NATS Limited

Financial statements
for the year ended 31 March 2013

Company Number: 03155567

Report of the directors

The directors present their report and audited accounts for the company for the year ended 31 March 2013.

Principal activities

The company is a wholly owned subsidiary of NATS Holdings Limited and holds investments in the group's principal operating subsidiaries: NATS (En Route) plc (NERL) and NATS (Services) Limited (NATS Services). The company acts as employer to all staff within the NATS group and incurs these expenses and others on behalf of subsidiary companies which it recharges through Management Services Agreements (MSA).

At completion of the Public Private Partnership transaction on 26 July 2001, transfer schemes hived down the operating assets and liabilities of NATS Limited to NERL and NATS Services. In addition, the company entered into two MSAs with NERL and NATS Services on 25 July 2001. These agreements provide for the provision by the company of personnel and central services to NERL and NATS Services. The cost of central services is recharged on the basis of a fair allocation of costs taking into account the most important drivers for the services provided. NERL and NATS Services are responsible for paying to the company an amount equal to the aggregate of all costs incurred by the company in connection with the employment of the personnel together with appropriate staff related costs and expenses and disbursements.

Business review and results

The results for the year ended 31 March 2013 are shown in the income statement on page 7 and reflect the results of the company under the MSAs explained above. The company reported an operating profit of £nil (2012: £nil). The company received £40.0m in dividends in the year, £28.5m from NERL (2012: £45.0m) and £11.5m from NSL (2012: £5.7m).

The directors consider that the year end financial position was satisfactory and that the company is well placed to develop its activities in the foreseeable future.

A full description of the NATS group's principal activities, including key risks and uncertainties, is contained in the business and financial review section of the annual report and accounts of NATS Holdings Limited.

Dividends

The Board declared and paid a first interim dividend of 21.28 pence per share (totalling £30.0m) in May 2012 and a second interim dividend of 7.09 pence per share (totalling £10.0m) that was paid in December 2012. The Board recommends a final dividend for the year of £nil (2012: £nil).

In May 2013 the Board declared an interim dividend for the year ending 31 March

2014 of 32.98 pence per share (totalling £46.5m) that was paid in May 2013.

Charitable donations

The company made donations of £289 (2012: £nil).

Employees

The company continues its commitment to the involvement of employees in the decision making process through effective leadership at all levels in the organisation. Staff are frequently involved through direct discussions with their managers, cross company work groups and local committees. Regular staff consultations cover a range of topics affecting the workforce, including such matters as unit and corporate performance and business plans. The NATS CEO maintains visibility with staff through visits to NATS locations, where he talks to them about current business issues and takes questions in an open and straightforward manner. Also, employees' views are represented through an open dialogue with Prospect and the Public and Commercial Services Union (PCS); the recognised unions on all matters affecting employees. This is further enhanced through the 'Working Together' programme aimed at working towards partnership principles as the basis for our relationship. Formal arrangements for consultation with staff exist through a local and company-wide framework agreed with the Trades Unions.

It is the company's policy to establish and maintain competitive pay rates which take full account of the different pay markets relevant to its operations. In return, employees are expected to perform to the required standards and to provide the quality and efficiency of service expected by its customers.

The company is an equal opportunities employer. Its policy is designed to ensure that no applicant or employee receives less favourable treatment than any other on the grounds of sex, age, disability, marital status, colour, race, ethnic origin, religious belief or sexual orientation, nor is disadvantaged by conditions or requirements applied to any post which cannot be shown to be fair and reasonable under relevant employment law or codes of practice.

The company is also committed to improving employment opportunities for disabled people. The company will continue to promote policies and practices which provide suitable training and retraining and development opportunities for disabled staff, including any individuals who become disabled, bearing in mind their particular aptitudes and abilities and the need to maintain a safe working environment. The company strives to maintain the health and safety of all employees through an appropriate culture, well-defined processes and regular monitoring. Line managers are accountable for ensuring health and safety is maintained; responsibility for ensuring compliance with both legal requirements and company policy rests with the HR Director.

Policy and practice on payment of creditors

It is the company's policy to pay suppliers within the payment terms of the contract, which is normally 30 to 60 days, based upon the timely receipt of an accurate invoice.

The average number of days taken to pay suppliers calculated in accordance with the requirements of the Companies Act 2006 is 25 days (2012: 22 days).

Directors and their interests

The directors of the company who served during the year and to the date of this report are set out below:

John Devaney
Richard Deakin
Nigel Fotherby
Martin Rolfe
Paul Reid (appointed 31 May 2012)

None of the directors had any interests in the share capital of the company. Interests of the directors in the ordinary shares of the company's parent undertaking NATS Holdings Limited are explained in those accounts.

None of the directors has, or has had, a material interest in any contract of significance in relation to the company's business.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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. They 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.

Each of the directors at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint Deloitte will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board by:

R C-Cole

Richard Churchill-Coleman
Secretary
27 June 2013

Registered office
4000 Parkway, Whiteley, Fareham, Hampshire, PO15 7FL

Registered in England and Wales
Company Number: 03155567

Independent auditor's report to the members of NATS Limited

We have audited the financial statements of NATS Limited for the year ended 31 March 2013 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

John Clennett

John Clennett, Senior Statutory Auditor
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

27 June 2013

Income statement
for the year ended 31 March

	Notes	2013 £m	2012 £m
Revenue	4	400.1	385.1
Staff costs	7(a)	(390.9)	(376.4)
Services and materials		(0.4)	(0.4)
Other operating charges		(8.8)	(8.3)
Net operating costs		(400.1)	(385.1)
Operating profit	6	-	-
Investment revenue	8	40.0	50.7
Profit before tax		40.0	50.7
Tax	9	(0.2)	(0.2)
Profit for the year attributable to equity shareholders		39.8	50.5

All revenue and profit from operations have been derived from continuing operations.

Statement of comprehensive income
for the year ended 31 March

		2013 £m	2012 £m
Profit for the year after tax		39.8	50.5
Other comprehensive income/(expense) for the year			
Actuarial gain/(loss) on defined benefit pension scheme	21(b)	1.4	(4.8)
Deferred tax relating to components of other comprehensive income/(expense)	16	(0.3)	1.2
		1.1	(3.6)
Total comprehensive income for the year attributable to equity shareholders		40.9	46.9

Balance sheet
at 31 March

	Notes	2013 £m	2012 £m
Non-current assets			
Property, plant and equipment	11	-	-
Investments	23	244.6	244.6
Retirement benefit asset	21(b)	0.5	-
Trade and other receivables	12	0.8	1.1
Deferred tax asset	16	-	0.5
		245.9	246.2
Current assets			
Trade and other receivables	12	51.8	43.9
Cash and cash equivalents	13	5.8	5.2
		57.6	49.1
Total assets		303.5	295.3
Current liabilities			
Trade and other payables	14	(49.4)	(37.8)
Provisions	15	(1.6)	(4.2)
		(51.0)	(42.0)
Net current assets		6.6	7.1
Non-current liabilities			
Retirement benefit obligations	21(b)	-	(1.7)
		-	(1.7)
Total liabilities		(51.0)	(43.7)
Net assets		252.5	251.6
Equity			
Called up share capital	17	141.0	141.0
Other reserves		(50.0)	(50.0)
Retained earnings		161.5	160.6
Total equity		252.5	251.6

The financial statements (Company number: 03155567) were approved by the Board of directors and authorised for issue on 27 June 2013 and signed on its behalf by:

Chairman John Devaney

Finance Director Nigel Fotherby

Statement of changes in equity
for the year ended 31 March

	Equity attributable to equity share holders of the Company			
	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2011	141.0	(50.0)	164.4	255.4
Profit for the year	-	-	50.5	50.5
Other comprehensive expense for the year	-	-	(3.6)	(3.6)
Total comprehensive income for the year	-	-	46.9	46.9
Dividends paid	-	-	(50.7)	(50.7)
At 31 March 2012	141.0	(50.0)	160.6	251.6
At 1 April 2012	141.0	(50.0)	160.6	251.6
Profit for the year	-	-	39.8	39.8
Other comprehensive income for the year	-	-	1.1	1.1
Total comprehensive income for the year	-	-	40.9	40.9
Dividends paid	-	-	(40.0)	(40.0)
At 31 March 2013	141.0	(50.0)	161.5	252.5

Other reserves arose on the completion of the PPP transaction in July 2001.

Cash flow statement
for the year ended 31 March

	Notes	2013 £m	2012 £m
Net cash flow from operating activities	18	0.6	0.3
Cash flows from investing activities			
Dividends received		40.0	50.7
Net cash inflow from investing activities		40.0	50.7
Cash flows from financing activities			
Dividends paid		(40.0)	(50.7)
Net cash outflow from financing activities		(40.0)	(50.7)
Increase in cash and cash equivalents during the year		0.6	0.3
Cash and cash equivalents at 1 April		5.2	4.9
Cash and cash equivalents at 31 March		5.8	5.2

1. General information

NATS Limited is a private company incorporated in England and Wales and domiciled in the United Kingdom and acting under the Companies Act 2006. The address of the registered office is on page 4. The nature of the company's operations and its principal activities are set out in the Report of the directors.

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

2. Accounting policies

The following accounting policies have been applied consistently, in both the current and prior year, in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation and accounting

The financial statements have been prepared on the going concern basis. For further detail please refer to page 18. The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union and therefore the company financial statements comply with Article 4 of the EU IAS Regulation.

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendments to IFRS 7: *Financial Instruments: Disclosures*

The company has applied the amendments to IFRS 7 in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred but the transferor retains some level of continuing exposure in the asset.

There are no additional disclosures required by applying this amendment.

The company has applied the amendments to IFRS 7 (amended) titled *Disclosures - Offsetting Financial Assets and Financial Liabilities*. The amendments to this standard require an entity to disclose additional information about the rights to offset financial asset and financial liability balances and any related arrangements for financial instruments.

The impact of the application of this amendment to the standard has resulted in no material disclosures in the financial statements.

Amendments to IAS 12: *Income Taxes*

The company has applied the amendments to IAS 12 (December 2010) titled *Deferred Tax: Recovery of Underlying Assets*. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40: *Investment Property*. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than sale.

The company does not hold any investment property and as such this has not impacted the amounts reported in the financial statements in relation to deferred tax assets and liabilities.

Amendments to IAS 32: *Financial Instruments: Presentation*

The company has applied the amendments to IAS 32 (amended) titled *Offsetting Financial Assets and Financial Liabilities*. The amendments to IAS 32 clarify that the legally enforceable right to offset financial assets and financial liabilities must exist today and cannot be contingent on the occurrence of future events. There is also clarification as to the definition in IAS 32 of simultaneous realisation and settlement of financial assets and financial liabilities, essentially a settlement process would meet the requirements for offsetting if the financial asset and financial liability are to be settled simultaneously or net.

The impact of the application of these amendments to this standard has resulted in no material disclosures in the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended): *Government Loans*
Annual Improvements to IFRSs (2009 - 2011) Cycle
IFRS 9: *Financial Instruments*
IFRS 10: *Consolidated Financial Statements*
IFRS 10, IFRS 12 and IAS 27 (amended): *Investment Entities*
IFRS 11: *Joint Arrangements*
IFRS 12: *Disclosure of Interests in Other Entities*
IFRS 13: *Fair Value Measurement*
IAS 27 (revised): *Separate Financial Statements*
IAS 28 (revised): *Investments in Associates and Joint Ventures*
IFRIC 20: *Stripping Costs in the Production Phase of a Surface Mine*
IAS 19: *Employee Benefits (2011)*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods, except as follows:

IFRS 9: *Financial Instruments* - will impact the measurement and disclosures of financial instruments.
IFRS 12: *Disclosure of Interests in Other Entities* - will impact the disclosure of interests that the company has in other entities.
IFRS 13: *Fair Value Measurement* - will impact the fair value of certain assets and liabilities as well as the associated disclosures.
IAS 19: *Employee Benefits (2011)* - will impact the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures, but not the group's or the company's total obligation. It is likely that following the replacement of expected returns on plan assets with a net finance cost in the income statement, the profit for the period will be reduced and accordingly other comprehensive income increased.

The financial information has been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the NATS Executive team, who is considered to be the chief operating decision maker. An operating segment is a component of NATS Limited that engages in business activities from which it may earn revenues and incur expenses. Operating segments' operating results are reviewed regularly by the Executive team to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment performance is assessed by service line revenue and contribution, where contribution represents revenue less costs directly attributed to individual service lines. Segment results that are reported to the NATS Executive team include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Costs that are not attributed to service lines include the cost of central support functions, depreciation and amortisation (net of government grants), pension accrual rate variances to budget, employee share scheme costs, redundancy and relocation costs, the cost of investing in business growth and any profit/(loss) on disposal of non-current assets.

Operating profit
Operating profit is stated after charging restructuring costs but before investment income, finance costs and taxation.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised as follows:

- Income from the rendering of services is recognised when the outcome can be reliably estimated and then by reference to the stage of completion of the transaction at the balance sheet date;
- Sales of goods are recognised when they are delivered and title has passed;
- Interest income is recognised on a time-proportion basis using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount;
- Dividend income is recognised when the shareholder's rights to receive payment have been established; and
- Turnover is recognised in accordance with the Management Services Agreements.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other items are classified as operating leases.

The company does not have any finance leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairments in value. The cost of property, plant and equipment includes internal and contracted labour costs directly attributable to bringing the assets into working condition for their intended use. Depreciation is provided on a straight-line basis to write off the cost, less estimated residual value, of property plant and equipment over their estimated useful lives as follows:

- Leasehold land: over the term of the lease;
- Freehold buildings: 10-40 years;
- Leasehold buildings: over the remaining life of the lease to a maximum of 20 years;
- Air traffic control systems: 8-15 years;
- Plant and other equipment: 3-15 years;
- Furniture, fixtures and fittings: 10 years; and
- Vehicles: 5-8 years.

Freehold land and assets in the course of construction and installation are not depreciated.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

Borrowing costs
Following the introduction of IAS 23: *Borrowing Costs*, the costs of borrowings directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost

of the asset (i.e. there is no longer a choice to expense such costs). Qualifying assets are those which take a substantial time to get ready for intended use. These do not include assets which are ready for use when acquired.

For NATS Limited this assumes qualifying assets relate to any additions to new projects that begin from 1 April 2009, included in assets under construction, and excludes acquisitions that are acquired in a state ready for use.

When funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual cost of borrowing incurred in the period. IAS 23 requires that where a qualifying asset is funded from a pool of general borrowings, the amount of borrowing costs eligible for capitalisation should be determined by applying an appropriate capitalisation rate (based on the weighted average of borrowing costs applicable to the general outstanding borrowings during the period) to the expenditure during the period, to determine the borrowing costs eligible for capitalisation.

For NATS Limited, the percentage rate for interest capitalisation is calculated as a proportion of the interest costs to the average level of borrowings in the year that relate to qualifying capital expenditure. All qualifying capital expenditure is then inflated by this percentage which has the effect of capitalising related interest costs.

Deferred grants and other contributions to property, plant and equipment
Government grants as contributions to non-current assets are treated as deferred income which is credited to the income statement by equal annual instalments over the expected useful economic lives of the related assets.

Grants of a revenue nature are credited to income in the period to which they relate.

Non-current assets held for sale
Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from the company's development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives, typically over 3 to 12 years. Assets in the course of construction are not amortised. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets, including those in the course of construction, 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 in order to determine the extent of the impairment (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.

Recoverable amount is the higher of net realisable value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax nominal regulated rate of return.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately.

Where an impairment loss on an intangible or tangible asset, excluding goodwill, subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately.

Share based payment
The company has applied the requirements of IFRS 2: *Share-Based Payment*.

In 2001, the company established an All-Employee Share Ownership Plan for the benefit of its employees to hold 5% of the share capital of NATS Holdings Limited. The Plan was initially established through the transfer of shares by the Crown Shareholder at the PPP to NATS Employee Sharetrust Limited (NESL) for £nil consideration. Following financial restructuring in March 2003, further shares were transferred to NESL by The Airline Group (AG) for £nil consideration and NESL was gifted cash of £279,264 to acquire additional shares to maintain the Plan's interest at 5% of the share capital of NATS Holdings Limited. The Plan is administered by NESL, a trustee company. The employee ordinary shares may only be owned by employee shareholders and can only be sold to the trust company.

Shares awarded by the Plan are treated as cash-settled liabilities. A liability is recognised for shares awarded over the period from award to when the employee becomes unconditionally entitled to the shares and are measured initially at their fair value. At each balance sheet date until the liability is settled, as well as at the date of settlement, the fair value of the liability is re-measured based on independent share valuations with any changes in fair value recognised in profit or loss for the year.

In respect of the award schemes, the company provides finance to NESL (NATS Employee Sharetrust Limited) to enable the trust company to meet its obligations to repurchase vested or eligible shares from employees.

The company's share of the costs of running the employee share trust is charged to the income statement.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws 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 values 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 the initial recognition of 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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax in the income statement is charged or credited, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Under the Finance Bill 2012 which was enacted on the 17 July 2012, the corporation tax rate was reduced to 23% with effect from 1 April 2013. It is the Government's intention that legislation will be introduced in the Finance Bill 2013 to reduce the main rate of corporation tax to 21% for the financial year commencing 1 April 2015. The future main tax rate reductions are expected to have a similar impact on the company's financial statements as outlined above, subject to the impact of other developments in the company's tax position which may reduce the beneficial effect of this in the company's tax rate. As the further reductions in UK corporate tax rates have not been substantively enacted at the balance sheet date, this is considered a non-adjusting event in accordance with IAS 10 and no adjustments have been made. The impact of any further reduction will be taken into account at subsequent reporting dates, once the change has been substantively enacted.

Foreign currency translation

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period.

Retirement benefit costs

The company has entered into a deed of Pension Fund adherence with the CAA and the Trustees of the Civil Aviation Authority Pension Scheme whereby the company was admitted to participate in the Civil Aviation Authority Pension Scheme from 1 April 1996. At 31 March 2001, the business of NATS was separated from the CAA. As a consequence, NATS has become a 'non associated employer' which requires the assets relating to the liabilities of NATS active employees at 31 March 2001 to be separately identified within the pension scheme. The pension scheme has been divided into two sections to accommodate this and a series of common investment funds established in which both sections participate for investment purposes. In 2009 and during the 2014 financial year, the group and Trustees introduced a number of pension reforms, as explained in note 21. These included: closing the defined benefit scheme to new entrants with effect from 1 April 2009 and establishing a defined contribution scheme for new entrants from 1 April 2009, limiting the rate of increase in pensionable pay and changing the indexation reference rate for future service.

The Civil Aviation Authority Pension Scheme is a funded defined benefit scheme. The assets of the scheme are held in a separate trustee administered fund. Pension costs are assessed in accordance with the advice of a qualified actuary using the Projected Unit Credit Method. Actuarial valuations are carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the year in which they occur. They are recognised outside the income statement and presented in the statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents that proportion, not relating to staff seconded to NERL and NSL, of the fair value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Contributions to the defined contribution pension scheme are expensed as incurred.

Provisions
Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Financial instruments
Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Detailed disclosures are set out in notes 12 - 14.

Financial Assets
Financial assets, other than hedging instruments, can be divided into the following categories:

- Loans and receivables;
- Financial assets at fair value through the profit and loss;
- Available for sale financial assets; and
- Held to maturity investments.

Financial assets are assigned to different categories on initial recognition. The classification depends upon the nature and purpose of the financial asset. A financial instrument's category is relevant to the way it is measured and whether the resulting income is recognised through the income statement or directly in equity. Subsequent to initial recognition financial assets are measured at either fair value or at amortised cost according to the category in which they are classified.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs.

Loans and receivables
Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets
Financial assets are rigorously assessed for indicators of impairment at half year and year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.
Impairment losses on trade receivables are recognised using allowance accounts. When a trade receivable is considered irrecoverable, it is

written off against the allowance account, any subsequent recoveries are credited to the allowance account. Changes in the allowance account are recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other highly liquid investments (with a maturity of three months or less) that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are either financial liabilities at 'fair value through the profit and loss' or 'other financial liabilities'.

Fair value through the profit and loss
Financial liabilities at fair value through the profit and loss are measured initially at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

Other Financial liabilities: including bank, other borrowings, loan notes and debt securities
Interest-bearing bank loans, other borrowings, loan notes and debt securities are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Effective interest method
The effective interest method is a method of calculating amortised cost of a financial asset or financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Equity instruments
Equity instruments are also classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

3. Critical judgements and key sources of estimation uncertainty

Retirement benefits
The company accounts for its defined benefit pension scheme such that the net pension scheme asset or liability is reported on the balance sheet with actuarial gains and losses being recognised directly in equity through the statement of comprehensive income. To the extent that there is a net pension scheme asset, this assumes economic benefit will arise, at least to the extent shown, from contributions to the pension scheme at a rate below the future cost of pension benefits.

A number of key assumptions have been made in calculating the fair value of the company's defined benefit pension scheme which affects the balance sheet position and the company's reserves and income statement. Refer to note 21 of the notes to the accounts for a summary of the main assumptions. Actual outcomes may differ materially from the assumptions used and may result in volatility in the net pension scheme asset/liability.

Going concern
The company's business activities, together with the factors likely to affect its performance and the financial position of the company, its cash flows and liquidity position are set out in note 13. The note also describes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its

financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company had cash balances of £5.8m at the balance sheet date together with formal arrangements with its subsidiaries on the recovery of costs. As a result, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain current economic outlook.

The directors have formed a judgement that taking into account the financial resources available to the company, it has adequate resources to continue to operate for the foreseeable future and have therefore adopted the going concern basis in the preparation of the financial statements for the year ended 31 March 2013.

4. Revenue

An analysis of the company's revenue is provided as follows:

	2013 £m	2012 £m
Services provided to NATS (En Route) plc	291.6	287.0
Services provided to NATS (Services) Limited	108.5	98.1
	400.1	385.1
Investment revenue (see note 8)	40.0	50.7
	440.1	435.8

All revenue is derived from continuing operations. Note 5 summarises the source of revenues by business and geographical segment. Other revenue is described on the face of the income statement and is included in note 8.

5. Business and geographical segments

Business segments
For management reporting purposes, the company is currently organised into one business area.

Principal activities are as follows:
The company acts as employer of all staff within the NATS group of companies. The company seconds staff to the two principal operating companies within the group (NERL and NATS Services). It also provides central services to these two companies. The provision of these services is governed by Management Services Agreements (MSA) between the two operating companies and NATS Limited. In accordance with the MSA, NERL and NATS Services pay fees to NATS Limited for the provision of the company's services.

Segment information about the provision of these services is presented below:

	2013 Total £m	2012 Total £m
Revenue		
Revenue from internal customers	400.1	385.1
Segmental operating profit	-	-
Investment revenue	40.0	50.7
Profit before tax	40.0	50.7
Tax	(0.2)	(0.2)
Profit for the year	39.8	50.5
Balance Sheet		
Segmental assets	303.5	295.3
Segmental liabilities	(51.0)	(43.7)

Geographical segments

The company's two customers (NERL and NATS Services) are both located in the UK and all company assets are also located within the UK.

All revenue is derived from the company's two customers (NERL and NATS Services).

6. Operating profit for the year

Operating profit for the year has been arrived at after charging:

	2013 £m	2012 £m
Auditor's remuneration for audit services (see below)	0.2	0.2

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

7. Staff costs

The company is responsible for employing the staff engaged in the activities carried out by both NERL and NATS Services. Under the terms of the respective Management Services Agreements (MSA) dated 25 July 2001 the services of certain employees are seconded to NERL and NATS Services by the company. NERL and NATS Services are responsible for paying to the company an amount equal to the aggregate of all costs incurred by the company in connection with the employment of the seconded employees (including all taxes and social security and pension costs) together with appropriate staff related costs and expenses and disbursements. The total staff costs incurred by the company for the group were:

a) Staff costs

	2013 £m	2012 £m
Salaries and staff costs, including directors' remuneration, were as follows:		
Wages and salaries	300.6	292.6
Social security costs	32.1	30.6
Pension costs (note 7(b))	96.0	87.0
	428.7	410.2
Less: amounts capitalised (in other group companies)	(37.8)	(33.8)
	390.9	376.4

Wages and salaries include redundancy costs of £0.7m (2012: £1.1m), share-based payment charges, other allowances and holiday pay. Pension costs include £1.4m (2012: £2.4m) for redundancy related augmentation payments which staff elected to receive in lieu of severance payments.

None of the directors received remuneration for their services to the company. Director's remuneration for services provided to the NATS group are disclosed in the accounts of NATS Holdings Limited, and included in the table above.

The staff costs for the company net of the staff costs for those staff seconded to NERL and NATS Services under the respective MSAs were as follows:

	2013 £m	2012 £m
Salaries and staff costs, including directors' remuneration, were as follows:		
Wages and salaries	4.3	4.1
Social security costs	0.6	0.4
Pension costs (note 7(b))	1.0	0.7
	5.9	5.2

Wages and salaries include redundancy costs of £0.1m (2012: £nil), share based payment charges, other allowances and holiday pay. Pension costs include £0.1m (2012: £nil) for redundancy related augmentation payments which staff elected to receive in lieu of severance payments.

b) Pension costs

	2013 £m	2012 £m
Defined benefit pension scheme costs for year (note 21(a))	91.9	84.6
Defined contribution pension scheme costs for the year	4.1	2.4
	96.0	87.0

Wages and salaries and pension costs reflect pension salary sacrifice arrangements for all staff. The pension costs for the company net of the pension costs for those staff seconded to NERL and NATS Services under the respective MSAs were as follows:

	2013 £m	2012 £m
Defined benefit pension scheme costs for year (note 21(b))	0.9	0.6
Defined contribution pension costs for the year	0.1	0.1
	1.0	0.7

7. Staff costs (continued)

c Staff numbers

The monthly average number of employees (including secondments to NERL and NATS Services under the MSA) was:	2013 No.	2012 No.
Air traffic controllers	1,889	1,923
Air traffic service assistants	752	766
Engineers	976	955
Others	945	889
	4,562	4,533

The monthly average number of employees excluding secondments to NERL and NATS Services was:	No.	No.
Air traffic controllers	3	4
Air traffic service assistants	1	1
Engineers	9	9
Others	47	45
	60	59

8. Investment revenue

	2013 £m	2012 £m
Income from shares in group undertakings	40.0	50.7

9. Tax

	2013 £m	2012 £m
Deferred tax (See note 16)	(0.2)	(0.2)

Corporation tax is calculated at 24% (2012: 26%) of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2013 £m	%	2012 £m	%
Profit on ordinary activities before tax	40.0		50.7	
Tax on profit on ordinary activities at standard rate in the UK of 24% (2012: 26%)	(9.6)	(24.0%)	(13.2)	(26.0%)
Tax effect of dividend income not assessed in determining taxable profit	9.6	24.0%	13.2	26.0%
Tax effect of group relief	(0.2)	(0.5%)	(0.2)	(0.4%)
Deferred tax effect of change in corporation tax rate from 26% to 24% from April 2012	-	0.0%	(0.1)	(0.2%)
Deferred tax effect of change in corporation tax rate from 24% to 23% from April 2013	-	0.0%	-	0.0%
Other permanent differences	-	0.0%	0.1	0.2%
Tax charge for year at an effective tax rate of 0.5% (2012: 0.4%)	(0.2)	(0.5%)	(0.2)	(0.4%)
Deferred tax (charge)/credit taken directly to equity (see note 16)	(0.3)		1.2	

10. Dividends

	2013 £m	2012 £m
Amounts recognised as distributions to equity holders in the year		
First interim dividend of 21.28 pence per share (2012: 30.14 pence per share) paid in May 2012	30.0	42.5
Second interim dividend of 7.09 pence per share (2012: 5.82 pence per share) paid in December 2012	10.0	8.2
	40.0	50.7

In May 2013 the Board declared an interim dividend for the year ending 31 March 2014 of 32.98 pence per share (totalling £46.5m) which was paid to the company's parent in May 2013.

11. Property, plant and equipment

The company has assets with an original cost of £1.0m which are fully depreciated (2012:£1.0m). The net book value of property, plant and equipment at 31 March 2013 was £nil (2012: £nil). Depreciation charges amounted to £nil (2012: £nil).

12. Financial and other assets

The company had balances in respect of financial and other assets as follows:

Trade and other receivables

	2013	2012
Non-current	£m	£m
Other debtors	0.8	1.1
Current		
Other debtors	1.8	1.1
Intercompany debtors	49.3	41.2
Prepayments	0.7	1.6
	51.8	43.9

The company does not have any external customers. Its customers are subsidaries. No allowance has been made for irrecoverable amounts on the outstanding balances. The company's subsidaries have procedures in place to mitigate against market and financial risk and their financial positions are monitored to ensure that amounts due to the company are recoverable. The company supplies management services to its subsidiaries under the Management Services Agreement.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the company at year end. The directors consider that the carrying amount of these assets approximates to their fair value.

Overall, the maximum credit risk for the items discussed above would be £57.7m (2012: £48.6m).

13. Financial instruments

Capital risk management
The company manages its capital to ensure that it is able to continue as a going concern.

The capital structure of the company consists of cash and cash equivalents and equity attributable to shareholders as disclosed in this note and the statement of changes in equity.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Categories of financial instrument
The carrying values of financial instruments by category at 31 March was as follows:

	2013 £m	2012 £m
Financial assets		
Trade and other receivables, excluding prepayments	51.9	43.4
Cash and cash equivalents	5.8	5.2
	57.7	48.6
Financial liabilities		
Amortised cost	(10.6)	(10.8)

Amortised cost includes trade and other payables (excluding accruals and deferred income), dividends payable and social security liabilities.

Financial risk management objectives
The NATS group treasury function is mandated by the Board of NATS Holdings Limited to manage financial risks that arise in relation to underlying business needs. The function provides services to the business, co-ordinates access to financial markets, monitors and manages financial risks relating to the operations of the group. The function has clear policies and operating parameters. The Treasury Committee provides oversight and meets three times a year to approve strategy and to monitor compliance with Board policy. The Treasury function does not operate as a profit centre and the undertaking of speculative transactions is not permitted. The principal financial risks arising from the company's activities include market risk (cash flow interest rate risk), credit risk and liquidity risk. The company had no debt at 31 March 2013 (2012: £nil).

Market risk
The company's activities expose it to the financial risk of changes in interest rates on cash deposits. It has no material risk as a result of changes in foreign currency exchange rates as it only holds a Euro cash balance of £0.1m to make foreign currency purchases.

The company is not exposed to interest rate risk on borrowings.

13. Financial instruments (continued)

Foreign currency sensitivity analysis

The company holds foreign currency cash balances at 31 March 2013 in Euro of £0.1m (2012:£0.1m).

The following table details the sensitivity to a 10% increase or decrease in the value of sterling against relevant foreign currencies. 10% is the sensitivity rate that represents the reasonably possible change in foreign currency exchange rates in a financial year. The sensitivity analysis includes foreign currency cash balances, trade receivables, trade payables and forward foreign exchange contracts and adjusts their translation at the period end for a 10% change in foreign currency rates.

The table below shows the effect of a 10% strengthening of sterling against the relevant currency. A positive number below indicates an increase in profit and equity and a negative number a reduction in profit and equity. There would be an equal and opposite impact on profit and equity if sterling devalues by 10% against the relevant currency.

Currency	2013 Impact £m	2012 Impact £m
Euro	-	-
	-	-

Interest rate risk management

The company had no debt at 31 March 2013 or 31 March 2012.

Economic interest rate exposure

The company's cash and short term deposits were as follows:

Currency	2013 Cash Amount £m	Economic interest rate %	Average maturity days	Currency	2012 Cash Amount £m	Economic interest rate %	Average maturity days
Sterling	5.7	0.3	5	Sterling	5.1	0.4	3
Euro	0.1	-	5	Euro	0.1	-	1
	5.8				5.2		

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on floating rate assets and liabilities. The analysis is prepared assuming the amount of assets or liabilities at the balance sheet date was in place for the whole year. A 1% increase or decrease is considered to represent the reasonably possible change in interest rates.

The following table shows the effect of a 1% increase in interest rates on the company's cash deposits on profit for the year and on equity. A positive number represents an increase in profit and equity and a negative number a decrease in profit and equity, there would be an equal and opposite impact on profit and equity if interest rates fall by 1%.

	2013 Impact £m	2012 Impact £m
Cash on deposit (2013: £5.8m, 2012: £5.2m)	0.1	0.1

13. Financial Instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's exposure to credit risk arises from the risk of default by its fellow subsidiaries and from the risk of a failure of a financial institution in which funds are invested for return or held for trading purposes or with whom derivative contracts are entered into. The risk of loss from default by fellow subsidiaries and the mitigations against this risk are explained in note 12. With regard to funds or contracts held with financial institutions, the company's policy is to transact with counterparties that hold a minimum credit rating as supplied by independent rating agencies, Standard & Poor's, Moody's Investors Service ("Moody's") and Fitch Ratings.

The NATS group policy is to allocate limits to the value of investments, foreign exchange transactions and interest rate hedging transactions that may be entered into with a bank or financial institution and to allocate an aggregate credit risk limit. The limits are based upon the institution's credit rating with Standard & Poor's and Moody's; the Fitch rating is only used if one of these agencies does not provide a rating. Where there is a difference in the rating then the lowest of the ratings is applied.

Currently, the company's investments take the form of bank time deposits. Investments in bank time deposits with maturities up to three months and between three and six months are only entered into with institutions holding a long-term minimum credit rating of A- and A+ respectively from Standard & Poor's or Fitch and A3 and A1 respectively from Moody's. However, dependent on market conditions, tighter restrictions on rating requirements and lower limits may be placed on the duration deposits. Hence, since the 2008 financial crisis, the company has restricted deposits with banks rated below AA/Aa2 to a maximum of one week.

The table below sets out the group's limits that are applied to each institution based on credit rating:

Rating (Standard and Poor's/Moody's)	Limit per Institution £m
AAA/Aaa	50.0
AA+/Aa1	40.0
AA/Aa2	30.0
AA-/Aa3	20.0
A+/A1	15.0
A/A2	10.0
A-/A3	7.5

The following table shows the distribution of the company's deposits at 31 March by credit rating (Standard & Poor's):

Rating (Standard & Poor's)	Number of institutions	2013 £m	By credit rating %	Limit utilised %	Number of institutions	2012 £m	By credit rating %	Limit utilised %
A+	-	-	0.0%	0.0%	1	0.1	2.0%	0.7%
A	1	3.3	56.4%	33.0%	1	5.1	98.0%	51.0%
A-	1	2.5	43.6%	33.3%	-	-	-	0.0%
		5.8	100.0%			5.2	100.0%	

Liquidity risk management

The responsibility for liquidity management rests with the Board with oversight provided by the Treasury Committee. The company manages liquidity by maintaining adequate reserves and borrowing facilities by monitoring actual and forecast cash flows and ensuring funding is diversified by source and maturity and is available at competitive cost. The company had no debt at the year end.

Maturity of borrowings

The following table sets out the remaining contractual maturity of the company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to repay. The table includes both interest and principal cash flows.

	2013 Other liabilities £m	2012 Other liabilities £m
Due within one year or less or on demand	10.6	10.8

Fair values of financial instruments

The book values of financial assets and liabilities approximate to their fair value because of their short maturities.

	2013 Book value £m	2013 Fair value £m	2012 Book value £m	2012 Fair value £m
Financial assets				
Trade and other receivables, excluding prepayments	51.9	51.9	43.4	43.4
Cash and cash equivalents	5.8	5.8	5.2	5.2
	57.7	57.7	48.6	48.6
Financial liabilities				
Amortised cost	(10.6)	(10.6)	(10.8)	(10.8)

14. Financial and other liabilities

Trade and other payables

The company had balances in respect of non-interest bearing financial and other liabilities as follows:

	2013 £m	2012 £m
Current		
Trade payables	0.6	0.6
Other payables	-	0.3
Tax and social security	10.0	9.9
Accruals and deferred income	38.8	27.0
	49.4	37.8

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2012: 22 days). The directors consider that the carrying amount of the trade payables approximates to their fair value.

15. Provisions

	Redundancy £m
At 1 April 2012	4.2
Additional provision in the year	2.2
Release of provision	(0.1)
Utilisation of provision	(4.7)
At 31 March 2013	1.6

	Total £m
Amounts due for settlement within 12 months	1.6

The redundancy provision represents the best estimate of the future cost of redundancy payments to employees that have committed to the group's redundancy programme at 31 March 2013. The ageing of the provision reflects the expected timing of employees leaving the group.

16. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the company, and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation £m	Retirement benefit £m	Other £m	Total £m
At 1 April 2011	(0.1)	0.6	-	0.5
Charge to income	-	0.1	0.1	0.2
Credit to equity	-	(1.2)	-	(1.2)
At 31 March 2012	(0.1)	(0.5)	0.1	(0.5)
Charge to income	-	0.3	(0.1)	0.2
Charge to equity	-	0.3	-	0.3
At 31 March 2013	(0.1)	0.1	-	-

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2013 £m	2012 £m
Deferred tax liabilities	(0.1)	(0.1)
Deferred tax assets	0.1	0.6
	-	0.5

17. Share capital

	Authorised: Number of shares	£m	Called up, allotted and fully paid Number of shares	£m
Ordinary shares of £1 each				
At 31 March 2012 and 31 March 2013	150,000,100	150.0	141,000,005	141.0

18. Notes to the cash flow statement

	2013 £m	2012 £m
Operating profit from continuing operations	-	-
Adjustments for:		
Non-cash element of charge for pensions cost	(0.8)	(0.9)
Operating cash flows before movements in working capital	(0.8)	(0.9)
(Increase)/decrease in trade and other receivables	(7.6)	6.9
Increase/(decrease) in trade and other payables and provisions	9.0	(5.7)
Cash generated from operations	0.6	0.3
Tax	-	-
Net cash flow from operating activities	0.6	0.3

Cash and cash equivalents, which are presented as a single class of asset on the face of the balance sheet, comprise cash at bank and short-term highly liquid investments with a maturity of three months or less.

19. Financial commitments

	2013 £m	2012 £m
Capital commitments contracted but not provided for in the accounts.	-	-
Minimum lease payments under operating leases recognised in income for the year.	0.2	0.2

At the balance sheet date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 £m	2012 £m
Within one year	1.3	0.3
In the second to fifth years inclusive	0.5	0.2
	1.8	0.5

Operating lease payments represent rentals payable by the company for certain of its properties, equipment and vehicles. Leases are negotiated on varying terms depending on the type of asset leased.

20. Share based payments

The company operates an All-Employee Share Ownership Plan for the benefit of employees to hold 5% of the share capital of NATS Holdings Limited. The plan is administered by NATS Employee Sharetrust Limited. The scheme allows for free shares, dividend shares, partnership shares and matching shares to be awarded to employees. The free shares and matching shares have a vesting period of three years from date of award and may be cash-settled from this date. The shares may be forfeited if the employee leaves within three years of the date of the award, depending on conditions of departure.

A liability is recognised for the current fair value of shares in issue at each balance sheet date. Changes in fair value of the liability are charged or credited to the income statement. The number of shares outstanding at the balance sheet date was:

Date of share awards	No. shares awarded to employees	No. employee shares outstanding at 31 March 2013	No. employee shares outstanding at 31 March 2012
Free share awards			
21 September 2001	3,353,742	490,211	534,153
20 October 2003	2,459,000	454,534	493,840
10 September 2004	1,966,000	748,977	841,130
11 January 2008	1,071,840	636,520	807,840
18 September 2009	963,200	777,400	807,200
Partnership shares			
1 March 2011	694,783	639,335	661,631
1 September 2012	714,959	703,452	-
Matching shares			
1 March 2011	694,783	639,335	661,631
1 September 2012	714,959	703,452	-
		5,793,216	4,807,425
Dividend shares issued on 28 June 2005	247,017	57,812	62,945
Total employee shares in issue at 31 March		5,851,028	4,870,370

The movement in the number of employee shares outstanding is as follows:

	Movement in the no. of shares during the year ended 31 March 2013	Movement in the no. of shares during the year ended 31 March 2012
Balance at 1 April	4,870,370	5,161,887
Granted during the year	1,429,918	-
Forfeited during the year	(10,811)	(20,850)
Exercised during the year	(438,449)	(270,667)
Balance at 31 March	5,851,028	4,870,370

These shares are valued every six months by independent valuers using discounted cash flows and income multiple methods of valuation. As at 31 March 2013 the price of an employee share was valued at £3.95 (2012: £3.95). A valuation at 30 June 2012 valued the shares at £3.95. The liability on the balance sheet for the employee shares at 31 March 2013 was £17.4m (2012: £16.1m) included in other accruals and deferred income. The payments made to employees for the shares they exercised during the year was £1.7m (2012: £1.0m).

21. Retirement benefit schemes

Background

The company has entered into a deed of adherence with the CAA and the Trustees of the Civil Aviation Authority Pension Scheme whereby the company was admitted to participate in the Civil Aviation Authority Pension Scheme from 1 April 1996. At 31 March 2001, the business of NATS was separated from the CAA. As a consequence, NATS became a 'non associated employer' which requires the assets relating to the liabilities of NATS active employees at 31 March 2001 to be separately identified within the Pension Scheme. The Pension Scheme was divided into two sections to accommodate this and a series of common investment funds established in which both sections will participate for investment purposes.

The Civil Aviation Authority Pension Scheme is a defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund. Upon transfer of NATS (formerly National Air Traffic Services Limited) to the Secretary of State, two separate sections of the scheme were established, namely the CAA section and the NATS section. The assets and membership of the scheme prior to transfer were allocated between these sections in accordance with Statutory Instrument 2001 Number 853, Transport Act 2000 (Civil Aviation Authority Pension Scheme) Order 2001.

During 2009 the group introduced a number of reforms to manage the cost and risk of pensions. The defined benefit pension scheme was closed to new joiners with effect from 31 March 2009. In addition, from 1 January 2009, annual increases in pensionable pay were limited to a maximum increase in the retail price index (RPI) plus 0.5%. A defined contribution scheme was also introduced for new joiners. NATS has agreed to match employee contributions to this scheme at a ratio of 2:1, up to a total employer cost of 18%. Finally, pension salary sacrifice arrangements were introduced with effect from 1 April 2009.

During the year the company consulted on further pension reforms to mitigate rising pension costs. These included a change to the limit on increases in pensionable pay to a maximum of the consumer price index (CPI) plus 0.25%. In addition, the Trustees consulted members of the Scheme on a change to the indexation of future service at CPI, rather than RPI.

A Trustees' funding assessment of the NATS section is prepared at least every three years by the pension scheme actuary at the request of the Trustees in order to establish the financial position of the NATS section and to determine the level of contributions to be paid by NATS in future.

For the purpose of accounting for the scheme in these financial statements, the company obtains an updated valuation from a qualified independent actuary that is prepared in accordance with international accounting standards.

The two valuations differ in a number of critical respects, including, for example, differences in timing and frequency as well as in valuation assumptions. The Trustees' last funding assessment was prepared as at 31 December 2012, whereas the company's accounting valuation is prepared annually at 31 March. As a result, at each valuation date, the market conditions on which the assumptions are based will be different. Also, the assumptions adopted for the Trustees' funding assessment are set by the Trustees and include appropriate margins for prudence, whereas those adopted for the company's accounting valuation are prescribed by international accounting standards and reflect best estimates.

Trustees' funding assessment

The last Trustees' funding assessment of the NATS' section was carried out at 31 December 2012 and used the projected unit credit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. For the purpose of the Trustees' funding assessment, it was assumed that the annual investment returns before retirement will be 3.37% higher than the annual general increases in salaries (allowance is also made for further salary increases due to promotions) and the annual investment returns for pensions in payment will be 0.22% higher than the annual increases in pensions.

The market value of the NATS' section's assets as at 31 December 2012 was £3,527.5m. For the purpose of the Trustees' funding assessment assets were taken at market value. The assets were sufficient to cover 90.2% of the benefits that had accrued to existing members.

Contributions to the pension scheme

The company is the employer of all staff in the group. Staff are seconded to NERL and NATS Services under the respective Management Services Agreements (MSA) with these companies (see Report of the directors, page 1). Under the MSA, the company is obliged to pay all salaries and other benefits (including pension contributions) for the staff. NERL and NATS Services pay fees to the company for the services it provides including those of the staff. The pensions cost reported below show the costs for both the total staff employed by the company and for the staff who work directly for the company i.e. excluding staff seconded to NERL and NATS Services.

As the employer of all staff in the NATS group, during the year the group paid cash contributions to the scheme of £142.3m (2012: £143.5m). This amount included £15.3m (2012: £15.5m) of wages and salaries sacrificed by employees in return for pension contributions. Excluding the effect of salary sacrifice, employer cash contributions were paid at a rate of 45.9% (2012: 45.5%) of pensionable pay. The company increased contributions from May 2010 to 36.7% of pensionable pay, equivalent to the future service cost and in response to the 2009 triennial valuation, NATS made further contributions of £2.0m per month from January 2011, increasing these by 3.5% each January thereafter, under a deficit recovery plan agreed with Trustees. This plan will continue until 31 December 2014 before a revised schedule reflecting the 2012 valuation is implemented. NATS will contribute £2.4m per month from January 2015.

With regard to the employees who work directly for the company, the company paid cash contributions to the scheme of £1.7m (2012: £1.5m). This amount included £0.1m (2012: £0.1m) of wages and salaries sacrificed by employees in return for pension contributions.

21. Retirement benefit schemes (continued)

Company's accounting valuation under international accounting standards

The pension cost under International Accounting Standard 19: *Employee benefits*, relating to the scheme is assessed in accordance with the advice of independent qualified actuaries.

On transition to IFRS, NATS elected to adopt a 'clean start' approach which recognised all actuarial gains and losses at 1 April 2004, and NATS has reported under an immediate recognition approach in subsequent periods.

A Trustees' funding assessment was carried out as at 31 December 2012 and updated to 31 March 2013 for the company's accounting valuation under IAS 19 by a qualified actuary. The major assumptions used by the actuary for the purposes of the IAS 19 figures at the relevant year ends are set out in the table and narrative below:

	2013	2012	2011
RPI Inflation	3.35%	3.25%	3.45%
CPI inflation	2.45%	n/a	n/a
Increase in:			
- salaries	2.70%	3.25%	3.95%
- deferred pensions	3.35%	3.25%	3.45%
- pensions in payment	3.35%	3.25%	3.45%
Expected return on:			
- equities	n/a	7.10%	7.35%
- property and other assets	n/a	6.60%	7.35%
- bonds	n/a	3.45%	4.70%
Discount rate for scheme liabilities	4.45%	5.05%	5.45%

The mortality assumptions have been drawn from actuarial tables 101% S1PMA light and 99% S1PFA light with future improvements in line with CMI 2011 projections for male/female members, subject to a long-term improvement of 1.5% p.a (2012: 82% S1PMA and 101% S1PFA with future improvements in line with 80%/60% long cohort for male/female members, subject to a minimum improvement of 1.25%). These tables assume that the life expectancy, from age 60, for a male pensioner is 29.3 years and a female pensioner is 30.8 years. Allowance is made for future improvements in longevity, such that based on the average age of the current membership, when these members reach retirement, life expectancy from age 60 will have increased for males to 31.1 years and for females to 32.6 years.

The assumptions for expected return on investments are not applicable for 2013 following the introduction of IAS19: *Employee benefits* (revised June 2011) which applies for the year ended 31 March 2014.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption:	Change in assumption:	Impact on scheme liabilities:
Discount rate	Increase/decrease by 0.5%	Decrease by 11.6%/increase by 13.7%
Rate of inflation	Increase/decrease by 0.5%	Increase by 13.7%/decrease by 11.8%
Rate of salary growth	Increase/decrease by 0.5%	Increase by 4.2%/decrease by 3.9%
Rate of mortality	1 year increase in life expectancy	Increase by 2.3%

a) The pensions costs of the total staff employed by NATS Limited were:

Amounts recognised in income in respect of the defined benefit scheme are as follows:

	2013 £m	2012 £m
Current service cost	(116.0)	(119.1)
Past service cost	(1.4)	(2.4)
Expected return on scheme assets	198.8	210.7
Interest cost on scheme liabilities	(173.3)	(173.8)
Total defined benefit charge recognised in arriving at operating profit	(91.9)	(84.6)

Amounts taken to the statement of comprehensive income are as follows:

	2013 £m	2012 £m
Actual return less expected return on scheme assets	240.0	(111.8)
Experience gains and losses arising on scheme liabilities	152.9	27.4
Changes in assumptions underlying the present value of the scheme liabilities	(391.5)	(60.3)
	1.4	(144.7)

21. Retirement benefit schemes (continued)

The amount included in the consolidated balance sheet of NATS Holdings Limited arising from the group's obligations in respect of its defined benefit scheme is as follows:

	2013 £m	2012 £m
Fair value of scheme assets	3,873.1	3,377.3
Present value of defined benefit obligations	(3,859.1)	(3,415.1)
Surplus/(deficit) in scheme	14.0	(37.8)

Movements in the fair value of scheme assets during the year were as follows:

	2013 £m	2012 £m
At 1 April	3,377.3	3,219.8
Expected return on scheme assets	198.8	210.7
Actuarial gains and losses	240.0	(111.8)
Contributions from scheme members	0.1	0.1
Contributions from sponsoring companies	142.3	143.5
Benefits paid	(85.4)	(85.0)
At 31 March	3,873.1	3,377.3

Movements in the present value of the defined benefit obligations were as follows:

	2013 £m	2012 £m
At 1 April	(3,415.1)	(3,171.8)
Current service cost	(116.0)	(119.1)
Past service costs	(1.4)	(2.4)
Interest cost	(173.3)	(173.8)
Actuarial gains and losses	(238.6)	(32.9)
Contributions from scheme members	(0.1)	(0.1)
Benefits paid	85.4	85.0
At 31 March	(3,859.1)	(3,415.1)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Fair value of assets		Expected return	
	2013 £m	2012 £m	2013	2012
Equity Instruments	2,061.5	1,797.5	n/a	7.10%
Property and other assets	516.9	475.6	n/a	6.60%
Bonds	1,164.7	1,012.3	n/a	3.45%
Cash and net current assets	130.0	91.9	n/a	3.45%
	3,873.1	3,377.3	n/a	5.84%

Where applicable, the overall expected return on assets represents a weighting based on the expected return for each asset class and the value of investments in each asset.

The scheme assets do not include any investments in the equity of NATS group companies or debt instruments or property occupied by, or other assets used by, the NATS group.

21. Retirement benefit schemes (continued)

The five year history of experience adjustments is as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of defined benefit obligations	(3,859.1)	(3,415.1)	(3,171.8)	(2,843.4)	(2,258.3)
Fair value of scheme assets	3,873.1	3,377.3	3,219.8	2,923.3	2,188.9
Surplus/(deficit) in the scheme	14.0	(37.8)	48.0	79.9	(69.4)
Experience adjustments in scheme liabilities					
Amount (£m)	152.9	27.4	16.1	211.3	43.4
Percentage of scheme liabilities	(4.0%)	(0.8%)	(0.5%)	(7.4%)	(1.9%)
Experience adjustments in scheme assets					
Amount (£m)	240.0	(111.8)	60.8	578.0	(868.0)
Percentage of scheme assets	6.2%	(3.3%)	1.9%	19.8%	(39.7%)

The actual return on scheme assets for the year ended 31 March 2013 was £438.8m (2012: £98.9m).

The estimated Company contributions expected to be paid to the scheme during the financial year ending 31 March 2014 are £144.4m, including salary sacrifice contributions estimated at £15.8m.

b) The pensions costs of the staff who work directly for NATS Limited were:

Amounts recognised in income in respect of the defined benefit scheme (and reported in these accounts) are as follows:

	2013 £m	2012 £m
Current service cost	(1.9)	(2.2)
Past service cost	(0.1)	-
Expected return on scheme assets	8.8	9.4
Interest cost on scheme liabilities	(7.7)	(7.8)
Total defined benefit charge recognised in arriving at operating profit	(0.9)	(0.6)

Amounts taken to the statement of comprehensive income are as follows:

	2013 £m	2012 £m
Actual return less expected return on scheme assets	15.7	(0.1)
Experience gains and losses arising on scheme liabilities	6.6	(0.5)
Changes in assumptions underlying the present value of the scheme liabilities	(20.9)	(4.2)
	1.4	(4.8)

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit scheme is as follows:

	2013 £m	2012 £m
Fair value of scheme assets	174.5	152.7
Present value of defined benefit obligations	(174.0)	(154.4)
Surplus/(deficit) in scheme	0.5	(1.7)

21. Retirement benefit schemes (continued)

Movements in the fair value of scheme assets during the year were as follows:

	2013 £m	2012 £m
At 1 April	152.7	146.4
Expected return on scheme assets	8.8	9.4
Actuarial gains and losses	15.7	(0.1)
Contributions from company	1.7	1.5
Benefits paid	(4.4)	(4.5)
At 31 March	174.5	152.7

Movements in the present value of the defined benefit obligations were as follows:

	2013 £m	2012 £m
At 1 April	(154.4)	(144.2)
Current service cost	(1.9)	(2.2)
Past service costs	(0.1)	-
Interest cost	(7.7)	(7.8)
Actuarial gains and losses	(14.3)	(4.7)
Benefits paid	4.4	4.5
At 31 March	(174.0)	(154.4)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Fair value of assets		Expected return	
	2013 £m	2012 £m	2013	2012
Equity Instruments	92.8	81.3	n/a	7.10%
Property and other assets	23.3	21.5	n/a	6.60%
Bonds	52.5	45.8	n/a	3.45%
Cash	5.9	4.1	n/a	3.45%
	174.5	152.7	n/a	5.84%

Where applicable, the overall expected return on assets represents a weighting based on the expected return for each asset class and the value of investments in each asset.

The scheme assets do not include any investments in the equity of group companies or debt instruments or property occupied by, or other assets used by, the group.

The five year history of experience adjustments is as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of defined benefit obligations	(174.0)	(154.4)	(144.2)	(129.5)	(104.3)
Fair value of scheme assets	174.5	152.7	146.4	133.2	101.0
Surplus/(deficit) in the scheme	0.5	(1.7)	2.2	3.7	(3.3)
Experience adjustments in scheme liabilities					
Amount (£m)	6.6	(0.5)	(3.6)	5.7	2.1
Percentage of scheme liabilities	(3.8%)	0.3%	2.5%	(4.4%)	(2.0%)
Experience adjustments in scheme assets					
Amount (£m)	15.7	(0.1)	7.7	29.5	(37.4)
Percentage of scheme assets	9.0%	(0.1%)	5.3%	22.1%	(37.0%)

The actual return on scheme assets for the year ended 31 March 2013 was £24.5m (2012: £9.3m).

The estimated contributions relating to staff employed directly by NATS Limited expected to be paid to the scheme during the financial year ending 31 March 2013 is £1.8m, including salary sacrifice payments estimated at £0.2m.

22. Related party transactions

The NATS group has four shareholders - the Crown, The Airline Group Limited (AG), Heathrow Airport Holdings Limited and the NATS Employee Sharetrust Limited. During the year transactions with the Crown have taken place with the Meteorological office, the Department for Transport (DfT) and the Ministry of Defence (MoD). In addition there have been transactions with Heathrow Airport Holdings Limited and AG.

AG is a consortium of seven airlines: British Airways plc, Deutsche Lufthansa AG, easyJet Airline Company Limited, Monarch Airline Retirement Benefit Plan Limited, Thomas Cook Airlines Limited, Thomson Airways Limited and Virgin Atlantic Airways Limited. AG has a 42% stake in NATS Holdings Limited which it purchased through the PPP transaction in July 2001. The directors of NATS Holdings Limited are satisfied that the seven members of AG have not exercised undue influence on the group either acting individually or in concert and therefore the individual transactions with each member of AG have not been disclosed in this set of accounts.

The company did not have any transactions with the shareholders of NATS Holdings Limited.

Remuneration of key management personnel

The remuneration of key management personnel of the NATS group, is set out below in aggregate for each of the categories specified in IAS 24: *Related Party Disclosures*. Key management includes the Board of directors of the company and the group's principal subsidiaries and their executive management teams.

	2013 £m	2012 £m
Short-term employee benefits	6.4	5.8
Post-employment benefits	1.1	0.8
Other long-term benefits	0.5	0.3
Termination benefits	-	1.0
Share scheme costs	-	0.1
	8.0	8.0

The remuneration of key management personnel incurred directly by NATS Limited was £0.3m (2012: £0.3m).

23. Subsidiaries, joint ventures and associates

Name of Company	Principal activity	Proportion of ordinary shares held and voting rights	Country of Registration	Country of operation
NATS (En Route) plc	En-route air traffic services	100%	England and Wales	United Kingdom
NATS (Services) Limited	Airport air traffic services	100%	England and Wales	United Kingdom
NATSNav Limited	Satellite based navigation	100%	England and Wales	United Kingdom
NATS (USA) Inc	Engineering and ATM consultancy	100%	USA	USA
NATS Sverige	Airport air traffic services	100%	Sweden	Sweden
ESSP SAS	Satellite based navigation	16.67%	France	France
FerroNATS Air Traffic Services SA	Airport air traffic services	50%	Spain	Spain

	Total £m
Balance of investments at 1 April 2012 and 31 March 2013:	244.6

The company holds investments directly in NATS (En Route) plc and NATS (Services) Limited. Pursuant to a loan agreement entered into by NATS (En Route) plc, the company has granted a legal mortgage and fixed charge over its shares in NERL and a floating charge over all other assets.

24. Parent undertaking

The company's ultimate parent undertaking is NATS Holdings Limited, a private company incorporated in Great Britain and registered in England and Wales.

The company's ultimate controlling party is The Airline Group Limited, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that of which NATS Holdings Limited is the parent company. The consolidated accounts of NATS Holdings Limited can be obtained from the company's secretary, at its registered office, 4000 Parkway, Whiteley, Fareham, Hampshire, PO15 7FL.

25. Events after the reporting period

In May 2013 the Board declared an interim dividend for the year ending 31 March 2014 of 32.98 pence per share (totalling £46.5m), which was paid to the company's parent in May 2013.