

Financial highlights (year ended 31 March)

£m (unless specified)	2022	2021	Change (%)
Revenue and regulatory allowances	749.8	823.0	-8.9
Profit/(loss) before tax	8.7	(37.8)	-
Cash used in operations	(172.5)	(264.5)	+34.8
Capital expenditure	100.1	78.8	+27.0
Net debt ^a	849.5	502.8	+69.0
Gearing ^b (%)	60.1%	49.6%	+21.2
Dividends	nil	nil	-

Notes: ^a see note 29 to the financial statements. Net debt excludes derivative financial instruments; ^b ratio of NERL's net debt (as defined by its licence) to regulatory assets¹

- We handled 1.29m flights (2021: 661,000) as Covid travel restrictions lifted. Whilst a 95% increase on the prior year, this was still only equivalent to 50% of pre-pandemic volumes, resulting in an operating cash outflow before capital investment and financing of £172.5m (2021: £264.5m outflow).
- The group reported a profit of £8.7m, after refinancing costs of £41.7m. As for the prior year, the result includes an assessment of regulatory allowances for the Covid revenue shortfall which are being determined by the CAA's retrospective reconciliation of revenue and costs. The prior year loss included redundancy costs (of £65.2m) and a goodwill impairment charge (of £111m).
- In June 2021, NERL completed a full refinancing of its debt structure. It secured £1.6bn of funding by issuing £750m of unsecured bonds and agreed £850m of new unsecured bank facilities. This enabled the repayment of more expensive secured bonds in place since 2003 and of existing bank borrowings. The refinancing ensures the group is well placed for a range of recovery outcomes.
- In December 2021, we acquired the remaining 50% of Searidge, a leader in digital towers and advanced airport solutions.

Operational highlights

- Covid continued to have a significant impact on our operation. Our priority continued to be the health and wellbeing of our employees while maintaining a safe and resilient service for our customers. We have retained the skills and capacity to safely support the recovery of aviation.
- We maintained our strong safety performance with no risk-bearing airprox² attributed to our operation. We carefully monitored and mitigated risks to safety as flight volumes started recovering.
- Following one of the biggest airspace changes undertaken, we removed long-established air routes over Scotland, freeing aircraft to choose a more direct flight path. We also amended Luton Airport arrival routes.
- We presented our business plan for the next five-year price control (NR23: 2023 to 2027) to the Civil Aviation Authority (CAA) for its review and decision later this year. The plan reflected an extensive consultation with stakeholders. It delivers a safe and resilient air traffic service at affordable prices to airspace users while ensuring NERL is able to finance its activities. It provides capacity for flight volumes to grow back above 2019 levels during NR23 while enabling environmental and fuel benefits.
- The Secretary of State for Transport extended NERL's licence notice period from 10 to 15 years.
- We extended our ATC and engineering contract with London Heathrow Airport by five years to 2030. We have also started the transition of Gatwick Airport's contract which we will operate from October 2022.

¹ A number of explanatory notes are provided on page 159 of this report. Abbreviations used in this report are provided on page 158.