

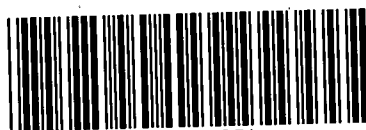
# Manchester Airport Group PLC

## Directors' report and financial statements

Registered number 4330721

Year ended 31 March 2014

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## **Strategic report**

### **Principal activities**

The principal activity of the Company during the year was as an intermediate holding company.

### **Business review**

The results for the year are set out on page 7. During the year, the Company paid a final dividend of £nil (2013:£20,000,000) in relation to the year ended 31 March 2014.

### **Principal risks and uncertainties**

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

### **Key performance indicators ("KPIs")**

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

### **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.

## Strategic report (*continued*)

### 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 Companywide 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.

**By order of the Board**



**N Thompson**

*Director*

For and on behalf of the Board of Directors

25 September 2014

## Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 March 2014.

### Directors

The directors who held office during the year were as follows:

C Cornish

N Thompson

### Political contributions

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

### Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

### Auditors

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

By order of the board



**N Thompson**  
*Director*

25 September 2014

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' report and the financial statements**

The directors are responsible for preparing the Strategic report, 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

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditor's report to the members of Manchester Airport Group PLC**

We have audited the financial statements of Manchester Airport Group PLC for the year ended 31 March 2014 set out on pages 7 to 17. 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 auditors**

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](http://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 2014 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 matter prescribed by the Companies Act 2006**

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

## **Independent auditor's report to the members of Manchester Airport Group 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.



**Jonathan Hurst (Senior Statutory Auditor)**

for and on behalf of KPMG LLP

Statutory Auditor

Chartered Accountants

St James' Square

Manchester

M2 6DS

29 September 2014



**Profit and Loss Account**  
*for the year ended 31 March 2014*

	<i>Note</i>	2014	2013
		£000	£000
<b>Turnover</b>	2	41,177	2,580
Operating Costs		<u>(45,348)</u>	<u>(40,217)</u>
<b>Operating loss before significant items</b>	3	(4,171)	(37,637)
Acquisition costs		(151)	(28,360)
Restructuring costs		(783)	(1,656)
<b>Operating loss</b>		<u>(5,105)</u>	<u>(67,653)</u>
Interest receivable and similar income	6	364	16
Interest payable and similar charges	7	(46)	(41,191)
<b>Loss on ordinary activities before taxation</b>		<u>(4,787)</u>	<u>(108,828)</u>
Tax on loss on ordinary activities	8	(1,217)	(5,998)
<b>Loss for the financial year</b>		<u><u>(6,004)</u></u>	<u><u>(114,826)</u></u>

There is no material difference between the ordinary activities before taxation and the result for the year as stated above, and their historical equivalents

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

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

	<i>Note</i>	<b>2014</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Investments	<i>10</i>	2,257,636	2,257,586
		<u>2,257,636</u>	<u>2,257,586</u>
<b>Current assets</b>			
Debtors	<i>11</i>	235,083	74,262
Cash at bank and in hand		13,521	50,195
		<u>248,604</u>	<u>124,457</u>
<b>Creditors: amounts falling due within one year</b>	<i>12</i>	<b>(186,594)</b>	<b>(56,393)</b>
		<u>62,010</u>	<u>68,064</u>
<b>Net current assets</b>		<b>62,010</b>	<b>68,064</b>
		<u>2,319,646</u>	<u>2,325,650</u>
<b>Total assets less current liabilities</b>		<b>2,319,646</b>	<b>2,325,650</b>
		<u>2,319,646</u>	<u>2,325,650</u>
<b>Net assets</b>		<b>2,319,646</b>	<b>2,325,650</b>
		<u>2,319,646</u>	<u>2,325,650</u>
<b>Capital and reserves</b>			
Called up share capital	<i>13</i>	204,580	204,580
Share premium	<i>14</i>	2,143,945	2,143,945
Profit and loss account	<i>14</i>	(28,879)	(22,875)
		<u>2,319,646</u>	<u>2,325,650</u>
<b>Shareholders' funds</b>		<b>2,319,646</b>	<b>2,325,650</b>
		<u>2,319,646</u>	<u>2,325,650</u>

The notes on pages 10 to 17 form an integral part of these financial statements.

These financial statements of Manchester Airport Group PLC, registered number 4330721, were approved by the board of directors on 25 September 2014 and were signed on its behalf by:



**N Thompson**  
 Director

**Statement of Total Recognised Gains and Losses**  
*for the year ended 31 March 2014*

	2014 £000	2013 £000
Loss for the financial year	(6,004)	(114,826)
<b>Total recognised losses relating to the financial year</b>	<b>(6,004)</b>	<b>(114,826)</b>

**Reconciliation of Movements in Shareholders' Funds**  
*for the year ended 31 March 2014*

	2014 £000	2013 £000
Loss for the financial year	(6,004)	(114,826)
External dividends paid	-	(20,000)
<b>Retained loss</b>	<b>(6,004)</b>	<b>(134,826)</b>
Issue of shares	-	2,144,245
<b>Net (decrease)/increase to shareholders' funds</b>	<b>(6,004)</b>	<b>2,009,419</b>
Opening shareholders' funds	2,325,650	316,231
<b>Closing shareholders' funds</b>	<b>2,319,646</b>	<b>2,325,650</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently 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 applicable accounting standards, and under the historical cost accounting rules.

The Company is exempt by virtue of s228 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

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 Airport Group Investments 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 Airport Group Investments Limited, within which this Company is included, can be obtained from the address given in note 17.

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.

#### *Investments*

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less provision for impairment.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### *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.

#### *Turnover*

Turnover, which excludes value added tax, represents amounts received and receivable by the Company for Group services provided in the normal course of business, to external third parties and other Group companies.

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## Notes (continued)

### 2 Turnover

The directors consider the business to have only one segment. Turnover relates to group recharges. All of the Company's revenue arises in the United Kingdom.

### 3 Notes to the profit and loss account

	2014 £000	2013 £000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Hire of other assets-operating leases	128	291
Auditors' remuneration-audit of these financial statements	60	60
	<u>          </u>	<u>          </u>

Amounts receivable by the Company's auditors 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.

### 4 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.

**Notes** *(continued)*

**5 Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2014	2013
Management & Administrative	310	269
	310	269
	310	269

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	23,815	19,749
Social security costs	1,688	1,479
Other pension costs	1,521	1,476
	27,024	22,704
	27,024	22,704

**6 Other interest receivable and similar income**

	2014	2013
	£000	£000
Interest receivable	364	16
	364	16
	364	16

**7 Interest payable and similar charges**

	2014	2013
	£000	£000
Interest payable on bank loans and overdrafts	46	8,212
Amortisation of issue costs on previous financing	-	2,035
Settlement of previous financing	-	30,944
	46	41,191
	46	41,191

**Notes** (continued)

**8 Taxation**

*Analysis of charge in period*

	2014 £000	£000	2013 £000	£000
<i>UK Corporation tax</i>				
Current tax on income for the period	2,772		6,015	
Adjustments in respect of prior periods	(963)		-	
	<hr/>		<hr/>	
Total current tax		1,809		6,015
<i>Deferred tax</i>				
Temporary differences arising in the period	65		(14)	
Adjustment in respect of previous years	(781)		(10)	
Effect of change in rate of Corporation tax	124		7	
	<hr/>		<hr/>	
Total deferred tax		(592)		(17)
		<hr/>		<hr/>
Tax on profit on ordinary activities		1,217		5,998
		<hr/> <hr/>		<hr/> <hr/>

*Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2013: higher) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below.

	2014 £000	2013 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(4,787)	(108,828)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate of Corporation tax 23% (2013: 24%)	(1,101)	(26,119)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2,808	7,158
Depreciation for period in excess of Capital allowances	(5)	(5)
Non taxable income	-	-
Utilisation of group losses	1,141	24,961
Short term timing differences	(71)	20
Effect of small companies rate	-	-
Adjustments to tax charge in respect of previous periods	(963)	-
	<hr/>	<hr/>
Total current tax charge (see above)	1,809	6,015
	<hr/> <hr/>	<hr/> <hr/>

*Factors that may affect future current and total tax charges*

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

## Notes (continued)

### 9 Dividends

The aggregate amount of dividends comprises:

	2014 £000	2013 £000
Final dividend paid of £nil (2012: 9.79 pence) per share	-	20,000
	-	20,000
	-	20,000

### 10 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
At beginning of year	2,257,586
Additions	50
	2,257,636
At end of year	2,257,636
	2,257,636
<i>Net book value</i>	
At 31 March 2014	2,257,636
	2,257,636
At 31 March 2013	2,257,586
	2,257,586

The principal companies in which the Company's interest at the year-end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and description of shares held	Percentage of shares held
<i>Subsidiary undertakings</i>				
Manchester Airport Group Finance Limited	England and Wales	Intermediate holding company	Ordinary £1 shares	100%
Manchester Airport Group Funding Plc	England and Wales	Debt issuing company	Ordinary £1 shares	100%



**Notes** *(continued)*

**11 Debtors**

	2014 £000	2013 £000
Amounts owed by group undertakings	213,023	70,688
Other debtors	2,974	2,754
Corporation tax	18,327	653
Deferred tax asset	759	167
	<u>235,083</u>	<u>74,262</u>

The elements of deferred taxation are as follows:

	<b>Deferred Taxation £000</b>
At beginning of year	167
Credit to the profit and loss for the year	592
<b>At end of year</b>	<u><u>759</u></u>

The elements of deferred taxation are as follows:

	2014 £000	2013 £000
Difference between accumulated depreciation and capital allowances	18	24
Short term timing differences	741	143
Deferred taxation	<u>759</u>	<u>167</u>

**Notes (continued)**

**12 Creditors: amounts falling due within one year**

	2014 £000	2013 £000
Trade creditors	3,241	9,248
Amounts owed to group undertakings	158,909	30,000
Taxation and social security (includes Corporation tax)	109	244
Other creditors	24,335	16,901
	<u>186,594</u>	<u>56,393</u>

**13 Called up share capital**

	Ordinary shares of £1 each Number of shares	£000s	Total £000
<i>Allotted, called up and fully paid</i>			
At 31 March 2013 and 31 March 2014	204,580,000	204,580	204,580
	<u>204,580,000</u>	<u>204,580</u>	<u>204,580</u>

**14 Reserves**

	Share Premium £000	Profit and loss account £000	Total £000
At beginning of year	2,143,945	(22,875)	2,121,070
Loss for the year	-	(6,004)	(6,004)
	<u>2,143,945</u>	<u>(28,879)</u>	<u>2,115,066</u>

**Notes (continued)**

**15 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.

**16 Commitments**

Annual commitments under non-cancellable operating leases are as follows:

	<b>2014</b>	<b>Other</b>	<b>2013</b>	<b>Other</b>
	<b>Land and buildings</b>		<b>Land and buildings</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operating leases which expire:				
Within one year	-	24	-	3
In the second to fifth years inclusive	-	110	-	288
Over five years	-	-	-	-
	<u>-</u>	<u>134</u>	<u>-</u>	<u>291</u>
	<u>-</u>	<u>134</u>	<u>-</u>	<u>291</u>

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

The Company is a subsidiary undertaking of Manchester Airport Group Investments Limited. 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 Manchester Airports Holdings Limited Group are available to the public and may be obtained from Company Secretary at Olympic House, Manchester Airport, Manchester M90 1QX.