

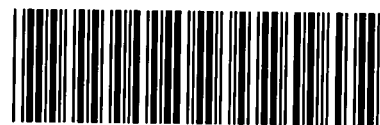
Newcastle Airport Local Authority Holding Company Limited

Annual report and financial statements

For the year ended 31 December 2021

Registered Number: 4118128

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Newcastle Airport Local Authority Holding Company Limited

Annual report and financial statements

For the year ended 31 December 2021

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Newcastle Airport Local Authority Holding Company Limited

Directors and Advisers

Directors

T Dixon
N Forbes
M Gannon
A Hopgood
G Miller
N Redfearn
H Sanderson

Alternate Directors

C Donovan
J Atkinson
C Johnson
K Kilgour
J Rowlandson
C Rowntree
R Wearmouth

Secretary and registered office

N Robason
Town Hall & Civic Offices
Westoe Road
South Shields
Tyne & Wear
NE33 2RL

Domicile, legal form and country of incorporation

The company and all of its subsidiaries are domiciled, incorporated, registered and operate in England, United Kingdom and are private limited companies limited by shares.

Bankers

Lloyds Bank	Royal Bank of Scotland
101 King Street	2½ Devonshire Square
South Shields	London
NE33 1DT	EC2H 4XJ

Independent auditors

PricewaterhouseCoopers LLP
Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Legal advisers

Ward Hadaway
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

Newcastle Airport Local Authority Holding Company Limited

Strategic report for the year ended 31 December 2021

The directors present their strategic report on the group for the year ended 31 December 2021.

Principal activities

The principal activities of the group are the operation and management of Newcastle International Airport. The principal activity of the company is that of a holding company.

Review of business and dividends

The group derives most of its revenues through its principal subsidiary, Newcastle International Airport Limited, the owner and operator of Newcastle International Airport.

The Covid-19 pandemic continued to heavily affect the Aviation industry in 2021, with passenger numbers severely restricted to just 0.1m in the first half of the year. A promising turnaround in passenger traffic was seen in the second half of the year and the Airport served 1.04m passengers in total during the year compared to prior year traffic of 1.08m.

Revenue amounted to £21.6m (2020: £19.5m), an increase of 10%. EBITDA for the current year was £2.9m (2020: loss of £1.0m before exceptional items) and the operating loss amounted to £8.2m (2020: operating loss of £14.2m). The net liabilities of the group as at the balance sheet date were £239.7m (2020: £224.3m).

No dividends were paid in the year and no dividends have been proposed after year end. Dividends paid in the prior year amounted to £5,100,000, representing £510 per share. The £5.1m dividend in the previous year was approved and paid prior to the onset of the Covid-19 pandemic.

Passenger volumes

The Airport served 1.04m passengers in total during 2021, 0.04m below the previous year. The decline of 4% compared to the prior year was driven by the continuation of the Covid-19 pandemic.

Business income

Traffic revenues increased by just 8% compared to the previous year as the impact of the pandemic on passenger volumes continued. Similarly income from commercial activities increased by 16% compared to 2020. This includes mainly revenue from the Airport's shops and catering facilities in the terminal, which are concessioned to third party operators, and car parking. Other income, which comprises rental and other sources of income, was 9% higher than the previous year.

Future developments

The impact of the Omicron variant, which emerged in November 2021, on the recovery of passenger numbers has been relatively minor. Vaccination programmes have progressed across the world and cases of COVID-19 are reducing together with severe illness. As a result, travel restrictions and testing requirements are being relaxed and countries which have been closed to travelers are gradually re-opening. The prospects for 2022 are for a much stronger performance and the long term outlook for the business remains positive.

Newcastle Airport Local Authority Holding Company Limited

Strategic report for the year ended 31 December 2021 (continued)

Financial result for 2021

Total revenue in the year was £21.6m compared to £19.5m in 2020.

Operating loss for the year amounted to £8.2m, a decrease of £6.0m from the operating loss of £14.2m in the prior year. The loss before tax for the year amounted to £31.4m compared to £34.1m in 2020.

Capital expenditure in 2021 was £1.6m compared to £2.2m in the prior year as tight control over liquidity was maintained..

Key performance indicators

The group's principal key performance indicators are passenger numbers and total revenue per passenger. For 2021 passenger numbers fell by 0.04m to 1.04m compared to the previous year. Total revenue per passenger showed an increase from £18.18 to £20.77 due to efforts to maximize income whilst passenger levels remained low. This level of revenue per passenger will not be maintained as passenger numbers increase.

Principal risks and uncertainties

The principal risks facing the group are those associated with the underlying aviation market and the success of its concessionaires.

Weaker demand for flying poses a risk to future growth and may come from a number of factors including underlying economic conditions, increased flight prices, which themselves are driven from input price increases such as the cost of fuel and air passenger duty. External factors such as severe weather or terrorist activity can also contribute to a temporary reduction in passenger numbers. The Coronavirus pandemic and the risk of new variants remains the most significant external risk currently facing the business. However, the business continues to have a good level of liquidity and is well positioned to react to various recovery scenarios, including the potential for new variants.

On behalf of the Board



T Dixon
Director

01 July 2022

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2021

The directors present their annual report and audited financial statements of the group for the year ended 31 December 2021. Future developments of the group and dividends proposed have been disclosed within the Strategic Report on pages 2-3.

Directors

The directors of the company, all of whom have been directors for the whole of the year ended 31 December 2021 and up to the date of approval of the financial statements unless stated otherwise were as follows:

Directors

T Dixon

N Forbes

M Gannon

S Henig (resigned 26th May 2021)

A Hopgood (appointed 23rd Jun 2021)

G Miller

N Redfearn

H Sanderson

Alternate Directors

J Atkinson (appointed 23rd Jun 2021)

C Donovan

J Hewitt (appointed 23rd Jun 2021, resigned 29th Jun 2021)

C Johnson (appointed 28th Jun 2021)

K Kilgour (appointed 28th Jun 2021)

C Marshall (resigned 22nd Jun 2021)

J McCarty (resigned 26th May 2021)

B Pickard (resigned 20th May 2021)

J Ritchie (appointed 11th Jan 2021, resigned 23rd Jun 2021)

J Rowlandson (appointed 22nd Jun 2021)

C Rowntree (appointed 28th Jun 2021)

D Wafer (appointed 11th Jan 2021, resigned 23rd Jun 2021)

R Wearmouth (appointed 28th Jun 2021)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The group also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2021 (continued)

Section 172(1) statement

The Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- The interests of the group's employees;
- The need to foster the group's relationships with suppliers, customers and others;
- The impact of the group's operations on the community and the environment; and
- The desirability of the group maintaining a reputation for high standards of business conduct.

Employees

The directors regularly present all staff with information on group performance and strategic objectives, including through periodic CEO briefings. All department managers communicate departmental objectives to their staff through the Team Briefing process. The company continues to encourage staff feedback and participation in communication sessions so that employees' views can be taken into account in making decisions that are likely to affect their interests.

The business continues to consult and work in partnership with its recognised trade union, by encouraging regular dialogue between departmental managers and local union representatives.

The group believes in equality of opportunity and accordingly employment policies and practices are continually monitored to ensure that they remain fair and that they are applied in a consistent and non-discriminatory way. All applications for employment are fully considered by bearing in mind the applicants' respective aptitudes and abilities without prejudice to any disability or other distinguishing characteristic. Where necessary reasonable adjustments shall be made to accommodate disabled applicants and, in the event of a staff member becoming disabled during employment, every reasonable effort is made to ensure that their employment with the group can continue. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Slavery & Human Trafficking Statement

This statement is made, pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement.

Newcastle International Airport adopts a zero tolerance approach to modern slavery & human trafficking and is committed to ensuring that modern slavery does not take place anywhere within the business or within the operations of any of its suppliers or business partners.

The Anti-Slavery Policy sets out the Airport's corporate responsibilities and the obligations placed upon those who work for and with the group, in terms of upholding its position. As part of this commitment towards the elimination of modern slavery the Airport has developed systems to ensure that its supply chain and those who work for the group adhere to its policy. Newcastle International Airport has also taken steps to highlight the need for its employees to raise any concerns or suspicions they may have regarding modern slavery or unethical practices through its Speaking Up & Raising Serious Concerns Policy.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2021 (continued)]

Slavery & Human Trafficking Statement (continued)

Additionally the group is communicating its Anti-Slavery Policy and expectations to its suppliers and business partners and will keep its supply chain arrangements under continuous review to ensure that its anti-slavery position is upheld. The group also intends to keep its policy and arrangements under continuous review to ensure that these remain adequate and effective in enabling Newcastle International Airport to play its part in eradicating modern slavery and human trafficking.

Environment

Newcastle International Airport is committed to delivering a corporate social responsibility strategy that sets the overall aim to be environmentally responsible, a good neighbour and a great place to work.

The Airport remains committed to its Net Zero Carbon 2035 strategy, which was published in 2020. Work has continued on energy efficiency measures, a planning application for a possible solar farm investment and planning for a large area of woodland planting. The main electricity supply for the Airport moved to a renewable contract from 1 October 2021.

The Airport continued to manage its pollution control systems, ensuring compliance with its Environment Agency water discharge consents and diverting waste from landfill by recycling or generating energy from waste.

		2021	2020
Scope 1	Gas (kWh)	2,215,402	3,043,260
	Liquid Fuels (kWh)	683,605	960,323
	Transport (kWh)	881,120	821,354
Scope 2	Electricity (kWh)	6,074,799	5,916,408
Scope 3	Employee owned cars	-	-
Total Carbon (tCO ₂ e)		2,064	2,355
Passengers ('000)		1,038	1,075
Intensity Ratio (tCO ₂ e/PAX'000)		2.0	2.2

Energy efficiency actions taken

The Airport has continued to pursue Active Energy Management for both Electricity and Gas and staff awareness has been maintained through team briefings.

The site-wide switch to LED lighting has continued wherever possible. LED fittings were completed in the Terminal Building, further cells of the Long Stay Car Parks and areas of the Freight Village.

Many other efficiencies were delivered through switching off equipment or reducing energy use in areas of the terminal due to the reduced number of passengers. For example:

- Lighting switch-offs across the terminal, car parks and aerodrome wherever possible.
- Escalator, Air Conditioning and Chiller switch-offs when passenger numbers were low or the terminal closed.
- Reduced numbers of Air Handling Units were operated in the terminal, the duration of operation reduced, fan speeds reduced and the temperature setting adjusted.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2021 (continued)

Community Engagement

The Airport's operations are intrinsically linked to the community. When the Airport prospers, it also brings benefits to the local communities, including employment, supporting local groups, charities, education and skills. Impacts from the Airport and aircraft operations, including noise, emissions and traffic can negatively affect communities near the airport site and flight paths.

Regular and long-term engagement with local communities continued throughout 2021, including focus groups, and the formal Airport Consultative Committee, which continued its meetings via Zoom due to the Covid-19 pandemic. A public consultation on a possible solar farm project was also carried out.

Whilst schemes exist to mitigate operational impacts such as noise, they cannot be completely eliminated. The Airport continues to make improvements to the way in which aircraft noise is managed, actively engaging with the local community to minimise disturbance, and as a result the number of noise complaints remains very low despite an increase in aircraft movements.

Health and safety at work

Work aimed at further developing and robustly implementing the group's integrated safety management system has continued throughout the year. This commits the group to providing optimum standards of safety in relation to all business activities, including the provision of safe services and premises. Steps taken include the development of staff and management training programs on key health and safety policies. In 2021 for roll out in 2022 an enhanced quality assurance audit report system has been developed to score the effectiveness of health and safety arrangements throughout all parts of the group.

In 2021, the group has taken additional steps to protect its employees, customers, tenants and business partners, from the risks associated with COVID-19. Where it is has been feasible for them to effectively undertake their duties, employees have worked from home; whilst additional risk control measures have been introduced to ensure that in so far as is reasonably practicable the workplace remains safe and COVID-19 secure.

During 2021 preparations have taken place to develop health and safety systems in identified areas for an ISO 45001 Health and Safety certification, including a standardised structure for storing documents on the group's intranet. This work will continue in 2022.

A Health and Wellbeing library has been created on the group's Health and Safety intranet. This is supported by a new monthly Health and Wellbeing newsletter published to all employees.

Additional efforts were made in 2021 to mitigate the potential impact on mental health caused by COVID-19, recognising that many employees were in periods of furlough during 2020 and 2021. Measures were taken to ensure furloughed employees felt like they were part of the business and were current in their training.

A weekly hazard spotting walk around has been developed inviting key business partners to meet and improve airside safety. The forum gives opportunity to raise and correct operational issues and develop relationships across all stakeholders.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2021 (continued)

Customer Experience

As a key element of our strategy, the Airport is committed to delivering a memorable experience for our customers and gaining a reputation for excellence. Customer Focus is one of the group's core values and we recognise great customer service through our Reward and Recognition programme.

Policy regarding payment of suppliers

The group's policy regarding the payment of suppliers is to agree terms of payment at the start of business with each supplier to ensure that the supplier is made aware of the payment terms, and to pay in accordance with its contractual or other legal obligations. At 31 December 2021 the group's trade payables outstanding represented approximately 44 (2020: 18) days' purchases.

Charitable and political donations

The company did not pay any contributions for charitable purposes and made no political donations during the current or prior year.

Financial risk management

Details regarding financial risk management objectives and policies are set out on pages 32 to 34.

Dividends

Details regarding dividends are disclosed in the Strategic report on page 2.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the parent company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2021 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Going concern

In adopting the going concern basis for the consolidated and parent company financial statements, the Directors have considered Newcastle Airport Local Authority Holding Company Limited and its subsidiaries' (together the "group") business activities, together with factors likely to affect the future development and performance, as well as the group's principal risks and uncertainties.

The unprecedented travel restrictions resulting from the spread of COVID-19 significantly affected the group's activities during 2020 and 2021. In early 2022, travel restrictions and testing requirements have reduced in most countries, the level of uncertainty has decreased and there is an expectation of a much stronger summer period in 2022.

As a result of actions taken by management to protect cash, including cost saving initiatives and deferral of capital investment, the group maintains a strong liquidity position.

Approval was obtained from the group's banks and noteholders for the waiver of the requirement to perform loan covenant testing up to 31 December 2022. It has also been agreed that covenant testing at 31 December 2022 can be based on the performance in the second half of 2022. Under the group's base case financial forecast which assumes a continued recovery of passenger numbers to pre-pandemic levels within three years, the covenant tests at 31 December 2022 would be passed.

The group has prepared a severe but plausible downside financial forecast which assumes the emergence of further variants similar to the Omicron variant resulting in the re-introduction of travel restrictions and testing requirements periodically, and a resultant impact on passenger confidence. Under this scenario and looking forward to 12 months from the date of signing these financial statements, there continues to be sufficient liquidity in the business but covenants may be breached during the going concern assessment period. At the date of the signing of these financial statements, covenant waivers are only in place with the group's banks to cover potential breaches in the severe but plausible downside scenario until 31 December 2022.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's and parent company's ability to continue as a going concern.

If the covenants are breached and waivers are not obtained in respect of any breaches, the borrowings would become immediately repayable. After reviewing the financial forecasts and considering the uncertainties and current funding facilities the Directors have a reasonable expectation that the group will obtain covenant waivers or relaxations if required, and that the group and parent company have sufficient resources to continue operating for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing these financial statements.

The financial statements do not include the adjustments that would result if the group or company were unable to continue as a going concern.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2021 (continued)

Independent auditors and disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report, confirms that as far as they are aware there is no relevant audit information (that is, information needed by the group's auditors in connection with preparing their report) of which the group's auditors are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the Board



T Dixon
Director

01 July 2022

Newcastle Airport Local Authority Holding Company Limited

Independent auditors' report to the members of Newcastle Airport Local Authority Holding Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Newcastle Airport Local Authority Holding Company Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31-12-2021 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Group and parent company balance sheets as at 31-12-2021; the Group income statement, the Group statement of comprehensive income, the Group and parent company statements of cash flows and the Group and parent company statements of changes in equity for the year then ended; the Statement of accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of accounting policies concerning the group's and the company's ability to continue as a going concern. The group's cashflow forecasts have been stress-tested for severe but plausible scenarios resulting from the impact of the COVID-19 pandemic which has had a significant impact on the group and parent company in the year which is expected to continue. The forecasts, including severe but plausible downside scenarios, indicate that there will be sufficient liquidity in the business however covenants may be breached during the going concern assessment period. Waivers have been obtained by the group but only until 31 December 2022. These conditions, along with the other matters explained in the Statement of accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Newcastle Airport Local Authority Holding Company Limited

Independent auditors' report to the members of Newcastle Airport Local Authority Holding Company Limited (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31-12-2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Independent auditors' report to the members of Newcastle Airport Local Authority Holding Company Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the utilisation of the Covid-19 government furlough scheme during the year and airport specific laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as HMRC tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, increase EBITDA or decrease accrued interest with the aim of manipulating debt covenant calculations or through management bias in manipulation of accounting estimates given this is tied to management and staff incentives. Audit procedures performed by the engagement team included:

- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (due to the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business;
- Enquiry of management and those charged with governance in relation to any non-compliance with laws and regulations during the year;
- Testing compliance with the government employee furlough scheme (CJRS) including testing of rates and thresholds of amounts claimed and paid for a sample of employees, testing eligibility of employees for the scheme, review in line with government basis and review of the basis of recognition of the amounts received in the financial statements;
- Review of board minutes; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the consideration of the ongoing impact of COVID-19 on going concern and the valuation of the investments in subsidiaries.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Newcastle Airport Local Authority Holding Company Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mark Dawson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
4 July 2022

Newcastle Airport Local Authority Holding Company Limited

Group income statement for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue from contracts with customers	2	21,555	19,545
Employee benefits costs	22	(11,171)	(11,969)
Other expenses		(7,555)	(9,640)
Depreciation, amortisation and similar charges	4	(11,070)	(12,089)
Operating loss	2	(8,241)	(14,153)
Analysed as:			
Operating loss before exceptional items		(8,241)	(13,079)
Exceptional items	2	-	(1,074)
Operating loss		(8,241)	(14,153)
Finance costs	3	(23,184)	(19,921)
Finance income	3	18	11
Loss before tax		(31,407)	(34,063)
Taxation	5	(1,449)	2,190
Loss for the year		(32,856)	(31,873)
Attributable to:			
Owners of the Company		(16,806)	(16,274)
Non-controlling interest		(16,050)	(15,599)
		(32,856)	(31,873)

All of the above activities relate to continuing operations.

Newcastle Airport Local Authority Holding Company Limited

Group statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Loss for the financial year		(32,856)	(31,873)
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	23	16,428	(16,001)
Tax on actuarial gains/(losses) on defined benefit plans	5	(1,783)	3,448
Items that may be subsequently reclassified to profit or loss:			
Movement in value of interest rate swaps	17,3	3,513	(3,743)
Tax on movement in value of interest rate swaps	5	(759)	676
Other comprehensive income/(expense) for the year		17,399	(15,620)
Total comprehensive expense for the year		(15,457)	(47,493)
Attributable to:			
Owners of the Company		(7,931)	(24,240)
Non-controlling interest		(7,526)	(23,253)
		(15,457)	(47,493)

The company had no other gains or losses that were not recognised in this result.

Newcastle Airport Local Authority Holding Company Limited

Group and parent company balance sheets at 31 December 2021

		Group		Company	
		2021	2020	2021	2020
	Note	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Goodwill	6	4,140	4,140	-	-
Intangible assets	7	590	726	-	-
Property, plant and equipment	8	199,167	208,651	-	-
Investment properties	8	9,672	9,572	-	-
Investment in subsidiaries	9	-	-	98,821	98,821
Derivative financial instruments	17	238	-	-	-
		213,807	223,089	98,821	98,821
Current assets					
Inventories	10	85	77	-	-
Trade and other receivables	11	4,238	2,335	7	-
Current tax asset	12	-	2,445	-	-
Cash and cash equivalents	13	22,930	21,326	31	137
		27,253	26,183	38	137
Liabilities					
Current liabilities					
Trade and other payables	14	(43,669)	(27,530)	(21)	(19)
Current tax liabilities	12	(346)	-	-	-
		(44,015)	(27,530)	(21)	(19)
Net current (liabilities)/assets		(16,762)	(1,347)	17	118
Non-current liabilities					
Borrowings	15	(399,602)	(393,733)	-	-
Derivative financial instruments	17	-	(3,997)	-	-
Deferred tax liabilities	19	(21,463)	(17,701)	-	-
Other non-current liabilities	16	(1,719)	(1,730)	-	-
Retirement benefit liability	23	(14,007)	(28,870)	-	-
		(436,791)	(446,031)	-	-
Net (liabilities)/assets		(239,746)	(224,289)	98,838	98,939

Newcastle Airport Local Authority Holding Company Limited

Group and parent company balance sheets at 31 December 2021 (continued)

		Group		Company	
		2021	2020	2021	2020
	Note	£'000	£'000	£'000	£'000
Equity					
Ordinary shares	20	10	10	10	10
Other reserves		66,725	65,320	100,321	100,321
Accumulated losses		(259,415)	(250,079)	(1,493)	(1,392)
Equity attributable to owners of the					
Company		(192,680)	(184,749)	98,838	98,939
Non-controlling interest		(47,066)	(39,540)	-	-
Total (debt)/equity		(239,746)	(224,289)	98,838	98,939

As permitted by Section 408(1) of the Companies Act 2006 the parent company has not presented its own profit and loss account. The loss after tax dealt with in the financial statements of the parent company is £101,000 for the year ended 31 December 2021 (2020: profit of £5,062,000).

The financial statements of Newcastle Airport Local Authority Holding Company Limited, registered number 4118128, on pages 15 to 59 were approved by the board of directors and authorised for issue on 01 July 2022 and were signed on its behalf by:



T Dixon
Director

Newcastle Airport Local Authority Holding Company Limited

Group and parent company statements of cash flows for the year ended 31 December 2021

		Group		Company	
		2021	2020	2021	2020
	Note	£'000	£'000	£'000	£'000
Cash flow from operating activities					
Cash generated from/(used in) operations	21	4,093	(3,669)	(106)	(29)
Interest received		18	11	-	-
Interest paid		(8,921)	(8,408)	-	-
Tax received/(paid)		2,561	(1,423)	-	-
Net cash used in operating activities		(2,249)	(13,489)	(106)	(29)
Cash flows from investing activities					
Purchase of acquired intangible assets		(213)	(116)	-	-
Purchase of property, plant and equipment		(1,339)	(2,142)	-	-
Proceeds from the sale of fixed assets		26	38	-	-
Dividends received from subsidiary		-	-	-	5,100
Net cash (used in)/generated from investing activities		(1,526)	(2,220)	-	5,100
Cash flows from financing activities					
Proceeds from bank loan		5,379	25,000	-	-
Dividends paid to shareholders		-	(10,000)	-	(5,100)
Shareholder contributions		-	-	-	-
Net cash generated from/(used in) financing activities		5,379	15,000	-	(5,100)
Net increase/(decrease) in cash and cash equivalents					
		1,604	(709)	(106)	(29)
Cash and cash equivalents at 1 January		21,326	22,035	137	166
Cash and cash equivalents at 31 December		22,930	21,326	31	137

Newcastle Airport Local Authority Holding Company Limited

Group and parent company statements of changes in equity for the year ended 31 December 2021

Group	Equity attributable to owners of the Company					Non-controlling interest £'000	Total equity £'000
	Share capital £'000	Hedging reserve £'000	Capital contribution £'000	Accumulated losses £'000	Total £'000		
At 1 January 2020	10	(7,418)	74,302	(222,303)	(155,409)	(11,387)	(166,796)
Loss for the year	-	-	-	(16,274)	(16,274)	(15,599)	(31,873)
Other comprehensive expense for the year	-	(1,564)	-	(6,402)	(7,966)	(7,654)	(15,620)
Total comprehensive expense for the year	-	(1,564)	-	(22,676)	(24,240)	(23,253)	(47,493)
Dividends paid	-	-	-	(5,100)	(5,100)	(4,900)	(10,000)
At 31 December 2020	10	(8,982)	74,302	(250,079)	(184,749)	(39,540)	(224,289)
Loss for the year	-	-	-	(16,805)	(16,805)	(16,051)	(32,856)
Other comprehensive income for the year	-	1,405	-	7,469	8,874	8,525	17,399
Total comprehensive expense for the year	-	1,405	-	(9,336)	(7,931)	(7,526)	(15,457)
At 31 December 2021	10	(7,577)	74,302	(259,415)	(192,680)	(47,066)	(239,746)

The Hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The Capital contribution reserve represents the cumulative amount of contributions made by the shareholders to the group.

Company	Share capital £'000	Capital contribution £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2020	10	100,321	(1,354)	98,977
Profit for the year and total comprehensive income for the year	-	-	5,062	5,062
Dividends paid	-	-	(5,100)	(5,100)
At 31 December 2020	10	100,321	(1,392)	98,939
Loss for the year and total comprehensive expense for the year	-	-	(101)	(101)
At 31 December 2021	10	100,321	(1,493)	98,838

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated and parent company financial statements of Newcastle Airport Local Authority Holding Company Limited have been prepared in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. NIAL Group Limited transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and financial instruments measured at fair value. A summary of the more significant accounting policies is set out below.

Going Concern

In adopting the going concern basis for the consolidated and parent company financial statements, the Directors have considered Newcastle Airport Local Authority Holding Company Limited and its subsidiaries' (together the "group") business activities, together with factors likely to affect the future development and performance, as well as the group's principal risks and uncertainties.

The unprecedented travel restrictions resulting from the spread of COVID-19 significantly affected the group's activities during 2020 and 2021. In early 2022, travel restrictions and testing requirements have reduced in most countries, the level of uncertainty has decreased and there is an expectation of a much stronger summer period in 2022.

As a result of actions taken by management to protect cash, including cost saving initiatives and deferral of capital investment, the group maintains a strong liquidity position.

Approval was obtained from the group's banks and noteholders for the waiver of the requirement to perform loan covenant testing up to 31 December 2022. It has also been agreed that covenant testing at 31 December 2022 can be based on the performance in the second half of 2022. Under the group's base case financial forecast, the covenant tests at 31 December 2022 would be passed.

The group has prepared a severe but plausible downside financial forecast which assumes the emergence of further variants similar to the Omicron variant resulting in the re-introduction of travel restrictions and testing requirements periodically, and a resultant impact on passenger confidence.

Under this scenario and looking forward to 12 months from the date of signing these financial statements, there continues to be sufficient liquidity in the business but covenants may be breached during the going concern assessment period. At the date of the signing of these financial statements, covenant waivers are only in place with the group's banks to cover potential breaches in the severe but plausible downside scenario until 31 December 2022.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Going Concern (continued)

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's and parent company's ability to continue as a going concern.

If the covenants are breached and waivers are not obtained in respect of any breaches, the borrowings would become immediately repayable. After reviewing the financial forecasts and considering the uncertainties and current funding facilities the Directors have a reasonable expectation that the group will obtain covenant waivers or relaxations if required, and that the group and parent company have sufficient resources to continue operating for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing these financial statements.

The financial statements do not include the adjustments that would result if the group or company were unable to continue as a going concern.

Basis of consolidation

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

In preparing the financial statements, the directors review the presentation and disclosure requirements in light of existing and developing IFRS practices. Where presentation and disclosure changes are made the comparative information is restated to ensure consistency. If, in the opinion of the directors, this restatement is significant, an explanation for the restatement and financial impact will be noted in the financial statements.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries) made up to 31 December each year. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is capitalised as goodwill. Goodwill is not amortised; instead impairment tests are made annually, and any impairment is charged to the income statement. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (ie discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the group income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Basis of consolidation (continued)

The group applied IAS 27 (2008) Consolidated and Separate Financial Statements for the first time for the year ended December 2010 on a prospective basis. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests by reference to the proportion of shares held. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Revenue recognition

Revenue comprises traffic revenue, rental income from operating leases, concession revenue and sales of services, net of value added tax and price reductions directly related to sales. Traffic revenue comprises passenger, take-off and aircraft parking charges and concession revenue comprises sales-related revenue from the group's concessionaire shopping and catering outlets, parking facilities and other facilities. Rent comprises rent for buildings and revenue from sales of services comprises revenue from other activities of an operating nature.

In accordance with IRFS15 Revenue from Contracts with Customers the group follows a 5-step process to determine whether to recognise revenue:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to its performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The group recognises revenue for its major sources on the following basis:

- Traffic revenue is recognised at a point in time upon satisfaction of the performance obligation, i.e. departure of the aircraft.
- Concession revenue from third party retail and catering operators is recognised over time in line with the sales generated by the concessionaires.
- Revenue from car parking operations is recognised over time based on the length of stay of the customer in the car park.
- Rental income from operating leases is recognised over time over the term of the relevant lease contract on a straight line basis.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Leases

Lease income from operating leases where the group is a lessor is recognised in income on a straightline basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Fair value measurements

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Financial instruments

Financial instruments comprise borrowings, cash, interest rate swaps, trade receivables and trade payables. The main purpose of these financial instruments is to manage the group's operations. No trading in financial instruments is undertaken.

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Financial instruments (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets are subsequently measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments (previously classified as loans and receivables under IAS 39).

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities, including loans such as loans from financial institutions are recognised when obtained at the proceeds received less transaction costs incurred. In subsequent periods, the loans are measured at amortised cost so that the effective interest charges are recognised in the income statement over the term of the loan.

Accounting for interest rate swaps is dealt with under 'Accounting for derivative financial instruments and hedging activities'.

Capitalisation of borrowing costs and interest

Issue costs incurred in the raising of debt are capitalised and amortised over the term of the relevant financing at a constant rate on the carrying amount. Where a debt is repaid and not replaced with a new debt on similar terms, unamortised issue costs are written off immediately together with any associated early redemption charges.

Property plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation.

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components, and work performed by subcontractors. Loan costs are not included in cost unless construction projects last for a substantial period in which case borrowing costs incurred during construction of relevant assets are capitalised from the commencement of the development until practical completion

The depreciation base is determined as cost less residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are brought into use. The useful economic lives and residual values are reviewed annually by management.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Property plant and equipment (continued)

The estimated useful lives of the major asset categories are as follows:

Land and buildings:

Land is not depreciated	
Freehold buildings	25 – 50 years
Terminal buildings	40 – 50 years
Runway, aprons, taxiways	10 – 50 years
Vehicles, plant and machinery	5 – 20 years
Fixtures and fittings, tools and equipment	5 – 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other expenses.

Investment properties

Investment properties, which are properties held to earn rentals (including properties under construction for such purposes), are stated at fair value at the balance sheet date (as described in note 8). Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Major projects in which computer software is the principal element are recognised as assets if there is sufficient certainty that the capital value of future earnings can cover the related costs.

Computer software primarily comprises directly and indirectly attributable costs.

Amortisation is charged on a straight-line basis commencing upon completion of the project. The amortisation period is 3 – 5 years.

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Inventories

Inventories are stated at cost. Where necessary, provision is made for obsolete, slow moving and defective stocks calculated on a cost basis for specific items.

Government grants

Government grants have been received for the purpose of providing assistance with capital and operating expenditure. Capital based grants are treated as accruals and deferred income in the balance sheet and are amortised on a straight-line basis over the estimated useful lives of the assets to which they relate.

Revenue based grants are credited to the income statement in the year to which they relate.

Employee benefit costs

Staff costs comprise salaries, wages and pensions of the group.

Regular pension contributions under defined contribution schemes are recognised in the income statement in the year in which they arise.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting year. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Re-measurement recorded in the statement of comprehensive income is not recycled to profit and loss. Past service cost is recognised as profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- re-measurement.

The group presents service costs within staff costs in its consolidated income statement.

Net interest expense or income is recognised within finance costs (see note 3).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the group's defined benefit scheme.

Share capital and share premium

There are 10,000 ordinary shares of £1 each split into 1,887 "A" ordinary shares, 1,770 "B" ordinary shares, 1,542 "C" ordinary shares, 1,215 "D" ordinary shares, 1,333 "E" ordinary shares, 1,241 "F" ordinary shares and 1,012 "G" ordinary shares. The shares rank pari passu in all respects.

Where shares are issued at a premium, a sum equal to the aggregate amount or value of the premium is transferred to the share premium account.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Taxation

The tax expense or credit represents the sum of the tax currently payable and deferred tax.

The tax currently payable/receivable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the group income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Cash and cash equivalents, and overdrafts

Cash and cash equivalents includes cash and balances in accounts with no or short notice (including money market deposits). Overdrafts include moneys borrowed which are repayable on demand and are included within borrowings. Money market deposits are amounts of cash deposited with initial redemption periods of more than three months.

Finance income and expenses

Financial income and expenses include interest, realised and unrealised exchange differences, amortisation of mortgage loans and other loans, supplements and value adjustments of securities and similar items.

Dividends

Dividends are recognised as a liability or asset at the time of approval by the shareholders.

Income from dividends is recognised within finance income when the right to receive payment is established.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the transaction date. Gains and losses arising as a result of differences between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled by the balance sheet date are translated at the exchange rates ruling at the balance sheet date. Differences between the exchange rate ruling at the balance sheet date and at the transaction date are recognised in the income statement as financial income or financial expenses.

Trade receivables

Trade receivables are recognised in the balance sheet at net realisable value being initial fair value less provision for impairment. Provisions are determined on the basis of an individual assessment of each receivable and the amount of the loss arising from provisions made is recognised within other expenses in the income statement together with the credit relating to the reversal of any provisions no longer required.

Trade payables and other liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Other liabilities primarily comprise holiday pay liabilities, income taxes, other taxes and interest payable, which are measured at fair value. Other liabilities also comprise the fair value of derivative financial instruments.

Investments

Investments in subsidiaries are carried at cost less any provision for impairment.

Critical accounting estimates and judgements

In the application of the group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Goodwill and carrying value of investments

Judgements have been made in respect of the amounts of future operating cash flows to be generated by the group in order to assess whether there has been any impairment of the amount of goodwill included in the Statement of Financial Position. Further details are available in note 6.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation of uncertainty in the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Key sources of estimation uncertainty (continued)

Pensions commitments

Certain assumptions have been adopted for factors that determine the valuation of the group's liability for pension obligations at the year-end and of future returns on pension scheme assets and charges to the Income Statement. The factors have been determined on an actuarial basis taking into account market and economic conditions.

Changes in assumptions can vary from year to year as a result of changing conditions and other factors which may cause increases or decreases in the valuation of the group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. Further details are available in note 23.

Derivative financial instruments

The fair value of the group's derivative financial instruments is determined by valuation techniques that include assumptions based on the market conditions existing at the year-end. Further details are available in note 17.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Operating profit

Operating profit is stated inclusive of trading income and expenses and before finance costs and income.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

IFRS 16 – Leases: Amendment to extend the exemption from assessing whether a COVID-19 related rent concessions is a lease modification

Amendments regarding replacement issues in the context of the IBOR reform:

IFRS 4 – Insurance Contracts: Interest Rate Benchmark Reform – Phase 2

IFRS 9 – Financial Instruments: Interest Rate Benchmark Reform – Phase 2

IFRS 16 – Leases: Interest Rate Benchmark Reform – Phase 2

IAS 39 – Financial Instruments Recognition and Measurement: Interest Rate Benchmark Reform – Phase 2

The amendments listed above did not have any impact on the amounts recognised in the current or prior periods and are not expected to significantly affect future periods. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

Standards and interpretations not yet effective

The following IFRSs, IASs and IFRS IC interpretations and amendments have been issued but have not been early adopted by the group:

Effective from 1 January 2022:

Annual Improvements to IFRS Standards 2018–2020

Amendments to IFRS 3 – Business Combinations: Reference to the Conceptual Framework

Amendments to IFRS 9 – Financial Instruments: fees in the '10 per cent' test for derecognition of financial liabilities

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts and cost of Fulfilling a Contract

Effective from 1 January 2023:

Amendments to IFRS 4 – Insurance Contracts: Deferral of IFRS 9

IFRS 17 – Insurance Contracts

Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

Amendments to IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting

Amendments to IAS 12 – Income Taxes: Changes in deferred tax on leases and decommissioning obligations

The adoption of the above standards and amendments is not expected to have a material impact on the group's financial statements.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements

1 Financial risk management

The group's activities expose it primarily to the financial risks of changes in interest rates and liquidity risk and it mitigates these risks through the use of derivative financial instruments. The board reviews and agrees policies for managing each of these risks, and others and they are summarised below.

Cash Flow Market risk

The group has both interest bearing assets and interest bearing liabilities. The group has a policy of maintaining at least 75% of those liabilities with a maturity of greater than 2 years at fixed rates. At the year end, no interest bearing assets and 91% of the group's interest bearing liabilities were at fixed rates (either directly or through the use of interest rate swaps). The group has used interest rate swaps as cash flow hedges of future interest payments, which have the effect of increasing the proportion of fixed interest debt.

In respect of the swaps, the difference between the agreed fixed interest rate and the floating interest rate amounts on the notional principal of £153m is settled on a quarterly basis. Interest on the secured institutional loans is charged at fixed rates. The group's unsecured loan notes were issued in 2012 at a fixed rate of interest.

For the year ended 31 December 2021, if interest rates on borrowings at that date had been 0.5% higher/lower with all other variables held constant pre-tax profit for the year would be £161,000 lower/higher (2020: £105,000 lower/higher). 0.5% is used as management believes it provides a reasonable illustration of the effect of movements in interest rates.

All debt is denominated in sterling.

Liquidity risk

The policy of the group has throughout the year been to maintain a mix of short and long term borrowings with short term flexibility achieved through overdraft facilities. In addition, sufficient cash reserves are held to support short term liquidity.

Management maintains rolling weekly forecasts of the group's liquidity reserve (comprising the undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow.

Details of the group's financial liabilities (gross of issue costs) and net-settled derivative financial liabilities are provided below, analysed into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The table includes both interest and principal cash flows.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

1 Financial risk management (continued)

At 31 December 2021	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	19,591	206,255	43,042	297,637
Derivative financial instruments	784	584	-	-
Trade and other payables	40,408	-	-	-
	60,783	206,839	43,042	297,637

At 31 December 2020	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	18,162	18,501	228,758	311,984
Derivative financial instruments	1,701	1,701	1,263	-
Trade and other payables	25,989	-	-	-
	45,852	20,202	230,021	311,984

All of the group's trade and other payables are repayable on demand.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, contractual cash flows of debt investments carried at amortised costs, favourable derivative financial instruments as well as credit exposures to customers, including outstanding receivables.

The group's financial assets which include intra group loans and short term receivables (previously categorised as loans and receivables) are measured at amortised cost on the basis of the entity's business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

In relation to the impairment of financial assets, IFRS 9 requires the group to apply an expected credit loss model and assess changes in expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Expected credit loss calculated on both intercompany and trade receivables was not material.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

1 Financial risk management (continued)

Credit risk is managed on a group basis. For banks and financial institutions, only banks with a strong credit rating are accepted. The credit quality of customers is assessed for each customer taking into account its financial position, past experience and other factors. The group's investment in debt instruments are considered to be low risk investments.

Fair value estimation

The fair value of the interest rate swaps is based on the market price of comparable instruments at the balance sheet date if they are publicly traded. The fair value of other receivables and payables is based on their receivable/payable amount. The fair value of Investment properties is based on market prices for similar properties.

Capital Risk Management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

The capital structure is maintained through determining the amount of dividends paid to shareholders, repayment or drawing of debt and payment of other liabilities.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

2 Revenue and operating loss

Revenue from contracts with customers

Revenue represents revenue from servicing and is entirely derived from operations in the UK.

Operating loss

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
The following charges/(credits) have been included in arriving at operating loss:				
Staff costs (note 22)	11,070	11,969	-	-
Depreciation of owned property, plant and equipment (note 8)	10,821	11,297	-	-
Amortisation of intangible assets (note 7)	349	394	-	-
Change in fair value of investment properties on revaluation in the year (note 8)	(100)	398	-	-
Inventories recognised as an expense	(8)	3	-	-
Repairs and maintenance expenditure on property	386	300	-	-
Repairs and maintenance expenditure on plant and machinery	1,241	1,521	-	-
Trade receivables impairment (note 11)	(26)	619	-	-
Amortisation of government grants	(148)	(115)	-	-
Gain on sale of property, plant and equipment	(23)	(14)	-	-

No material amounts of repair and maintenance expenditure were incurred in relation to investment properties during the current or prior year.

Exceptional items

As a result of the Covid-19 pandemic the group incurred exceptional costs in the prior year. These comprised redundancy payments and legal expenses to obtain covenant waivers from lenders.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

2 Revenue and operating loss (continued)

Services provided by the group's auditors

During the year the group obtained the following services from its auditors at costs as detailed below:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Audit of company's statutory financial statements	9	7	7	7
Audit of subsidiary companies	108	85	-	-
Tax compliance services	19	20	-	-
Other taxation advisory services	7	-	-	-
Actuarial services	15	14	-	-
Other services	-	-	-	-
	158	126	7	7

3 Finance income and costs

	Group	
	2021	2020
	£'000	£'000
Finance costs		
Interest payable on borrowings from banks, institutions and shareholder loan notes	(23,042)	(19,911)
Net interest payable relating to defined benefit pension scheme (note 23)	(374)	(240)
Amortisation of issue costs of bank borrowings	(490)	(492)
Cash flow hedge fair value gain recycled from other comprehensive income to profit and loss	722	722
Finance costs	(23,184)	(19,921)
Finance income		
Bank and other interest receivable	18	11
Total finance income	18	11
Finance cost – net	(23,166)	(19,910)

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

4 Depreciation, amortisation and similar charges

	Group	
	2021	2020
	£'000	£'000
Depreciation of property, plant and equipment owned assets	10,821	11,297
Amortisation of intangible assets	349	394
Movement in fair value of investment properties on revaluation in period	(100)	398
	11,070	12,089

5 Taxation

	Group	
	2021	2020
	£'000	£'000
Current tax		
Current tax on loss for the year	-	(2,559)
Adjustments in respect of prior years	229	106
Total Current tax	229	(2,453)
Deferred tax		
Origination and reversal of temporary differences	(4,482)	(2,542)
Adjustments in respect of prior years	(345)	(140)
Impact of change in UK tax rate	6,047	2,945
Total Deferred tax (note 19)	1,220	263
Taxation	1,449	(2,190)

Tax on items charged/(credited) to other comprehensive income

	Group	
	2021	2020
	£'000	£'000
Items that will not be reclassified to profit and loss:		
Tax on actuarial gains/(losses) on defined benefit plans	1,783	(3,448)
Items that may subsequently be reclassified to profit and loss:		
Tax on movement in value of interest rate swap	759	(676)
	2,542	(4,124)

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

5 Taxation (continued)

The group's losses for this year are taxed at an effective rate of 19.00% (2020: 19.00%).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% and this increase was substantively enacted before the balance sheet date. Accordingly, its effects have been included in these financial statements and closing deferred taxation has been calculated based on the rate applicable when timing differences are expected to reverse.

The tax charge (2020: credit) for the year is higher (2020: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Group	
	2021	2020
	£'000	£'000
Loss before taxation	(31,407)	(34,063)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(5,967)	(6,472)
Effects of:		
Expenses not deductible for tax purposes	288	1,334
Adjustments in respect of prior years	(116)	(34)
Change in the UK tax rate	6,047	2,945
Tax losses unutilised	1,197	37
Tax charge/(credit) for the year	1,449	(2,190)

6 Goodwill

Group	£'000
At 1 January 2020 31 December 2020 and 31 December 2021	4,140

Goodwill arose on the acquisition of NIAL Group Limited of £3,438,000. Goodwill of £702,000 arose in 2015 due to the acquisition of a small business.

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36. The recoverable amount of the group's goodwill has been determined under the fair value less costs to sell (FVLCTS) model, estimating the value of the business based on Exit Value (EV) Multiples. The key assumptions used in the valuation are EBITDA and multiples applied. Management used the 2019 EBITDA of £40m to calculate the EV, considered to be a prudent level given the expected recovery and growth post Covid-19.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

7 Intangible assets

Acquired intangible assets	Computer software
Group only	£'000
At 1 January 2020	4,818
Additions	116
At 31 December 2020	4,934
Additions	213
At 31 December 2021	5,147
Accumulated amortisation	
At 1 January 2020	3,814
Charge for the year	394
At 31 December 2020	4,208
Charge for the year	349
At 31 December 2021	4,557
Net book amount	
At 31 December 2021	590
At 31 December 2020	726

.. The company holds no acquired intangible assets.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

8 Property, plant and equipment and investment properties

Group only	Land and buildings £'000	Vehicles, plant and machinery £'000	Fixtures and fittings, tools and equipment £'000	Property, plant and equipment in progress £'000	Total £'000
At 1 January 2020	304,117	74,500	9,624	3,678	391,919
Additions	584	617	241	700	2,142
Transfers	1,805	636	362	(2,803)	-
Revaluation decrease	(398)	-	-	-	(398)
Disposals	-	(635)	-	-	(635)
At 31 December 2020	306,108	75,118	10,227	1,575	393,028
Additions	177	758	212	193	1,340
Transfers	-	493	-	(493)	-
Revaluation increase	100	-	-	-	100
Disposals	-	(129)	-	-	(129)
At 31 December 2021	306,385	76,240	10,439	1,275	394,339
Accumulated depreciation					
At 1 January 2020	108,057	49,650	6,412	-	164,119
Charge for the year	6,607	3,903	787	-	11,297
Disposals	-	(611)	-	-	(611)
At 31 December 2020	114,664	52,942	7,199	-	174,805
Charge for the year	6,451	3,612	758	-	10,821
Disposals	-	(126)	-	-	(126)
At 31 December 2021	121,115	56,428	7,957	-	185,500
Net book amount					
At 31 December 2021	185,270	19,812	2,482	1,275	208,839
At 31 December 2020	191,444	22,176	3,028	1,575	218,223

Investment properties are included within Land & Buildings. The total net book value of property, plant and equipment above comprises £9,672,000 in respect of investment properties (2020: £9,572,000) and £199,167,000 in respect of other assets (2020: £208,651,000).

The company holds no property, plant and equipment, as such the note above relates to the group only position.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

8 Property, plant and equipment and investment properties (continued)

Investment properties

Freehold land and buildings includes investment properties as detailed below:

	£'000
1 January 2021	9,572
Increase in fair value on revaluation in the year	100
At 31 December 2021	9,672

The fair value of the company's investment property was assessed on the basis of a valuation carried out as at 31 December 2019 by Naylor's Gavin Black LLP, a firm of independent valuers not connected with the company. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

An updated valuation from Naylor's Gavin Black LLP as at 31 December 2021 has concluded that there has been a gain in the value of the investment properties during the year amounting to £100,000.

The property rental income earned by the company from its investment property, all of which is leased under operating leases, amounted to £680,000 (2020: £751,000).

At 31 December 2021	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Minimum rental lease payments from tenants	504	1,316	993
At 31 December 2020	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Minimum rental lease payments from tenants	471	986	1,071

The Investment Properties above have been valued based on Level 2 inputs.

9 Investments in subsidiaries

Shares in group undertakings	Company £'000
At 1 January 2020, 31 December 2020 and 31 December 2021	98,821

Investments in group undertaking are stated at cost. The company's subsidiary undertaking is NIAL Group Limited, a company incorporated and operating in England. The company has a 51% interest in the ordinary share capital of NIAL Group Limited whose business is that of a holding company.

Through NIAL Group Limited, the company has an effective 51% interest in Newcastle International Airport Limited, a company incorporated in England. Newcastle International Airport Limited's business is the operation and management of Newcastle International Airport. Details of all subsidiary undertakings are disclosed in note 26 to the financial statements. The directors consider that the carrying value of the investment is supported by their underlying net assets.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

10 Inventories

	Group 2021 £'000	Group 2020 £'000
Spares for plant, vehicles and machinery together with materials for premises maintenance	85	77

The company holds no inventories.

11 Trade and other receivables

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Amounts falling due within one year:				
Trade debtors	4,547	2,821	-	-
Less: provisions for impairment of receivables	(1,242)	(1,268)	-	-
Trade receivables – net	3,305	1,553	-	-
Prepayments and accrued income	912	765	-	-
Other receivables	21	17	7	-
Total	4,238	2,335	7	-

All receivables in the parent company are not yet past due with no provision considered necessary.

The directors consider the carrying value of trade and other receivables is approximately equal to their fair value.

All trade receivables have arisen from revenue in respect of contracts with customers and lease income.

Revenue recognised in the year that was included in contract assets at the beginning of the year amounted to £nil. Revenue recognised in the prior year that was included in the contract assets opening balances of the previous year amounted to £48,000.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

11 Trade and other receivables (continued)

Group

The average credit period granted for sales of goods and services is 30 days. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty, an analysis of the counterparty's current financial position as well as expected credit loss.

At 31 December 2021, trade receivables of £2,694,000 (2020: £639,000) were not yet past due. Trade receivables that are less than three months past due and where no material increase in expected credit loss has been identified are not considered credit impaired. At 31 December 2021, trade receivables of £374,000 (2020: £484,000) were past due but not credit impaired. These relate to a number of individual customers with whom there is no recent history of default. The ageing analysis of these trade receivables, for which no provision has been recognised, is as follows:

	2021 £'000	2020 £'000
Up to 3 months	362	408
More than 3 months	12	76
	374	484

All receivables in the parent company are not yet past due with no provision considered necessary.

The average age of these trade receivables is 108 days past due (2020: 75 days past due).

At 31 December 2021, trade receivables of £1,477,000 (2020: £1,697,000) were impaired and provided for. The provision made was £1,242,000 (2020: £1,268,000) and it was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2021 £'000	2020 £'000
Up to 3 months	376	798
More than 3 months	1,101	899
	1,477	1,697

All receivables in the parent company are not yet past due with no provision considered necessary.

All of the group and company's trade and other receivables are denominated in sterling.

The group and company do not hold any collateral or other credit enhancements over any of their trade receivables. The directors have not identified any material amounts of expected credit loss.

Movements in the group's provision for impairment of trade receivables are as follows:

	2021 £'000	2020 £'000
At 1 January	1,268	649
Provision for impairment	217	681
Unused amounts reversed	(243)	(62)
At 31 December	1,242	1,268

All receivables in the parent company are not yet past due with no provision considered necessary.

The other classes within trade and other receivables do not contain impaired assets.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

11 Trade and other receivables (continued)

Concentrations of credit risk with respect to trade receivables are limited due to the group's customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provisions for doubtful receivables.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £844,000 (2020: £583,000) due from companies in liquidation.

12 Current tax asset/(liabilities)

Group	2021	2020
	£'000	£'000
Current tax (liability)/asset	(346)	2,445

13 Cash and cash equivalents

Cash and cash equivalents	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	22,930	21,326	31	137

The directors estimate the carrying value of cash and cash equivalents approximates to their fair value.

14 Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade payables	2,448	1,640	-	-
Other tax and social security payable	902	1,262	-	-
Other payables	240	146	-	-
Accruals	4,849	5,828	21	19
Accrued interest payable	32,871	18,375	-	-
Contract liabilities	303	200	-	-
Deferred income	2,056	79	-	-
	43,669	27,530	21	19

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

Contract liabilities relate to performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at the balance sheet date.

The group deferred all interest payments due under its unsecured shareholder loan notes which are detailed in note 15.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

14 Trade and other payables (continued)

Revenue recognised in the year that was included in contract liabilities at the beginning of the year amounted to £129,000. Revenue recognised in the prior year that was included in the contract liabilities opening balances of the previous year amounted to £483,000. Revenue was recognised on satisfaction of all performance obligations.

Management expects that the contract liabilities as at the balance sheet date will be recycled to profit and loss over the following period:

	Within 1 year £'000	> 1 year £'000	Total £'000
Revenue expected to be recognised upon satisfaction of performance obligation	260	43	303

There were no contract liabilities in the company in the current or prior year.

15 Borrowings

Non-current	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank loans				
Secured	(187,185)	(181,339)	-	-
Institutional loans				
Secured	(79,740)	(79,717)	-	-
Other loans				
Unsecured loan notes	(132,677)	(132,677)	-	-
Total (note 18)	(399,602)	(393,733)	-	-

Non-current unsecured loan notes

The unsecured long term loan notes carry interest at a fixed rate of 8.6% and are repayable on 16 November 2032. AMP Capital Investors (European Infrastructure No. 4) S.a.r.l., a company managed by AMP Capital Investors holds 49% of these loan notes and the remaining 51% are payable to shareholders of the company.

Overdraft

The company and the group have a secured bank overdraft facility that carries an interest rate of 2.25% over relevant LIBOR. There is a right of set-off and unlimited cross guarantee between all group companies in relation to the overdraft. The overdraft has not been utilized in 2021 or 2020.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

15 Borrowings (continued)

Secured bank loan

On 29 September 2016 the group refinanced its debt facilities and received a bank loan of £153,000,000 together with an additional capital expenditure facility of £35,000,000. All of the bank loan and £35,000,000 (2020: £29,621,000) of the capital expenditure facility were drawn down at the year end.

Issue costs amounting to £3,271,000, the balance of which amounted to £815,000 (2020: £1,282,000) at the year end, have been deducted from the carrying value of the loan and are being amortised over the life of the loan.

The debt is repayable in full on 29 September 2023 and interest is charged at 2.25% over SONIA. The group had floating rate bank loans linked to LIBOR up until 29th September 2021 when arrangements were amended and restated to SONIA. The loan is secured over the tangible fixed assets of the group and certain commercial contracts and is guaranteed by all group companies.

Secured institutional loans

On 29 September 2016 the group refinanced its debt facilities and entered into a £80,000,000 Note Purchase Agreement. Issue costs amounting to £381,000, the balance of which amounted to £260,000 at the year end (2020: £283,000), have been deducted from the carrying value of the loan and are being amortised over the life of the loan. The debt is repayable in three instalments with terms between 12 and 20 years. Interest on the institutional loan is charged at fixed rates at an average rate of 3.67% over the term. The loan is secured over the tangible fixed assets of the group and certain commercial contracts and is guaranteed by all group companies.

The effective interest rates at the balance sheet dates (after taking into account rates achieved by the use of interest rate swaps) were as follows:

	2021	2020
	%	%
Bank borrowings	3.21	2.95
Institutional loans	3.67	3.67
Other unsecured loans	8.60	8.60

Movements in the group's financial liabilities are as follows:

	2021	2020
	£'000	£'000
At 1 January	393,733	368,241
Draw-down of bank loan	5,379	25,000
Amortisation of issue cost of borrowings	490	492
At 31 December	399,602	393,733

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

16 Other non-current liabilities

Government capital grants	2021	2020
	£'000	£'000
1 January	1,730	1,802
Released to income statement	(148)	(115)
Grants received	137	43
31 December	1,719	1,730

17 Derivative financial instruments

	2021	2020
	Asset	Liability
	£'000	£'000
Interest rate swaps – cash flow hedges	238	3,997
Total non-current portion of interest rate swaps – cash flow hedges	238	3,997

Cash flow hedges are held at fair value through other comprehensive income under IFRS9. Ineffectiveness recorded within the current year from the interest rate swaps amounted to £722,000 (2020: £722,000).

The maximum exposure to credit risk at 31 December 2021 is the fair value of the derivative liability in the balance sheet.

The notional principal amount of the interest rate swap contracts at 31 December 2021 was £153,000,000. The fixed interest rate was 0.956% and the floating rate was LIBOR up until 29th September when the swap agreements were moved to SONIA to align with the restatement of the bank loans at the same time. Gains and losses recognised in the hedging reserve in equity on interest swap contracts at 31 December 2021 will be continuously released to the income statement until the repayment of the bank borrowings. Cash flows occur on a quarterly basis in line with the underlying loans.

The valuation of interest rate swaps set out above is based on Level 2 inputs.

18 Financial instruments by category

Group	Derivatives used for hedging £'000	Financial assets £'000	Total £'000
31 December 2021			
Financial assets per balance sheet			
Cash flow hedges - FVOCI	238	-	238
Trade and other receivables – Amortised cost	-	3,266	3,266
Cash and cash equivalents – Amortised cost	-	22,930	22,930
	238	26,196	26,434

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

18 Financial instruments by category (continued)

Group	Derivatives used for hedging £'000	Other financial liabilities £'000	Total £'000
31 December 2021			
Financial liabilities per balance sheet			
Borrowings – Amortised cost	-	399,602	399,602
Trade and other payables – Amortised cost	-	40,408	40,408
Cash flow hedges - FVOCI	-	-	-
	-	440,010	440,010

All of the interest charged has been arrived at using the effective interest rate method.

Group	Derivatives used for hedging £'000	Financial assets £'000	Total £'000
31 December 2020			
Financial assets per balance sheet			
Cash flow hedges - FVOCI	-	-	-
Trade and other receivables – Amortised cost	-	2,335	2,335
Cash and cash equivalents – Amortised cost	-	21,326	21,326
	-	23,661	23,661

Group	Derivatives used for hedging £'000	Other financial liabilities £'000	Total £'000
31 December 2020			
Financial liabilities per balance sheet			
Borrowings – Amortised cost	-	393,733	393,733
Trade and other payables – Amortised cost	-	25,989	25,989
Cash flow hedges - FVOCI	3,997	-	3,997
	3,997	419,722	423,719

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

18 Financial instruments by category (continued)

Fair values of borrowings and other financial assets and liabilities

Financial assets and liabilities are recorded at amortised cost with the exception of derivative financial instruments which are recorded at fair value. Set out below is a comparison by category of book values and fair values of the group's other financial assets and liabilities at 31 December 2021:

	Group 2021		Group 2020	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Trade and other receivables	4,238	4,238	2,335	2,335
Cash at bank	22,930	22,930	21,326	21,326
Trade and other payables	43,669	43,669	27,530	27,530
Secured bank loan	188,000	188,000	182,621	182,621
Secured Institutional loan	80,000	80,000	80,000	80,000
Unsecured loan notes	132,677	132,677	132,677	132,677

Based on the information available to the group there has been no material increase in credit risk.

	Company 2021		Company 2020	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Unsecured loan notes	132,677	132,677	132,677	132,677

The fair value of the financial liabilities shown above has been calculated by reference to market values. The bank and other loans repayable after more than one year are gross of capitalised costs of £1,075,000 (2020: £1,565,000).

Based on the information available to the group there has been no material increase in credit risk.

Maturity of financial liabilities and undrawn commitments

The maturity profile of the carrying amount of the group's non-current liabilities, at 31 December was as follows:

	Group 2021		Group 2020	
	Debt	Total	Debt	Total
	£'000	£'000	£'000	£'000
In more than one year but not more than two years	188,000	188,000	-	-
In more than two years but not more than five years	-	-	182,621	182,621
In more than five years	212,677	212,677	212,677	212,677
Total non-current borrowings	400,677	400,677	395,298	395,298
Unamortised finance costs	(1,075)	(1,075)	(1,565)	(1,565)
Total borrowings net of finance costs	399,602	399,602	393,733	393,733

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

19 Deferred tax liabilities

Deferred tax is calculated in full on temporary differences under the liability method.

The movement on the deferred tax account is as shown below:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Liability at 1 January	17,701	21,562	-	-
Adjustments in respect of prior years credited to income statement	(345)	(140)	-	-
Income and expense charge	1,565	403	-	-
Amount charged/(credited) to other comprehensive income	2,542	(4,124)	-	-
Liability at 31 December	21,463	17,701	-	-

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the year are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Group

Deferred tax liabilities	Accelerated tax depreciation	Total
	£'000	£'000
At 1 January 2020	23,522	23,522
Income and expense charge	2,132	2,132
At 31 December 2020	25,654	25,654
Income and expense charge	6,638	6,638
At 31 December 2021	32,292	32,292

Deferred tax assets	Pension	Other	Tax losses	Total
	£'000	£'000	£'000	£'000
At 1 January 2020	2,183	(223)	-	1,960
Income and expense (charge)/credit	(146)	(54)	2,069	1,869
Recognised in other comprehensive income	3,448	676	-	4,124
At 31 December 2020	5,485	399	2,069	7,953
Income and expense (charge)/credit	(201)	281	5,338	5,418
Recognised in other comprehensive income	(1,783)	(759)	-	(2,542)
At 31 December 2021	3,501	(79)	7,407	10,829

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

19 Deferred tax liabilities (continued)

At 31 December 2021 the group has unrecognised deferred tax assets in relation to losses amounting to £63,000. No deferred tax asset has been recognised as management does not envisage sufficient future profits being available to enable relief to be obtained.

All of the recognised deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 31 December 2021 was £21,463,000 (2020: £17,701,000).

Deferred tax assets and liabilities at 31 December 2021 have been calculated at the rate applicable to the period in which temporary differences are expected to reverse.

Deferred tax assets of £278,000 are expected to be recovered within 12 months of the balance sheet date and the remaining balance after 12 months. Deferred tax liabilities of £2,741,000 are expected to be settled within 12 months and the remaining balance after the end of the next reporting period.

20 Ordinary shares

Group and company		2021 £	2020 £
Allotted and called up: 10,000 (2020: 10,000) ordinary shares of £1 each	A	1,887	1,887
	B	1,770	1,770
	C	1,542	1,542
	D	1,215	1,215
	E	1,333	1,333
	F	1,241	1,241
	G	1,012	1,012
		10,000	10,000

The shares rank pari passu in all respects.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

21 Cash flow from/(used in) operations

Reconciliation of (loss)/profit before tax to cash generated from/(used in) operating activities:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
(Loss)/profit before tax	(31,407)	(34,063)	(101)	5,062
Adjustments for:				
Depreciation	10,821	11,297	-	-
Amortisation of intangibles	349	394	-	-
Dividends received	-	-	-	(5,100)
Gain on sale of property, plant and equipment	(23)	(14)	-	-
(Increase)/Decrease in fair value on revaluation of investment properties	(100)	398	-	-
Release of deferred income	(148)	(115)	-	-
Interest income	(18)	(11)	-	-
Interest expense	23,184	19,921	-	-
Difference between pension charge and cash contributions	1,565	308	-	-
Changes in working capital:				
(Increase)/decrease in inventories	(8)	2	-	-
(Increase)/decrease in trade and other receivables	(1,903)	3,712	2	-
Increase/(decrease) in trade and other payables	1,644	(5,541)	(7)	9
Change in other non-current liabilities	137	43	-	-
Cash generated from/(used in) continuing operations	4,093	(3,669)	(106)	(29)

22 Employee benefits costs

	2021	2020
	Total	Total
	£'000	£'000
Staff costs for the group during the year		
Wages and salaries	8,008	9,182
Social security costs	959	847
Other pension costs (note 23)	2,103	1,940
	11,070	11,969

Staff costs for the company were £nil (2020: £nil).

During the year the group has taken advantage of the Government Coronavirus Job Retention Scheme. The staff costs above are shown net of the grants received of £1,431,000 within wages and salaries.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

22 Employee benefits costs (continued)

Average monthly number of people (including executive directors) employed:

By business	2021 Number	2020 Number
Traffic	186	208
Commercial	61	87
Administration	30	38
Total	277	333

Directors

No director received any emoluments for services to the company or the group during the year (2020: £nil).

23 Retirement benefit liability

The company's subsidiary undertaking, Newcastle International Airport Limited, is an admitted body to the Tyne and Wear County Superannuation Fund (TWPF). The scheme is of the defined benefit type.

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

With effect from 31 December 2002 the Fund was closed to new entrants. Accordingly, under the projected unit method of actuarial valuation the current service cost will increase as members of the Fund approach retirement.

The group also runs a defined contribution scheme for the benefit of new employees. Contributions in the year amounted to £633,000 (2020: £748,000).

The valuation used for the disclosures has been based on the most recent available actuarial valuation which was performed as at 31 March 2019. The amounts set out below are derived from the company's allocation of the Tyne and Wear County Superannuation Fund.

Defined benefit plans

The principal actuarial assumptions used were as follows:

	2021 %	2020 %
Rate of increase in pensionable salaries	3.25	2.75
CPI linked pension increases	2.95	2.45
Discount rate	1.80	1.30
RPI inflation assumption	3.40	2.95
CPI inflation assumption	2.95	2.45
Deferred revaluation	2.95	2.45
Post-88 GMP increases (CPI inflation limited to 3% p.a.)	2.35	2.10

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

23 Retirement benefit liability (continued)

The following table shows assumed life expectancies for example members. The underlying mortality tables at 31 December 2021 are based on the published SAPS 2 "Normal Health" base tables with future improvements in line with CMI 2019, a smoothing factor of 7.5, an initial addition of 0.00% p.a. and a 1.25% p.a. long-term rate and a w2020 parameter of 0%. The life expectancies below are based on these assumptions.

	2021	2020
Future pensioner aged 65 in 20 periods (male)	22.9	22.9
Future pensioner aged 65 in 20 periods (female)	26.3	26.3
Current pensioner aged 70 (male)	17.3	17.3
Current pensioner aged 70 (female)	20.2	20.1

At 31 December 2021 members have been assumed to take 75% of the maximum allowable amount of tax-free cash at retirement. The remaining demographic assumptions at 31 December 2021 are the same as those used for the full triennial valuation at 31 March 2019.

The valuation used for the disclosures is based on the most recent available actuarial valuation which was performed as at 31 March 2019. The amounts set out in the following pages are derived from the company's allocation of the TWPF.

Assessment of the liabilities and costs

The assessed liabilities depend on the benefits payable from the TWPF in the future. The benefits are set out under the rules of the Local Government Pension Scheme (LGPS), of which the TWPF is one. Final salary accrual in the TWPF at a rate of 60ths ceased on 1 April 2014, with pension accrued up to that date continuing to be linked to final salary. Accrual after 1 April 2014 is based on career average revalued earnings (CARE) with an accrual of 49ths.

The company's defined benefit obligation is its share of the liabilities in the TWPF, calculated by reference to their membership, which can be separately identified. The duration of the company's defined benefit obligation is estimated to be around 17.5 years.

The company is allocated a share of the total assets held by the TWPF, and this allocation is updated following every triennial funding valuation.

Pensions in payment are generally updated in line with the Consumer Price Index. The majority of benefit payments are from the TWPF, however there are a small number of unfunded benefits where the company meets the benefit payment obligation as it falls due.

Responsibility for governance, funding strategy, investment decisions and contribution schedules lies with the Tyne and Wear local authority. The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets in line with the 31 March 2019 valuation.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

23 Retirement benefit liability (continued)

Assets

The company is allocated a share of the total assets held by the TWPF, and this allocation is updated following every triennial funding valuation.

Contributions are assessed in accordance with the advice of qualified actuaries and the Airport made contributions into the TWPF of £279k over the year ending 31 December 2021.

Other information

Pensions in payment are generally updated in line with the Consumer Price Index.

Responsibility for governance, investment decisions and contribution schedules lie with the Tyne and Wear local authority.

Reconciliation of defined benefit obligation

	2021	2020
	£'000	£'000
Defined benefit obligation at 1 January	153,312	129,780
Current service cost	1,131	1,081
Interest cost	1,971	2,503
Past service cost	300	72
Employee contributions	162	197
Actuarial (gain)/loss	(935)	25,629
Benefits and expenses paid	(3,609)	(3,581)
Experience gain on liabilities	(1,799)	(2,369)
Defined benefit obligation at 31 December	150,533	153,312

Reconciliation of assets over the year

	2021	2020
	£'000	£'000
Plan assets at 1 January	124,442	117,219
Interest income	1,597	2,263
Return on plan assets, excluding amounts included in net interest cost	13,694	7,259
Administration expenses	(39)	(39)
Employer contributions	279	1,124
Member contribution	162	197
Benefits and expenses paid	(3,609)	(3,581)
Plan assets on 31 December	136,526	124,442
Actual return on assets	15,291	9,522

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

23 Retirement benefit liability (continued)

The amounts recognised in the balance sheet are determined as follows:

	2021	2020
	£'000	£'000
Present value of scheme liabilities	(150,533)	(153,312)
Total market value of plan assets	136,526	124,442
Net liability recognised in the balance sheet	(14,007)	(28,870)

The amounts recognised in the income statement are as follows:

	2021	2020
	£'000	£'000
Current service cost	1,131	1,081
Administration cost	39	39
Past service cost	300	72
Net interest cost	374	240
Total expense	1,844	1,432

The total charge has been allocated between staff costs and net finance costs.

Analysis of the movement in the balance sheet liability

	2021	2020
	£'000	£'000
At 1 January	28,870	12,561
Total expense as above	1,844	1,432
Actuarial (gain)/loss recognised in other comprehensive income	(16,428)	16,001
Contributions paid	(279)	(1,124)
At 31 December	14,007	28,870

Amounts recognised in the Statement of comprehensive income are as follows:

	2021	2020
	£'000	£'000
Return on plan assets (excluding amounts included in net interest expense)	(13,694)	(7,259)
Experience gain on liabilities	(1,799)	(2,369)
Actuarial (gain)/loss arising from changes in financial assumptions	(935)	25,629
Re-measurement of the net benefit liability	(16,428)	16,001

The cumulative amount of losses recognised in the Statement of comprehensive income since 1 January 2004 is £5,690,000 (2020: £22,118,000).

Expected contributions to pension plans in 2022 are £300,000 to be paid by the Airport and £200,000 to be paid by the Airport's employees who are members of the fund.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

23 Retirement benefit liability (continued)

Major categories of plan assets are as follows:	2021	2020
UK equities	10%	9%
Overseas equities	38%	39%
Bonds	26%	27%
Property	8%	8%
Infrastructure	3%	3%
Private equity	9%	7%
Private debt	4%	3%
Cash	2%	4%

The asset splits at 31 December 2020 and 31 December 2021 are based on the estimated breakdowns provided by the TWPF. These assets are pooled and therefore not explicitly quoted.

The sensitivity of the balance sheet liability to changes in the assumptions used is as follows (in each case with all other assumptions equal):

A 0.1% increase in the discount rate would decrease the liability by £2,670,000. A 0.1% decrease in the discount rate would increase the liability by £2,737,000.

A 0.1% increase in the inflation assumption would increase the liability by £2,503,000. A 0.1% decrease in the inflation assumption would decrease the liability by £2,449,000.

A 1 year increase in the life expectancy would increase the liability by £5,664,000. A 1 year decrease in the life expectancy would decrease the liability by £5,545,000.

These sensitivity figures have been calculated by approximately switching the Defined Benefit Obligation using summary characteristics of the membership.

Risks and uncertainties

Through its participation in the Fund the company is exposed to a number of risks, the most significant of which are detailed below. As the company's share of assets and liabilities are pooled within a large fund, the risks are likely to be less volatile than if it were sponsoring its own defined benefit pension scheme.

Asset volatility

The Fund liabilities on the balance sheet are calculated using a discount rate set with reference to corporate bond yields; if Fund assets underperform this yield, this will create a deficit. A significant proportion of the Fund is held in equities which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

Market yields

A decrease in corporate bond yields will increase Fund liabilities although this would be partially offset by an increase in the value of the Fund's bond holdings.

The majority of the Fund's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. The majority of the TWPF's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

23 Retirement benefit liability (continued)

Life expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the company's liabilities.

Participation in a local government scheme

The company is one participant in a much larger scheme, the TWPF. This means that the company has little say over the governance, contribution levels and investment strategy of the TWPF. However, the TWPF has the scale to access good quality advice and investment opportunities through the pooled nature of the TWPF.

24 Capital and other financial commitments

	2021 £'000	2020 £'000
Contracts placed for future expenditure on property, plant and equipment not provided in the financial statements	-	164

25 Related party transactions

Newcastle Airport Local Authority Holding Company Limited is jointly owned by seven north east local authorities.

Details of the loan relationship between Newcastle Airport Local Authority Holding Company Limited and its shareholders are set out in note 15 to the financial statements.

The outstanding loan balances with shareholders at the year end are shown below:

	2021 £'000	2020 £'000
Northumberland County Council	14,774	13,490
The Council of the City of Newcastle upon Tyne	16,955	15,482
The Council of the Borough of South Tyneside	9,690	8,848
The Borough Council of Gateshead	12,769	11,660
The Council of the City of Sunderland	18,071	16,501
Durham County Council	11,636	10,625
Total	83,895	76,606

Key management personnel for the company are deemed to be the directors of the company and their emoluments are presented in note 22. Key management personnel for the group are deemed to be the directors of NIAL Group Limited, emoluments for 2021 were £885,000 (2020: £666,000).

During the year, Newcastle International Airport Limited received ground rent from Tynexe Commercial Ltd amounting to £39,646.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

26 Principal subsidiaries

- (a) The company's subsidiary undertakings are NIAL Group Limited, NIAL Investments Limited, NIAL Holdings Limited, NIAL Finance Limited, Newcastle International Airport Limited, Samson Aviation Services Limited, NIAL Services Limited and Newcastle Park & Fly Limited. All companies are registered and operate in England and Wales.
- (b) Newcastle Airport Local Authority Holding Company Limited owns 51% of NIAL Group Limited which beneficially owns 100% of the share capital of NIAL Holdings Limited (being a 51% direct holding and a 49% indirect holding by virtue of its 100% shareholding in NIAL Investments Limited, which owns 49% of the share capital of NIAL Holdings Limited). NIAL Holdings Limited owns 100% of the share capital of NIAL Finance Limited which owns 100% of Newcastle International Airport Limited. Newcastle International Airport Limited owns 100% of the share capital of Samson Aviation Services Limited and NIAL Services Limited which in turn owns 100% of the share capital of Newcastle Park & Fly Limited.
- (c) The results of all subsidiaries are incorporated within the consolidation. The results of subsidiaries acquired or incorporated during the year are included in the group income statement from the effective date of acquisition or the date of incorporation.
- (d) Newcastle Airport Local Authority Holding Company Limited owns 51% of the voting rights in NIAL Group Limited which in turn holds 100% of the voting rights in all its subsidiary undertakings.
- (e) NIAL Holdings Limited and NIAL Investments Limited act as holding companies.
- (f) NIAL Finance Limited holds the group's senior bank debt obligations, Newcastle International Airport Limited operates and manages Newcastle International Airport and holds the group's institutional debt obligations, Samson Aviation Services Limited provides facilities and services for business and private aviation, NIAL Services Limited provides services to other group companies and Newcastle Park & Fly Limited operates the group's car parking facilities.
- (g) The registered address of NIAL Group Limited, NIAL Investments Limited, NIAL Holdings Limited and NIAL Finance Limited is Newcastle International Airport, Woolsington, Newcastle upon Tyne, NE13 8BZ. The registered address of NIAL Services Limited and Newcastle Park & Fly Limited is Unit 1, Prestwick Industrial Estate, Ponteland, Newcastle upon Tyne, NE20 9DA. The registered address of Samson Aviation Services Limited is General Aviation Terminal, Southside, Newcastle International Airport, Woolsington, Newcastle upon Tyne, NE13 8BT.