

Leeds Bradford Airport Limited

Report and Financial Statements

For the year ended 31 March 2022



Leeds Bradford Airport Limited

Registered No: 2065958

Directors

AJ Petrie (Resigned 6 May 2022)
DR Rees
GP Ferguson
D Ives
VJ Hodder
AW Tong

Secretary

A G Secretarial Limited

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Strategic Report

The Directors present their strategic report for the year ended 31 March 2022.

Principal Activity

The Company's principal activity as at 31 March 2022 is that of running a passenger airport.

Key Financial Indicators

The key financial and other performance indicators during the year were as follows:

	2022 000	2021 000	Change %
Passenger numbers	1,074	299	259.2%
Turnover	£16,520	£5,269	213.5%

Review of the business

Passengers, routes and services

Leeds Bradford Airport Limited (LBA) entered the year against the backdrop of the continued impact of the Coronavirus Pandemic (COVID-19) and the cessation of all international flying. COVID-19 has had a devastating impact on the aviation sector with UK passenger volumes over 2020 and 2021 down by around 75% and were 95% to 100% lower at the height of the pandemic. LBA has suffered from the impact of the pandemic in line with the whole industry with passenger volumes for 2021/22 of 1,074,000, which was 73% lower than pre-COVID levels. The passenger volumes for 2021/22 were however up from 2020/21 by 259%. The gradual easing of international travel restrictions over the course of the year meant that by March 2022, passenger numbers had returned to around 67% of pre-COVID levels.

LBA has strong relationships with its incumbent airline partners. Jet2.com was still the largest airline operating at LBA in 2021/22, accounting for 55% (2020/21: 53%) of total passengers, with Ryanair the second largest at 31% (2020/21: 36%). These two airlines combined, therefore accounted for 86% of passengers in the year, 3% lower than 2020/21. This decrease reflects the introduction of new airlines in the form of EasyJet & BA CityFlyer in the year, who both commenced services to Belfast. KLM, Eastern, Aer Lingus and Aurigny all remained key airlines and flew passengers in the year. TUI and Balkan Holidays also continue to be key airlines but did not fly from LBA in the year due to the COVID-19 impact on travel.

Turnover

The growth in passenger numbers over the prior year resulted in an increase in turnover of 213.5% to £16,520,000. Turnover from aeronautical activities was 1,025% higher and turnover from commercial activities, including car parking and retail concessions was 199% higher than 2020/21.

Strategic Report (Continued)

Investments

Due to the on-going significant financial impact of COVID-19 in the year management took actions to defer any projects that didn't need to take place in the year. As a result, capital expenditure in the year was reduced by 36% to £2,340,000, with investment restricted to completion of in-flight projects and other critical works.

Planning and capacity development

Consent for a replacement terminal building at the eastern end of the airfield was called in by the Secretary of State (SoS) for Levelling Up, Housing and Communities in January 2022. Following this, in March 2022 the directors made the decision to withdraw the planning application for the replacement terminal. The directors were not prepared to commit to an indefinite timeframe into a public inquiry process when their focus needs to be on modernising the airport for the future.

Attention has now turned to developing the extension to the existing terminal, originally approved by Leeds City Council in 2019, to enable the airport to meet the rapidly increasing passenger demand as the aviation sector recovers from the pandemic.

LBA remains committed to delivering its 2030 Carbon Net Zero Roadmap and to creating a modern, de-carbonised regional UK airport within the extension scheme.

Risk management

The effective management of risk is critical to our success and delivery of our business objectives. The Group adopts a risk management strategy which ensures that the business is able to control and mitigate risks effectively. As part of this governance, the Group maintains a Risk Register and a Business Continuity plan with key risks being regularly reviewed by the Board.

Key corporate risks and mitigation profile are detailed below:

Liquidity Risk

The profile of debt outstanding at 31 March 2022 is disclosed within the notes to the financial statements.

The Group continues to operate within a 7-year term Senior Facility (£61.2m), Capital Expenditure Facility (£14.1m) and Revolving Credit Facility (£3m).

Interest on the Senior Facilities was charged at LIBOR plus bank margin in the first quarter of the year before transitioning to SONIA plus bank margin from 30th June 2021. The Group had previously put in place a 7-year interest rate swap in respect of 100% of the Senior Facility. Following the transition to SONIA plus bank margin, the interest rate swap was updated in line with this, covering the remainder of the 7-year term and continuing to hedge 100% of the Senior Facility.

Strategic Report (Continued)

Liquidity Risk (continued)

Due to the impacts of the COVID-19 pandemic, the Group reached agreement with lenders to modify existing facilities thereby providing additional liquidity and also a Covenant Waiver for the period to 31 March 2022.

The Group also improved its liquidity position through a combination of a Coronavirus Business Interruption Loan and a shareholder equity injection. The shareholder has also provided a further equity commitment to further support the liquidity position of the Group.

Credit Risk

Company policies are aimed at limiting exposure to credit risk and require that the financial standing and credit history of potential new customers is reviewed, and appropriate credit terms agreed, prior to entering into any arrangements. Debtor accounts are managed closely on a day to day basis. LBA also has powers under the Civil Aviation Authority (Airports Act 1986) to detain aircraft where aeronautical debts have not been paid. Additionally, car parking income is largely made up of cash and credit/debit card transactions, therefore credit risk is minimal in respect of this key income stream.

Disclosure statements

Security, Health & Safety

The safety and security of our customers and staff is paramount. The assessment of health, safety and security risks is inbuilt into daily management routines and is monitored by a comprehensive structure of inspections, audits and health and safety committees. Close co-operation is maintained with Government agencies such as the Local Resilience Forum, Public Health England and West Yorkshire Police to ensure that all external threats are effectively mitigated. The police continue to deliver a strategic police presence on the site to further mitigate security risk. Staff are trained to meet Department for Transport (DfT) and Civil Aviation Authority (CAA) requirements. During the course of the next year, LBA will plan to meet the decisions made by the Secretary of State for Transport to upgrade the UK's Airport Security Requirements. This includes further roll out of security scanning equipment which offers the best all-round method for the detection and deterrence of prohibited articles carried on the person. Additionally, and in line with National requirements as they come online, LBA will roll out new cabin baggage screening equipment which will utilise a combination of automated explosive detection systems (EDS-CB) and technologies such as computed tomography (CT) to provide 3D images that can be manipulated by the screener to considerably enhance their ability visually to detect concealed prohibited articles.

Environmental compliance

The industry faces increased scrutiny and transparency in regard to its responsibilities on environmental issues. LBA is accountable to the local planning authority and regulatory bodies in regard to noise and flight track movements and in monitoring surface water run-off. The Airport regularly monitors the level of waste, carbon emissions, clean water supply and air quality and has held the ISO 14001 environmental management standard since 2005.

Strategic Report (Continued)**Maintenance of mandatory certification**

The Company is certified to operate under Regulation (EU) No. 139/2014 as retained (and amended in UK domestic law) under the European Union (Withdrawal) Act 2018. The CAA monitors compliance with all legal requirements through audits and inspections. Air Traffic Services operate under an Air Navigation Service Provider certification (though EASA) which is also regulated by the CAA.

Streamlined Energy and Carbon Reporting (SECR)

			Current Reporting Year 2021-22			Previous Reporting Year 2020-21		
	Activity	Fuel	Unit	CO ₂ e (kg)	CO ₂ e (tonnes)	Unit	CO ₂ e (kg)	CO ₂ e (tonnes)
Scope 1	Gas Consumption	Natural Gas	3,376,702 (Kwh)	618,477	618	3,647,522 (Kwh)	670,670	671
	Fleet Vehicles	Diesel	28,865 (litres)	72,518	73	8,634 (litres)	21,982	22
		Gas Oil / Red Diesel	43,374 (litres)	119,650	120	48,475 (litres)	133,682	134
		Petrol	688 (litres)	1,509	1.5	852 (litres)	1,847	1.84
	Back-up generators	Gas Oil	-	-	-	-	-	-
	Fire Training	Diesel	500 (litres)	1,256	1.2	500 (litres)	1,273	1.27
	Total SCOPE 1			813,410	813		829,454	830
Scope 2	Purchased Electricity (location based)	Electricity	5,253,065 (kwh)	486,851	487	4,736,014 (kwh)	1,104,154	1,104
	Total SCOPE 2			486,851	487		1,104,154	1,104
Scope 3	Staff Business Travel	Diesel / Petrol	4,150 (miles)	1,101	1.1	1,109 (miles)	353	0.35
	Total SCOPE 3			1,101	1.1		353	0.35
	Total Gross CO₂e			1,301,362	1,301		1,933,961	1,934

	2021-22	2020-21
*Intensity Ratio (kg CO ₂ e per airport passenger)	1.21 kg CO₂e (total passengers 1,073,568)	6.47 kg CO₂e (total passengers 299,031)

*The intensity ratio of kg CO₂e per passenger is a standard key performance indicator for the airport industry. Total passengers during the reporting period = 1,073,568

Strategic Report (Continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

Methodology

The following documents and guidance have been used to produce this report:

- HM Government, Environmental Reporting Guidelines (March 2019).
- GHG Reporting Protocol - Corporate Standard.
- UK Government Conversion Factors for Company Reporting.

Energy Efficient Measures and Road to Net Zero

During the reporting period LBA announced its detailed plan to become a net zero carbon airport by 2030. LBA's roadmap is focussed on emissions that the airport is directly responsible for and is fully in control of. This includes decarbonising intensive terminal operations across the 260,000 sq ft airport, such as renewable heating contracts, energy efficient air-conditioning, as well as converting on-site vehicles to low and zero emission solutions. Once its roadmap is realised, LBA will be one of the first net zero airports in the UK.

LBA has also committed to measures that support reducing emissions produced by on-site business partners, such as airlines, to encourage and make it easier for partners to decarbonise their operations, as well as provide support to external sustainability plans.

These wider plans include Jet2's commitments to reduce CO₂ per passenger by 10% by 2030, use UK produced Sustainable Aviation Fuel (SAF) by 2026 and operate 50% zero emission ground support equipment by 2023. Similarly, Ryanair has committed to 60g CO₂ per passenger by 2030 and KLM has outlined a CO₂ reduction path developed by Science Based Targets initiative (SBTi) specifically for the airline industry in line with the Paris Climate Agreement.

To date, LBA has been committed to reducing its own emissions, with accreditation under the Airport Carbon Accreditation Scheme (ACAS), a voluntary global carbon management standard specifically for airports. Aiming to achieve the highest level possible in ACAS, LBA has moved up to Level 2 in June 2022.

As a long-term goal, the airport will be aiming for the highest level of ACAS accreditation, which requires LBA to align its carbon management ambition with global climate goals and transform operations with absolute emissions reductions. This includes the emissions LBA controls, such as energy usage, and those that LBA can influence, for example, third-party ground operations and flights.

For third party ground operations, LBA is introducing fixed electrical ground power on all aircraft contact stands to phase out the diesel-powered mobile ground power units, which are used to provide the aircraft with power whilst on the ground and when their engines are switched off.

Strategic Report (Continued)

Energy Efficient Measures and Road to Net Zero (continued)

Throughout the terminal, LBA has taken steps to reduce energy usage. This has already included installing LED lighting with motion sensors to reduce unnecessary lighting. Variable speed drives have been retrofitted on the escalators in the terminal for efficiencies during periods of low or no passenger movements, and airfield signage lightboxes have been upgraded from the existing fluorescent strip lighting to LEDs. The culmination of these steps has led to a 48% reduction in LBA's terminal emissions over the past six years.

For staff, a Cycle to Work Scheme has been available to employees since 2010, as part of LBA's sustainable travel plan. Alongside this, an electric vehicle salary sacrifice scheme is in the process of being set up to assist and incentivise employees to purchase electric vehicles.

For passengers, LBA is currently working with its airport transport partner, Transdev, to upgrade the existing Flyer bus network to a fully electric-powered fleet. The Flyer buses provide an essential connection for passengers from Leeds, Bradford, and Harrogate to the airport, reducing traffic and transport pollution.

Section 172 Statement Stakeholder Engagement

Director Performance in Accordance with s172(1) Companies Act 2006

The board of Directors are aware of their statutory duties under s172 (1) of the Companies Act 2006. The Directors believe they have fulfilled their duties in promoting the success of the company for the benefit of its stakeholders and members by having regard to:

- Long term consequences of key strategic decisions.
- The wellbeing of its employees.
- Fostering relationships with and acted fairly towards stakeholders.
- Considering the impact of the Airports operations on local communities and the environment.
- Maintaining high standards of conduct.

Key strategic business decisions are made by the LBA Board in the context of information provided by the LBA management team at regular intervals. In the current year a number of key decisions have been made by the board due to the impact of COVID-19. These decisions and actions are set out in the going concern statement within the Directors' report on page 15.

The LBA Board makes its decisions taking into account the interests of a wide range of internal and external stakeholders including, for example, employees, local communities trade unions, airline and commercial business partners, passengers, government agencies and, of course, the environment beyond the region in which LBA is situated.

Strategic Report (Continued)

Director Performance in Accordance with s172(1) Companies Act 2006 (continued)

LBA takes its responsibilities to all its stakeholders very seriously. As an airport, LBA is a safety critical business with a significant influence on the economic, social and environmental wellbeing of the local community in which it is situated. These interests must be balanced with the interests of the company and its shareholders.

LBA employs a number of dedicated employees and external consultants to help it take into account the needs and views of its stakeholders. For example, LBA employs a Head of Planning to assist with consultations with local interest groups and government agencies, an HR Director and team to manage employee welfare and an Environmental Manager to help manage LBA's impact on the environment and its relationships with key environmental agencies.

As it is an airport, LBA operates in a highly regulated environment. LBA is subject to the regulatory oversight of the CAA and the Environment Agency as well as a large number of other agencies. LBA conducts internal audits and control arrangements and is subject to regular external regulatory audits and spot checks. LBA's licence to operate depends on compliance with its regulatory obligations.

Specific stakeholder engagement takes place in the following manner:

Employees

The COVID-19 pandemic brought many changes to the Airport, not just in employee numbers, but the way we managed our teams throughout this period. As many of our team were on full furlough for a significant period of time during 2020/21 the airport put in place weekly conference calls with our CEO, which enabled employees to hear a weekly update on passenger numbers, consultation processes and general operation/business updates. We also created a direct email to enable employees to submit questions, which were then answered by the CEO on the next conference call. Engagement via the CEO has continued in 2021/22 with monthly town hall events held via video.

As the airport has remobilised in 2021/22, the Executive Team is keen to increase engagement levels with all employees and therefore an employee satisfaction survey was conducted in late 2021. To enable this, LBA has engaged with a third party, over a 3-year period, to carry out annual and pulse surveys to monitor/track employee pride and engagement. The Executive team spent some time in early 2022 reviewing the feedback from the first survey and a series of roadshow presentations led by the CEO and CFO have taken place to communicate and share the results and to engage with employees on next steps and actions that are to be implemented. The roadshows have also been used to engage more closely with employees on the long-term objectives of the airport and to obtain alignment on LBA's vision and values.

Further engagement with employees is planned throughout the course of the coming year including focus groups to further review and refine the airport's vision and values, lunch and learn management training, leadership training for all people leaders and regular business updates including communication of performance on a quarterly basis.

Strategic Report (Continued)

Local Communities & Business

LBA participates in a large number of local business forums, such as the Airport Operators Association, Airports Council International, CBI, the British Chamber of Commerce and other associations through which LBA is able to communicate with the local community.

Like most airports, LBA also hosts a quarterly meeting of its Airport Consultative Committee, which is composed of local community groups with an interest in the airport. LBA's CEO speaks regularly at those meetings and invites questions. These meetings cover topics as diverse as LBA's development plans, aircraft noise, the cleanliness of LBA's facilities and, of course, LBA's impact on the environment.

Trade Unions

LBA continues to sustain strong relationships with the trade unions. This is extremely important for all parties which has been particularly the case during the pandemic with monthly calls put in place in 2020, which have continued into 2021 and 2022.

Airline & Commercial Partners

LBA is a safety-critical business and it conducts regular audits on business partners, subcontractors and any third parties operating at LBA. The purpose of these audits is to ensure that companies operating on-site are complying with LBA's corporate rules and regulations for operating at the airport.

Passengers

Passengers have a variety of options to connect with LBA being via telephone, email, social media channels (twitter, Facebook, Instagram, Google), LBA's website or writing a letter.

The nature of any request determines how LBA deal with the response. Social media is often a reactive means of communication so the Airport Duty Manager who is on shift 24/7, will deal and respond accordingly. If the request is via email, letter or phone it is directed towards the department responsible who investigates, advises and responds direct to the customer.

Post year end, to further strengthen LBA's engagement with passengers a dedicated customer care team has been established. Moving forward, this team will lead the first line of customer engagement with the nature and theme of contact logged to ensure any trends are captured and then managed on a pro-active basis.

Government Agencies

Consultations with local and national government agencies also takes place. LBA consults regularly with local government, local economic development agencies, Members of Parliament, city councillors and others on a broad range of issues including the future development of the airport, the sustainability of the airport's operation and surface access connectivity amongst other matters.

Strategic Report (Continued)

The Environment

LBA enjoys a proud record of environmental compliance and continuous improvement. For example, LBA has already achieved Level 1 of the Airport Carbon Accreditation Scheme (ACAS) and is currently working towards Level 2. ACAS is an independent carbon management and reduction scheme, specifically for airports and awarded by the Airport's Council International (ACI). LBA's ambition is to achieve the highest level of accreditation, Level 4+ (Transition). Actions in working towards achieving this will include investment in electric fleet/charging stations, renewable energy sources, increase in sustainable travel to/from the airport and working with our airport partners for wider airport carbon reduction.

LBA continues to explore all opportunities for a circular economy, including plans to discourage and minimise the use of single use plastics in the terminal building. LBA is committed to working with all airport partners, including concessions and airlines to phase out single use wastes. A free to use drinking water fountain has been installed within the terminal to allow passengers to bring their own reusable cups.

Leadership and Governance

The Board of Directors

The corporate governance structure, strategy and policies are set by the Board of International Airport Bidco Limited. The directors ensure that when applying the structure, strategy and policies, they have due regard to their fiduciary duties and responsibilities.

The Board includes a good balance of executive directors and shareholder appointed non-executive directors with an independent Chair. The Board meets formally on a monthly basis, with additional meetings where required to consider specific business matters as they arise.

The independent Chair is responsible for the leadership of the Board and plays an important part in ensuring that it delivers on its accountabilities and that the diverse skills of individual Board members are used effectively.

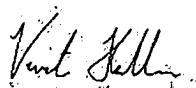
Certain matters are reserved for decision by shareholders and others are reserved for the Board. Day-to-day management is delegated to the CEO who is supported by his Executive Team.

To support quality decision-making, the Board receives, prior to each meeting on a timely basis, a comprehensive pack of reports and papers covering, as standard items, an update from the CEO and reports on finance, commercial, operations and HR and, when appropriate, an appraisal of strategic opportunities and corporate risks.

The Board has established Audit, Risk & ESG (Environmental, Social and Governance) and Remuneration & Nomination committees each with specific delegated authorities, the membership and terms of reference for each of which is reviewed annually to ensure each committee is operating at maximum effectiveness and recommends any changes it considers necessary to the Board for approval. Each committee has access to sufficient resources to carry out its duties and has due regard to all applicable laws, regulations and guidelines.

Strategic Report (Continued)

By order of the Board



Vincent Hodder
Director
8 July 2022

Directors' Report

The Directors present their report for the year ended 31 March 2022.

Directors

The current Directors and those who have served during the year are listed before the contents page.

Allotted share capital

As at 31 March 2022 the issued share capital of the Company comprises 23,749,999 Ordinary shares of £1 each and 1 Special Rights Preference Share of £1.

Losses, dividends and transfers to reserves

The Company's loss for the year, after taxation, was £9,598,000 (2021: loss £19,245,000) which has been transferred to reserves.

During the year the Company did not pay a dividend (2021: £nil) and the Directors do not propose dividends for the year.

Future Developments

The Directors anticipate that the 2022/23 financial year passenger numbers will be materially higher than the previous two years with a return towards pre-COVID levels, supported by airline capacity at the airport approaching a level last seen pre-pandemic. Both the industry and the airport continue to recover from the impact of the pandemic with continuing increases in both weekly and monthly passenger numbers. Whilst not possible to accurately forecast how events will unfold the Directors anticipate a return to profitability and a financial performance for the coming year, more in line with pre COVID-19 performance.

Accounting standards and policies

This Annual Report complies with all accounting standards issued by the Financial Reporting Council (FRC) as applicable to the financial statements at 31 March 2022.

The Company has applied FRS102 for its financial statements for the period ended 31 March 2022.

Going Concern

The company is a member of the group headed by International Airport Bidco Limited with all cash and funding historically managed centrally across the group. As the going concern of the Company is dependent on that of the wider group, it has been assessed at the group level. International Airport Bidco Limited has provided confirmation to the Directors of the company that these arrangements will continue for the foreseeable future. The Directors have had regard to these confirmations, as well as the overall going concern assessment in respect of the group headed by International Airport Bidco Limited.

Directors' Report (continued)

Going Concern (continued)

Furthermore, the Directors have considered the basis of preparation of the statutory accounts in line with the requirements of the guidelines issued by the Financial Reporting Council (FRC) in April 2016 entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk: Guidance for directors of companies that do not apply The UK Corporate Governance Code".

It should be recognised that the Leeds Bradford Airport group of companies headed by International Airport Bidco Limited, along with the economy generally and the aviation industry specifically, has faced a number of significant challenges as a result of the COVID-19 pandemic over the course of the last two years. These challenges have had a significant financial impact on the group.

The Directors of the group responded quickly and decisively in relation to the COVID-19 crisis, including taking the following actions:

- utilising strong relationships with supportive Lenders it has been possible to secure increased liquidity, including a Coronavirus Business Interruption Loan, and agree an initial 12 month Covenant Waiver period to 31 March 2021, with a further extension to 31 March 2022;
- securing additional shareholder funding to increase liquidity, including two separate equity injections and commitment for a further injection should this be required;
- following a consultation period, staff numbers were reduced;
- significantly reduced operating costs;
- curtailed all non-essential capital expenditure;
- placed non-essential staff on furlough, claiming appropriate costs of £2.8m in 2020/21 and £0.6m in 2021/22 under the Government Job Retention Scheme and utilising HMRC agreed PAYE deferral arrangements;
- making a successful insurance claim for £2.5m under the Group's Business Interruption Policy;
- obtaining a grant for £1.5m in both 2020/21 and 2021/22 for business rates under the Government's Airport and Ground Operations Support Scheme (AGOSS); and
- acting on Public Health England guidelines and implementing appropriate measures across the airport to establish a safe environment for staff working at and passengers transiting through the airport.

Having regard to the above actions, management have prepared forecasts of group income, profitability and cash flow to understand the financial and operational requirements of the business as it now starts to recover from the impact of COVID-19. The Directors have reviewed these forecasts and specifically those covering a period of at least 12 months from the date of approval of the financial statements to consider whether the company will have sufficient liquidity to meet its liabilities during the period and comply with minimum liquidity requirement tests required by the Lenders. Further, compliance with the group's financial covenants, upon expiry of the Covenant Waiver period has been considered.

Directors' Report (continued)

Going Concern (continued)

These forecasts are predicated on the long-term approach under which all funds are managed centrally across the group of companies headed by International Airport Bidco Limited. These forecasts incorporate the Directors' best estimates of future passenger numbers and reflect the committed funding available to the group and the degree of expected compliance with Lender covenants and other conditions attaching to the group's funding facilities.

The Directors maintain a strong relationship with the group's Lenders who have remained supportive throughout the COVID-19 trading environment as noted in the actions above, and this support is expected to continue in the event that passenger numbers fall short of levels expected in the financial forecasts.

The Directors are cautiously optimistic that 2022/23 will see significant recovery in passenger numbers towards the levels last seen pre-COVID. This optimism is supported by recent trends, with significant growth in passenger numbers following the removal of all UK Covid related international travel restrictions in March 2022. At the end of June 2022, passenger numbers have recovered to c90% of pre-pandemic levels.

However, the Directors recognise that the future performance of the group is highly dependent on the future level of passenger numbers, and the timing of a full recovery from the impact of the pandemic is to a large extent outside their direct control. In the event that the future level of passenger numbers is lower than anticipated, the Group may breach covenants and may also be required to seek additional funding. The Directors acknowledge that this factor represents a material uncertainty which may cast significant doubt over the ability of the group and therefore the ability of the Company to continue as a going concern and its ability to realise its assets and settle its liabilities in the ordinary course of business.

Notwithstanding, the Directors have considered all information available to them in the post COVID-19 environment in assessing the going concern position of the group, and subsidiary companies, including consideration of the financial forecasts outlined above, the supportive relationship of shareholders and the group's Lenders, as well as potential cash flow mitigations and upsides. On the basis of these considerations, the Directors have concluded that the group and therefore the company should have sufficient funds to meet liabilities as they fall due throughout the period of the forecasts. These financial statements have therefore been prepared on a going concern basis and do not include any adjustments that would result if the company was unable to continue as a going concern due to the circumstances described above.

Employee involvement and employment of disabled persons

Within the grounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Company and are of interest and concern to them as employees.

The Company gives equal opportunity to the employment of disabled persons where practicable. It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

Directors' Report (Continued)

Directors' liability

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Company's Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report. During the year the Company had in force an indemnity provision in favour of one or more Directors of Leeds Bradford Airport Limited against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

Information to auditors

So far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Re-appointment of auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Audit Committee for reappointment of BDO LLP as auditor of the Company.

By order of the Board



Vincent Hodder
Director
8 July 2022

Statement of Directors' responsibilities

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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. 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 accounting 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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS102 used in the preparation of 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Leeds Bradford Airport Limited

Opinion on the 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Leeds Bradford Airport Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw your attention to Note 1 to the financial statements, which indicates the directors' considerations over going concern including the potential impact of the recovery from the COVID-19 pandemic on the Group, upon which the going concern of the Company is dependent. In the event that the future level of passengers are lower than anticipated, the Group may breach covenants and may also be required to seek additional funding. As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this.

Independent auditor's report (continued)

to the members of Leeds Bradford Airport Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditor's report (continued)

to the members of Leeds Bradford Airport Limited

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Independent auditor's report (continued)

to the members of Leeds Bradford Airport Limited

Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:

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08 July 2022

Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
UK
8 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income

for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Turnover	2	16,520	5,269
Cost of sales		(1,148)	(628)
Gross Profit		15,372	4,641
Operating costs			
Staff costs	5	(8,253)	(9,222)
Depreciation and amortisation	3, 9, 10	(7,601)	(7,304)
Other operating charges		(10,713)	(10,196)
Exceptional operating income	4	1,849	5,533
Exceptional operating charges	4	(104)	(917)
Loss on disposal of tangible fixed assets		(1,385)	(517)
Impairment of tangible fixed assets	10	(1,993)	(1,293)
Reversal of impairment of tangible fixed assets	10	1,232	-
		(26,968)	(23,916)
Operating loss	3	(11,596)	(19,275)
Loss on revaluation of investment property		-	(22)
Net profit on financial liabilities at fair value through profit and loss account		4,256	848
Interest receivable	6	378	334
Interest payable	7	(4,572)	(4,476)
		62	(3,316)
Loss on ordinary activities before taxation		(11,534)	(22,591)
Tax credit on ordinary activities	8	1,936	3,346
Loss for the financial year		(9,598)	(19,245)
The loss arising in the year relates to continuing operations.			
Other comprehensive income / (loss)			
Remeasurement gains / (losses) recognised in the pension scheme	24	1,154	(971)
Deferred tax charge	8	(4,852)	-
Total comprehensive loss for the financial year		(13,296)	(20,216)
Note of historical cost profits and losses		2022 £000	2021 £000
Reported loss on ordinary activities before taxation		(11,534)	(22,591)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount		1,274	1,815
Historical cost loss on ordinary activities before taxation		(10,260)	(20,776)
Historical loss for the year after taxation		(8,324)	(17,430)

The accompanying notes to the financial statements are an integral part of this primary statement.


Statement of financial position

at 31 March 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Intangible	9	921	888
Tangible	10	180,392	188,766
Investments	11	1	1
		181,314	189,655
Current assets			
Stocks	12	282	263
Debtors:			
amounts falling due within one year	13	6,571	6,223
amounts falling due after more than one year	13	45,227	41,978
Cash at bank and in hand	14	6,184	3,979
		58,264	52,443
Creditors: amounts falling due within one year	15	(37,633)	(36,930)
Net current assets		20,631	15,513
Total assets less current liabilities		201,945	205,168
Creditors: amounts falling due after more than one year	16	(100,582)	(100,782)
Provisions for liabilities and charges	18	(18,571)	(15,655)
Net assets excluding pension liabilities		82,792	88,731
Pension liability	24	(324)	(1,726)
Net assets		82,468	87,005
Capital and reserves			
Called up share capital	19	23,750	15,000
Share premium account	22	477	477
Revaluation reserve	22	131,939	132,693
Non-distributable reserve	22	-	198
Capital Contribution	22	15,583	15,574
Profit and loss account	22	(89,281)	(76,937)
Shareholders' funds		82,468	87,005

The accompanying notes to the financial statements are an integral part of this primary statement.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 8 July 2022.



Vincent Hodder
Chief Executive Officer
8 July 2022



Alexander Tong
Chief Financial Officer
8 July 2022

Statement of changes in equity

for the year ended 31 March 2022

	Called up share capital	Share premium account	Revaluation reserve	Non- distributable reserve	Capital Contribution	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000
As at 1 April 2020	15,000	477	134,508	220	15,574	(58,558)	107,221
Loss for the year	-	-	-	(22)	-	(19,223)	(19,245)
Difference between historical cost depreciation charge and actual depreciation charge	-	-	(1,815)	-	-	1,815	-
Other comprehensive loss	-	-	-	-	-	(971)	(971)
Total comprehensive loss for the year	-	-	(1,815)	(22)	-	(18,379)	(20,216)
At 31 March 2021	15,000	477	132,693	198	15,574	(76,937)	87,005
Loss for the year	-	-	-	-	-	(9,598)	(9,598)
Difference between historical cost depreciation charge and actual depreciation charge	-	-	(1,274)	-	-	1,274	-
Disposal of previously revalued asset	-	-	520	(198)	-	(322)	-
Other comprehensive loss	-	-	-	-	-	(3,698)	(3,698)
Total comprehensive loss for the year	-	-	(754)	(198)	-	(12,344)	(13,296)
Share issue	8,750	-	-	-	-	-	8,750
Employee share scheme	-	-	-	-	9	-	9
At 31 March 2022	23,750	477	131,939	-	15,583	(89,281)	82,468

The amount included in revaluation reserve for 2022 represents the movement in value of tangible fixed assets and investment properties up to the balance sheet date.

The amount included in non-distributable reserves represents the movement in value of investment properties.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies

Statement of compliance

Leeds Bradford Airport Limited is a limited liability company incorporated in England and Wales. The Registered Office is Whitehouse Lane, Leeds, LS19 7TU.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 March 2022.

Basis of preparation

The financial statements of Leeds Bradford Airport Limited were authorised for issue by the Board of Directors on 8 July 2022. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £000.

The Company is a wholly owned subsidiary of LBA Midco 2 Limited and is included in the consolidated financial statements of International Airport Bidco Limited, which are publicly available. Consequently, the Company has taken advantage of the following exemptions:

- preparation of a cash flow statement under section 7 of FRS 102;
- reconciliation of outstanding shares under section 4 of FRS 102;
- disclosure of the financial position and performance of its financial instruments; and
- disclosure of related party transactions under section 8 of FRS 102.

In the Directors' opinion the Company's ultimate controlling party is AMP Capital Investors (European Infrastructure No 4) S.à.r.l..

Going Concern

The company is a member of the group headed by International Airport Bidco Limited with all cash and funding historically managed centrally across the group. As the going concern of the Company is dependent on that of the wider group, it has been assessed at the group level. International Airport Bidco Limited has provided confirmation to the Directors of the company that these arrangements will continue for the foreseeable future. The Directors have had regard to these confirmations, as well as the overall going concern assessment in respect of the group headed by International Airport Bidco Limited.

Furthermore, the Directors have considered the basis of preparation of the statutory accounts in line with the requirements of the guidelines issued by the Financial Reporting Council (FRC) in April 2016 entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk: Guidance for directors of companies that do not apply The UK Corporate Governance Code".

It should be recognised that the Leeds Bradford Airport group of companies headed by International Airport Bidco Limited, along with the economy generally and the aviation industry specifically, has faced a number of significant challenges as a result of the COVID-19 pandemic over the course of the last two years. These challenges have had a significant financial impact on the group.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies (continued)

Going Concern (continued)

The Directors of the group responded quickly and decisively in relation to the COVID-19 crisis, including taking the following actions:

- utilising strong relationships with supportive Lenders it has been possible to secure increased liquidity, including a Coronavirus Business Interruption Loan, and agree an initial 12 month Covenant Waiver period to 31 March 2021, with a further extension to 31 March 2022;
- securing additional shareholder funding to increase liquidity, including two separate equity injections and commitment for a further injection should this be required;
- following a consultation period, staff numbers were reduced;
- significantly reduced operating costs;
- curtailed all non-essential capital expenditure;
- placed non-essential staff on furlough, claiming appropriate costs of £2.8m in 2020/21 and £0.6m in 2021/22 under the Government Job Retention Scheme and utilising HMRC agreed PAYE deferral arrangements;
- making a successful insurance claim for £2.5m under the Group's Business Interruption Policy;
- obtaining a grant for £1.5m in both 2020/21 and 2021/22 for business rates under the Government's Airport and Ground Operations Support Scheme (AGOSS); and
- acting on Public Health England guidelines and implementing appropriate measures across the airport to establish a safe environment for staff working at and passengers transiting through the airport.

Having regard to the above actions, management have prepared forecasts of group income, profitability and cash flow to understand the financial and operational requirements of the business as it now starts to recover from the impact of COVID-19. The Directors have reviewed these forecasts and specifically those covering a period of at least 12 months from the date of approval of the financial statements to consider whether the company will have sufficient liquidity to meet its liabilities during the period and comply with minimum liquidity requirement tests required by the Lenders. Further, compliance with the group's financial covenants, upon expiry of the Covenant Waiver period has been considered.

These forecasts are predicated on the long-term approach under which all funds are managed centrally across the group of companies headed by International Airport Bidco Limited. These forecasts incorporate the Directors' best estimates of future passenger numbers and reflect the committed funding available to the group and the degree of expected compliance with Lender covenants and other conditions attaching to the group's funding facilities.

The Directors maintain a strong relationship with the group's Lenders who have remained supportive throughout the COVID-19 trading environment as noted in the actions above, and this support is expected to continue in the event that passenger numbers fall short of levels expected in the financial forecasts.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies (continued)

Going Concern (continued)

The Directors are cautiously optimistic that 2022/23 will see significant recovery in passenger numbers towards the levels last seen pre-COVID. This optimism is supported by recent trends, with significant growth in passenger numbers following the removal of all UK Covid related international travel restrictions in March 2022. At the end of June 2022, passenger numbers have recovered to c90% of pre-pandemic levels.

However, the Directors recognise that the future performance of the group is highly dependent on the future level of passenger numbers, and the timing of a full recovery from the impact of the pandemic is to a large extent outside their direct control. In the event that the future level of passenger numbers is lower than anticipated, the Group may breach covenants and may also be required to seek additional funding. The Directors acknowledge that this factor represents a material uncertainty which may cast significant doubt over the ability of the group and therefore the ability of the Company to continue as a going concern and its ability to realise its assets and settle its liabilities in the ordinary course of business.

Notwithstanding, the Directors have considered all information available to them in the post COVID-19 environment in assessing the going concern position of the group, and subsidiary companies, including consideration of the financial forecasts outlined above, the supportive relationship of shareholders and the group's Lenders, as well as potential cash flow mitigations and upsides. On the basis of these considerations, the Directors have concluded that the group and therefore the company should have sufficient funds to meet liabilities as they fall due throughout the period of the forecasts. These financial statements have therefore been prepared on a going concern basis and do not include any adjustments that would result if the company was unable to continue as a going concern due to the circumstances described above.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

- ***Pension and other post-employment benefits***

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the United Kingdom. Future salary increases and pension increases are based on expected future inflation rates for the United Kingdom. Further details are given in note 24.

- ***Impairment***

As a direct consequence of the COVID-19 pandemic there has been a decline in airport valuations generally. This is considered to be a potential indicator of impairment. Consequently the directors have undertaken an impairment review comparing the carrying value of intangible assets and property, plant and equipment assets to the fair value of these assets on a value in use basis. Key assumptions for these calculations are those regarding discount rates, expected changes to passenger and revenue recovery and growth rates, EBITDA margin and the level of capital expenditure to support trading.

This exercise has concluded that no impairment is required. Income, profitability and cash flow forecasts for FY23 and FY24 are materially in line with those used for going concern followed by a recovery period back to 2019 levels by FY24. A terminal year of FY30 has been adopted using detailed growth forecasts. A Weighted Average Cost of Capital (WACC) of 9% has been applied to the discount rate applied to cash flows. A number of market based cross checks have also been considered.

In the current year, an impairment of £1,993,000 has been recognised against specific assets which are no longer utilised and for which the fair value less costs to sell is estimated to be £nil.

Also in the current year, an impairment loss of £1,232,000 in the prior year has now reversed as the asset is expected to have future economic benefit.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

- **Share-based payments**

The Group has granted shares in the year to selected Directors and senior employees under employee shareholder share agreements. These are fair valued at the grant date, and the resultant share-based payment charge spread over the expected vesting period of the instruments.

The options issued during the year were valued using the Monte Carlo model. This model requires a number of assumptions to be made including the share price at the date of grant of the options, percentage entitlement, risk-free rate, expected dividend yield, volatility, expected exercise price and expected period to exercise.

Further details are disclosed in note 27.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, VAT and other sales tax or duty. Traffic income, concession income and car parking income is recognised in the period to which it relates.

Lease income

Rental income is recognised on a straight line basis over the period of the lease agreement.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Subject to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Customer lists	1 – 3 years
Websites	1 – 3 years
Operating licences	40 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ from the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, modified by the revaluation of all significant operational property, in addition to integral fixtures and fittings and plant and machinery, to depreciated replacement cost in November 2017. Depreciated replacement cost is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation is provided at rates calculated to write off the cost or revaluation of fixed assets on a straight line basis over their expected useful lives on the following bases. There is a broad range of expected useful economic lives for the runways, taxiways & aprons as there are various layers within the runway which have differing useful economic lives. Freehold land is not depreciated.

Freehold buildings	20 - 40 years
Runways, taxiways & aprons	10 - 100 years
Plant, equipment & fittings	3 - 40 years
Vehicles	5 - 15 years

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. In the current year, the ongoing impact of the COVID-19 pandemic was regarded by the directors as an impairment trigger. Consequently, an impairment review was performed at year end to assess the carrying value of the Group's assets. This review concluded that no impairment was required.

In the current year, an impairment of £1,993,000 has been recognised against specific assets which are no longer utilised and for which the fair value less costs to sell is estimated to be £nil.

Also in the current year, an impairment loss of £1,232,000 in the prior year has now reversed as the asset is expected to have future economic benefit.

Investment properties

The Company historically held some property for long-term investment. Investment properties are stated at a revalued amount based on an annual revaluation by Directors with a triennial external valuation. The surplus or deficit on revaluation is recognised in the profit and loss account accumulated in the profit and loss reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Investments

Fixed asset investments are stated at cost less provision for impairment.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies (continued)

Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks comprise consumables held for subsequent use by the Airport and are valued at the lower of cost and net realisable value.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred before that date that will result in either an obligation to pay more tax, or a right to pay less or to receive more tax, with the following exception:

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The Company contributes to a multi employer defined benefit scheme (The Federated Pension Plan (FPP)), which is accounted for under the requirements of FRS 102. Assets and liabilities arising from the Company's share of the scheme are shown at fair value. For further details see the pensions note to the financial statements.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance income or cost.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies (continued)

Pensions (continued)

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid-market price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The Company's section of the FPP was closed to future accrual from 31 March 2017.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Exceptional operating income and charges

The Company presents as exceptional operating income and charges on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the financial statements to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Government Grant Accounting

Grants of a revenue nature are recognised in "Exceptional Operating Income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ("Furlough") and the Airport and Ground Operators Support Scheme ("AGOSS").

The Company has not directly benefitted from any other forms of government assistance.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating charges.

Notes to the financial statements

for the year ended 31 March 2022

1. Accounting policies (continued)

Interest bearing loans and borrowings

Loans which are basic financial instruments are measured at amortised cost using the effective interest method. Loans that are receivable within one year are not discounted.

Loans which are due after more than one year and which are non interest bearing are measured at the present value of the future cash receipts or payments discounted at a market rate of interest of a similar financial asset or financial liability.

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs. The Group does not currently apply hedge accounting for interest rate derivatives.

Employee Share Schemes

The Group has issued shares to selected Directors and senior employees of the Company under employee shareholder share agreements, which are accounted for as equity-settled share-based payments.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date such that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

2. Turnover

Turnover represents amounts receivable for services supplied to customers during the year net of applicable discounts, and is recognised once the service has been delivered.

The main income streams within turnover are aeronautical revenue from airlines, revenue from car parking operations and rental income from tenants and retail concessions operating at the Airport.

The whole of the turnover and profit before taxation derives from the Company's principal activities within the United Kingdom, which the Directors regard as one class of business.

Notes to the financial statements

for the year ended 31 March 2022

3. Operating loss

The operating loss is stated after charging:

	2022 £000	2021 £000
Amortisation of intangible fixed assets	80	83
Amortisation of loan arrangement fees	119	119
Depreciation of tangible fixed assets	7,402	7,102
Impairment of tangible fixed assets	1,993	1,293
Reversal of impairment of tangible fixed assets	(1,232)	-
Loss on disposal of tangible fixed assets	1,385	517
Auditor's remuneration	65	59
Operating lease rentals – plant and machinery	105	105

The remuneration paid to the auditors is further analysed as follows:

	2022 £000	2021 £000
Audit of the financial statements of the Company	51	46
Other non-audit services		
- taxation compliance services	12	11
- audit related assurance services	2	2
Total non-audit services	14	13
	65	59

4. Exceptional items

	2022 £000	2021 £000
Business Interruption Insurance claim	(33)	2,500
Government Job Retention Scheme grants	393	1,535
Airport and Ground Operators Support Scheme grant	1,489	1,498
Exceptional operating income	1,849	5,533
Restructuring costs	-	(605)
Refinancing costs	(104)	(312)
Exceptional operating charges	(104)	(917)

The prior year restructuring costs are in relation to redundancies due to Covid-19 pandemic cost efficiency savings.

Notes to the financial statements

for the year ended 31 March 2022

5. Directors' remuneration and benefits and staff costs

	2022 £000	2021 £000
Directors' remuneration	<u>647</u>	<u>785</u>

None of the Directors were accruing benefits under the defined benefit pension scheme during the year (2021: nil).

The Company considers the Directors to be all key management personnel. There is no further key management personnel compensation other than that reported above.

The highest paid Director received remuneration and benefits as follows:

	2022 £000	2021 £000
Remuneration	<u>299</u>	<u>455</u>

Staff costs, including Directors' remuneration, were as follows:

	2022 £000	2021 £000
Wages and salaries	7,132	8,152
Employee share schemes	9	-
Social security costs	707	707
Other pension costs	405	363
	<u>8,253</u>	<u>9,222</u>

Included in other pension costs are £nil (2021: £nil) in respect of the defined benefit scheme, £355,855 (2021: £320,695) in respect of defined contribution schemes and £49,660 (2021: £42,697) in respect of life insurance.

The average monthly number of employees, including executive Directors, during the year was as follows:

	2022 No.	2021 No.
Administration	42	29
Emergency services	40	42
Air traffic control	30	31
Support services	92	116
	<u>204</u>	<u>218</u>

Notes to the financial statements

for the year ended 31 March 2022

6. Interest receivable

	2022 £000	2021 £000
Bank interest received	1	8
Loans to parent company	377	326
	<u>378</u>	<u>334</u>

7. Interest payable

	2022 £000	2021 £000
Bank loans	2,910	2,944
Defined benefit scheme interest cost	35	20
Loan from parent undertaking	1,610	1,487
Other	17	25
	<u>4,572</u>	<u>4,476</u>

8. Taxation

(a) Analysis of tax charge / (credit) in year

	2022 £000	2021 £000
<i>Current tax:</i>		
UK corporation tax at 19 %	-	-
Total UK taxation	-	-
<i>Deferred tax:</i>		
Changes in deferred tax balances arising from:		
Adjustments in respect of prior periods	(291)	(636)
Origination or reversal of timing differences	(1,645)	(2,710)
Effect of tax rate change on opening balance	4,852	-
Total deferred tax charge / (credit)	<u>2,916</u>	<u>(3,346)</u>
Tax charge / (credit) on loss on ordinary activities	<u>2,916</u>	<u>(3,346)</u>
<i>Reconciliation to Statement of Comprehensive Income:</i>		
Tax credit on ordinary activities	(1,936)	(3,346)
Deferred tax charge in Other Comprehensive Income	4,852	-
Net tax charge / (credit) for the year	<u>2,916</u>	<u>(3,346)</u>

Notes to the financial statements

for the year ended 31 March 2022

8. Taxation (continued)

(b) Factors affecting the tax charge / (credit) for the year

The tax assessed for the year is higher (2021: higher) than would be expected by multiplying loss on ordinary activities by the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022 £000	2021 £000
Loss on ordinary activities before tax	<u>(11,534)</u>	<u>(22,591)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax of 19% (2021: 19%)	(2,191)	(4,292)
Effects of:		
Fixed asset differences	1,118	1,160
Expenses not deductible for tax purposes	335	273
Chargeable losses	-	(4)
Other permanent differences	(1)	(1)
Amounts relating to other comprehensive income	219	(184)
Deferred tax not recognised	(211)	586
Remeasurement of deferred tax for changes in tax rates	3,918	-
Timing differences not recognised in the computation	(66)	(266)
Adjustments to tax charge in respect of prior periods – deferred tax	(291)	(636)
Group relief surrendered	86	18
Total tax charge / (credit) for the year	<u>2,916</u>	<u>(3,346)</u>

(c) Deferred tax

	2022 £000	2021 £000
Deferred tax liabilities		
Fixed asset timing differences	-	(213)
Chargeable gains on revalued assets	(24,996)	(18,997)
	<u>(24,996)</u>	<u>(19,210)</u>
Deferred tax assets recognised		
Short term timing differences	-	213
Losses and other deductions	6,425	3,342
	<u>6,425</u>	<u>3,555</u>
Net deferred tax provision recognised	<u>(18,571)</u>	<u>(15,655)</u>

Notes to the financial statements

for the year ended 31 March 2022

8. Taxation (continued)

(c) Deferred tax (continued)

There is an unrecognised deferred tax asset of £2,244,000 (2021: £2,456,000) in relation to a combination of tax losses carried forward, and other short term timing differences. A deferred tax asset has not been recognised in respect of these amounts as the use of the resultant losses in the future is uncertain.

The net reversal of deferred tax assets and liabilities expected in 2023 is nil.

9. Intangible assets

	Intangible assets £000
Cost:	
At 1 April 2021	2,452
Additions in the year	113
At 31 March 2022	2,565
Amortisation:	
At 1 April 2021	1,564
Provided during the year	80
At 31 March 2022	1,644
Net book value:	
At 31 March 2022	921
At 31 March 2021	888

Notes to the financial statements

for the year ended 31 March 2022

10. Tangible assets

	Freehold land	Freehold buildings	Runways, taxiways & aprons	Plant, equipment & fittings	Vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000
<i>Cost or valuation:</i>							
At 1 April 2021	56,098	69,406	79,726	53,469	6,812	5,240	270,751
Reclassification	-	-	-	1,184	-	(1,184)	-
Additions at cost	-	145	574	1,115	30	476	2,340
Disposals	-	(1,158)	-	(37)	(160)	(1,375)	(2,730)
At 31 March 2022	56,098	68,393	80,300	55,731	6,682	3,157	270,361
<i>Depreciation:</i>							
At 1 April 2021	3,448	32,618	11,201	30,477	4,241	-	81,985
Charge for year	-	2,472	1,937	2,609	384	-	7,402
Impairment	-	-	-	(1,232)	-	1,993	761
Disposals	-	-	-	(35)	(144)	-	(179)
At 31 March 2022	3,448	35,090	13,138	31,819	4,481	1,993	89,969
<i>Net book value:</i>							
At 31 March 2022	52,650	33,303	67,162	23,912	2,201	1,164	180,392
At 31 March 2021	52,650	36,788	68,525	22,992	2,571	5,240	188,766

Notes to the financial statements

for the year ended 31 March 2022

10. Tangible assets (continued)

Included within tangible assets are investment properties as follows:

	2022 £000	2021 £000
Land and buildings	-	1,158

The investment property was subject to external valuation at 31 March 2020 on the basis of fair value by Cushman & Wakefield Limited. This valuation was prepared in accordance with the requirements of the RICS Valuation - Global Standards which incorporate the International Valuation Standards and the RICS Valuation UK National Supplement edition current at the valuation date.

The property was sold during the year, and the fair value of the property at 31 March 2021 was adjusted to reflect the agreed selling price.

Historical cost

The table below represents the depreciation of assets based on their original cost and irrespective of any revaluation. The difference between historic cost depreciation and revaluation depreciation is shown at the foot of the Statement of comprehensive income.

	Freehold land	Freehold buildings	Runways, taxiways & aprons	Plant, equipment & fittings	Vehicles	Total
At 31 March 2021	5,284	60,315	28,600	52,106	7,028	153,333
Aggregate depreciation based on cost	-	34,676	20,013	38,697	4,662	98,049
At 31 March 2022	5,284	60,908	29,174	55,072	6,894	157,332
Aggregate depreciation based on cost	-	36,620	20,651	41,866	5,041	104,178

Notes to the financial statements

for the year ended 31 March 2022

11. Investments

	Shares in subsidiary undertakings £000
Cost:	
At 31 March 2021 and 31 March 2022	<u>1</u>

At the year end, the Company holds investments in 100% of the ordinary share capital of LBA Services Limited, which provides services to the Company, and Yorkshire International Airport Limited, Leeds Airport Limited, Leeds City Airport Limited, Leeds City Region Airport Limited and Yorkshire Airport Limited, which are dormant. The Company holds no indirect investments.

12. Stocks

	2022 £000	2021 £000
Raw materials and consumables	<u>282</u>	<u>263</u>

The difference between purchase price and the replacement cost of stock is not material. Stocks recognised as an expense in the period were £332,000 (2021 - £287,000) for the Company.

13. Debtors: amounts falling due within one year

	2022 £000	2021 £000
Trade debtors	1,777	889
Prepayments and accrued income	1,656	368
Government grants receivable	-	1,706
Other tax	-	161
Amounts owed by parent company	3,098	3,059
Amounts owed by subsidiary	40	40
	<u>6,571</u>	<u>6,223</u>
Amounts falling due after more than one year:		
Amounts owed by parent company	43,640	41,978
Derivative financial instrument	1,587	-
	<u>51,798</u>	<u>48,201</u>

Amounts owed by the parent company due within one year carry interest at 0.5% above the cost of borrowing (current account rate), amounts due after more than one year carry interest at 4% and are repayable at the end of the term. Amounts owed by the subsidiary company are non-interest bearing and repayable on demand.

Notes to the financial statements

for the year ended 31 March 2022

14. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	<u>6,184</u>	<u>3,979</u>

15. Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	1,284	1,633
Other tax and social security	558	-
Accruals and deferred income	6,648	7,427
Amounts owed to subsidiary	1,409	1,432
Amounts owed to parent company	24,650	23,376
Other creditors	84	62
Revolving credit facility	3,000	3,000
	<u>37,633</u>	<u>36,930</u>

The amount owed to the parent company carries interest at 0.5% above the cost of borrowing (either LIBOR plus bank margin in the first quarter of the year before transitioning to SONIA plus bank margin from 30th June 2021 or current account rate as applicable) and has no fixed repayment schedule. The amount owed to the subsidiary company is non-interest bearing and repayable on demand.

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

	2022	2021
	£000	£000
Amounts owed to parent company	21,037	19,427
Senior facility	61,176	65,000
Derivative financial instrument	-	2,669
Loan arrangement fees	(455)	(573)
Capital expenditure facility	14,118	14,259
Coronavirus Business Interruption Loan (CBILS)	4,706	-
	<u>100,582</u>	<u>100,782</u>

The amount owed to the parent is held under the amortised cost model and the effective rate of interest is 8.3%. It is repayable at the end of the term.

Notes to the financial statements

for the year ended 31 March 2022

17. Loans

Loans repayable, included within creditors, are analysed as follows:

	2022	2021
	£000	£000
Wholly repayable within 1 year	27,405	26,086
Wholly repayable within 10 years	98,995	100,782

The Company has access to a Revolving Credit Facility (£3m) of which £3m is drawn down at the balance sheet date with a 6 month maturity (2021: £3m).

Interest on the Senior Facilities was charged at LIBOR plus bank margin in the first quarter of the year before transitioning to SONIA plus bank margin from 30th June 2021. The Company has put in place a 7 year interest rate swap in respect of 100% of the Senior Facility.

The debt providers of the Senior Facilities agreement which covers the Senior Facility, Capital Expenditure Facility and Revolving Credit Facility hold a first ranking security against the assets of the Company.

18. Provisions for liabilities and charges

	Deferred Tax £000
At 1 April 2021	15,655
Charge for the year (note 8)	2,916
At 31 March 2022	18,571

19. Share capital

Authorised	2022 £	2021 £
Ordinary Shares of £1 each	23,749,999	22,499,999
Special Rights Preference Share of £1 each	1	1
	23,750,000	22,500,000
 Allotted, called up and fully paid	 2022 £	 2021 £
Ordinary shares of £1 each	23,749,999	14,999,999
Special Rights Preference Share of £1 each	1	1
	23,750,000	15,000,000

Notes to the financial statements

for the year ended 31 March 2022

19. Share capital (continued)

The total issued capital of the Company comprises 23,749,999 Ordinary shares of £1 each and 1 Special Rights Preference Share of £1.

The Company is a member of the group headed by International Airport Bidco Limited with all cash and funding historically managed centrally across the group. Due to the impacts of the COVID-19 pandemic, the Group received shareholder equity injections totalling £8,750,000.

The additional equity came in the form of a subscription for shares in International Airport Bidco Limited, by its immediate parent company, GIF International Airport Holdco Limited for an aggregate subscription price of £8,750,000. International Airport Bidco Limited then loaned £8,750,000 to LBA Midco 1 Limited which in turn subscribed for shares in LBA Midco 2 Limited for an aggregate consideration of £8,750,000. LBA Midco 2 Limited then in turn subscribed for shares in the Company for an aggregate consideration of £8,750,000.

Special rights preference share

The Ordinary Shares and the Special Rights Preference Share ('Special Share') are separate classes of shares. On distribution of capital on winding up of the Company, the Special Share shall rank pari passu with the Ordinary Shares but shall only be entitled to receive £1 by way of a return of capital. The Special Share shall have no other rights to participate in a return of capital by the Company or to participate in any dividend or distribution.

Other than special airport meetings as defined in the articles of association of the Company or general meetings at which any of the matters set out in articles S15 1.1 to S15 1.6 are to be considered, the Special Share shall have no right to receive notice of or attend or vote at any meeting of the Company.

20. Capital commitments

At 31 March 2022 the Company had entered into contracts for capital expenditure, provided for in these accounts, amounting to approximately £955,000 (2021 £268,020). There are further capital commitments of £1,410,000 for which the Company has not provided for (2021: £156,000).

21. Other commitments

At 31 March 2022 the Company's commitments under operating leases for plant and machinery are as follows:

	2022	2021
	£000	£000
<i>Amounts payable:</i>		
Within one year	85	102
Between one and five years	33	122
	<u> </u>	<u> </u>

Notes to the financial statements

for the year ended 31 March 2022

22. Reserves

Share premium account

This reserve records the amount above the nominal value received for the shares sold, less transaction costs.

Revaluation reserve

This reserve records historic revaluations of investment property and property, plant and equipment. The movements in this account represent the difference between the depreciation charge for the year based on the revalued amount and the depreciation charge for the year based on the historic cost.

Non-distributable reserve

This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset.

Called up share capital reserve

This reserve represents the nominal value of the shares issued.

Capital Contribution

This reserve represents the difference between the nominal value of off-market loans from parent companies and the present value of the future payments due in respect of that financial liability.

The reserve also represents cumulative contributions from an indirect parent undertaking in respect of shares issued by the indirect parent undertaking to the Company's employees.

Profit and Loss account

This represents cumulative profits or losses, net of dividends paid and other adjustments.

23. Transactions with related parties

The Company is a wholly owned subsidiary of LBA Midco 2 Limited and is included in the consolidated financial statements of International Airport Bidco Limited, which are publicly available.

The Company has taken advantage of the exemptions allowed under FRS102 from disclosing transactions with related parties that are part of the International Airport Bidco Limited Group, or investees of the Group.

Notes to the financial statements

for the year ended 31 March 2022

24. Pension costs

The Group is a participating employer in the Federated Pension Plan (FPP) which is a multi-employer defined benefit scheme. Until 2 May 2007, it had previously participated in the West Yorkshire Pension Fund (WYPF) but due to a change in its ownership it ceased to participate in the WYPF on 2 May 2007 and employees started to accrue pension benefits in the FPP. The FPP ceased to accrue future service benefits from 31 March 2017. A full actuarial valuation was carried out as at 5 April 2019 and the results updated to 31 March 2021 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent actuarial valuation as at 5 April 2019 showed a deficit of £2,507,000. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 8 years and 5 months from 5 April 2019 by the payment of monthly contributions of £21,333. In addition, the company has agreed with the trustees that it will pay monthly contributions of £4,500 to meet regular management and administration expenses of the scheme. Pensions Regulator and Pension Protection Fund levies and audit fees are payable in addition.

The major assumptions used by the actuary were:

	31 March 2022	31 March 2021
Inflation rate (%)	3.5	3.2
Rate of increase in salaries (%)	3.5	3.2
Rate of increase in pensions in payment (%)	3.5	3.2
Discount rate applied to scheme liabilities (%)	2.8	2.2

The mortality assumptions adopted imply the following life expectancies:

	31 March 2022	31 March 2021
Male retiring now at age 65	21.1	21.1
Female retiring now at age 65	23.4	23.4
Male retiring in 20 years at age 65	22.4	22.4
Female retiring in 20 years at age 65	24.9	24.9

Notes to the financial statements

for the year ended 31 March 2022

24. Pension costs (continued)

Fair value and expected return on assets

	Value at 31 March 2022 £000	Value at 31 March 2021 £000
Equities (UK & Overseas)	5,727	5,300
Diversified Growth Funds	2,898	2,650
Government bonds	4,016	3,986
Cash	48	26
Total market value of assets	12,689	11,962
Present value of scheme liabilities	(13,013)	(13,688)
(Deficit) in the scheme	(324)	(1,726)
Defined benefit (liability) to be recognised	(324)	(1,726)

Changes in the present value of the defined benefit obligations are analysed as follows:

	£000
As at 1 April 2021	13,688
Expenses	72
Interest expense	298
Actuarial loss	(702)
Benefits paid	(343)
As at 31 March 2022	13,013

Changes in the fair value of plan assets are analysed as follows:

	£000
As at 1 April 2021	11,962
Interest income	263
Contributions by the Company	355
Actuarial gains	452
Benefits paid	(343)
As at 31 March 2022	12,689

Notes to the financial statements

for the year ended 31 March 2022

24. Pension costs (continued)

Analysis of amount charged to operating loss:

	2022 £000	2021 £000
Expenses	72	125
Net interest cost	35	20
Net cost	<u>107</u>	<u>145</u>

Analysis of amount recognised in other comprehensive income:

	2022 £000	2021 £000
Actual return on pension scheme assets (excluding amounts included in net interest cost) – gain	452	1,072
Experience gains and losses arising on the plan liabilities – (loss) / gain	(226)	160
Effects of changes in assumptions underlying the present value of the scheme liabilities – gain / (loss)	928	(2,203)
Remeasurement gain / (loss) recognised in Other Comprehensive Income	<u>1,154</u>	<u>(971)</u>

The scheme has been closed to future accrual however the company has agreed to past service deficit contributions with the trustee, therefore the best estimate of contributions to be paid by the Company to the scheme for the period beginning 1 April 2022 is £310,000.

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £363,189 (2021: £320,695). Contributions totalling £70,739 (2021: £55,510) were payable to the fund at the reporting date and are included in creditors.

Notes to the financial statements

for the year ended 31 March 2022

26. Financial Instruments

	2022	2021
	£000	£000
Cash	6,184	3,979
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Trade debtors	1,777	889
Other debtors	46,778	45,007
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors	1,284	1,633
Other creditors	47,096	44,235
Bank loans	82,545	81,686
<i>Financial (assets) / liabilities at fair value through profit or loss</i>		
Derivative financial instrument	(1,587)	2,669

27. Share-based payments

During the period ended 31 March 2022, International Airport Bidco Limited issued 8000 Class A ordinary shares of £0.01 each, with an exercise price of £1 each to selected Directors and senior employees of the Company as part of a Management Incentive Plan (MIP). The MIP is an equity-settled share-based remuneration scheme. The awards have an estimated vesting period of 3.3 years and vest dependent upon satisfying certain service and performance conditions.

	Weighted average exercise price (pence) 2022	Number 2022
Outstanding at the beginning of the year	-	-
Granted during the year	100.00	8,000
Outstanding at the end of the period	100.00	8,000

Notes to the financial statements

for the year ended 31 March 2022

27. Share-based payments (continued)

The valuation of the shares was determined using the Monte Carlo model as set out within note 1. The following information was used in this valuation.

	2022
Option pricing model used	Monte Carlo
Weighted average share price at grant date (£)	£13.12
Exercise price (£)	£1.00
Contractual life (years)	3.3
Expected volatility	33.5%
Expected dividend growth rate	n/a
Risk-free interest rate	0.41%

The share-based remuneration expense comprises:

	2022 £000
Equity-settled schemes	9

28. Parent undertaking and controlling party

The Company's ultimate parent undertaking is International Airport Bidco Limited, a company registered in England. Its Group financial statements are available on application to the Company Secretary, Whitehouse Lane, Leeds, LS19 7TU. The Company's ultimate controlling party is AMP Capital Investors (European Infrastructure No 4) S.à.r.l., a company incorporated in Luxembourg.