	Floating rate
	£m	£m
Expiring in less than one year	4.7	–
Expiring in one to two years	–	191.0
Expiring in more than two years	145.0	–
	149.7	191.0

22. Financial instruments continued**Financial assets****Interest rate profile of financial assets**

	2011	2010
	£m	£m
Short term fixed rate, sterling deposits	7.8	1.2
	7.8	1.2

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 2011 and 2010. 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.

	2011		2010	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Bank loans and overdrafts	(217.0)	(217.0)	(183.8)	(183.8)
Trade payables	(28.3)	(28.3)	(33.3)	(33.3)
Other borrowings	(163.1)	(163.1)	(163.2)	(163.2)
Short and long term finance leases	(1.3)	(1.3)	(3.2)	(3.2)
	(409.7)	(409.7)	(383.5)	(383.5)
Cash at bank and in hand	0.7	0.7	1.4	1.4
Cash on short term deposit	7.8	7.8	1.2	1.2
Trade receivables	17.0	17.0	12.4	12.4
	25.5	25.5	15.0	15.0
Net financial liabilities	(384.2)	(384.2)	(368.5)	(368.5)

Summary of methods and assumptions

Bank loans	The bank debt is stated net of unamortised issue costs of £3.0m (2010: £0.5m), 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.

22. Financial instruments continued**Interest rates used in determining fair values**

	2011	2010
Bank loans and overdrafts	5.15% – 5.81%	5.15% – 5.81%
Other borrowings	12.00%	12.00%
Long term finance leases	6.09%	5.15%

(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	
	2011	2010
	£m	£m
Trade receivables	17.0	12.4
Cash at bank and in hand	0.7	1.4
Cash on short term deposit	7.8	1.2
Credit exposure	25.5	15.0

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

23. Trade and other payables

	2011	2010
	£m	£m
Trade payables	28.3	33.3
Other taxation and social security	2.1	2.1
Other payables	7.6	6.2 ¹
Accruals	50.9	42.4
Capital-based grants	0.8	0.8
	89.7	84.8

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

24. Retirement benefits

Defined contribution schemes

The Group operates 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 £1.3m (2010: £0.9m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2011, there was £0.05m (2010: £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 2011 amounted to £5.7m (2010: £6.9m); there were no one-off contributions this financial year (2010: £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 £3.9m (2010: £4.9m) 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.

24. 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 2008
- 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 £9.6m, which represented approximately 91% 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		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
Rate of increase in salaries (Note 1)	4.30%	5.30%	4.60%	4.30%	5.30%	4.60%	4.30%	5.30%	4.60%	4.30%	5.30%	4.60%
Rate of increase of pensions in payment (Note 2)	2.80%	3.80%	3.10%	2.80%	3.80%	3.10%	2.80%	3.80%	3.10%	2.80%	3.80%	3.10%
Discount rate	5.50%	5.70%	6.90%	5.50%	5.70%	6.90%	5.50%	5.70%	6.90%	5.50%	5.70%	6.90%
Inflation assumption (Note 3)	2.80%	3.80%	3.10%	3.60%	3.80%	3.10%	2.80%	3.80%	3.50%	3.60%	3.80%	3.10%

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

	2011	2010 & 2009
Years 1 to 3	2.80%	2.0% – 3.0%
Years 4 to 10	4.60%	5.10%
Years 11 and onwards	5.10%	5.30%

(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.

(Note 3) GMPF and East Riding pension schemes have adopted a pension increase rate based upon Consumer Price Index inflation from 1 June 2010.

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	Value	Rate of return	Value	Rate of return	Value
	2011	2011	2010	2010	2009	2009
	%	£m	%	£m	%	£m
Equities and property	7.35%	246.9	7.51%	247.1	6.80%	185.1
Bonds	4.90%	62.4	5.00%	55.6	5.40%	42.0
Other	4.60%	39.4	4.79%	33.6	4.80%	23.4
		348.7		336.3		250.5

24. 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)			
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
2007	279.2	(293.0)	(13.8)
EMIA			
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)
2007	31.1	(41.2)	(10.1)
East Riding (Note 1)			
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
2007	8.4	(9.1)	(0.7)
Airport Ventures (Note 2)			
2011	3.0	(3.0)	–
2010	2.8	(2.8)	–
2009	1.9	(1.3)	0.6
2008	2.4	(1.7)	0.7
2007	2.5	(1.9)	0.6
Total			
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
2007	321.2	(345.2)	(24.0)

(Note 1) The figures as shown represent the proportion of the schemes which are attributable to the Group £6.5m (2010 £6.7m) of the liabilities are unfunded

(Note 2) The Airport Ventures Scheme has a surplus of £1.1m (2010 £0.8m). This surplus has not been recognised in line with 'IFRIC 14' as this cannot be recovered by reducing future contributions

24. Retirement benefits continued**Analysis of the amount charged/(credited) to operating profit**

	GMPF		EMIA		East Riding		Ventures		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Current Service Cost of										
Defined Benefit Schemes	3 8	2 3	1 4	0 9	0 2	0 1	–	–	5 4	3 3
Past service cost	(41 3)	1 3	–	–	(1.2)	0 1	–	–	(42 5)	1 4
Expected return on pension scheme assets	(19 7)	(13 5)	(2.4)	(1 5)	(0 7)	(0 4)	(0 2)	(0 1)	(23 0)	(15 5)
Interest on pension scheme liabilities	18 2	16 1	2 4	2 0	0.7	0 5	0.1	0 1	21 4	18 7
Net amount charged against income	(39 0)	6 2	1.4	1 4	(1 0)	0 3	(0 1)	–	(38 7)	7 9

The above charge has been included in operating expenses

Movement in deficit during year

	GMPF		EMIA		East Riding		Ventures		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Surplus/(deficit) in scheme at beginning of year	(66 4)	(20 8)	(7 0)	(3 6)	(2 7)	(0 9)	–	0 6	(76 1)	(24 7)
Movement in year										
Current service cost	(3 8)	(2 3)	(1 4)	(0 9)	(0 2)	(0 1)	–	–	(5 4)	(3 3)
Past service cost	41 3	(1 3)	–	–	1.2	(0 1)	–	–	42 5	(1 4)
Contributions	3 9	4 9	1 7	1 7	0.1	0 3	–	–	5 7	6 9
Other finance (expense)	1 5	(2 6)	–	(0 5)	–	(0 1)	0 1	–	1.6	(3 2)
Actuarial gain/(loss) in SOCI	(14 1)	(44 3)	(0 4)	(3 7)	1.2	(1 8)	(0 1)	(0 6)	(13 4)	(50 4)
Deficit in scheme at end of year	(37 6)	(66 4)	(7 1)	(7 0)	(0 4)	(2 7)	–	–	(45 1)	(76 1)

The total actuarial (loss)/gains for the 2009 and 2008 periods were (£31 6m) and £30 3m respectively

Amount recognised in the statement of comprehensive income (SOCI)

	GMPF		EMIA		East Riding		Ventures		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Actual return less expected return on pension scheme assets	(3 3)	63 4	0.3	7 7	(0 7)	2 2	0 1	0 8	(3.6)	74 1
Experience (losses)/gains arising on scheme liabilities	–	–	–	–	–	–	(0.4)	(1 4)	(0 4)	(1 4)
Changes in assumptions underlying the present value of the scheme liabilities	(10 8)	(107 7)	(0 7)	(11 4)	1 9	(4 0)	0.2	–	(9 4)	(123 1)
Actuarial gain/(loss) recognised in SOCI	(14 1)	(44 3)	(0.4)	(3 7)	1.2	(1 8)	(0.1)	(0 6)	(13.4)	(50 4)

24. Retirement benefits continued**Movement in present value of defined benefit obligations**

	GMPF		EMIA		East Riding		Ventures		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April	354.9	236.9	42.7	29.6	12.0	7.4	2.8	1.3	412.4	275.2
Service cost	(37.5)	3.6	1.4	0.9	(1.0)	0.2	–	–	(37.1)	4.7
Benefits paid and employee contributions	(11.1)	(9.4)	(1.4)	(1.2)	(0.1)	(0.1)	(0.1)	–	(12.7)	(10.7)
Interest cost	18.2	16.1	2.4	2.0	0.6	0.5	0.1	0.1	21.3	18.7
Actuarial gains and losses	10.8	107.7	0.7	11.4	(1.8)	4.0	0.2	1.4	9.9	124.5
31 March	335.3	354.9	45.8	42.7	9.7	12.0	3.0	2.8	393.8	412.4

Movement in fair value of scheme assets

	GMPF		EMIA		East Riding		Ventures		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April	288.5	216.1	35.7	26.0	9.3	6.5	2.8	1.9	336.3	250.5
Expected return on scheme assets	19.7	13.5	2.4	1.5	0.7	0.4	0.2	0.1	23.0	15.5
Contributions	3.9	4.9	1.7	1.7	0.1	0.3	–	–	5.7	6.9
Benefits paid and employee contributions	(11.1)	(9.4)	(1.4)	(1.2)	(0.1)	(0.1)	(0.1)	–	(12.7)	(10.7)
Actuarial gains and losses	(3.3)	63.4	0.3	7.7	(0.7)	2.2	0.1	0.8	(3.6)	74.1
31 March	297.7	288.5	38.7	35.7	9.3	9.3	3.0	2.8	348.7	336.3

History of experience gains and losses

	GMPF		EMIA		East Riding		Ventures		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Difference between actual and expected returns on assets amount	(3.3)	63.4	0.3	7.7	(0.7)	2.2	0.1	0.8	(3.6)	74.1
% of scheme assets	(1.1%)	22.0%	0.8%	21.6%	(7.7%)	23.7%	3.3%	28.6%	(1.0%)	22.0%
Experience gains and losses on liabilities amount	–	–	–	–	–	–	(0.4)	(1.4)	(0.4)	(1.4)
% of scheme liabilities	–	–	–	–	–	–	–	–	–	–
Total amount recognised in SOCI	(14.1)	(44.3)	(0.4)	(3.7)	1.2	(1.8)	(0.1)	(0.6)	(13.4)	(50.4)
% of scheme liabilities	(4.2%)	12.5%	(0.9%)	8.7%	12.4%	15.0%	(3.3%)	21.4%	(3.4%)	12.2%

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2012 is £6.8m (31 March 2011: £4.7m)

25. Deferred taxation

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

	Accelerated capital allowances £m	Investment properties and operational assets carried at deemed cost £m	Retirement benefit obligations £m	Tax losses £m	Fair value acquisition adjustment £m	Short term timing differences £m	Total £m
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
At 1 April 2009	151.5	122.0	(14.4)	(1.9)	7.7	(2.2)	262.7
Charge/(credit) to income	(3.7)	(3.2)	(0.3)	1.1	–	3.2	(2.9)
Charge/(credit) to equity	–	–	(14.1)	–	–	–	(14.1)
At 31 March 2010	147.8	118.8	(28.8)	(0.8)	7.7	1.0	245.7

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

	2011 £m	2010 £m
Deferred tax liabilities	(246.1)	(275.3)
Deferred tax assets	12.7	29.6
	(233.4)	(245.7)

26. Other non-current liabilities

	2011 £m	2010 £m
Accruals and deferred income	6.2	5.3
Capital-based grants	13.8	14.5
	20.0	19.8

27. 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 2010 and 31 March 2011	204.3	204.3

28. Reserves

	Retained earnings
	£m
At 1 April 2010	564.8
Actuarial losses on retirement benefit liabilities	(13.4)
Deferred tax on retirement benefits actuarial movements	3.5
Deferred tax on pension lump sum contribution	(5.6)
Effect of change in rate of Corporation tax on deferred tax	(1.3)
Profit for the year after dividends	64.7
At 31 March 2011	612.7

Reconciliation of movements in shareholders' funds

	2011	2010
	£m	£m
Opening shareholders' funds	769.1	788.5
Total comprehensive income for the year	67.9	0.6
Dividends paid in the year	(20.0)	(20.0)
Equity shareholders' funds as at 31 March	817.0	769.1

29. Capital commitments

	2011	2010
	£m	£m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	70.7	12.4

30. Contingent liabilities

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

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.

31. Operating lease arrangements

At 31 March 2011 the Group has commitments under non-cancellable operating leases which expire as follows

	2011		2010	
	Land	Other	Land	Other
	£m	£m	£m	£m
Expiring within one year	–	0.1	–	0.1
Expiring between two and five years inclusive	0.1	0.4	0.1	0.5
Expiring in over five years	45.4	–	46.8	–
	45.5	0.5	46.9	0.6

In addition to the amounts stated above the Group also has a commitment in respect of a land lease with The Council of the City of Manchester, a related party as described in note 32.

The minimum amount payable on the lease is £7.4m per annum with an additional amount payable related to turnover, the lease expires in 2085.

The Group receives income from property leases, which are typically for a duration of 3-10 years and subject to periodic rent reviews. Lease and sublease payments recognised in the income statement are summarised in note 8 and note 14.

32. 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 2011 the amount of loans outstanding owed to MCC was £83.2m (2010: £83.2m). The Manchester Airport Group PLC made loan repayments of £nil (2010: £3.0m) to MCC during the year and paid interest of £10.0m (2010: £10.9m).

As at 31 March 2011 the amount of loans outstanding owed to the other nine councils listed on the inside cover was £79.4m (2010: £79.3m). The Manchester Airport Group PLC made loan repayments of £nil (2010: £3.3m) to the nine other councils during the year and paid interest of £9.5m (2010: £9.8m).

Included in external charges are charges for rent and rates amounting to £22.8m (2010: £23.4m) and other sundry charges of £0.4m (2010: £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 £0.4m (2010: £0.4m) for rates to Humberside International Airport Limited.

As at 31 March 2011 the amount of loans outstanding owed to NLDC was £1.1m (2010: £1.2m). Humberside International Airport Limited paid NLDC interest of £0.1m during the year (2010: £0.1m).

33. Reconciliation of net cash flow to movement in net debt

	2010	Cash flow	Other non-cash movements	2011
	£m	£m	£m	£m
Cash at bank and in hand	1.4	(0.7)	–	0.7
Cash on short term deposit	1.2	6.6	–	7.8
Cash and cash equivalents disclosed on the Statement of Financial Position	2.6	5.9	–	8.5
Overdrafts	(0.3)	–	–	(0.3)
Total cash and cash equivalents (including overdrafts)	2.3	5.9	–	8.2
Current debt	(2.0)	0.6	–	(1.4)
Non-current debt	(347.9)	(34.6)	2.8	(379.7)
Net debt	(347.6)	(28.1)	2.8	(372.9)

Independent Auditors' Report to the Members of The Manchester Airport Group PLC

We have audited the parent company financial statements of The Manchester Airport Group PLC for the year ended 31 March 2011 set out on pages 69 to 74. 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 Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410).

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 34, 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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, 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.

Matters on which we are required to report by exception

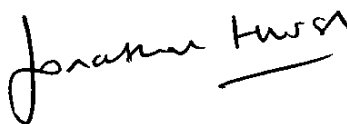
We have nothing to report in respect of the following matters where the Companies Act 2006 and the terms of our engagement require us to report to you if, in our opinion

- 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 2011.

Jonathan Hurst (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
4 July 2011



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

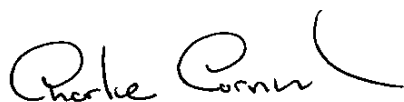
Fixed asset investments are stated at cost less any provision for diminution in value. Costs incurred to acquire investments are capitalised within the cost of the investment.

	Notes	2011 £m	2010 £m
Fixed assets			
Tangible assets	3	–	–
Investments	4	359.5	359.5
		359.5	359.5
Current assets			
Debtors	5	95.7	111.1
Cash at bank and in hand	6	7.7	1.2
		103.4	112.3
Creditors amounts falling due within one year	7	(0.7)	(0.3)
Net current assets		102.7	112.0
Total assets less current liabilities		462.2	471.5
Creditors amounts falling due after more than one year	8	(242.6)	(209.4)
Net assets		219.6	262.1
Capital and reserves			
Called up share capital	9	204.3	204.3
Profit and loss account	10	15.3	57.8
Equity shareholders' funds		219.6	262.1

The financial statements on pages 69 to 74 were approved by the Board of Directors on 1 July 2011 and signed on its behalf by



Mike Davies **Chairman**



Charlie Cornish **Group Chief Executive**

1. Auditors' remuneration

	2011	2010
	£m	£m
Auditors' remuneration		
Audit of these financial statements	0.1	0.1
Amounts receivable by auditors and their associates in respect of		
Other services relating to taxation	0.2	0.3

2. Profit on ordinary activities after taxation for the Company

As permitted by Section 230 of the Companies Act, the Company's profit and loss account has not been included in these financial statements. As shown in Note 10, the loss (2010: loss) attributable to the Shareholders includes a loss of £22.5m (2010: loss of £22.2m) 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 2010 and 31 March 2011	0.1
Depreciation	
At 1 April 2010 and 31 March 2011	0.1
Net book value	
At 1 April 2010 and 31 March 2011	–

4. Fixed asset investments

	Subsidiary undertakings £m
Cost and net book value	
At 1 April 2010 and 31 March 2011	359.5

Particulars of principal subsidiary undertakings are listed on page 74, which forms part of these financial statements.

5. Debtors

	2011	2010
	£m	£m
Other debtors	0 2	0 2
Amounts due from subsidiary undertakings	95 5	110 9
	95 7	111 1

6. Cash at bank and in hand

	2011	2010
	£m	£m
Short term deposits	7 7	1 2
	7 7	1 2

7. Creditors: amounts falling due within one year

	2011	2010
	£m	£m
Bank overdrafts	0 3	0 3
Corporation tax	0 4	–
	0 7	0 3

8. Creditors: amounts falling due after more than one year

	2011	2010
	£m	£m
Bank loans and overdrafts	216 2	183 0
Amounts owed to subsidiary undertakings	26 4	26 4
	242 6	209 4

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 2010 and 31 March 2011	204.3	204.3

10. Reserves

	Profit and loss account
	£m
At 1 April 2010	57.8
Movement in the year	(42.5)
At 31 March 2011	15.3

11. Reconciliation of movements in equity shareholders' funds

	2011 £m
Company	
Loss for the financial year	(22.5)
External dividends paid	(20.0)
Net increase in equity shareholders' funds	(42.5)
Opening equity shareholders' funds	262.1
Closing equity shareholders' funds	219.6

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 2011. 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		Principal activities
		Group	Company	
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 9% cumulative redeemable preference shares	100% 100%	– –	Airport operator
Humberside International Airport Limited	Ordinary £1 shares Deferred ordinary £1 shares 12% non-voting redeemable preference shares	82.71% 82.71% 100%	– – –	Airport operator
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%	Property 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 Ordinary £1 shares	100% 100%	– –	Non trading
Worknorth II Limited	7% cumulative redeemable preference shares Ordinary £1 shares	100% 100%	– –	Intermediate holding company of Worknorth Limited

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 2011 will be appended to the Company's next annual return