NIAL Services Limited

Annual report and financial statements

For the year ended 31 December 2019

Registered Number: 02633647

NIAL Services Limited

Annual report and financial statements for the year ended 31 December 2019

Contents

NIAL Services Limited

Directors and Advisers

Executive directors
M Hunt
N Jones
R Knight

Company secretary and registered office
M Hunt
Unit 1
Prestwick Industrial Estate
Ponteland
Newcastle upon Tyne
NE20 9DA

Domicile, legal form and country of incorporation
The company is domiciled, incorporated, registered and operates in England, United Kingdom and is a private limited company limited by shares.

Bankers
Royal Bank of Scotland
2 ½ Devonshire Square
London
EC2M 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

NIAL Services Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic Report on the company for the year ended 31 December 2019.

Principal activities

The principal activities of the company are the provision of labour services for Newcastle International Airport and third parties and holding of land.

Review of business and dividends

During the year the company continued to expand its provision of labour services to third parties and other NIAL Group companies. Services comprise primarily those delivered for security, cleaning, terminal and fire service-related activities.

No dividends were paid during the current or prior year. A dividend of £9,388,000 was approved on 30 January 2020 representing £23,470 per share.

Future prospects

On 11 March 2020, the World Health Organisation (WHO) declared Coronavirus COVID-19 a global pandemic. Measures taken to stop the spread of the infection resulted in travel restrictions and widespread grounding of flights. While the full financial impact is unknown at this point, performance in 2020 will be significantly affected by the pandemic. Since the national lockdown during April and May commercial flying has resumed at a modest level and the long term outlook for the business remains positive.

Financial result for 2019

Total revenue in 2019 was £4,538,546 (2018: £4,397,665). The profit after tax for the year ended 31 December 2019 amounts to £529,133 compared to a profit of £581,328 for the year ended 31 December 2018. The decrease in profit was predominantly attributable to increased labour costs. The net assets of the company as at the balance sheet date were £6,614,473 (2018: £6,085,340).

Principal risks and uncertainties

The principal risks facing the company are those associated with the underlying aviation market as a whole as the business provides labour primarily to aviation-related activities.

Weaker demand for flying poses a risk to future growth and may come from a number of factors including underlying economic conditions, increased flight prices, which themselves are driven from input price increases such as the cost of fuel and air passenger duty. External factors such as severe weather or terrorist activity can also contribute to a temporary reduction in passenger numbers. The Coronavirus pandemic is the most significant external risk currently facing the business. Management has reacted quickly to the crisis by adopting new and safe ways of operating, preserving cash and reducing costs. Newcastle International Airport remains well positioned to weather the current uncertainty until demand for domestic and international travel recovers.

Following the referendum vote in 2016 for the UK to leave the EU and subsequent Brexit on 31 January 2020 there has been no significant impact on trading. The future terms under which the UK and EU will trade are still to be determined and management continues to closely monitor developments in order to mitigate any risks to the business.

NIAL Services Limited

Strategic report for the year ended 31 December 2019 (continued)

Key performance indicators

The company's principal key performance indicator is turnover derived from the provision of labour services. For the year ended 31 December 2019 turnover from such services amounted to £4,538,546 (2018: £4,397,665).

By order of the Board

Mark Hunt

M Hunt
Company Secretary

22 September 2020

NIAL Services Limited

Directors' report for the year ended 31 December 2019

The directors present their annual report and the audited financial statements of NIAL Services Limited for the year ended 31 December 2019.

Future developments of the company and dividends proposed have been disclosed within the Strategic Report on page 2. Except for the global coronavirus pandemic disclosed in the Strategic Report there have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

Directors

The directors of the company during the year ended 31 December 2019, all of whom have been directors for the whole of the year ended on that date and up to the date of approval of the financial statements unless stated otherwise were as follows:

M Hunt
N Jones
R Knight

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 company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

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 company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

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

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 12 month period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 company will continue in business.

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

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

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

Going concern

In adopting the going concern basis for these financial statements, the Directors have considered the company's business activities, together with factors likely to affect the future development and performance, as well as the company's principal risks and uncertainties.

The unprecedented travel restrictions resulting from the spread of COVID-19 have significantly affected the company's activities from March 2020 to date. While air travel has resumed at a modest level, there remains significant uncertainty about the future impact of the global pandemic.

However, at this time, the group maintains a strong liquidity position and management has acted promptly by implementing measures to protect cash, including cost saving initiatives and deferral of capital investment.

On 14 May 2020 the group obtained the approval from its banks and noteholders for the waiver of the requirement to perform loan covenant testing as at 30 June 2020 and 31 December 2020.

The group has prepared several financial forecasts. These financial models assume a phased recovery of passenger volumes and contain assumptions over revenue, profitability and cash generation. The group's forecast cash flows have been stress-tested for severe but plausible scenarios, resulting from the impact of COVID-19 that could affect the group and company. The forecasts indicate that covenants may be breached during the going concern period. At the date of the financial statements, a covenant waiver is not in place with the group's banks and noteholders for the 30 June 2021 test or subsequent tests.

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

After reviewing the financial forecast scenarios and considering the uncertainties and current funding facilities the Directors have a reasonable expectation that the group will obtain covenant waivers or relaxations and that it has sufficient resources to continue operating for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing these financial statements.

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

Financial risk management

The company's activities expose it primarily to the financial risk of liquidity risk, credit risk and cash flow interest rate risk. The board reviews and agrees policies for managing each of these risks, and others and they are summarised below.

Liquidity risk

As regards liquidity, the policy of the company has throughout the year been to maintain a mix of short term borrowings with short term flexibility achieved through overdraft facilities.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and credit exposures to customers, including outstanding receivables.

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

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.

Cash flow interest rate risk

The company does not borrow significant amounts under its overdraft facility. Consequently it is not exposed to significant interest rate risk.

Independent auditors and disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report, confirms that as far as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company'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 company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the Board

M Hunt
Company Secretary

22 September 2020

NIAL Services Limited

Independent auditors' report to the members of NIAL Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, NIAL Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 balance sheet as at 31 December 2019; the statement of comprehensive income, the statement 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the statement of accounting policies concerning the company's ability to continue as a going concern.

The Company's forecast cash flows have been stress-tested for severe but plausible scenarios, resulting from the impact of COVID-19 that could affect the Company. The forecasts indicate that covenants may be breached during the going concern period. At the date of the financial statements, a covenant waiver is not in place with the Company's banks and noteholders for the 30 June 2021 test or subsequent tests.

These conditions, along with the other matters explained in the statement of accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Independent auditors' report to the members of NIAL Services 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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 company and its 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of NIAL Services Limited (continued)

Responsibilities for the financial statements and the audit (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.

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.

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 received 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne

22 September 2020

NIAL Services Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019	2018
		£	£
Revenue	1	4,538,546	4,397,665
Employee benefit costs	10	(3,901,690)	(3,700,758)
Other expenses		(106,848)	(115,533)
Operating profit	1	530,008	581,374
Profit before tax		530,008	581,374
Taxation	2	(875)	(46)
Profit for the year		529,133	581,328

All of the above activities relate to continuing operations. There were no items of other comprehensive income.

NIAL Services Limited

Balance sheet as at 31 December 2019

	Note	2019	2018
		£	£
Assets			
Non-current assets			
Property, plant and equipment	3	2,775,007	2,775,007
Investment in subsidiaries	4	5,000	5,000
		2,780,007	2,780,007
Current assets			
Trade and other receivables	5	6,840,806	5,907,658
Cash and cash equivalents	6	630,904	986,183
		7,471,710	6,893,841
Liabilities			
Current liabilities			
Trade and other payables	7	(3,203,846)	(3,155,985)
		(3,203,846)	(3,155,985)
Net current assets		4,267,864	3,737,856
Non-current liabilities			
Deferred tax liabilities	8	(433,398)	(432,523)
Net assets		6,614,473	6,085,340
Shareholders' equity			
Called up share capital	9	400	400
Deemed cost reserve	9	2,146,475	2,146,475
Retained earnings		4,467,598	3,938,465
Total equity		6,614,473	6,085,340

These financial statements of NIAL Services Limited, registered number 02633647, on pages 10 to 25 were approved by the board of directors and authorised for issue on 22 September 2020 and were signed on its behalf by:

Mark Hunt

M Hunt

Director

NIAL Services Limited

Statement of changes in equity for the year ended 31 December 2019

	Deemed cost reserve	Share capital	Retained earnings	Total equity
	£	£	£	£
At 1 January 2018	2,146,475	400	3,357,137	5,504,012
Profit and total comprehensive income for the year	-	-	581,328	581,328
At 31 December 2018	2,146,475	400	3,938,465	6,085,340
Profit and total comprehensive income for the year	-	-	529,133	529,133
At 31 December 2019	2,146,475	400	4,467,598	6,614,473

NIAL Services 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 company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2019 the company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) "Reduced Disclosure Framework" as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union but makes amendments where necessary in order to comply with Companies Act 2006. The company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1; reconciliation of share capital at the beginning and end of the period,
  - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment',
  - (ii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related Party disclosures' (key management compensation).
- The requirements in IAS 24 'Related Party disclosures', to disclose related party transactions entered into between two or more members of a group.

Where relevant, equivalent disclosures have been given in the consolidated accounts of NIAL Group Limited, which may be obtained from the company secretary at the address noted on page 1.

The financial statements have been prepared under the historical cost convention.

NIAL Services Limited

Statement of accounting policies (continued)

Going concern

In adopting the going concern basis for these financial statements, the Directors have considered the company's business activities, together with factors likely to affect the future development and performance, as well as the company's principal risks and uncertainties.

The unprecedented travel restrictions resulting from the spread of COVID-19 have significantly affected the company's activities from March 2020 to date. While air travel has resumed at a modest level, there remains significant uncertainty about the future impact of the global pandemic.

However, at this time, the group maintains a strong liquidity position and management has acted promptly by implementing measures to protect cash, including cost saving initiatives and deferral of capital investment.

On 14 May 2020 the group obtained the approval from its banks and noteholders for the waiver of the requirement to perform loan covenant testing as at 30 June 2020 and 31 December 2020.

The group has prepared several financial forecasts. These financial models assume a phased recovery of passenger volumes and contain assumptions over revenue, profitability and cash generation. The group's forecast cash flows have been stress-tested for severe but plausible scenarios, resulting from the impact of COVID-19 that could affect the group and company. The forecasts indicate that covenants may be breached during the going concern period. At the date of the financial statements, a covenant waiver is not in place with the group's banks and noteholders for the 30 June 2021 test or subsequent tests.

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

After reviewing the financial forecast scenarios and considering the uncertainties and current funding facilities the Directors have a reasonable expectation that the group will obtain covenant waivers or relaxations and that it has sufficient resources to continue operating for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing these financial statements.

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

Revenue recognition

Revenue comprises sales of labour services to third parties which are recognised when the delivery of the service takes place. All revenues arise in the UK.

In accordance with IFRS15 Revenue from Contracts with Customers the company 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.

Statement of accounting policies (continued)

Revenue recognition (continued)

The company 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 company satisfies a performance obligation before it receives the consideration, the company 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 company recognises revenue for its major sources on the following basis:

- Labour services revenue is recognised over time upon satisfaction of the performance obligation, i.e. the delivery of the service.

Employee benefit costs

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

Financial instruments

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

Financial assets and financial liabilities are recognised when the company 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.

Statement of accounting policies (continued)

Financial instruments (continued)

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

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

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company'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.

Property plant and equipment

Property, plant and equipment are stated at historical cost or revalued amount less accumulated depreciation. Historical cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use. The depreciation base is determined as cost less any residual value. Depreciation is charged on a reducing balance 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.

Land is held for use in the services provided by the group and is stated in the balance sheet at deemed cost, being its fair value at the date of transition to IFRS as permitted by IFRS1. Land is not depreciated.

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

Land and buildings:	Land	Not depreciated

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 scrappage 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.

Impairment of fixed tangible assets

The carrying amount of property, plant and equipment is assessed annually to determine whether there are indications of any impairment of the value beyond what is expressed in the amortisation or depreciation charges. If that is the case, an impairment charge is taken against the recoverable amount of the assets, if that is lower than the carrying amount.

The recoverable amount of the asset is determined as the higher of the net selling price and the value in use. If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest company of assets for which a reliable recoverable amount can be determined in an overall assessment.

NIAL Services Limited

Statement of accounting policies (continued)

Share capital

There are 400 ordinary shares of £1 each.

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 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 company'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 company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed or goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

In relation to the impairment of financial assets, IFRS 9 requires the company 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 company 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.

NIAL Services Limited

Statement of accounting policies (continued)

Trade and other receivables (continued)

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.

Cash and cash equivalents, overdrafts and money market deposits

Cash and cash equivalents includes cash and balances in accounts with no or short notice. Overdrafts include moneys borrowed which are repayable on demand and are included within borrowings.

Investments

Investments in subsidiaries are carried at cost less any provision for impairment. Provision for impairment is made where carrying value of the investment exceeds the net assets of the entity the investment is held in.

Dividends

Dividends are recognised as a liability or asset at the time of approval by the shareholders. Finance income comprises income from dividends which is recognised when the right to receive payment is established.

Other payables

Other payables primarily comprise income taxes, other taxes, contributions payable to the company's defined contribution pension scheme and interest payable which are measured at fair value and subsequently at amortised cost.

Operating profit

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

Critical accounting judgements

In the application of the company'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.

Key sources of estimation uncertainty

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

Impairment of tangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent

NIAL Services Limited

Statement of accounting policies (continued)

Impairment of tangible assets (continued)

basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The discount factor used is 7.8% (2018: 6.1%).

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

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 - Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Annual improvements to IFRS Standards 2015-2017 Cycle

The company adopted IFRS 16 with an initial application date of 1 January 2019. The standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability on the balance sheet. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The company applied the modified retrospective transition method and thus prior year comparatives were not restated. It also chose to apply the transition practical expedient that permits the entity not to reassess if a contract is, or contains, a lease at the date of initial application. The company also elected to apply the recognition exemptions for short-term leases and leases for which the underlying asset is of low value.

The adoption of IFRS 16 and has not had any material impact on the company's financial position, profit or loss, other comprehensive income or total comprehensive income, hence no cumulative effect of initially applying the new standard on 1 January 2019 has been recognised.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Notes to the financial statements

1 Revenue and operating profit

Revenue

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

Operating profit	2019 £	2018 £
The following charges have been included in arriving at operating profit:		
Staff costs (note 10)	3,901,690	3,700,758

Services provided by the company's auditors

Fees in respect of the audit of the financial statements of NIAL Services Limited amounted to £4,000 (2018: £4,000).

2 Taxation

	2019 £	2018 £
Deferred tax		
Origination and reversal of temporary differences	(262)	(509)
Change in UK tax rate	28	54
Adjustments in respect of previous years	1,109	501
Total deferred tax	875	46
Tax charge for the year	875	46

The tax for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £	2018 £
Profit before taxation	530,008	581,374
Profit multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	100,702	110,461
Intra group dividend paid not taxable	-	-
Adjustments in respect of previous years	1,109	501
Group relief at nil cost	(100,964)	(110,970)
Change in UK tax rate	28	54
Tax charge for the year	875	46

Notes to the financial statements (continued)

2 Taxation (continued)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. A further reduction in the corporation tax rate to 17% from April 2020 was enacted in Finance Act 2016. Accordingly the company's profits for this year are taxed at an effective rate of 19.00% (2018: 19.00%) and closing deferred taxation has been calculated based on a rate of 17% (2018:17%).

3 Property, plant and equipment

	Land	Total
	£	£
Cost or valuation		
As at 1 January 2019	2,775,007	2,775,007
At 31 December 2019	2,775,007	2,775,007
Accumulated depreciation		
As at 1 January 2019	-	-
At 31 December 2019	-	-
Net book amount		
At 1 January 2019	2,775,007	2,775,007
At 31 December 2019	2,775,007	2,775,007

4 Investment in subsidiaries

Shares in group undertaking:	2019	2018
	£	£
Cost and net book amount		
At 1 January and 31 December	5,000	5,000

The investment in the group undertaking is stated at cost. The company's subsidiary undertaking is Newcastle Park & Fly Limited, a company incorporated and operating in England. The registered office is Unit 1, Prestwick Industrial Estate, Ponteland, Newcastle Upon Tyne, NE20 9DA. NIAL Services Limited owns 100% of the ordinary share capital of this company whose business is the operation and provision of car parking facilities. The directors consider that the carrying value of the investment is supported by its underlying net assets.

Notes to the financial statements (continued)

5 Trade and other receivables

	2019	2018
	£	£
Amounts owed by group undertakings (trading balances)	6,736,565	5,884,616
Trade Receivables	104,241	23,042
	6,840,806	5,907,658

The directors consider that the carrying value of trade and other receivables is approximately equal to its fair value. The amounts owed by group companies have no fixed repayment term, are unsecured and do not attract interest.

Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position as well as expected credit loss. The directors have not identified any material amounts of expected credit loss on both intercompany and trade receivables.

No material amounts of contract assets as defined in IFRS15 are included in the current or prior year.

6 Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	630,904	986,183

The directors consider that the carrying value of cash and cash equivalents is approximately equal to their fair value.

7 Trade and other payables

	2019	2018
	£	£
Amounts owed to group undertakings (trading balances)	2,975,727	2,984,224
Other tax and social security payable	90,724	74,473
Accruals	137,395	97,288
Total	3,203,846	3,155,985

The directors consider the carrying value of other payables is approximately equal to their fair value.

Amounts due to the subsidiary company arise as a result of short term cash advances for trading purposes. These amounts are unsecured, have no fixed repayment terms and do not attract interest.

There were no material contract liabilities relating to performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at the balance sheet date in the current or prior year.

NIAL Services Limited

Notes to the financial statements (continued)

8 Deferred tax liabilities

Deferred tax assets and liabilities at 31 December 2019 have been calculated at the rate applicable to the period in which temporary differences are expected to reverse. Finance Act 2016 introduced legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 and this rate has therefore been used to measure deferred tax assets and liabilities where applicable.

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

	2019	2018
	£	£
At 1 January	432,523	432,477
Income statement expense	875	46
At 31 December	433,398	432,523

9 Called up share capital

	2019	2018
	£	£
Authorised, allotted, called up and fully paid:		
400 (2018: 400) ordinary shares of £1 each	400	400

The deemed cost reserve is a historic balance that was created on revaluation of the company's land and buildings to the market value at the date of transition to International Financial Reporting Standards (IFRS) on 1 October 2003.

NIAL Services Limited

Notes to the financial statements (continued)

10 Employee Benefit Costs

	2019	2018
	£	£
Staff costs for the company during the year		
Wages and salaries	3,509,835	3,353,826
Social security costs	228,427	217,779
Other pension costs	163,428	129,153
	3,901,690	3,700,758

Average monthly number of people employed:

By business activity	**2019**	2018
	Number	Number
Operations	209	213
Total	209	213

No director received any emoluments for services to the company during the year (2018: £nil).

Notes to the financial statements (continued)

11 Contingent liabilities

The company is subject to a cross guarantee between all group companies in connection with the senior debt raised by its fellow group company, NIAL Finance Limited. The total amount of this debt at the year end was £237,621,000 (2018: £237,621,000).

12 Ultimate parent undertaking and related party transactions

Newcastle International Airport Limited owns 100% of the shares in NIAL Services Limited. All transactions with Newcastle International Airport Limited and Newcastle Park & Fly Limited are done on an arm's length basis.

Newcastle Airport Local Authority Holding Company Limited, incorporated in Great Britain, is the ultimate controlling party and the parent undertaking of the largest group to consolidate these financial statements. The registered address of Newcastle Airport Local Authority Holding Company Limited is Town Hall, South Shields, NE33 2RL. NIAL Group Limited is the parent undertaking of the smallest group to consolidate these financial statements. The registered address of NIAL Group Limited and Newcastle International Airport Limited is Woolsington, Newcastle upon Tyne, NE13 8BZ Copies of the consolidated financial statements may be obtained from the company secretary.

13 Post balance sheet events

The unprecedented travel restrictions resulting from the spread of COVID-19 have significantly affected the company's activities from March 2020 to date.

Management acted promptly to implement measures to protect cash, including cost saving initiatives and deferral of capital investment.

On 14 May 2020 the group obtained the approval from its Banks and Noteholders for the waiver of the requirement to perform loan covenant testing as at 30 June 2020 and 31 December 2020.