

Newcastle Airport Local Authority Holding Company Limited

Annual report and financial statements

For the year ended 31 December 2022

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 2022

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Newcastle Airport Local Authority Holding Company Limited

Directors and Advisers

Directors

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

Alternate Directors

C Donovan
C Johnson
A Huntley
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
101 King Street
South Shields
NE33 1DT

Royal Bank of Scotland
2½ Devonshire Square
London
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 2022

The directors present their strategic report on the group which comprises Newcastle Airport Local Authority Holding Company Limited, the parent company, and its subsidiaries' (together the "group") for the year ended 31 December 2022.

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.

A partial recovery following the COVID-19 pandemic was seen in the Aviation industry in 2022. Although passenger numbers in the first quarter of the year were impacted by the Omicron variant, passenger traffic recovered quickly from the beginning of the summer season, propelled by pent-up demand following the travel restrictions during the previous two years. For the full year, the Airport served 4.18m passengers compared to 1.04m in the prior year.

Supported by excellent operational delivery and strong commercial spend from passengers, revenue amounted to £64.7m (2021: £21.6m), an increase of 200%. Earnings before interest, taxes, depreciation, amortisation and similar charges (EBITDA) for the current year was a profit of £33.7m (2021: profit of £2.8m) and the operating profit amounted to £23.7m (2021: operating loss of £8.2m). The net liabilities of the group as at the balance sheet date were £216.7m (2021: £239.7m).

A new bank financing package was secured in November 2022, with a maturity date of September 2026. The terms of this package included the commitment to four targets on the sustainability KPIs of the business, and a £15m Green Loan to support the delivery of a number of green projects over the next three years.

No dividends were paid in the current and prior year.

Passenger volumes

The Airport served 4.18m passengers in total during 2022, 3.14m more than in the previous year. The increase of 302% compared to the prior year was driven by the strong recovery following the COVID-19 pandemic.

Business income

Traffic revenues increased by 194% compared to the previous year as pent-up demand boosted passenger numbers. Similarly income from commercial activities increased by 330% compared to 2021. This includes 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 57% higher than the previous year.

Newcastle Airport Local Authority Holding Company Limited

Strategic report for the year ended 31 December 2022 (continued)

Future developments

The recovery from the COVID-19 pandemic is expected to progress well in 2023. The business will work closely with its airline partners to stimulate further growth in the Holiday and Low Cost segments and support the continued recovery in the Scheduled and Domestic Segments. New airlines and routes, such as Aegean to Athens and SunExpress to Antalya will be supported through marketing and the delivery of a positive customer experience.

Capital investment to enhance the Airport's facilities resumed in 2022 and is set to continue in 2023, including a number of enhancements to the customer experience in food & beverage outlets and improved lounge products. There will be a continued focus on sustainability projects to deliver the Airport's Net Zero 2035 target and this will be supported by the Green Loan secured as part of the new banking package in 2022.

The long term outlook for the business remains positive.

Financial result for 2022

Total revenue in the year was £64.7m compared to £21.6m in 2021.

Operating profit for the year amounted to £23.7m, an increase of £31.9m from the operating loss of £8.2m in the prior year. There was a breakeven result before tax for the year compared to a loss of £31.4m in 2021.

Following very tight control over capital expenditure in the previous two years, progress was made on a number of important projects including Solar Farm Phase 1, the regulatory Next Generation Security Checkpoint project and a number of other sustainability, commercial and operational projects. Total spend in 2022 was £9.6m compared to £1.6m in the prior year.

Key performance indicators

The company's principal key performance indicators are passenger numbers and total revenue per passenger. For 2022 passenger numbers grew by 3.14m to 4.18m compared to the previous year. Total revenue per passenger showed a decrease from £20.77 to £15.49 due to non-passenger driven income making up a lower proportion of the company's total revenue. EBITDA in 2022 was a profit of £33.7m, an increase of £30.9m compared to 2021.

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 and increased flight prices, which themselves are driven from input price increases such as the cost of fuel and air passenger duty, or environmental pressures on consumers' appetite for flying. The group assesses the risk from changes in demand through a detailed business planning process that includes running various scenarios.


Newcastle Airport Local Authority Holding Company Limited

Strategic report for the year ended 31 December 2022 (continued)

Principal risks and uncertainties (continued)

External factors such as severe weather or terrorist activity can also contribute to a temporary reduction in passenger numbers. COVID-19 demonstrated the risk of a prolonged reduction in throughput as a result of a global pandemic. This will continue to be a significant external risk for the business. However, the business maintained a good level of liquidity throughout the COVID-19 pandemic and demonstrated its resilience to such a scenario.

On behalf of the Board



T Dixon

Director

07 July 2023

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2022

The directors present their annual report and audited financial statements of the group for the year ended 31 December 2022. Future developments of the group and dividends proposed have been disclosed within the Strategic Report on pages 2 to 4.

Directors

The directors of the company, all of whom have been directors for the whole of the year ended 31 December 2022 and up to the date of approval of the financial statements unless stated otherwise were as follows:

Directors

T Dixon

N Forbes (resigned on 5th May 2022)

M Gannon

A Hopgood

N Kemp (appointed on 25th May 2022)

G Miller

N Redfearn

H Sanderson

Alternate Directors

J Atkinson (resigned 16th May 2023)

C Donovan

A Huntley (appointed on 16th May 2023)

C Johnson

K Kilgour

J Rowlandson

C Rowntree

R Wearmouth

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 2022 (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 a monthly Team Brief 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. In addition, annual employee surveys were resumed in 2022, with action plans being implemented to address the feedback received.

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 company completed a Diversity & Inclusion (D&I) review in 2022, involving data collection, focus groups and a staff survey specifically addressing D&I topics. As a result, a D&I Action Plan is now being delivered to continue to improve awareness of the importance of diversity and inclusion for the business, to ensure that policies and procedures drive our desired goals in this area, and to measure and report on the progress made in this area.

The company 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.

Health & Wellbeing has also been a focus for the business in 2022, with regular newsletters being provided to staff on topics ranging from mental health to the menopause. A Wellness hub has also been made available through the company's Reward & Recognition platform.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2022 (continued)

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.

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 its Environmental Policy, which sits within the Corporate Social Responsibility Strategy and sets the overall aim to be environmentally responsible.

The Airport remains committed to its Net Zero Carbon 2035 strategy, which was published in 2020. Work has continued on decarbonisation measures, including obtaining planning permission for a large solar farm and construction of the first phase, together with extensive woodland planting. The main electricity supply for the Airport continues to be provided via a renewable contract.

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.

A staff Electric Vehicle Car Scheme has been implemented in March 2023.

Energy Use and the associated greenhouse gas emissions

		2022	2021
Scope 1	Gas (kWh)	2,827,272	2,215,402
	Liquid Fuels (kWh)	1,135,466	683,605
	Transport (kWh)	1,358,025	881,120
Scope 2	Electricity (kWh)	9,650,850	6,074,799
Scope 3	Employee owned cars	-	-
Total Carbon (location based) (tCO ₂ e)		2,957	2,064
Passengers ('000)		4,177	1,038
Intensity Ratio (tCO ₂ e/PAX'000)		0.7	2.0

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2022 (continued)

Environment (continued)

Using the location based methodology, we achieved an overall reduction of 29.5% in our carbon footprint for 2022 compared to our 2019 performance.

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. Many efficiencies were delivered through switching off equipment or reducing energy use at certain times of the year. A Green electricity contract (REGO certified) has been maintained for the main terminal connection throughout 2022.

"Smart" Building Management System controls have been implemented in the departure lounge, whereby the heating and cooling automatically reacts to occupancy levels.

The site-wide switch to LED lighting has continued. LED fittings with PIR sensors were completed in the baggage undercroft and other non-passenger areas.

A second electric airside vehicle bus has replaced another diesel bus.

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.

In line with the Corporate Social Responsibility Strategy, the Airport aims to be a good neighbour, and regular and long-term engagement with local communities continued throughout 2022, including focus groups, and the formal Airport Consultative Committee.

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.

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.

In 2022 we achieved the ISO45001 accreditation for Terminal Operations, the Training Academy and Samson Aviation Services. This accreditation will be audited annually by an external company to ensure continued compliance with the standard and we are also looking to expand the scope of the award in 2023 to include Newcastle Park and Fly. The objective is to expand the scope each year with an additional department within the businesses added to the accreditation.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2022 (continued)

Health and safety at work (continued)

The Be Safe programme has continued throughout the year with many different themes such as regular hazard spotting walks being undertaken in partnership with business partners such as Swissport and Jet2. These have taken place airside and also in the baggage halls to help drive standards in these areas. Pit stops have also taken place with business partners, with the drivers of airside vehicles being questioned on driving standards and procedures when working airside.

A total of 20 managers / supervisors have been taken through the ISO Managing Safely course by the health and safety department, giving these employees an internationally recognised health and safety qualification.

The Health and Wellbeing newsletter has continued to be published monthly to all staff and the Health and Wellbeing library on the company intranet has been further developed.

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 and the CEO quarterly and annual Spotlight Awards.

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 2022 the group's trade payables outstanding represented approximately 49 (2021: 44) 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 33 to 35.

Dividends

Details regarding dividends are disclosed in the Strategic report.

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:

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2022 (continued)

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

- 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 company will continue in business.

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 the group's business activities, together with factors likely to affect the future development and performance, as well as the group's principal risks and uncertainties.

The group maintained a strong liquidity position throughout the COVID-19 pandemic and the financial performance delivered in 2022 allowed the repayment of £30m of bank facilities that were prudently drawn during the pandemic.

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. The covenant tests at 31 December 2022 have been passed at both the default and lock-up levels. In November 2022, the maturity of the group's bank facilities were successfully extended by three years to September 2026.

The directors have considered the economic environment in which the business operates and the factors affecting the current and future performance and prospects of the business as set out in the Strategic Report. Based on the company and group's forecasts (which include the company and its fellow companies), cash balances and facilities available to it and, having considered the opportunities, uncertainties and risks facing it together with reasonable possible changes in trading performance, the directors have a reasonable expectation that the group has adequate resources to continue operating for the foreseeable future.

The group has prepared a severe but plausible downside financial forecast. 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 and covenants are passed during the going concern assessment period.

Accordingly the directors continue to adopt the going concern basis in the preparation of the financial statements.

Newcastle Airport Local Authority Holding Company Limited

Directors' report for the year ended 31 December 2022 (continued)

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.

By order of the Board



T Dixon

Director

07 July 2023

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 December 2022 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 as applied in accordance with the provisions of the Companies Act 2006; 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 December 2022; the Group income statement, Group statement of comprehensive income, 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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

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

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.

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 December 2022 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.

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

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to environmental legislation, aviation industry specific regulations and employment law, 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 UK 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. Audit procedures performed by the engagement team included:

- Testing journal entries and other adjustments for appropriateness and testing accounting estimates (due to the risk of management bias);
- Enquiry of management and those charged with governance in relation to any non-compliance with laws and regulations during the year;
- Review of board minutes of those charged with governance; and
- Reviewing legal expenditure in the year to identify potential non-compliance with laws and regulations.

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
7 July 2023

Newcastle Airport Local Authority Holding Company Limited

Group income statement for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	2	64,690	21,555
Employee benefits costs	22	(17,065)	(11,171)
Other expenses		(13,968)	(7,555)
Depreciation, amortisation and similar charges	4	(9,993)	(11,070)
Operating profit/(loss)	2	23,664	(8,241)
Finance costs	3	(23,632)	(23,184)
Finance income	3	3	18
Profit/(loss) before tax		35	(31,407)
Taxation	5	(2,316)	(1,449)
Loss for the year		(2,281)	(32,856)
Attributable to:			
Owners of the Company		(1,212)	(16,805)
Non-controlling interest		(1,069)	(16,051)
		(2,281)	(32,856)

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 2022

	Note	2022 £'000	2021 £'000
Loss for the financial year		(2,281)	(32,856)
Items that will not be reclassified to profit or loss:			
Actuarial gains on defined benefit plans	23	29,254	16,428
Tax on actuarial gains on defined benefit plans	5	(7,313)	(1,783)
Items that may be subsequently reclassified to profit or loss:			
Movement in value of interest rate swaps	17,3	3,734	3,513
Tax on movement in value of interest rate swaps	5	(604)	(759)
Total other comprehensive income for the year		25,071	17,399
Total comprehensive income/(expense) for the year		22,790	(15,457)
Attributable to:			
Owners of the Company		11,574	(7,931)
Non-controlling interest		11,216	(7,526)
		22,790	(15,457)

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 2022

		Group		Company	
		2022	2021	2022	2021
	Note	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Goodwill	6	4,140	4,140	-	-
Intangible assets	7	546	590	-	-
Property, plant and equipment	8	198,196	199,167	-	-
Investment properties	8	10,325	9,672	-	-
Investment in subsidiaries	9	-	-	98,821	98,821
Derivative financial instruments	17	901	238	-	-
Retirement benefit asset	23	14,093	-	-	-
		228,201	213,807	98,821	98,821
Current assets					
Inventories	10	107	85	-	-
Trade and other receivables	11	9,971	4,238	-	7
Derivative financial instruments	17	3,793	-	-	-
Cash and cash equivalents	13	9,022	22,930	181	31
		22,893	27,253	181	38
Liabilities					
Current liabilities					
Trade and other payables	14	(67,116)	(43,669)	(14)	(21)
Current tax liabilities	12	(301)	(346)	-	-
		(67,417)	(44,015)	(14)	(21)
Net current (liabilities)/assets		(44,524)	(16,762)	167	17
Non-current liabilities					
Borrowings	15	(368,037)	(399,602)	-	-
Deferred tax liabilities	19	(30,744)	(21,463)	-	-
Other non-current liabilities	16	(1,602)	(1,719)	-	-
Retirement benefit liability	23	-	(14,007)	-	-
		(400,383)	(436,791)	-	-
Net (liabilities)/assets		(216,706)	(239,746)	98,988	98,838

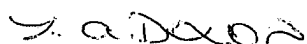
Newcastle Airport Local Authority Holding Company Limited

Group and parent company balance sheets at 31 December 2022 (continued)

			Group		Company
		2022	2021	2022	2021
	Note	£'000	£'000	£'000	£'000
Equity					
Ordinary shares	20	10	10	10	10
Other reserves		68,571	66,725	100,571	100,321
Accumulated losses		(249,437)	(259,415)	(1,593)	(1,493)
Equity attributable to owners of the Company		(180,856)	(192,680)	98,988	98,838
Non-controlling interest		(35,850)	(47,066)	-	-
Total equity		(216,706)	(239,746)	98,988	98,838

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 £100,000 for the year ended 31 December 2022 (2021: loss of £101,000).

The financial statements of Newcastle Airport Local Authority Holding Company Limited, registered number 4118128, on pages 16 to 60 were approved by the board of directors and authorised for issue on 07 July 2023 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 2022

		Group		Company	
		2022	2021	2022	2021
	Note	£'000	£'000	£'000	£'000
Cash flow from operating activities					
Cash generated from/(used in) operations	21	38,520	4,093	(100)	(106)
Interest received		3	18	-	-
Interest paid		(9,590)	(8,921)	-	-
Tax (paid)/received		(997)	2,561	-	-
Net cash generated from/(used in) operating activities		27,936	(2,249)	(100)	(106)
Cash flows from investing activities					
Purchase of acquired intangible assets		(310)	(213)	-	-
Purchase of property, plant and equipment		(9,323)	(1,339)	-	-
Proceeds from the sale of fixed assets		-	26	-	-
Net cash used in investing activities		(9,633)	(1,526)	-	-
Cash flows from financing activities					
Repayment of borrowings		(100,571)	-	-	-
Proceeds from bank loans net of issue costs		68,110	5,379	-	-
Shareholders' contributions		250	-	250	-
Net cash (used in)/generated from financing activities		(32,211)	5,379	250	-
Net (decrease)/increase in cash and cash equivalents					
		(13,908)	1,604	150	(106)
Cash and cash equivalents at 1 January		22,930	21,326	31	137
Cash and cash equivalents at 31 December		9,022	22,930	181	31

Newcastle Airport Local Authority Holding Company Limited

Group and parent company statements of changes in equity for the year ended 31 December 2022

Group	Equity attributable to owners of the Company					Non-controlling interest	Total equity
	Share capital	Hedging reserve	Capital contribution	Accumulated losses	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	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 income 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)
Loss for the year	-	-	-	(1,212)	(1,212)	(1,069)	(2,281)
Other comprehensive income for the year	-	1,596	-	11,190	12,786	12,285	25,071
Total comprehensive expense for the year	-	1,596	-	9,978	11,574	11,216	22,790
Shareholders' contributions	-	-	250	-	250	-	250
At 31 December 2022	10	(5,981)	74,552	(249,437)	(180,856)	(35,850)	(216,706)

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	Capital contribution	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2021	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
Loss for the year and total comprehensive expense for the year	-	250	(100)	150
At 31 December 2022	10	100,571	(1,593)	98,988

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 the group's business activities, together with factors likely to affect the future development and performance, as well as the group's principal risks and uncertainties.

The group maintained a strong liquidity position throughout the pandemic and the financial performance delivered in 2022 allowed the repayment of £30m of bank facilities that were prudently drawn during the pandemic.

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. The covenant tests at 31 December 2022 have been passed at both the default and lock-up levels. In November 2022, the maturity of the group's bank facilities were successfully extended by three years to September 2026.

The directors have considered the economic environment in which the business operates and the factors affecting the current and future performance and prospects of the business as set out in the Strategic report. Based on the company and group's forecasts (which include the company and its fellow companies), cash balances and facilities available to it and, having considered the opportunities, uncertainties and risks facing it together with reasonable possible changes in trading performance, the directors have a reasonable expectation that the group has adequate resources to continue operating for the foreseeable future.

The group has prepared a severe but plausible downside financial forecast. 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 and covenants are passed during the going concern assessment period.

Accordingly the directors continue to adopt the going concern basis in the preparation of the financial statements.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

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.

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.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

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 IFRS 15 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.

Leases

Lease income from operating leases where the group is a lessor is recognised in income on a straight line 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.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

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

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, and
- 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.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Accounting for derivative financial instruments and hedging activities

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.

The group adopted IFRS9 Financial Instruments on 1 January 2018 and as allowed under the standard the group has chosen to continue applying the rules of IAS39 with regards to hedge accounting.

Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is a designated cash flow hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is committed to. The group's only derivatives are interest rate swaps and it has classified these as a hedge of the cost of a highly probable forecasted transaction ('cash flow hedge').

In order to qualify for hedge accounting, the group is required to document in advance the relationship between the item being hedged and the hedging instrument. The group is also required to document the relationship between the hedged item and the hedging instrument and demonstrate that the hedge will be highly effective on an on-going basis. This economic relationship is reassessed at each year end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, gains or losses previously recognised in equity are reclassified to profit or loss in the same year as the asset or liability affects profit or loss. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the income statement in the same year as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are not recognised in equity, rather they are recognised immediately in profit or loss.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under IFR9 9, any change in assets or liabilities is recognised immediately in the income statement. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income statement when the committed or forecasted transaction is recognised in the income statement. However, where an entity applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the income statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

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.

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 7). 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.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

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.

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.

Operating profit

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

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.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Employee benefit costs

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.

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.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

Taxation

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.

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.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

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.

Critical accounting judgements

a) Retirement benefit asset

Where a surplus on a defined benefit scheme arises, there may be restrictions to prevent the employer obtaining a refund of that surplus. The company has made the judgement that the recognised amount meets the requirement of recoverability. Further details are available in note 23.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation of uncertainty in the reporting year, 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.

a) 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 and investments included in the Statement of Financial Position. Further details are available in note 6.

b) Pension 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.

c) 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.

Newcastle Airport Local Authority Holding Company Limited

Statement of accounting policies (continued)

New and amended standards adopted by the company

The group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2022:

Annual Improvements to IFRS Standards 2018–2020

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

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

The amendments listed above did not have any impact on the amounts recognised in the current or prior years 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 2023:

IFRS 17 – Insurance Contracts, this standard replaces IFRS 4

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

Effective from 1 January 2024:

Amendments to IFRS 16 – Leases: Lease liability in a sale and leaseback

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 and company have both interest bearing assets and interest bearing liabilities. The group and company have 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 99% of the group's interest bearing liabilities were at fixed rates (either directly or through the use of interest rate swaps). All of the company's interest bearing liabilities at year end were at fixed rates. 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 2022, 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 £132,000 lower/higher (2021: £161,000 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 and company have throughout the year been to maintain a mix of short and long term borrowings with short term flexibility achieved through overdraft facilities. The group secured a £15m Green Loan to finance the delivery of a number of green projects in November 2022. 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 and company'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 contractual undiscounted cash flows for both interest and principal.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

1 Financial risk management (continued)

At 31 December 2022	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings	24,107	24,134	218,497	283,289
Derivative financial instruments	(3,497)	3	6	-
Trade and other payables	64,303	-	-	-
	84,913	24,137	218,503	283,289

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

All of the group's and company'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 and company's financial assets which include intra group loans and short term 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 and company'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 profit/(loss)

Revenue from contracts with customers

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

Operating profit/(loss)

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
The following charges/(credits) have been included in arriving at operating profit/(loss):				
Staff costs (note 22)	17,065	11,071	-	-
Depreciation of owned property, plant and equipment (note 8)	10,292	10,821	-	-
Amortisation of intangible assets (note 7)	354	349	-	-
Change in fair value of investment properties on revaluation in the year (note 8)	(653)	(100)	-	-
Inventories recognised as an expense	(23)	(8)	-	-
Repairs and maintenance expenditure on property	476	386	-	-
Repairs and maintenance expenditure on plant and machinery	2,282	1,241	-	-
Trade receivables impairment (note 11)	469	(26)	-	-
Amortisation of government grants	(117)	(148)	-	-
Gain on sale of property, plant and equipment	2	(23)	-	-

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

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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Audit of company's statutory financial statements	10	9	7	7
Audit of subsidiary companies	132	108	-	-
Tax compliance services	21	19	-	-
Other advisory services	7	7	-	-
Actuarial services	17	15	-	-
	187	158	7	7

3 Finance income and costs

	Group	
	2022	2021
	£'000	£'000
Finance costs		
Interest payable on borrowings from banks, institutions and shareholder loan notes	(23,208)	(23,042)
Net interest payable relating to defined benefit pension scheme (note 23)	(250)	(374)
Amortisation of issue costs of bank borrowings	(896)	(490)
Cash flow hedge fair value gain recycled from other comprehensive income to profit and loss	722	722
Finance costs	(23,632)	(23,184)
Finance income		
Bank and other interest receivable	3	18
Finance income	3	18
Finance cost – net	(23,629)	(23,166)

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

4 Depreciation, amortisation and similar charges

	Group	
	2022	2021
	£'000	£'000
Depreciation of property, plant and equipment owned assets	10,292	10,821
Amortisation of intangible assets	354	349
Movement in fair value of investment properties on revaluation in period	(653)	(100)
	9,993	11,070

5 Taxation

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current tax				
Current tax on profit/(loss) for the year	952	-	-	-
Adjustments in respect of prior years	-	229	-	-
Total Current tax	952	229	-	-
Deferred tax				
Origination and reversal of temporary differences	681	(4,482)	-	-
Adjustments in respect of prior years	5	(345)	-	-
Impact of change in UK tax rate	678	6,047	-	-
Total Deferred tax (note 19)	1,364	1,220	-	-
Taxation	2,316	1,449	-	-

Tax on items charged/(credited) to other comprehensive income	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Items that will not be reclassified to profit and loss:				
Tax on actuarial gains on defined benefit plans	7,313	1,783	-	-
Items that may subsequently be reclassified to profit and loss:				
Tax on movement in value of interest rate swap	604	759	-	-
	7,917	2,542	-	-

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

5 Taxation (continued)

The group's profits for this period are taxed at an effective rate of 19.00% (2021: 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 (2021: charge) for the year is higher (2021: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Profit/(loss) before taxation	35	(31,407)	(100)	(101)
Profit/(loss) before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	7	(5,967)	(19)	(19)
Effects of:				
Expenses not deductible for tax purposes	307	288	-	-
Adjustments in respect of prior years	5	(116)	-	-
Change in the UK tax rate	678	6,047	-	-
Amounts not recognised	1,319	1,197	19	19
Tax charge for the year	2,316	1,449	-	-

6 Goodwill

Group	£'000
At 1 January 2021 31 December 2021 and 31 December 2022	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 2021	4,934
Additions	213
At 31 December 2021	5,147
Additions	310
Disposals	(822)
At 31 December 2022	4,635
Accumulated amortisation	
At 1 January 2021	4,208
Charge for the year	349
At 31 December 2021	4,557
Charge for the year	354
Disposals	(822)
At 31 December 2022	4,089
Net book amount	
At 31 December 2022	546
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 2021	306,108	75,118	10,227	1,575	393,028
Additions	177	758	212	193	1,340
Transfers	-	493	-	(493)	-
Revaluation decrease	100	-	-	-	100
Disposals	-	(129)	-	-	(129)
At 31 December 2021	306,385	76,240	10,439	1,275	394,339
Additions	258	2,203	494	6,368	9,323
Transfers	-	(2)	11	(9)	-
Revaluation increase	653	-	-	-	653
Disposals	(376)	(1,427)	(945)	-	(2,748)
At 31 December 2022	306,920	77,014	9,999	7,634	401,567
Accumulated depreciation					
At 1 January 2021	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
Charge for the year	6,207	3,347	738	-	10,292
Disposals	(375)	(1,427)	(944)	-	(2,746)
At 31 December 2022	126,947	58,348	7,751	-	193,046
Net book amount					
At 31 December 2022	179,973	18,666	2,248	7,634	208,521
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 £10,325,000 in respect of investment properties (2021: £9,672,000) and £198,196,000 in respect of other assets (2021: £199,167,000).

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 2022	9,672
Increase in fair value on revaluation in the year	653
At 31 December 2022	10,325

The fair value of the company's investment property was assessed on the basis of a valuation carried out as at 31 December 2022 by Naylor 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.

The property rental income earned by the company from its investment property, all of which is leased under operating leases, amounted to £759,000 (2021: £680,000).

At 31 December 2022	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Minimum rental lease payments from tenants	682	1,198	559

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

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 2021, 31 December 2021 and 31 December 2022	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 2022 £'000	Group 2021 £'000
Spares for plant, vehicles and machinery together with materials for premises maintenance	107	85

The company holds no inventories.

11 Trade and other receivables

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Amounts falling due after more than one year:				
Amounts owed by group undertaking	-	-	-	-
Amounts falling due within one year:				
Trade debtors	10,475	4,547	-	-
Less: provisions for impairment of receivables	(1,711)	(1,242)	-	-
Trade receivables – net	8,764	3,305	-	-
Amounts owed by group undertakings	-	-	-	-
Prepayments and accrued income	1,207	912	-	-
Other receivables	-	21	-	7
Total	9,971	4,238	-	7

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 £nil.

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 2022, trade receivables of £5,888,000 (2021: £2,694,000) 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 2022, trade receivables of £2,866,000 (2021: £374,000) 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:

	2022 £'000	2021 £'000
Up to 3 months	2,034	362
More than 3 months	832	12
	2,866	374

The average age of these trade receivables is 151 days past due (2021: 108 days past due).

At 31 December 2022, trade receivables of £1,711,000 (2021: £1,477,000) were impaired and provided for. The provision made was £1,711,000 (2021: £1,242,000) and it was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2022 £'000	2021 £'000
Up to 3 months	433	376
More than 3 months	1,278	1,101
	1,711	1,477

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:

	2022 £'000	2021 £'000
At 1 January	1,242	1,268
Provision for impairment	921	217
Unused amounts reversed	(452)	(243)
At 31 December	1,711	1,242

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 £919,000 (2021: £844,000) due from companies in liquidation.

12 Current tax liability

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current tax liability	(301)	(346)	-	-

13 Cash and cash equivalents

Cash and cash equivalents	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	9,022	22,930	181	31

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

14 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade payables	8,681	2,448	-	-
Other tax and social security payable	1,107	902	-	-
Other payables	94	240	-	-
Accruals	8,789	4,849	14	21
Accrued interest payable	46,739	32,871	-	-
Contract liabilities	524	303	-	-
Deferred income	1,182	2,056	-	-
	67,116	43,669	14	21

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 company deferred all interest payments due under its unsecured shareholder loan notes which are detailed in note 15. The interest amounts accrued at the balance sheet date are shown within accruals.

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 £260,000. Revenue recognised in the prior year that was included in the contract liabilities opening balances of the previous year amounted to £129,000. 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:

Group	Within 1 year £'000	> 1 year £'000	Total £'000
Revenue expected to be recognised upon satisfaction of performance obligation	510	14	524

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

15 Borrowings

Non-current	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans				
Secured	(155,597)	(187,185)	-	-
Institutional loans				
Secured	(79,763)	(79,740)	-	-
Other loans				
Unsecured loan notes	(132,677)	(132,677)	-	-
Total (note 18)	(368,037)	(399,602)	-	-

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 InfraBridge 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 SONIA. There is a right of set-off and an unlimited cross guarantee between all group companies in relation to the overdraft. The overdraft has not been utilised in 2022 or 2021.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

15 Borrowings (continued)

Secured bank loan

On 28 November 2022 the company amended and restated its debt facilities and extended the maturity date of its bank loan of £153,000,000 together with an additional capital expenditure facility of £35,000,000 to 29 September 2026. The amendment of the group's banking facilities was accounted for as an extinguishment of the original liability and recognition of a new liability. The difference between the net carrying amount of the debt and the price at which the debt was settled amounted to £390,000 and was charged to the income statement. All of the bank loan and £5,000,000 (2021: £35,000,000) of the capital expenditure facility were drawn down at the year end. Issue costs incurred on the new debt amounting to £2,461,000, the balance of which amounted to £2,403,000 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 2026 and interest is charged at 2.25% over 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 entered into a £80,000,000 Note Purchase Agreement. Issue costs amounting to £381,000, the balance of which amounted to £237,000 at the year end (2021: £260,000), 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:

	2022	2021
	%	%
Bank borrowings	3.21	3.21
Institutional loans	3.67	3.67
Other unsecured loans	8.60	8.60
Movements in the group's financial liabilities are as follows:	2022	2021
	£'000	£'000
At 1 January	399,602	393,733
Repayment of bank loans	(100,571)	-
Proceeds from bank loans	70,571	5,379
Amortisation of issue cost of borrowings	896	-
Loan issue cost of borrowings	(2,461)	490
At 31 December	368,037	399,602

The company holds no borrowings.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

16 Other non-current liabilities

Government capital grants	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
1 January	1,719	1,730	-	-
Released to income statement	(117)	(148)	-	-
Grants received	-	137	-	-
31 December	1,602	1,719	-	-

17 Derivative financial instruments

Derivative financial instruments	2022	2021
	Asset	Asset
	£'000	£'000
Cash flow hedges	4,694	238
Total non-current portion of cash flow hedges	901	238

Cash flow hedges are held at fair value through other comprehensive income under IFRS9. There was £722,000 ineffectiveness recorded from the interest rate swaps within the current year (2021: £722,000).

The maximum exposure to credit risk at 31 December 2022 is the fair value of the derivatives in the balance sheet.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts as at the reporting date:

At 31 December 2022	Average contract	Notional principal value	Fair value
	fixed interest rate	£'000	£'000
Swaps expiring September 2023	0.956%	153,000	3,793
Swaps expiring September 2026	3.929%	153,000	901
At 31 December 2021	Average contract	Notional principal value	Fair value
	fixed interest rate	£'000	£'000
Swaps expiring September 2023	0.956%	153,000	238
Swaps expiring September 2026	-	-	-

The floating rate is SONIA.

Gains and losses recognised in the hedging reserve in equity on interest swap contracts at 31 December 2022 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.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

18 Financial instruments by category

Group	Derivatives used for hedging £'000	Financial assets £'000	Total £'000
31 December 2022			
Financial assets per balance sheet			
Cash flow hedges - FVOCI	4,694	-	4,694
Trade and other receivables – Amortised cost	-	8,764	8,764
Cash and cash equivalents – Amortised cost	-	9,022	9,022
	4,694	17,786	22,480
Group	Derivatives used for hedging £'000	Other financial liabilities £'000	Total £'000
31 December 2022			
Financial liabilities per balance sheet			
Borrowings – Amortised cost	-	368,037	368,037
Trade and other payables – Amortised cost	-	64,303	64,303
Cash flow hedges - FVOCI	-	-	-
	-	432,340	432,340

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 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
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

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

18 Financial instruments by category (continued)

Company	2022 £'000	2021 £'000
Financial assets per balance sheet		
Trade and other receivables – Amortised cost	-	7
Cash and cash equivalents – Amortised cost	181	38
Financial liabilities per balance sheet		
Trade and other payables – Amortised cost	14	21

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 2022:

	Group 2022		Group 2021	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Trade and other receivables	9,971	9,971	4,238	4,238
Cash at bank	9,022	9,022	22,930	22,930
Trade and other payables	67,116	67,116	43,669	43,669
Secured bank loan	158,000	158,000	188,000	188,000
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.

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 £2,640,000 (2021: £1,075,000).

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:

	2022		2021	
Group	Debt £'000	Total £'000	Debt £'000	Total £'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	158,000	158,000	-	-
In more than five years	212,677	212,677	212,677	212,677
Total non-current borrowings	370,677	370,677	400,677	400,677
Unamortised finance costs	(2,640)	(2,640)	(1,075)	(1,075)
Total borrowings net of finance costs	368,037	368,037	399,602	399,602

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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Liability at 1 January	21,463	17,701	-	-
Adjustments in respect of prior years debited/(credited) to income statement	5	(345)	-	-
Income and expense charge	1,359	1,565	-	-
Amount credited to other comprehensive income	7,917	2,542	-	-
Liability at 31 December	30,744	21,463	-	-

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 2021	25,654	25,654
Income and expense charge	6,638	6,638
At 31 December 2021	32,292	32,292
Income and expense credit	(197)	(197)
At 31 December 2022	32,095	32,095

Deferred tax assets	Pension	Other	Tax	Total
	£'000	£'000	losses	£'000
			£'000	
At 1 January 2021	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
Income and expense credit/(charge)	289	(15)	(1,835)	(1,561)
Recognised in other comprehensive income	(7,313)	(604)	-	(7,917)
At 31 December 2022	(3,523)	(698)	5,572	1,351

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

19 Deferred tax liabilities (continued)

At 31 December 2022 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 2022 was £30,744,000 (2021: £21,463,000).

Deferred tax assets and liabilities at 31 December 2022 have been calculated at the rate applicable to the period in which temporary differences are expected to reverse.

Deferred tax assets of £27,000 are expected to be recovered within 12 months of the balance sheet date and the remaining balance after 12 months. Deferred tax liabilities of £39,982,000 are expected to be settled after the end of the next reporting period.

20 Ordinary shares

Group and company		2022 £	2021 £
Allotted and called up:	A	1,887	1,887
10,000 (2021: 10,000) ordinary shares of £1 each	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 generated from/(used in) operations

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

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Profit/(loss) before tax	35	(31,407)	(100)	(101)
Adjustments for:				
Depreciation	10,292	10,821	-	-
Amortisation of intangibles	354	349	-	-
Loss/(gain) on sale of property, plant and equipment	2	(23)	-	-
Increase in fair value on revaluation of investment properties	(653)	(100)	-	-
Release of deferred income	(117)	(148)	-	-
Interest income	(3)	(18)	-	-
Interest expense	23,632	23,184	-	-
Difference between pension charge and cash contributions	1,154	1,565	-	-
Changes in working capital:				
Increase in inventories	(23)	(8)	-	-
Increase in trade and other receivables	(5,733)	(1,903)	7	2
Increase in trade and other payables	9,580	1,644	(7)	(7)
Change in other non-current liabilities	-	137	-	-
Cash generated from/(used in) continuing operations	38,520	4,093	(100)	(106)

22 Employee benefits costs

	2022	2021
	Total	Total
	£'000	£'000
Staff costs for the group during the year		
Wages and salaries	13,658	8,009
Social security costs	1,426	959
Other pension costs (note 23)	1,981	2,103
	17,065	11,071

Staff costs for the company were £nil (2021: £nil).

In the prior year the wages and salaries costs above are shown net of £1,431,000 grant income received under the Government Coronavirus Job Retention Scheme.

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	2022 Number	2021 Number
Traffic	213	186
Commercial	79	61
Administration	38	30
Total	330	277

Directors

	2022 £'000	2021 £'000
Aggregate emoluments – amounts payable and accrued	1,516	885

Directors

No director received any emoluments for services to the company or the group during the year (2021: £nil).

23 Retirement benefit asset/(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 £825,000 (2021: £633,000).

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.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

23 Retirement benefit asset/(liability) (continued)

Defined benefit plans

The principal actuarial assumptions used were as follows:

	2022	2021
	%	%
Rate of increase in pensionable salaries	3.05	3.25
CPI linked pension increases	2.75	2.95
Discount rate	4.80	1.80
RPI inflation assumption	3.20	3.40
CPI inflation assumption	2.75	2.95
Deferred revaluation	2.75	2.95
Post-88 GMP increases (CPI inflation limited to 3% p.a.)	2.25	2.35

The following table shows assumed life expectancies for example members. The underlying mortality tables at 31 December 2022 are based on the published SAPS 2 "Normal Health" base tables with future improvements in line with CMI 2021 with a smoothing factor of 7.5, an initial addition of 0.00% p.a. and a 1.25% p.a. long-term improvement rate and a w2020 parameter of 15% and w2021 parameter of 0%. The life expectancies below are based on these assumptions.

	2022	2021
	Years	Years
Future pensioner aged 65 in 20 periods (male)	22.7	22.9
Future pensioner aged 65 in 20 periods (female)	26.2	26.3
Current pensioner aged 70 (male)	17.1	17.3
Current pensioner aged 70 (female)	20.0	20.2

At 31 December 2022 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 2022 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 group'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, but a final salary underpin applies to certain qualifying members for service until 31 March 2022 (with the McCloud remedy implementation due to extend the breadth of such qualifying members).

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 14 years.

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

23 Retirement benefit asset/(liability) (continued)

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.

Assets

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

Contributions

Contributions are assessed in accordance with the advice of qualified actuaries. Specifically, the actuary will determine a primary contribution rate in respect of future service and a secondary rate in respect of any deficit. The Airport made contributions into the TWPF of £252k over the year ending 31 December 2022.

Reconciliation of defined benefit obligation	2022	2021
	£'000	£'000
Defined benefit obligation at 1 January	150,533	153,312
Current service cost	1,117	1,131
Interest cost	2,678	1,971
Past service cost	-	300
Employee contributions	164	162
Actuarial gain	(59,871)	(935)
Benefits and expenses paid	(3,698)	(3,609)
Experience loss/(gain) on liabilities	6,669	(1,799)
Defined benefit obligation at 31 December	97,592	150,533
Reconciliation of assets over the year	2022	2021
	£'000	£'000
Plan assets at 1 January	136,526	124,442
Interest income	2,428	1,597
Return on plan assets, excluding amounts included in net interest cost	(10,690)	13,694
Administration expenses	(39)	(39)
Employer contributions	252	279
Member contribution	164	162
Benefits and expenses paid	(3,698)	(3,609)
Plan assets on 31 December	124,943	136,526
Actual return on assets	(8,262)	15,291

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

23 Retirement benefit asset/(liability) (continued)

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

	2022	2021
	£'000	£'000
Present value of scheme liabilities	(97,592)	(150,533)
Total market value of plan assets	124,943	136,526
Surplus/(deficit)	27,351	(14,007)
IFRIC 14 adjustment / Surplus restriction	(13,258)	-
Net asset/(liability) recognised in the balance sheet	14,093	(14,007)

The amounts recognised in the income statement are as follows:

	2022	2021
	£'000	£'000
Current service cost	1,117	1,131
Administration cost	39	39
Past service cost	-	300
Net interest cost	250	374
Total expense	1,406	1,844

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

Analysis of the movement in the balance sheet (asset)/liability	2022	2021
	£'000	£'000
At 1 January	14,007	28,870
Total expense as above	1,406	1,844
Actuarial gain recognised in other comprehensive income	(29,254)	(16,428)
Contributions paid	(252)	(279)
At 31 December	(14,093)	14,007

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

	2022	2021
	£'000	£'000
Return on plan assets (excluding amounts included in net interest expense)	10,690	(13,694)
Experience loss/ (gain) on liabilities	6,669	(1,799)
Actuarial gain arising from changes in financial assumptions	(59,871)	(935)
IFRIC 14 adjustment / Surplus restriction	13,258	-
Re-measurement of the net benefit (asset)/ liability	(29,254)	(16,428)

The cumulative amount recognised in the Statement of comprehensive income since 1 January 2004 is £34,944,000 (2021: £5,690,000).

Expected contributions to pension plans in 2022 are £300,000 to be paid by the Airport and £165,000 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 asset/(liability) (continued)

Major categories of plan assets are as follows:	2022	2021
UK equities	8%	10%
Overseas equities	32%	38%
Bonds	25%	26%
Property	11%	8%
Infrastructure	5%	3%
Private equity	11%	9%
Private debt	6%	4%
Cash	2%	2%

The asset splits at 31 December 2021 and 31 December 2022 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 position at 31 December 2022 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 increase the asset by £1,310,000. A 0.1% decrease in the discount rate would decrease the asset by £1,339,000.

A 0.1% increase in the inflation assumption would decrease the asset by £1,253,000. A 0.1% decrease in the inflation assumption would increase the asset by £1,231,000.

A 1 year increase in the life expectancy would decrease the asset by £2,979,000. A 1 year decrease in the life expectancy would increase the asset by £3,027,000.

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 asset/(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 group 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.

Exiting employers may be liable to pay an exit payment based on the liabilities of their current and former employees on a low-risk basis. If for any reason it is not possible to obtain all or part of an exit payment due from an exiting employer not associated with a council, or from an insurer, or any person providing an indemnity, bond or guarantee on behalf of the exiting employer, the TWPF's administering authority can approach all other remaining employers in the Fund for a proportionate share of the outstanding payment. The TWPF's administering authority generally has discretion over whether an exit credit is payable to a specific employer if its exit valuation shows an actuarial surplus as determined by the Fund actuary. The company's actuary estimates that it is in a significant surplus position in respect of its defined benefit obligation measured on a low-risk basis at 31 December 2022.

24 Capital and other financial commitments

	2022	2021
	£'000	£'000
Contracts placed for future expenditure on property, plant and equipment not provided in the financial statements	5,644	-

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's 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:	2022	2021
	£'000	£'000
Northumberland County Council	16,041	14,774
The Council of the City of Newcastle upon Tyne	18,410	16,955
The Council of the Borough of South Tyneside	10,521	9,690
The Borough Council of Gateshead	13,864	12,769
The Council of the City of Sunderland	19,621	18,071
Durham County Council	12,635	11,636
Total	91,092	83,895

Newcastle Airport Local Authority Holding Company Limited

Notes to the financial statements (continued)

25 Related party transactions (continued)

The shareholders of the company made a capital contribution of £250,000 in the current year (2021: £nil).

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 2022 were £1,516,000 (2021: £885,000).

In the prior year, the group received ground rent from Tynexe Commercial Ltd amounting to £39,646. Alternate Director J McCarty, who resigned on 26th May 2021, held a Directorship at the company until 25th May 2022.

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.