

Manchester Airport Group Finance
Limited

Directors' report and financial
statements

Registered number 8338561

Year ended 31 March 2014

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Directors' report

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

In accordance with Section 414B of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company is exempt from preparing a Strategic Report.

Principal activities

The principal activity of the Company during the year was as an intermediate holding company holding external debt on behalf of the Group.

On 14 February 2014, The Group issued a £450 million publicly listed fixed rate secured bond with a scheduled and legal maturity of 31 March 2034. All proceeds from the issue of the bond (net of certain issuance fees) were used to repay a portion of the Secured Senior Term Facility held in the Company.

Principal risks and uncertainties

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

Key performance indicators ("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 on pages 8 to 29. The directors do not use any additional KPIs for this Company.

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 period.

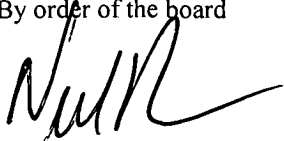
Disclosure of information to auditors

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

2 October 2014

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

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Manchester Airport Group Finance Limited

We have audited the financial statements of Manchester Airport Group Finance Limited for the year ended 31 March 2014 set out on pages 5 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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

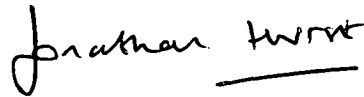
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to take advantage of the small companies exemption in not preparing a Strategic Report.



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

6 October 2014

Profit and Loss Account
for the year ended 31 March 2014

	<i>Note</i>	2014	3 months ended 31 March 2013
		£000	£000
Turnover		-	-
Operating Costs		(1)	-
Operating profit	2	(1)	-
Interest receivable	5	4,097	-
Interest payable and similar charges	6	(35,597)	(2,375)
Loss on ordinary activities before taxation		(31,501)	(2,375)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year		(31,501)	(2,375)

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

Balance Sheet
at 31 March 2014

	<i>Note</i>	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Investments	8		2,752,303		2,754,236
			<u>2,752,303</u>		<u>2,754,236</u>
Current assets					
Debtors	9	392,489		418,316	
		<u>392,489</u>		<u>418,316</u>	
Creditors: amounts falling due within one year	10	(3,347)		(369)	
		<u>(3,347)</u>		<u>(369)</u>	
Net current assets			389,142		417,947
			<u>389,142</u>		<u>417,947</u>
Total assets less current liabilities			3,141,445		3,172,183
			<u>3,141,445</u>		<u>3,172,183</u>
Creditors: amounts falling due after more than one year	11	(917,655)		(916,892)	
		<u>(917,655)</u>		<u>(916,892)</u>	
Net assets			2,223,790		2,255,291
			<u>2,223,790</u>		<u>2,255,291</u>
Capital and reserves					
Called up share capital	12		300		300
Share premium	13		2,257,366		2,257,366
Profit and loss account	13		(33,876)		(2,375)
			<u>2,223,790</u>		<u>2,255,291</u>
Shareholders' funds			2,223,790		2,255,291
			<u>2,223,790</u>		<u>2,255,291</u>

The notes on pages 8 to 14 form an integral part of these financial statements.

These financial statements of Manchester Airport Group Finance Limited, registered number 8338561, were approved by the board of directors on 2 October 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	3 months ended
	£000	31 March 2013
		£000
Loss for the financial year	(31,501)	(2,375)
Total recognised gains and losses relating to the financial year	(31,501)	(2,375)

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

	2014	3 months ended
	£000	31 March 2013
		£000
Loss for the financial year	(31,501)	(2,375)
Retained (loss)	(31,501)	(2,375)
Issue of shares	-	2,257,666
Net (reduction)/addition to shareholders' funds	(31,501)	2,255,291
Opening shareholders' funds	2,255,291	-
Closing shareholders' funds	2,223,790	2,255,291

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 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 15.

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 to pay its liabilities as and when they become due.

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.

Notes (continued)

Accounting policies (continued)

Impairment of fixed assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income-generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

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

	2014	3 months ended 31 March 2013
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditor's remuneration-audit of these financial statements	-	-
	<u> </u>	<u> </u>

Auditor's remuneration for the audit of these financial statements have been borne by the Company's parent company, The Manchester Airport Group PLC. 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.

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 period. The remuneration of the directors has been borne by the Company's parent company, The Manchester Airport Group PLC.

5 Interest receivable

	2014	3 months ended 31 March 2013
	£000	£000
Hedging interest ¹	4,097	-
	<u> </u>	<u> </u>

¹ This amount relates to gain on settlement of interest rate swaps.

6 Interest payable and similar charges

	2014	3 months ended 31 March 2013
	£000	£000
Interest payable on bank loans and overdrafts	19,231	1,682
Interest payable to other group undertakings ²	3,216	-
Amortisation of issue costs	8,681	245
Hedging interest	4,469	448
	<u> </u>	<u> </u>
	35,597	2,375
	<u> </u>	<u> </u>

² This amount relates to interest due on the loan from Manchester Airport Funding Plc, granted in February 2014.

Notes (continued)

7 Taxation

Analysis of charge in year

	2014	2014	3 months ended	3 months ended
	£000	£000	31 March 2013	31 March 2013
			£000	£000
<i>UK Corporation tax</i>				
Current tax on income for the year	-		-	
	<hr/>		<hr/>	
Total current tax		-		-
<i>Deferred tax</i>				
Origination/reversal of timing differences	-		-	
	<hr/>		<hr/>	
Total deferred tax		-		-
		<hr/>		<hr/>
Tax on profit on ordinary activities		-		-
		<hr/> <hr/>		<hr/> <hr/>

Factors affecting the tax charge for the current year

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

	2014	3 months ended
	£000	31 March 2013
		£000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(31,501)	(2,375)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate of Corporation tax 23% (2013: 24%)	(7,245)	(570)
<i>Effects of:</i>		
Utilisation of group losses	7,245	570
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<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%.

Notes (continued)

8 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
At beginning of year	2,754,236
Reclassification ¹	(1,933)
	<hr/>
At end of year	2,752,303
	<hr/> <hr/>
<i>Net book value</i>	
At 31 March 2014	2,752,303
	<hr/> <hr/>
At 31 March 2013	2,754,236
	<hr/> <hr/>

¹An amount of £1,933,000 has been reclassified from investment in shares in group undertakings to amounts owed by group undertakings in relation to the pension commutation payment made by the Group during the year to LHR Airports Limited following the acquisition of Stansted Airport Limited in February 2013.

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

Name of undertaking	Country of incorporation	Principal activities	Class and Description of shares held	Percentage of shares held
Manchester Airport PLC	England and Wales	Airport operator	Ordinary £1 shares	100%
East Midlands Airport Nottingham Derby Leicester Limited	England and Wales	Intermediate holding company of East Midlands International Airport Limited and Bournemouth International Airport Limited	Ordinary £1 shares	100%
Stansted Airport Limited	England and Wales	Airport operator	Ordinary £1 shares	100%

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings as at 31 March 2014 will be appended to the Company's next annual return. The directors consider the value of the fixed asset investment to be equal to their carrying value.

Notes (continued)

9 Debtors

	2014 £000	2013 £000
Amounts owed by group undertakings-non interest bearing	392,489	418,316
	<u>392,489</u>	<u>418,316</u>

10 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Bank loans and overdrafts	-	20
Other creditors	2,767	349
Amounts owed to group undertakings	580	-
	<u>3,347</u>	<u>369</u>

11 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Bank loans and overdrafts (see below)	444,249	885,572
Derivative financial liabilities-interest rate swaps ¹	28,157	31,320
Amounts owed to group undertakings - interest bearing ²	445,249	-
	<u>917,655</u>	<u>916,892</u>

¹The interest rate swaps pay fixed, and receive floating rates of interest.

²Amounts owed to group undertakings – interest bearing at 31 March 2014 represented a loan from Manchester Airport Group Funding Plc. At 31 March 2014, the effective rate on the loan was 4.85%

Maturity analysis of bank loans and overdrafts is as follows:

Amounts due between two and five years:	2014 £000	2013 £000
Secured Senior Term Facility £900m	449,996	900,000
Less: unamortised debt issue costs	(5,747)	(14,428)
	<u>444,249</u>	<u>885,572</u>

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

Notes (continued)

12 Called up share capital

	Ordinary shares of £1 each	
	Number of shares	£000s
<i>Allotted, called up and fully paid</i>		
At 1 April 2013 and 31 March 2014	<u>300,000</u>	<u>300</u>

13 Reserves

	Share Premium	Profit and loss account	Total
	£000	£000	£000
At beginning of year	2,257,366	(2,375)	2,254,991
Loss for the year	-	(31,501)	(31,501)
At end of year	<u>2,257,366</u>	<u>(33,876)</u>	<u>2,223,490</u>

14 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.

15 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.