

NIAL Services Limited
Annual report and financial statements
For the year ended 31 December 2022

Registered Number: 02633647

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NIAL Services Limited

Annual report and financial statements for the year ended 31 December 2022

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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

Wigan (D) Branch,

38 Market Place

Wigan

WN1 1PJ

Independent auditors

PricewaterhouseCoopers LLP

Statutory Auditors

Level 5 and 6

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 2022

The directors present their Strategic Report on the company for the year ended 31 December 2022.

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

The company continued to provide labour services including security, cleaning, terminal and fire service-related activities to its parent Newcastle International Airport Limited and third parties. A partial recovery following the COVID-19 pandemic was seen in the Aviation industry in 2022. Although flying activity in the first quarter of the year was impacted by the Omicron variant, traffic throughput recovered quickly from the beginning of the summer season, propelled by pent-up demand following the travel restrictions during the previous two years. The company's year on year revenue increased by 114%.

Dividends paid in the year amounted to £14,168,000, representing £35,420 per share. No dividends were paid in the prior year.

Future prospects

The recovery from the COVID pandemic is expected to progress well in 2023. The Airport will work closely with its airline partners to support the continued recovery of passenger numbers and stimulate future growth. This will be supported through marketing and the delivery of a positive customer experience. The long term outlook for the business remains positive.

Financial result for 2022

Total revenue in 2022 was £5,376,819 (2021: £2,516,320). The profit after tax for the year ended 31 December 2022 amounted to £14,742,604 compared to a profit of £163,562 for the year ended 31 December 2021. The net assets of the company as at the balance sheet date were £3,272,014 (2021: £2,697,410).

Principal risks and uncertainties

The principal risks facing the group which comprises NIAL Group Limited, the parent company, and its subsidiaries' (together 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.

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.

NIAL Services Limited

Strategic report for the year ended 31 December 2022 (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 2022 turnover from such services amounted to £5,376,819 (2021: £2,516,320).

By order of the Board

A handwritten signature in black ink that reads "Mark Hunt". The signature is written in a cursive style with a large initial 'M' and a distinct 'H'.

M Hunt

Company Secretary

22 September 2023

NIAL Services Limited

Directors' report for the year ended 31 December 2022

The directors present their annual report and the audited financial statements of NIAL Services Limited for the year ended 31 December 2022.

Future developments of the company and dividends proposed have been disclosed within the Strategic Report on page 2.

Directors

The directors of the company during the year ended 31 December 2022, 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.

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 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.

The matters that the board is responsible for considering under Section 172 of the Companies Act 2006 have been considered to an appropriate extent by the group board in relation both to the group and to NIAL Services Limited. Detailed disclosures are set out in the consolidated financial statements of NIAL Group Limited, which may be obtained from the company secretary at the address noted on page 1.

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

NIAL Services 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 United Kingdom Accounting Standards, comprising FRS 101 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.

The directors are 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 also 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

The company has received confirmation by virtue of a letter of support from NIAL Group Limited that it will provide financing as required and will not seek repayment of amounts owing for a period of at least twelve months from the date of signing of these financial statements if doing so would cause NIAL Services Limited to be unable to meet its other liabilities and obligations as they fall due.

As a result of the above, and given the intrinsically linked nature of all the companies within the NIAL Group Limited group of companies (the group), in adopting the going concern basis for these financial statements, the Directors have considered the activities and cash flows of the company as part of the assessment of the business activities and cash flows of the group, 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.

NIAL Services Limited

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

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.

By order of the Board



M Hunt
Company Secretary

22 September 2023

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 2022 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, including 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: Balance sheet as at 31 December 2022; Statement of comprehensive income and 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.

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 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 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 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 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 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)

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 company 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. 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.

NIAL Services Limited

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

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 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 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
22 September 2022

NIAL Services Limited

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £	2021 £
Revenue	1	5,376,819	2,516,320
Employee benefit costs	11	(4,730,329)	(2,571,030)
Other expenses		(55,870)	(79,956)
Other income	1	-	434,089
Operating profit	1	590,620	299,423
Finance income	2	14,168,000	-
Profit before tax		14,758,620	299,423
Tax on profit	3	(16,016)	(135,861)
Profit and total comprehensive income for the financial year		14,742,604	163,562

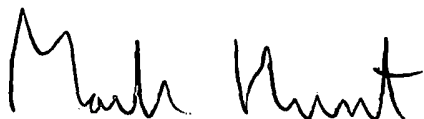
All of the above activities relate to continuing operations.

NIAL Services Limited

Balance sheet as at 31 December 2022

	Note	2022	2021
		£	£
Assets			
Non-current assets			
Property, plant and equipment	4	2,775,007	2,775,007
Investment in subsidiaries	5	5,000	5,000
		2,780,007	2,780,007
Current assets			
Trade and other receivables	6	5,103,420	2,437,495
Cash and cash equivalents	7	218,843	262,059
		5,322,263	2,699,554
Liabilities			
Current liabilities			
Trade and other payables	8	(4,189,939)	(2,157,850)
		(4,189,939)	(2,157,850)
Net current assets		1,132,324	541,704
Non-current liabilities			
Deferred tax liabilities	9	(640,317)	(624,301)
Net assets		3,272,014	2,697,410
Equity			
Called up share capital	10	400	400
Deemed cost reserve	10	1,991,424	1,991,424
Retained earnings		1,280,190	705,586
Total equity		3,272,014	2,697,410

These financial statements of NIAL Services Limited, registered number 02633647, on pages 11 to 26 were approved by the board of directors and authorised for issue on 22 September 2023 and were signed on its behalf by:



M Hunt
Director

NIAL Services Limited

Statement of changes in equity for the year ended 31 December 2022

	Deemed cost £	Share capital £	Retained earnings £	Total equity £
At 1 January 2021	2,146,475	400	386,973	2,533,848
Profit and total comprehensive income for the year	(155,051)	-	318,613	163,562
At 31 December 2021	1,991,424	400	705,586	2,697,410
Profit and total comprehensive income for the year	-	-	14,742,604	14,742,604
Dividends paid	-	-	(14,168,000)	(14,168,000)
At 31 December 2022	1,991,424	400	1,280,190	3,272,014

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. 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.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of UK adopted international accounting standards and the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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',
 - (iii) 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 financial statements 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.

The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of the intermediate parent company NIAL Group Limited.

NIAL Services Limited

Statement of accounting policies (continued)

Going concern

The company has received confirmation by virtue of a letter of support from NIAL Group Limited that it will provide financing as required and will not seek repayment of amounts owing for a period of at least twelve months from the date of signing of these financial statements if doing so would cause NIAL Services Limited to be unable to meet its other liabilities and obligations as they fall due.

As a result of the above, and given the intrinsically linked nature of all the companies within the NIAL Group Limited group of companies (the group), in adopting the going concern basis for these financial statements, the Directors have considered the activities and cash flows of the company as part of the assessment of the business activities and cash flows of the group, 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.

NIAL Services Limited

Statement of accounting policies (continued)

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.

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).

NIAL Services Limited

Statement of accounting policies (continued)

Financial instruments (continued)

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
- 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
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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.

NIAL Services Limited

Statement of accounting policies (continued)

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.

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 movement in deferred tax relating to the land valuation recognised on adoption of IFRS (and subsequent transition to FRS 101) is recognised in the profit and loss account. This movement within the profit and loss account is then recognised in the statement of changes in equity as a movement in the deemed cost reserve (not within retained earnings).

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.

NIAL Services Limited

Statement of accounting policies (continued)

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.

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. The directors do not believe there to be any critical judgements in applying the company's accounting policies.

NIAL Services Limited

Statement of accounting policies (continued)

Key sources of estimation uncertainty

The company makes 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. The directors do not consider there to be any key estimates in these financial statements.

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 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 periods and are not expected to significantly affect future periods. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

NIAL Services Limited

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	2022	2021
	£	£
The following charges have been included in arriving at operating profit:		
Staff costs (note 11)	4,730,329	2,571,030

Services provided by the company's auditors

Fees in respect of the audit of the financial statements of NIAL Services Limited amounted to £5,000 (2021: £5,000).

Other income	2022	2021
	£	£
Government Coronavirus Job Retention Scheme (CJRS)	-	434,089
Total Other income	-	434,089

2 Finance income

	2022	2021
	£'000	£'000
Dividends received	14,168,000	-
Total finance income	14,168,000	-

3 Tax on profit

	2022	2021
	£	£
Deferred tax		
Origination and reversal of temporary differences	(1,312)	(749)
Change in UK tax rate	(1,097)	(4,426)
Adjustments in respect of previous years	18,425	141,036
Total deferred tax charge	16,016	135,861
Tax charge for the year	16,016	135,861

NIAL Services Limited

Notes to the financial statements (continued)

3 Tax on profit (continued)

The tax charge (2021: charge) for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £	2021 £
Profit before tax	14,758,620	299,423
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	2,804,138	56,890
Intra group dividend paid not taxable	(2,691,920)	-
Adjustments in respect of previous years	18,425	141,036
Group relief at nil cost	(113,530)	(57,639)
Change in UK tax rate	(1,097)	(4,426)
Tax charge for the year	16,016	135,861

The company's profits for the current year 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.

4 Property, plant and equipment

	Land £	Total £
Cost or valuation		
As at 1 January 2022	2,775,007	2,775,007
At 31 December 2022	2,775,007	2,775,007
Accumulated depreciation		
As at 1 January 2022	-	-
At 31 December 2022	-	-
Net book amount		
At 31 December 2022	2,775,007	2,775,007
At 31 December 2021	2,775,007	2,775,007

NIAL Services Limited

Notes to the financial statements (continued)

5 Investment in subsidiaries

Shares in group undertaking:

Cost and net book amount	£
As at 1 January 2021, 31 December 2021 and 31 December 2022	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.

6 Trade and other receivables

	2022 £	2021 £
Amounts owed by group undertakings (trading balances)	5,034,644	2,316,593
Trade Receivables	18,776	120,902
Prepayments and accrued income	50,000	-
	5,103,420	2,437,495

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.

7 Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	218,843	262,059

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

NIAL Services Limited

Notes to the financial statements (continued)

8 Trade and other payables

	2022	2021
	£	£
Trade payables	6,066	30
Amounts owed to group undertakings (trading balances)	3,879,806	1,997,435
Other tax and social security payable	93,789	105,881
Accruals	173,511	28,994
Other payables	36,767	25,510
Total	4,189,939	2,157,850

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.

9 Deferred tax liabilities

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

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

	Land revaluation £	Other £	Total £
At 1 January 2021	490,995	(2,555)	488,440
Income and expense charge	155,051	(19,190)	135,861
At 31 December 2021	646,046	(21,745)	624,301
Income and expense charge	-	16,016	16,016
At 31 December 2022	646,046	(5,729)	640,317

Deferred tax liabilities of £646,046 are expected to be settled more than 12 months after the end of the reporting year and deferred tax assets of £5,729 are expected to be recovered within 12 month of the balance sheet date.

NIAL Services Limited

Notes to the financial statements (continued)

10 Called up share capital

	2022	2021
	£	£
Authorised, allotted, called up and fully paid:		
400 (2021: 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.

11 Employee Benefit Costs

	2022	2021
	£	£
Staff costs for the company during the year		
Wages and salaries	4,197,672	2,282,611
Social security costs	329,521	157,363
Other pension costs	203,136	131,056
	4,730,329	2,571,030

Average monthly number of people employed:

By business activity	2022	2021
	Number	Number
Operations	121	91
Total	121	91

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

NIAL Services Limited

Notes to the financial statements (continued)

12 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 £238,000,000 (2021: £268,000,000).

13 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.