

Manchester Airport Group Funding Plc

Directors' report and financial statements

Registered number 8826541

Year ended 31 March 2015

WEDNESDAY



A4GKUOMG

A11

23/09/2015

#574

COMPANIES HOUSE

Contents

Strategic Report	1
Directors' Report	2
Statement of directors' responsibilities in respect of the Directors' report and the financial statements	4
Independent auditor's report to the members of Manchester Airport Group Funding Plc	5
Profit and Loss Account	7
Balance Sheet	8
Statement of Total Recognised Gains and Losses	9
Reconciliation of Movements in Shareholders' Funds	9
Notes relating to the financial statements	10

Strategic report

The directors present their strategic report of the Company for the year ended 31 March 2015.

Principal activities

The principal activity of the Company during the year was as a debt issuing company on behalf of Manchester Airport Holdings Limited ('the Group'). This is expected to continue for the foreseeable future.

On 16 April 2014, The Company issued a £360.0m publicly listed fixed rate secured bond with a scheduled and legal maturity of 31 March 2024. All proceeds from the issue of the bond (net of certain issuance fees) were used to repay a portion of the Secured Senior Term Facility held elsewhere within the Group.

Business review

The results for the period are set out on page 7. The directors do not recommend the payment of a dividend in the year ended 31 March 2015 (2014: *£nil*).

Principal risks and uncertainties

The key risks faced by the Company are aligned to that of Manchester Airports Holdings Limited. For more details of these risks and how they are managed please refer to the strategic report in the annual report and accounts for Manchester Airports Holdings Limited.

In addition, the Directors believe that the risks that are specific to this company are as follows:-

Non-compliance with Listed Securities requirements

Non-compliance with the Listed Securities requirements could result in sanctions or fines to the business, reputational damage with investors and it could impact the ability to re-finance in the future. The risk is mitigated with an Investor Engagement Plan in place and regular briefings to the Executive Committee undertaken by the Corporate Finance Director.

The key disclosure requirements to ensure compliance with the Disclosure and Transparency Rules ('DTR'), with respect to the appointment and role of the audit committee and the corporate governance disclosures, are included within the Corporate Governance Statement of the Manchester Airport Holdings Limited consolidated group accounts.

Key performance indicators ("KPIs")

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

By order of the board



N Thompson
Director
8 September 2015

Directors' report

The directors present their directors' report and audited financial statements of the Company for the year ended 31 March 2015.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

C Cornish
N Thompson

Employees

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

The Company is committed to providing equality of opportunity to all employees and potential employees. The Company 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 Company.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company 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 Company 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 Company embrace diversity in the workforce. Accordingly, the Company has a programme of activity, 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 Company as a whole. At regular intervals all employees are invited to take part in a Company wide survey of employee views. Employees receive a written summary of the results of the survey and are given the opportunity to discuss these with their respective management teams.

The Company is constantly looking for ways to ensure that employees are able to participate and engage in the business. As part of the Trade Union arrangements, various employee forums exist for each business area. In addition, business briefings are cascaded throughout the organisation to communicate key business and operational issues.

Financial Risk Management

The Company's activities expose it to a variety of financial risks. The Company's funding, liquidity and exposure to interest rate risks are managed by the Group's treasury function.

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

For more details of the management of these risks please refer to note 24 of the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any additional risks specific for this Company.

Political and charitable contributions

The Company made no political or charitable donations during the year or in the prior year.

Directors' report (continued)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the 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.

Independent Auditor

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

By order of the board



N Thompson
Director
8 September 2015

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



KPMG LLP

One St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Manchester Airport Group Funding Plc

We have audited the financial statements of Manchester Airport Group Funding Plc for the period ended 31 March 2015 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit 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 matter prescribed by the Companies Act 2006


In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Manchester Airport Group Funding Plc (continued)

Matters on which we are required to report by exception

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

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

 9 September 2015

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Chartered Accountants
One St Peter's Square
Manchester
M2 3AE

Profit and Loss Account
for the year ended 31 March 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover		-	-
Operating Costs		-	-
		<hr/>	<hr/>
Operating profit	2	-	-
Interest receivable	5	36,226	3,216
Interest payable and similar charges	6	(36,221)	(3,215)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		5	1
Tax on profit on ordinary activities	7	(1)	-
		<hr/>	<hr/>
Profit for the financial period		4	1
		<hr/> <hr/>	<hr/> <hr/>

There is no material difference between the ordinary activities before taxation and the retained profit for the period as stated above, and their historical equivalents.

The results presented above are all derived from the Company's continuing operations.

The notes on pages 10 to 14 form an integral part of these financial statements.

Balance Sheet
at 31 March 2015

	<i>Note</i>	2015 £000	2015 £000	2014 £000	2014 £000
Current assets					
Debtors (including £801,761k 2014: £445,249k due after more than one year)	8	801,817		446,535	
		<hr/>		<hr/>	
		801,817		446,535	
Creditors: amounts falling due within one year	9	(1)		(1,205)	
		<hr/>		<hr/>	
Net current assets			801,816		445,330
			<hr/>		<hr/>
Total assets less current liabilities			801,816		445,330
Creditors: amounts falling due after more than one year	10	(801,761)		(445,279)	
		<hr/>		<hr/>	
Net assets			55		51
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	11		50		50
Profit and loss account	12		5		1
			<hr/>		<hr/>
Shareholders' funds			55		51
			<hr/> <hr/>		<hr/> <hr/>

The notes on pages 10 to 14 form an integral part of these financial statements.

These financial statements of Manchester Airport Group Funding Plc, registered number 8826541, were approved by the board of directors on 8 September 2015 and were signed on its behalf by:



N Thompson
 Director

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2015

	2015 £000	2014 £000
Profit for the financial year	4	1
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial period	4	1
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of Movements in Shareholders' Funds
for the period ended 31 March 2015

	2015 £000	2014 £000
Profit for the financial year	4	1
	<hr/>	<hr/>
Retained profit	4	1
Issue of shares	-	50
	<hr/>	<hr/>
Net increase to shareholders' funds	4	51
Opening shareholders' funds	51	-
	<hr/>	<hr/>
Closing shareholders' funds	55	51
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 14 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently throughout the year in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act and applicable accounting standards in the United Kingdom, and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Manchester Airports Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Manchester Airports Holdings Limited, within which this Company is included, can be obtained from the address given in note 14.

The Company is able to rely on the Group for financial support. Manchester Airports Holdings Limited has confirmed that it will continue to provide financial and other support to the Company, for at least the next twelve months from the date of approval of the financial statements, to the extent necessary to enable the company to continue to trade and in particular will not seek repayment of the amounts currently made available. The following paragraphs set out a summary of the going concern status of Manchester Airports Holdings Limited.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The 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 facilities.

Issue costs

Transaction costs directly associated with the bonds are accounted for in accordance with FRS 26 Financial Instruments: Recognition and Measurement. These costs have been initially capitalised, and will be amortised using the effective interest rate method, with the expensing of issue costs forming part of the effective interest rate charge.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

2 Notes to the profit and loss account

Amounts receivable by the Company's auditor and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Manchester Airports Holdings Limited.

3 Remuneration of directors

N Thompson and C Cornish were directors of Manchester Airports Holdings Limited during the year and their remuneration is disclosed in its financial statements. The directors do not believe it is possible to apportion their remuneration to individual companies within the Manchester Airports Holdings Limited Group based on services provided.

4 Staff numbers and costs

The Company had no employees during the year. The remuneration of the directors has been borne by the Company's parent company, The Manchester Airport Group PLC.

5 Interest receivable

	2015 £000	2014 £000
Interest receivable - other group undertakings	36,226	3,216

6 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on bonds	35,584	2,636
Amortisation of issue costs	637	29
Arrangement fees	-	550
	<u>36,221</u>	<u>3,215</u>

Notes (continued)

7 Taxation

Analysis of charge in period

	2015 £000	£000	2014 £000	£000
<i>UK Corporation tax</i>				
Current tax on income for the period	1		-	
Adjustments in respect of prior years	-		-	
	<hr/>		<hr/>	
Total current tax		1		-
<i>Deferred tax</i>				
Origination/reversal of timing differences	-		-	
Adjustment in respect of previous years	-		-	
Effect of change in rate of Corporation tax	-		-	
	<hr/>		<hr/>	
Total deferred tax		-		-
		<hr/>		<hr/>
Tax on profit on ordinary activities		1		-
		<hr/> <hr/>		<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is equal to (2014: equal to) the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below.

	2015 £000	2014 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	5	1
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of Corporation tax 21% (2014: 23%)	1	-
<i>Effects of:</i>		
Utilisation of group losses	-	-
	<hr/>	<hr/>
Total current tax charge (see above)	1	-
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax balance at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes (continued)

8 Debtors

	2015 £000	2014 £000
Due within one year:		
Prepayments	-	1,286
Amounts owed by group undertakings	56	-
Due after more than one year:		
Amounts owed by group undertakings - interest bearing ¹	801,761	445,249
	<u>801,817</u>	<u>446,535</u>

¹ Amounts owed by group undertakings – interest bearing at 31 March 2015 represented a loan to Manchester Airport Group Finance Limited. At 31 March 2015, the effective rate on the loan was 4.60%

9 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Amounts owed to group undertakings - non interest bearing	-	1,205
Taxation and social security	1	-
	<u>1</u>	<u>1,205</u>

10 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Bonds	801,761	445,279
	<u>801,761</u>	<u>445,279</u>

Maturity analysis of the bonds is as follows:

	2015 £000	2014 £000
Amounts due over five years:		
Bond 4.125% £360.0m due 2024	360,000	-
Bond 4.75% £450.0m due 2034	450,000	450,000
Less: discount on issue	(2,203)	(1,243)
Less: unamortised debt issue costs	(6,036)	(3,478)
	<u>801,761</u>	<u>445,279</u>

On 16 April 2014, the Company issued a £360.0m publicly listed fixed rate secured bond with a scheduled and legal maturity of 31 March 2024.

Notes (continued)

11 Called up share capital

	2015	2014
	£000	£000
<i>Allotted, called up and fully paid</i>		
At beginning of year	50	-
Issue of share capital (50,000 Ordinary shares of £1 each)	-	50
	<hr/>	<hr/>
At 31 March 2015	50	50
	<hr/> <hr/>	<hr/> <hr/>

12 Reserves

	Profit and loss account £000
At beginning of year	1
Profit for the year	4
	<hr/>
At end of year	5
	<hr/> <hr/>

13 Contingent liabilities

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

14 Ultimate parent company and parent undertaking of larger group of which the company is a member

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