



# Financial Statements

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**Annual Report and Accounts 2024**



# Independent auditor's report to the members of NATS Holdings Limited

## Opinion on the financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- > the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- > the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of NATS Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2024 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statement of changes in equity, the Consolidated cash flow statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to apply UK adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

## Independence

Following the recommendation of the audit committee, we were appointed by the Directors at the Annual General Meeting on 31 July 2014 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 10 years, covering the years ended 31 March 2015 to 31 March 2024. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- > Reviewing the Directors' going concern assessment, forecasts and covenant compliance for the Group for a period of at least 12 months from the date of approval of the financial statements. This included checking that the forecasts were consistent with the latest Board approved budgets.
- > Detailed enquiries and challenge of the Board and management on reasonableness of the assumptions made in the preparation of these forecasts. This included making comparisons to actual results achieved in the year.
- > Reviewing the Directors' reverse stress testing on forecasts and consideration of the downside scenarios that would result in a breach of the net debt to Regulatory Asset Base ("RAB") covenant. We considered the Directors' assessment of the likelihood of such circumstances arising in determining their conclusion related to going concern.
- > Assessing the accuracy of the Directors' financial model by testing the mechanical integrity of forecasts, assessing the historical forecasting accuracy and future air traffic assumptions by comparing these to third party forecasts from June 2024 through to at least June 2025.
- > Reviewing the terms of the Group's facility agreements and other key documents for significant matters that could impact the going concern assessment.
- > Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and reverse stress test assessment.

# Independent auditor's report to the members of NATS Holdings Limited

## Conclusions relating to going concern (continued)

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

In relation to the Parent Company's voluntary reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

## Overview

### Coverage<sup>1</sup>

- > 99% (2023: 99%) of Group profit before tax
- > 99% (2023: 99%) of Group revenue
- > 99% (2023: 99%) of Group total assets

<sup>1</sup>These are areas which have been subject to a full scope audit by the group engagement team.

### Key audit matters

	2024	2023
Recognition of licence fee revenue and amounts recoverable under regulatory agreement	No	Yes
Impairment of assets in the course of construction	Yes	Yes
Valuation of pension scheme liabilities	Yes	Yes
Valuation of certain pension scheme assets	Yes	Yes

In respect of the recognition of licence fee revenue and amounts recoverable under regulatory agreement, following the CAA publishing their final determination of the licence fee in November 2023 the level of estimation and judgement in this area has reduced. Accordingly, this is no longer considered a key audit matter.

### Materiality

#### Group financial statements as a whole

£13.7m based on 5.0% of adjusted profit before tax (2023: £6.8m based on 0.9% of operating costs). Profit before tax was adjusted for the COVID income shortfall of £123.2m and the impairment of loan to joint venture of £18.8m and provision for the related undrawn loan facility of £6.2m (see note 34), which are one off items.

## An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

There has been no significant change in the Group's operations and therefore the assessed risks of material misstatement described above, which are those that had the greatest effect on the audit strategy, the allocation of resources in the audit and directing the efforts of the audit team, are the same risks as in the prior year with the exception of the Recognition of licence fee revenue and amounts recoverable under regulatory agreement which is no longer deemed a key audit matter.

The Group audit team carried out full scope audits on all four significant components of the Group, being NATS Holdings Limited, NATS Limited, NATS (En Route) plc and NATS (Services) Limited, which covered 99% of the Group's revenue, assets and profit before tax. Non-significant components were subject to either specified Audit procedures or desktop review procedures performed by the group audit team.

### Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- > Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- > Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector;
- > Review of the minutes of Board and Audit Committee meetings and any other relevant party and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the Climate-related Financial Disclosures on pages 25 to 34 may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment.

We also assessed the consistency of management's Climate-related Financial Disclosures included as Statutory Other Information on pages 25 to 34 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

# Independent auditor's report to the members of NATS Holdings Limited

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Impairment of assets in the course of construction</b></p> <p>The carrying value of assets in the course of construction within other intangible assets is £383.9m (2023: £420.6m) and within property, plant and equipment is £148.3m (2023: £181.8m). The accounting policy for these is included in note 2.</p> <p>Notes 13 and 14 set out details of amounts invested.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>&gt; Reviewing management's assessment of any indicators of impairment for a sample of current capital projects carried forward as either tangible or intangible fixed assets and checking the appropriateness of their conclusions through discussions with project managers, outside of the group finance team, to gain an understanding of the capital projects.</li> <li>&gt; Testing a sample of capitalised projects that included verifying the appropriateness of the labour rates being used and the amount of labour time being capitalised per project to supporting payroll information.</li> <li>&gt; In considering the feasibility of individual projects we held discussions with the project managers and reviewed the performance to date against the expected performance.</li> <li>&gt; Testing the operating effectiveness of the control relating to the review and documentation which takes place on a project-by-project basis.</li> <li>&gt; Reviewing the related disclosures within the financial statements and checking that they complied with the requirements of the accounting standards.</li> </ul> <p><b>Key observations</b></p> <p>We consider that the impairment of assets under the course of construction is appropriately treated and the related disclosures to be acceptable.</p>
<p>The group invests significant sums in the sustainment and development of air traffic control infrastructure. A substantial proportion of the costs incurred are the amounts charged by staff employed by the group that are capitalised to specific projects.</p>	<p>Management makes judgements around the useful economic lives of currently deployed systems, in assessing indicators of impairment and considering the feasibility of individual projects.</p>
<p>Due to the two judgements noted above, the carrying value of assets in the course of construction and the related disclosures were considered an area of focus for our audit.</p>	

# Independent auditor's report to the members of NATS Holdings Limited

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Valuation of pension scheme liabilities</b></p> <p>As disclosed in note 32, the Group has recorded a gross defined benefit obligation of £3,371.1m (2023: £3,486.0m) in the valuation of the net defined benefit pension asset recorded on the Group balance sheet.</p> <p>Note 32 also includes details of the Group's assessment of the sensitivity of the present value of the scheme obligation to changes in actuarial assumptions.</p> <p>The quantum of the Group's plan liabilities recorded in the net defined benefit asset on the Group's balance sheet is significant and the valuation is subjective.</p> <p>The determination of the gross defined benefit obligation is subject to a significant level of estimation uncertainty, based on the use of actuarial assumptions. When making these assumptions, the Directors take independent actuarial advice relating to their appropriateness.</p> <p>As a result of the above the valuation of pension scheme liabilities and the related disclosures were considered an area of focus for our audit.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>&gt; With the assistance of our actuarial experts, challenging the appropriateness of the actuarial assumptions used by the Group in calculating the gross defined benefit pension obligation. This included benchmarking certain assumptions such as the discount rate, RPI and CPI against those used for similar schemes and considering whether each of these assumptions sit within an acceptable range of possible outcomes.</li> <li>&gt; Assessing the competence and objectivity of management's expert.</li> <li>&gt; Agreeing member number information to source data to check the accuracy thereof.</li> <li>&gt; Assessing the adequacy of the disclosures within note 32 to the financial statements to check these are in line with the applicable accounting standards.</li> </ul> <p><b>Key observations</b></p> <p>As a result of performing the procedures above, we found that valuation of the gross defined benefit pension scheme obligations and the related disclosures to be appropriate.</p>

# Independent auditor's report to the members of NATS Holdings Limited

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Valuation of certain pension scheme assets</b></p> <p>As disclosed in note 32, the Group had £3,384.6m (2023: £3,544.7m) of plan assets that are included in the valuation of the net defined benefit asset recorded on the Group balance sheet.</p> <p>Those assets include investments in hedge funds and private equity funds which make up £370.1m (2023: £362.4m) of plan assets.</p> <p>The quantum of the Group's plan assets recorded in the net defined benefit asset on the Group's balance sheet is significant in the context of the financial statements.</p> <p>Some of the asset valuations, which are determined with the assistance of the investment fund managers, are highly subjective.</p> <p>As a result of the above the valuation of hedge fund and private equity fund scheme assets were considered an area of focus for our audit.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>&gt; Comparing the values of investments held at the balance sheet date to external investment manager asset confirmations and statements to confirm the accuracy of the underlying valuation.</li> <li>&gt; Assessing the competence of the investment fund managers and, where different, the valuers, by obtaining and reviewing relevant controls reports to understand the controls they have in place over valuation and to identify any control findings which might impact the reliability of the valuations.</li> <li>&gt; Where control reports or bridging letters were not available, confirming the reasonableness of asset valuations and movements to corroborating evidence such as audited accounts.</li> <li>&gt; Reviewing, with the assistance of our own internal valuation experts, management's assessment of the existence of any significant valuation movements between the date of the most recent audited financial statements of the private equity funds and the balance sheet date, with reference to any available relevant market data.</li> </ul> <p><b>Key observations</b></p> <p>As a result of performing the procedures above, we found that the valuation of hedge fund and private equity fund plan assets to be appropriate.</p>

# Independent auditor's report to the members of NATS Holdings Limited

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

	Group financial statements		Parent company financial statements	
	2024	2023	2024	2023
<b>Materiality</b>	£13.7m	£6.8m	£2.8m	£2.8m
<b>Basis for determining materiality</b>	5.0% of adjusted profit before tax	0.9% of operating costs	2% of total assets	2% of total assets
<b>Rationale for the benchmark applied</b>	<p>In November 2023 the CAA published their final licence fee entitlement decision in respect of both the price control period being calendar years 2020 to 2022 and the next price control period from 1 January 2023 – 31 December 2027.</p> <p>As a result of this certainty regarding the licence fee and return to the pre-COVID-19 regulatory framework we now consider adjusted profit before tax to be the most appropriate measure on which to base materiality.</p> <p>Profit before tax was adjusted for the COVID income shortfall of £123.2m, the impairment of loan to joint venture of £18.8m and provision for the related undrawn loan facility of £6.2m (see note 34), which are one off items.</p>	<p>The level of uncertainty in respect of the COVID-19 pandemic reduced during the year with the resulting increase in air traffic. Given that costs incurred will form the basis on which the licence fee for the period will be set by the CAA, we considered that operating costs continue to provide the most appropriate measure on which to base materiality.</p>	This was considered the most appropriate benchmark as the Parent Company does not trade.	
<b>Performance materiality</b>	£10.3m	£5.1m	£2.1m	£2.1m
<b>Basis for determining performance materiality</b>	75%	75%	75%	75%
<b>Rationale for the percentage applied for performance materiality</b>	We set our performance materiality at 75% of overall materiality. In setting the level of performance materiality, we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.			

# Independent auditor's report to the members of NATS Holdings Limited

## Our application of materiality (continued)

### Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 20% and 90% (2023: 29% and 86%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £2.8m to £12.6m (2023: £1.7m to £5.4m). In the audit of each component, we further applied performance materiality levels of 75% (2023: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £274,000 (2023: £136,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Corporate Governance statement

As the Group has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

### Going concern and longer-term viability

- > The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 19; and
- > The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 19.

### Other Code provisions

- > Directors' statement on fair, balanced and understandable as set out on page 74;
- > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 20;
- > The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 52; and
- > The section describing the work of the audit committee as set out on page 49.

## Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- > the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.



# Independent auditor's report to the members of NATS Holdings Limited

## Other Companies Act 2006 reporting (continued)

### Matters on which we are required to report by exception

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

- > adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the Parent Company 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.

## Other voluntary reporting

### Directors' remuneration

The Parent Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The Directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 as if the Group were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the requirements of the Companies Act 2006 that would have applied had the Parent Company been a quoted company under the provisions of that Act.

## Responsibilities of Directors

As explained more fully in the Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### Non-compliance with laws and regulations

Based on:

- > Our understanding of the Group and the industry in which it operates;
- > Discussion with management, those charged with governance and the Audit Committee; and
- > Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations that could give rise to a material misstatement in the financial statements to be the Companies Act 2006, UK adopted international accounting standards, pension's legislation, tax legislation, the licence granted under the Transport Act 2000 and economic regulation regulated by the CAA.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Single European Sky (SES) legislation, the Bribery Act and the Data Protection Act.

# Independent auditor's report to the members of NATS Holdings Limited

## Auditor's responsibilities for the audit of the financial statements (continued)

### Non-compliance with laws and regulations (continued)

Our procedures in respect of the above included:

- > Enquiries of management, those charged with governance and the Audit Committee regarding any non-compliance with laws and regulations;
- > Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- > Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- > Review of legal confirmation letter responses obtained from the Group's key legal advisors;
- > Review of financial statement disclosures and agreeing to supporting documentation;
- > Involvement of tax specialists in the audit; and
- > Review of legal expenditure accounts to understand the nature of expenditure incurred.

### Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- > Enquiry with management, those charged with governance and the Audit Committee, regarding any known or suspected instances of fraud;
- > Obtaining an understanding of the Group's policies and procedures relating to:
  - > Detecting and responding to the risks of fraud; and
  - > Internal controls established to mitigate risks related to fraud.
- > Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- > Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- > Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- > Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue recognition.

Our procedures in response to the above included:

- > Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- > Testing a sample of journal entries posted as part of the financial statement preparation and consolidation process;
- > Performing testing to identify journal entries impacting revenue which did not follow the expected business process; and
- > Assessing significant assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to the valuation of certain defined benefit pension assets, the valuation of pension scheme liabilities and impairment of assets in course of construction as set out in the Key Audit Matters above.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Christopher Pooles (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor  
Reading  
United Kingdom

27 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated income statement

## For the year ended 31 March

	Notes	2024 £m	2023 £m
Revenue from contracts with customers	4	1,041.8	863.6
Regulatory allowances under-recovered	4	136.5	41.0
Other revenue	4	10.7	25.4
<b>Total revenue and regulatory allowances</b>		<b>1,189.0</b>	930.0
Staff costs	7	(495.5)	(485.9)
Services and materials		(86.2)	(81.8)
Repairs and maintenance		(53.8)	(45.5)
External research and development		(0.8)	(0.7)
Depreciation, amortisation and impairment of property, plant, equipment, intangible and right-of-use assets	6	(124.2)	(104.3)
Goodwill impairment	6, 12	-	(2.9)
Change in expected credit losses	17	-	0.8
Other operating charges		(51.8)	(39.2)
Other operating income		7.7	3.2
Loss on disposal of non-current assets		(0.2)	(0.2)
Deferred grants released	6	0.4	0.6
<b>Net operating costs</b>		<b>(804.4)</b>	(755.9)
<b>Operating profit</b>	6	<b>384.6</b>	174.1
Profit on disposal of joint venture		-	1.3
Share of results of associate and joint ventures	34	(9.5)	2.0
Impairment of loan to joint venture	34	(18.8)	-
Investment income	8	54.4	28.4
Fair value movement on financial instruments	9	(13.7)	(27.1)
Finance costs	10	(25.5)	(30.2)
<b>Profit before tax</b>		<b>371.5</b>	148.5
Tax	11	(94.0)	(32.3)
<b>Profit for the year attributable to equity shareholders</b>		<b>277.5</b>	116.2

# Consolidated statement of comprehensive income

## For the year ended 31 March

	Notes	2024 £m	2023 £m
<b>Profit for the year after tax</b>		<b>277.5</b>	116.2
<b>Items that will not be reclassified subsequently to profit and loss:</b>			
Actuarial loss on defined benefit pension scheme	32	(146.7)	(302.9)
Deferred tax relating to actuarial loss on defined benefit pension scheme	24	11.4	67.8
Current tax relating to actuarial loss on defined benefit pension scheme	11	25.3	3.7
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Change in fair value of hedging derivatives		(1.7)	2.6
Transfer to income statement on cash flow hedges		0.2	(1.0)
Exchange differences arising on translation of foreign operations		(0.2)	2.2
Currency translation differences arising on consolidation of equity accounted foreign operations	34	(0.1)	0.1
Deferred tax relating to items that may be reclassified subsequently	24	0.4	(0.3)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(111.4)</b>	(227.8)
<b>Total comprehensive income/(loss) for the year attributable to equity shareholders</b>		<b>166.1</b>	(111.6)



# Consolidated balance sheet

## At 31 March

	Notes	2024 £m	2023 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	12	42.6	42.7
Other intangible assets	13	706.5	691.8
Property, plant and equipment	14	403.1	422.7
Right-of-use assets	15	36.4	37.7
Investment	16	24.3	29.7
Interests in associate and joint ventures	34	3.5	7.4
Loans to joint ventures	34	-	8.8
Retirement benefit asset	32	13.5	58.7
Trade and other receivables	17	15.3	15.1
Amounts recoverable under regulatory agreement	17	575.3	631.1
Derivative financial instruments	20	0.1	1.5
		<b>1,820.6</b>	<b>1,947.2</b>
<b>Current assets</b>			
Trade and other receivables	17	210.5	188.2
Amounts recoverable under regulatory agreement	17	223.7	100.1
Current tax assets		14.4	1.7
Cash and cash equivalents	21	166.2	160.2
Derivative financial instruments	20	2.0	1.6
		<b>616.8</b>	<b>451.8</b>
<b>Total assets</b>		<b>2,437.4</b>	<b>2,399.0</b>
<b>Current liabilities</b>			
Trade and other payables	22	(163.5)	(162.6)
Amounts payable under regulatory agreement	22	(9.3)	(91.4)
Borrowings	18	(104.0)	(45.0)
Lease liabilities	19	(6.8)	(8.0)
Provisions	23	(4.4)	(2.4)
Derivative financial instruments	20	(13.9)	(12.7)
		<b>(301.9)</b>	<b>(322.1)</b>
<b>Net current assets</b>		<b>314.9</b>	<b>129.7</b>
<b>Non-current liabilities</b>			
Trade and other payables	22	(82.7)	(84.6)
Amounts payable under regulatory agreement	22	(45.5)	(50.2)
Borrowings	18	(760.9)	(866.4)
Lease liabilities	19	(39.9)	(44.4)
Deferred tax liability	24	(205.5)	(197.9)
Provisions	23	(18.0)	(14.2)
Derivative financial instruments	20	(68.2)	(70.5)
		<b>(1,220.7)</b>	<b>(1,328.2)</b>
<b>Total liabilities</b>		<b>(1,522.6)</b>	<b>(1,650.3)</b>
<b>Net assets</b>		<b>914.8</b>	<b>748.7</b>
<b>Equity</b>			
Called up share capital	25	140.6	140.6
Share premium account	26	0.4	0.4
Other reserves	27	(32.6)	(31.2)
Retained earnings		806.3	638.8
Equity attributable to the shareholders		<b>914.7</b>	<b>748.6</b>
Non-controlling interest	28	0.1	0.1
<b>Total equity</b>		<b>914.8</b>	<b>748.7</b>

The financial statements (Company No. 04138218) were approved by the Board of directors and authorised for issue on 27 June 2024 and signed on its behalf by:



**Paul Golby**  
Chairman



**Alistair Borthwick**  
Chief Financial Officer

# Consolidated statement of changes in equity

For the year ended 31 March

	Equity attributable to equity holders of the group						Total equity £m
	Share capital £m	Share premium account £m	Other reserves (note 27) £m	Retained earnings £m	Sub-total £m	Non-controlling interest £m	
<b>At 1 April 2022</b>	140.6	0.4	(34.8)	754.0	860.2	0.1	860.3
Profit for the year	-	-	-	116.2	116.2	-	116.2
Other comprehensive income/(loss) for the year	-	-	3.6	(231.4)	(227.8)	-	(227.8)
<b>Total comprehensive income/(loss) for the year</b>	-	-	<b>3.6</b>	<b>(115.2)</b>	<b>(111.6)</b>	-	<b>(111.6)</b>
<b>At 31 March 2023</b>	<b>140.6</b>	<b>0.4</b>	<b>(31.2)</b>	<b>638.8</b>	<b>748.6</b>	<b>0.1</b>	<b>748.7</b>
<b>At 1 April 2023</b>	<b>140.6</b>	<b>0.4</b>	<b>(31.2)</b>	<b>638.8</b>	<b>748.6</b>	<b>0.1</b>	<b>748.7</b>
Profit for the year	-	-	-	277.5	277.5	-	277.5
Other comprehensive loss for the year	-	-	(1.4)	(110.0)	(111.4)	-	(111.4)
<b>Total comprehensive (loss)/income for the year</b>	-	-	<b>(1.4)</b>	<b>167.5</b>	<b>166.1</b>	-	<b>166.1</b>
<b>At 31 March 2024</b>	<b>140.6</b>	<b>0.4</b>	<b>(32.6)</b>	<b>806.3</b>	<b>914.7</b>	<b>0.1</b>	<b>914.8</b>

# Consolidated cash flow statement

## For the year ended 31 March

	Notes	2024 £m	2023 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	255.5	187.5
Tax paid		(55.4)	(4.0)
<b>Net cash generated from operating activities</b>		<b>200.1</b>	<b>183.5</b>
<b>Cash flows from investing activities</b>			
Interest received on short-term investments		8.4	3.0
Purchase of property, plant and equipment and other intangible assets		(111.8)	(118.8)
Proceeds on disposal of joint venture		-	1.4
Dividends received from joint venture and associate		0.5	2.7
Loans to joint ventures	34	(12.4)	(12.5)
Repayments of loans to joint ventures	34	3.0	12.0
<b>Net cash outflow from investing activities</b>		<b>(112.3)</b>	<b>(112.2)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(2.8)	(19.1)
Interest received on derivative financial instruments		8.5	7.3
New bonds issued		-	105.5
Bond arrangement fees		-	(1.3)
Drawdown of bank loan under the £400m revolving facility		-	40.0
Repayment of bank loan under the £400m revolving facility		(65.0)	(175.0)
Principal paid on lease liabilities		(10.1)	(6.9)
Interest paid on lease liabilities		(1.1)	(1.4)
Index-linked swaps payments		(10.8)	(8.0)
Bank facility fees		(0.4)	(0.4)
<b>Net cash outflow from financing activities</b>		<b>(81.7)</b>	<b>(59.3)</b>
<b>Increase in cash and cash equivalents during the year</b>			
Cash and cash equivalents at 1 April		160.2	148.0
Exchange (losses)/gains on cash and cash equivalents		(0.1)	0.2
<b>Cash and cash equivalents at 31 March</b>		<b>166.2</b>	<b>160.2</b>
<b>Net debt</b> (representing borrowings and lease liabilities, net of cash and cash equivalents (see notes 21 and 29))			
		<b>(745.4)</b>	<b>(803.6)</b>

# Notes forming part of the consolidated accounts

## 1. General information

NATS Holdings Limited is a private limited 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 75. The nature of the group's operations and its principal activities are set out in the Report of the directors and in the Strategic report above.

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

## 2. Basis of preparation and accounting policies

### Going concern

The group's business activities, together with the factors likely to affect its performance and financial position, its cash flows, liquidity position and borrowings are set out in the Strategic report. In addition, note 3 to the financial statements describes critical judgements and key sources of estimation uncertainties and note 21 the group's objectives, policies and processes for managing its capital and its financial risks and details its financial instruments and hedging activities.

At 31 March 2024, the group had access to liquidity of £566m comprising cash of £166.2m and undrawn committed bank facilities of £400.0m. At 27 June 2024, the group had access to cash and undrawn bank facilities of around £540m.

When considering the appropriateness of the going concern basis of preparation of the financial statements, the directors have reviewed the cash flow forecasts prepared by management covering a period to 28 June 2025, being at least 12 months from the date of approval of these financial statements. The directors have had regard to reasonably plausible changes in trading performance as well as severe traffic volume scenarios individually and in combination and the principal risks discussed on pages 20 to 22.

The severe traffic volume scenarios modelled were: an immediate 15% reduction in air traffic volumes for a 12-month period, as a proxy for a traffic shock such as a major geopolitical incident and subsequent recession, being the most severe traffic scenario; a low case internal traffic forecast of 5.9% fewer flights than the NR23 decision assumed; a 20% loss of airport contract income from smaller airports in our portfolio, in the event of the financial collapse of an airport; an unplanned increase in operating costs; an increase in the financial support provided to our investments and unremunerated increases in defined benefit pension contributions. Finally, a combination scenario was also performed of lower air traffic volumes, higher operating costs and higher pension contributions. Under the most severe scenario the group maintains adequate liquidity (of £330m) and headroom (NERL gearing at 51%) to meet its debt covenant (NERL gearing at 85%), prior to mitigating actions (such as other cost saving measures and deferring capital investment).

The directors have also considered, through a reverse stress test, the point at which liquidity would be utilised or the financial covenant would be breached before both mitigating action and regard to the financeability duties of the CAA and Secretary of State for Transport. The reverse stress tests considered severe reductions in traffic volumes and significant unplanned expenditure. Taking all this into account, the group's cash flow forecasts, reflecting reasonably plausible downside scenarios, show that the group and company should be able to operate within the level of its available bank facilities and within its financial covenant for the foreseeable future.

Accordingly, the directors have formed the judgement that, taking into account the financial resources available, the range of reasonably plausible future traffic volume scenarios and potential mitigating actions that could be taken, together with the duties of the CAA and Secretary of State for Transport referred to in the Viability statement, the group and company have adequate resources to continue to operate for a period of at least twelve months from the date of approval of the financial statements, and have therefore adopted the going concern basis in the preparation of the financial statements.

### Accounting standards

The financial statements have been prepared in accordance with UK adopted International Accounting Standards, IFRS and IFRIC. The financial information has also been prepared in accordance with IFRSs issued by the International Accounting Standards Board (IASB).

### Accounting standards adopted in the year

The group has adopted the requirements of the following amendments to standards in the year, the adoption of these amendments has not had a material impact on the disclosures in the financial statements:

- > IFRS 17: *Insurance Contracts*, effective 1 January 2023 sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.
- > IAS 1 (amendments): *Disclosure of Accounting Policies*, effective 1 January 2023 requires an entity to disclose their material rather than their significant accounting policies.
- > IAS 8 (amendments): *Definition of Accounting Estimates*, effective 1 January 2023 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.
- > IAS 12 (amendments): *Deferred tax related to Assets and Liabilities arising from a Single Transaction*, effective 1 January 2023 requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.
- > IAS 12 (amendments): *OECD Pillar Two Rules*, effective immediately require large multinational enterprises within the scope of the rules to calculate their GloBE (Global Anti-Base Erosion Proposal) effective tax rate for each jurisdiction in which they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.



# Notes forming part of the consolidated accounts

## Future accounting developments

At the date of authorisation of these financial statements, the following amendments which have not been applied in these financial statements were in issue but not yet effective:

- > IAS 1 (amendments): *Classification of Liabilities as Current or Non-Current* (effective on or after 1 January 2024)
- > IAS 1 (amendments): *Classification of Non-Current Liabilities with Covenants* (effective on or after 1 January 2024)
- > IFRS 16 (amendments): *Lease Liability in a Sale and Leaseback* (effective on or after 1 January 2024)
- > IAS 7 and IFRS 7 (amendments): *Supplier Finance Arrangements* (effective on or after 1 January 2024)
- > IAS 21 (amendments): *Lack of exchangeability* (effective on or after 1 January 2025)
- > IFRS 18: *Presentation and Disclosures in Financial Statements* (effective on or after 1 January 2027)
- > IFRS 19: *Subsidiaries without Public Accountability: Disclosures* (effective on or after 1 January 2027)

The group is currently assessing the impact of these new accounting standards and amendments.

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

## Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power over the investee, exposure or rights to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of an investor's returns.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## Revenue recognition

Revenue is recognised from the transfer of goods or services at an amount that the group expects to be entitled to in exchange for those goods or services. Revenue is recognised based on the satisfaction of performance obligations, which are characterised by the transfer of control over a product or service to a customer. A contract asset is recognised to reflect the group's entitlement to consideration for work completed but not invoiced at the reporting date and a contract liability is recognised to reflect amounts invoiced for performance obligations not completed at the reporting date. Revenue excludes amounts collected on behalf of third parties.

## Airspace

Airspace services are economically regulated activities which are governed by NATS (En Route) plc's air traffic services licence. These include en route ATC services provided in UK airspace and the eastern part of the North Atlantic, approach services for London airports and an advisory service for helicopters operating in the North Sea. Each of these services has the same pattern of transfer to the customer. Revenue from each service is recognised over time (as the customer simultaneously receives and consumes all of the benefits provided by the group as the group performs).

The revenue which NERL is entitled to generate from each service is governed by licence conditions and is established by periodic regulatory reviews (this process is explained in the section on Our business model within the Strategic report). Revenue allowances are set ex ante based on the regulator's forecasts of air traffic volumes, inflation and defined benefit scheme pension contributions. Revenue is recognised based on chargeable service units or flights handled, at the rate specified by the licence and promulgated annually.

Also within Airspace, the group provides ATC services to the MOD, including training services. Revenue is recognised over time, as the service is provided. The MOD contract includes variable consideration relating to a gain share term which enables the MOD to share in cost efficiencies relative to the original contract assumption. Amounts due to the MOD for gain share are recognised over time as the service is provided and settled at future contractual payment dates. Amounts payable are discounted at NERL's regulatory cost of capital to reflect the financing component.

Revenue for assets funded by customers is recognised over the service life of the asset or the remaining contract term, if shorter.

## UK Airports

The group provides ATC, engineering support and airport optimisation services to UK airport customers. Each of these services represents a distinct performance obligation. For ATC and engineering support services there is a consistent pattern of delivery over the life of the contract, accordingly revenue for these services is recognised on a time lapse basis using the work output approach. For airport optimisation services revenue is recognised in line with costs incurred or labour hours expended for work performed to date, as a proportion of the estimated total contract costs, reflecting the pattern of control transferring to the customer, through the creation of an asset with no alternative use and an enforceable right to payment for work performed.

Variable consideration from contract gain share mechanisms and service performance incentives is recognised in the financial year in which the service is provided.

# Notes forming part of the consolidated accounts

## **Defence services**

The group provides ATC, asset provision and engineering maintenance services under the MOD's Project Marshall contract to the Aquila joint venture. These are separate contracts priced on a standalone basis, using a cost plus a margin approach. The ATC and engineering maintenance services represent distinct performance obligations. The asset provision contract contains two performance obligations (the delivery of a radio communications upgrade and fit-out of control towers). In each case, revenue is recognised over time based upon costs incurred for work performed to date, as a proportion of the estimated total contract costs, reflecting the pattern of control transferring to the customer, through the creation of an asset with no alternative use and an enforceable right to payment for work performed.

## **Other UK business**

The group provides other services to UK customers including consultancy, training and information. These contracts can contain multiple deliverables that are considered distinct. The transaction price is allocated to each performance obligation based on stand-alone selling prices. Where the transaction price is not directly observable, the prices are estimated based on a cost plus margin. Revenue is recognised in line with costs incurred or labour hours expended for work performed to date, as a proportion of the estimated total contract costs, reflecting the pattern of control transferring to the customer, through the creation of an asset with no alternative use and an enforceable right to payment for work performed.

## **International**

The group provides ATC and related services (including consultancy, airport optimisation services, training and information services) to overseas customers. Revenue is recognised as for similar services described above.

## **Income from other sources**

Rental income from leases is recognised on a straight-line basis over the relevant lease term.

Dividend income is recognised when a shareholder's rights to receive payment has been established.

Interest income is recognised on a time proportion basis using the effective interest method. This is the rate that exactly discounts estimated future cash flows over the expected life of the financial asset to that asset's net carrying amount.

## **Amounts recoverable or payable under regulatory agreement**

NATS (En Route) plc is the sole provider of the UK's en route air traffic control services. It operates under a licence granted under the Transport Act 2000 (TA00) and is economically regulated by the CAA. In setting the licenced price control conditions for NERL's services, the CAA establishes ex ante revenue allowances for a five-year price control which meet its financeability duties under TA00 to ensure that NERL does not find it unduly difficult to finance its operations. The unit rate for en route services to be charged to airspace users each year is based on the ex ante revenue allowance and on the CAA's forecast of air traffic volumes. Actual air traffic volumes for each year of a price control period may be higher or lower than the CAA's forecast. In order to ensure that NERL is able to finance its operations, the licence includes a risk sharing mechanism which mitigates the risk of variations in air traffic volumes and significant under or over-recovery by NERL of its annual revenue entitlement. The licence requires NERL to adjust the unit rate on a year n+2 basis to recover from or reimburse to airspace users amounts under or over recovered.

NERL recognises its entitlement to amounts under-recovered and its liability for amounts over-recovered in its statement of financial position as Amounts recoverable or payable under regulatory agreement, classified as current or non-current according to the period in which it is expected to be settled. Amounts recoverable or payable under regulatory agreement meet the definitions, recognition criteria, and measurement concepts in the IASB's Framework for the Preparation and Presentation of Financial Statements (2001). Amounts recoverable or payable under regulatory agreement reflecting the recoverability of projected future cash flows, are stated at an amount for which it is highly probable that a significant risk reversal will not subsequently occur. Amounts are discounted at inception at the incremental cost of borrowing at the balance sheet date. Amounts under or over-recovered from charges for services provided during the year are reported on the face of the income statement within Regulatory allowances under or over-recovered. See also note 3.

The regulator also sets allowances and incentives for service performance. Where the group's service performance results in bonuses or penalties an amount is recognised within Amounts recoverable or payable under regulatory agreement and is reflected in the unit rate in year n+2. The regulator also allows the pass through of differences which arise between the regulator's ex ante pension cost assumptions and actual outcomes due to unforeseen financial market conditions by way of an adjustment to charges over a 15-year period. Amounts recoverable or payable in this regard are discounted at NERL's regulatory cost of capital.

Distributable reserves of the individual companies within the group comprise their individual accumulated realised profits less accumulated realised and unrealised losses. In the opinion of the directors, following the CAA's November 2023 decision on the retrospective reconciliation of NERL's flight income and costs during Covid, the amount of revenue and regulatory allowances to which NERL plc is entitled for the period from 1 January 2020 to 31 December 2022 are realised profits.

# Notes forming part of the consolidated accounts

## Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the group's Executive team, which is considered to be the chief operating decision maker. An operating segment represents a service line organised by customers who receive common products or services. Operating segment 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. Further information is provided in notes 4 and 5.

## Operating profit

Operating profit is stated after charging restructuring costs but before the group's share of results of joint ventures and associates, investment income, fair value movement on financial instruments, finance costs and taxation.

## Goodwill (see note 3)

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. For the purpose of impairment testing NATS assesses the carrying value of goodwill against the recoverable amount of the cash generating unit to which goodwill has been allocated. Where the recoverable amount is less than the carrying value, the impairment loss is allocated to goodwill.

Recoverable amount is the higher of fair value less costs of disposal and value in use. For goodwill held by NERL, which was recognised following the public private partnership transaction, fair value less costs of disposal is assessed by reference to the RAB of the economically regulated activities and costs of disposal. For goodwill acquired in a business combination, fair value reflects market transactions for similar assets. In assessing value in use, the estimated future cash flows (with a terminal value, as a proxy for future cash flows, which for NERL represents the RAB) are discounted to their present value using a market pre-tax discount rate (which for NERL is the pre-tax nominal regulated rate of return) or an appropriate surrogate. For NERL's assessment, a premium is applied to the RAB, as market precedent transactions indicate economically regulated businesses attract valuations in excess of RAB. A premium of 7.5% was determined for 2024 (2023: 5%), reflecting market precedent transactions and an independent assessment undertaken in 2024 - see notes 3 and 12.

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment 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. Estimated useful lives are determined on an individual asset basis, within the range of:

- > Freehold buildings: 10-40 years
- > Leasehold buildings: over the remaining life of the lease to a maximum of 20 years
- > Air traffic control systems: 5-25 years
- > Plant and other equipment: 3-30 years
- > Furniture, fixtures and fittings: 5-15 years
- > Vehicles: 5-10 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

IAS 23: *Borrowing Costs* requires costs of borrowings directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of the asset. 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, qualifying assets relate to any additions to new projects that began from 1 April 2009, included in assets under construction.

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, the percentage rate for interest capitalisation is calculated as a proportion of the interest costs to the average level of borrowings in the period 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.

# Notes forming part of the consolidated accounts

## Government grants and other grants

Government grants relating to property, plant and equipment are treated as deferred income and released 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 the income statement in the period to which they relate.

In order to benefit airspace users, NERL previously obtained funding from the EC's Innovation and Network Executive Agency (INEA) for SESAR deployment projects. This was initially deferred on the balance sheet and reported within contract liabilities. Under EC Regulations, and as required by the CAA as NERL's economic regulator, all of the benefit of INEA funding is passed on to airspace users as a reduction in the unit rate charged by NERL for its UK en route services. Accordingly, INEA funding is recognised as a grant relating to income and reported as other revenue in the income statement, offsetting the cost of amounts passed on to customers through the unit rate adjustment.

## Leases

Where a contract provides the right to control the use of an asset for a period of time in exchange for consideration, the contract is accounted for as a lease. In order for lease accounting to apply, an assessment is made at the inception of the contract that considers whether:

- > the lessee has the use of an identified asset, which entitles it to the right to obtain substantially all of the economic benefits that arise from the use of the asset; and
- > the lessee has the right to direct the use of the asset, either through the right to operate the asset or by predetermining how the asset is used.

## Measurement at inception

At the lease commencement date the lessee will recognise:

- > a lease liability representing its obligation to make lease payments; and
- > an asset representing its right to use the underlying leased asset (a right-of-use asset).

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease, or if not available an incremental borrowing rate. Future lease payments will include fixed payments or variable lease payments that depend on an index or rate (initially measured at the rate at the commencement date). In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

The right-of-use asset is initially measured at cost, which comprises the amount initially recognised as the lease liability, lease payments made at or before the commencement date, initial direct costs incurred, and the amount of any provision for estimated costs to be incurred at the end of the lease to restore the site to the required condition stipulated in the lease (dilapidations provision) less any lease incentives received.

For contracts that both convey a right to the lessee to use an identified asset and require services to be provided to the lessee by the lessor, the lessee has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, or account separately for, any services provided by the supplier as part of the contract.

## Ongoing measurement

Subsequent to initial measurement, the lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding, reduced for lease payments made and are adjusted for any reassessment of the lease as the result of a contract modification. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or asset life if it is shorter.

When the lessee revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lease extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the discount rate applicable on the modification date. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- > If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- > In all other cases where the renegotiated terms increase the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- > If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

## Short term and low-value leases

The group applies recognition exemptions for short term leases and leases of low-value items which are accounted for on a straight-line basis over the lease term.



# Notes forming part of the consolidated accounts

## **Investments in associates and joint ventures**

An associate is an entity over which the group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

A joint venture is an arrangement in which two or more parties have joint control. The investors in the joint venture have rights to the net assets of the jointly controlled entity. The results of joint ventures are incorporated in these financial statements using the equity method of accounting.

Investments in associates and joint ventures are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate or joint venture, less any impairment in the value of individual investments.

## **Internally-generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

- > the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- > the intention to complete the intangible asset and use or sell it;
- > the ability to use or sell the intangible asset;
- > how the intangible asset will generate probable future economic benefits;
- > the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- > the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives, typically over 3 to 20 years. Assets in the course of construction are not amortised until ready for use. When 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, intangible and right-of-use assets, excluding goodwill**

At each balance sheet date, the group reviews the carrying amounts of its tangible, intangible and right-of-use 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 group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal 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 for NERL (with a RAB terminal value with a premium as a proxy for future cash flows) and for NATS Services the weighted average cost of capital.

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 immediately.

Where an impairment loss on an intangible or tangible asset 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 payments**

The group has applied the requirements of IFRS 2: *Share-Based Payments*.

In 2001, the company established an All Employee Share Ownership Plan (AESOP) 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 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. This amount is reflected in the AESOP reserve. 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, within wages and salaries.

In respect of the award schemes, the group provides finance to NESL to enable the trust company to meet its obligations to repurchase vested or eligible shares from employees.

The costs of running the employee share trust are charged to the income statement.

# Notes forming part of the consolidated accounts

## Taxation

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in the statement of changes in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current 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 is charged or credited to the income statement, 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 current tax assets off 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.

## Foreign currency translation

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the holding company, and the presentation currency for the consolidated financial statements. For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rate at the date of transactions is used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the Translation reserve (and attributed to non-controlling interests as appropriate).

In preparing the financial statements of the individual companies, transactions in currencies other than the currency of the primary economic environment in which they operate (their "functional currency"), 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 at 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.

In order to hedge its exposure to certain foreign exchange risks, the group enters into forward contracts (see below for details of the group's accounting policies in respect of such derivative financial instruments).

## Retirement benefit costs

The CAA Pension Scheme is a funded defined benefit scheme. The assets of the scheme are held in a separate trustee administered fund. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses and return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled.

Past service cost is recognised immediately, at the earlier of the date the defined benefit scheme is amended or any associated restructuring cost is recognised to the extent that the benefits are already vested.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories, which are reported in aggregate (see note 32):

- > current service cost, past service cost and gains and losses on curtailments and settlements;
- > net interest expense or income; and
- > remeasurement.

The retirement benefit obligation recognised in the balance sheet represents the deficit or surplus in the group's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the scheme.

Since 2009, the group and Trustees have introduced a number of pension reforms, as explained in note 32. These include: 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.

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

# Notes forming part of the consolidated accounts

## Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group 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 in the group balance sheet when the group becomes a party to the contractual provisions of the instrument. Financial assets are classified as either fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification and subsequent re-measurement depends on the group's business model for managing the financial asset and its cash flow characteristics.

The group has financial assets in the categories of fair value through the profit or loss and at amortised cost. The group does not have financial assets at fair value through other comprehensive income. Detailed disclosures are set out in notes 16 to 22.

### Financial assets:

#### Fair value through profit or loss

The group does not have any assets held for trading. The group holds an equity investment in Aireon at fair value through profit or loss. This is carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated income statement in the fair value movement in financial instruments line item.

#### Amortised cost

These assets arise principally from the provision of goods and services to customers (such as loans and trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

#### Impairment of financial assets

Equity instruments, including subsidiaries, associates and joint ventures, are assessed at each reporting date to determine whether there was objective evidence of impairment. Impairment losses are recognised in the income statement.

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, such provisions are recorded in a separate provision account with the loss being recognised in the income statement.

On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset.

For those financial assets where the credit risk has not increased significantly since initial recognition, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

## 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 or loss or other financial liabilities.

### Fair value through the profit or loss

Financial liabilities at fair value through profit or loss, which represent derivative financial instruments, 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, debt securities and trade and other payables are recorded at the proceeds received, net of direct issue costs. Finance charges, including premia payable on settlement or redemption and direct issue costs, are accounted for on an accruals 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 period in which they arise.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

# Notes forming part of the consolidated accounts

## 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 flows over the expected life of the financial asset.

## Equity

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 group after deducting all of its liabilities.

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

## Reserves

The consolidated statement of changes in equity includes the following reserves not otherwise explained in this note:

- > Other reserves, which arose on the completion of the PPP transaction in July 2001 under a statutory transfer scheme;
- > Non-controlling interest, which represents the share of equity attributable to the minority investor in NATS Services LLC.

## Derivative financial instruments and hedging activities

The group's activities expose it primarily to the financial risks of changes in interest rates, inflation and foreign currency exchange rates. The group uses interest rate and index-linked swap contracts and forward foreign exchange contracts to hedge these exposures. These are disclosed in notes 20 and 21 to the accounts.

As permitted under IFRS 9, the group has elected to continue to apply the existing hedge accounting requirements of IAS 39 for its cash flow hedges until a new macro hedge accounting standard is implemented by the IASB.

Under IFRS derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The use of financial derivatives is governed by the group's policies approved by the Board of directors, which provides written principles on the use of financial derivatives. The group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised

directly in equity (in the Hedge reserve) and the ineffective portion is recognised immediately in the income statement. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recycled to the income statement in the same period in which the hedged item affects the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net income or expense for the period.

## 3. Critical judgements and key sources of estimation uncertainty

When preparing financial statements management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Actual outcomes in future could differ from these estimates. Information about those estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are explained below.

### Recognition of regulatory assets and liabilities (see notes 17 and 22)

There is no IFRS currently that specifically applies to the recognition of regulatory assets and liabilities that arise under NERL's regulatory agreement, though the IASB is developing such a standard (see below). Accordingly the company has made significant judgements in developing and applying an accounting policy for the recognition of amounts recoverable and payable under the regulatory agreement which provides information that is relevant to the decision-making needs of users of the financial statements and is reliable in representing faithfully the financial position, financial performance and cash flows of the company and reflects the economic substance of NERL's specific regulatory framework.

In developing an appropriate accounting policy the company has referred to, and considered the applicability of, first the requirements in IFRSs dealing with similar and related issues and second, as the company does not apply IFRS 14: *Regulatory Deferral Accounts*, the definitions, recognition criteria and measurement concepts in the 2001 Framework for the Preparation and Presentation of Financial Statements. The company considered that the definitions of assets and liabilities in the 2001 Framework were met, and therefore developed an accounting policy based on IFRS 15: *Revenue from Contracts with Customers* by analogy, which is explained in note 2 to the financial statements.

# Notes forming part of the consolidated accounts

## **Recognition of regulatory assets and liabilities (see notes 17 and 22) (continued)**

Unlike other economically regulated sectors, such as water and power, air travel is a discretionary consumer expense and thus it is susceptible to a greater volatility of demand. The consumer demand for air travel has a direct bearing on the volume of flights in UK airspace and therefore the income that NERL earns from the flights that it handles. As the UK's sole provider of en route ATC services NERL is obliged to make its service available to meet any reasonable level of demand. When establishing a price control, the economic regulator makes a forecast of the volume of flights and sets a charge for NERL's ATC service accordingly. In order to provide protection against the volatility in flight volumes relative to the price control forecast, NERL's licence includes a traffic risk sharing mechanism which limits its exposure to flight volumes, and its associated impact on NERL's income. Other risk mechanisms also apply to inflation and the impact of unforeseen financial market conditions on defined benefit pension contributions, with service performance also incentivised. When considering whether the definitions of assets and liabilities under the 2001 Framework are met, it is the judgement of the directors that the company specific traffic risk sharing mechanism, alongside the wider economic regulatory framework and its specific characteristics, are important features that provide it with control of the future economic benefits arising from amounts recoverable and obligations for amounts payable, under the regulatory agreement, without controlling the volume of flights in future. These mechanisms are further reinforced by the duties on the CAA and the Secretary of State under the Transport Act 2000 to ensure that it is not unduly difficult for NERL to finance its licensed activities, the regulatory commitment to the regulatory asset base as a store of future value and, in particular, commitments made by the CAA in the NR23 price control review on the recovery of the Covid income shortfall. The company also considers that, in light of NERL's specific regulatory framework, there are not significant risks and uncertainties in relation to the recovery of such amounts in future.

The company is aware of the IASB's Exposure Draft: *Regulatory Assets and Regulatory Liabilities*, which may have a significant impact on the accounting by economically regulated entities when it is implemented as an IFRS, in which event, the company will consider its applicability to its specific circumstances.

## **Retirement benefits (see note 32)**

The group accounts for its defined benefit pension scheme such that the net pension scheme position is reported on the balance sheet with actuarial gains and losses being recognised directly in equity through the statement of comprehensive income. At 31 March 2024 the funding position of the scheme reported in the financial statements was a surplus of £13.5m (2023: £58.7m) on liabilities of £3,371.1m (2023: £3,486.0m).

A number of key assumptions have been made in calculating the fair value of the group's defined benefit pension scheme which affect the balance sheet position and the group's reserves and income statement. A summary of the main assumptions and sensitivities are set out in note 32 to the consolidated accounts. Actual outcomes may differ materially from the assumptions used and may result in volatility in the net pension scheme position.

The group recognises an IAS 19 funding surplus as it is satisfied that the practical effect of the trust deed and rules, alongside UK legislation, mean the group has an unconditional right to a refund assuming the gradual settlement of the scheme's liabilities over time until all members have left the scheme. The trustees have no discretion under the trust deed and rules to enhance member benefits in the event of a trustee funding surplus.

## **Net investment in Aquila joint venture (see note 34)**

The Aquila joint venture is projecting a material increase in the costs to deliver its Project Marshall contract, which completes in 2037. Based on the information available at the balance sheet date, the group has recognised its share of the losses up to the carrying value of the investment brought forward at 1 April 2023 of £4.5m, impaired the outstanding shareholder loan of £18.8m and recognised a liability of £6.2m for the company's legal obligation arising under the £25.0m shareholder loan facility agreement.

Long term contract accounting for the Project Marshall contract represents a significant accounting estimate for Aquila in relation to the costs to complete the contract, alongside management judgement and assumptions as to the future operating environment. The conditions leading to an increase in costs to complete Project Marshall are considered, in some cases, to have existed in one or more prior periods, arising from a combination of potential errors and/or changes in assumptions in forecasts of the contract outturn. However, the departure of the Aquila management team responsible for preparing those forecasts has prevented an informed assessment of their intentions and assumptions and presents a significant limitation in establishing reliably the period-specific effects of potential errors on comparative information for one or more prior periods and distinguishing such effects from subsequent changes in estimates. The quantum and timing of such conditions cannot be reliably determined which, in turn, impacts NATS own impairment review considerations of its net investment in the joint venture. Therefore, in accordance with IAS 8, the impairment of the group's net investment has been reported in the year ended 31 March 2024 as it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period.

The joint venture is assessing the actions available to mitigate the increase in costs. The Project Marshall contract has a contractual mechanism for re-basing inflation at specified dates in the future. The potential benefit of this has not been factored into the contract revenue forecast.

The final contract outcome may differ materially to management's estimate depending on the actions taken by the joint venture and contract re-pricing in the future.



# Notes forming part of the consolidated accounts

## **Investment in Aireon LLC (see note 16)**

The group holds a minority interest in convertible redeemable preference shares in Aireon LLC, which carry voting rights and a right of conversion to equity interests up to 2027. NATS interest in Aireon represents a financial asset which is required to be measured at fair value through profit or loss. The group valued its interest at £24.3m as at 31 March 2024 (2023: £29.7m). Aireon is a privately owned entity with few historic transactions and is therefore an illiquid unquoted investment with no readily available market price.

In valuing its interest in Aireon, the group uses an income approach which discounts to present value future dividend projections based on Aireon's most recent long term operating plan and NATS assessment of that plan at a discount rate of 15.0% (2023: 14.3%). The group also has regard to any recent transactions between the interest holders.

Aireon's dividend projections depend on its business performance, including delivery of new sales contracts not yet secured. A 10% change in revenue from new sales assumed but not yet secured would result in a c.£5m to £6m change in fair value. The valuation is also sensitive to the discount rate. A 1% change in discount rate would result in a c.£3m change in fair value.

## **Impairment of goodwill, intangible, tangible and right-of-use assets (see notes 12 to 15)**

The group is undertaking a significant capital investment programme to upgrade existing ATC infrastructure. This programme requires the group to enter into substantial contracts for the development of infrastructure assets and information systems. Whilst covered by contractual arrangements, it is in the nature of such complex projects that, from time to time, variations to the original specifications may necessitate the renegotiation of original contract scope or price and affect amounts reported in these accounts. The group also capitalises internal labour where this is directly attributable to the development of assets, at a labour rate judged to reflect the underlying cost of staff. Impairment charges may arise subsequently if changes in the cost or scope of capital investment is not recoverable from customer contracts or through the regulatory framework.

Classification of assets in the course of construction is assessed regularly and at the point they are brought into use are categorised as intangible or tangible assets as appropriate.

In carrying out impairment reviews of goodwill, intangible, tangible and right-of-use assets (including assets in the course of construction), a number of significant assumptions have to be made when preparing cash flow projections from which to determine value in use and also in assessing fair values less costs of disposal (see judgement relating to goodwill below). These include air traffic growth, the extent and timing of future cash flows and realisation of contract pipeline revenue, the value of the regulated asset bases (RAB – see below), the scope for outperformance of the regulatory contract, market premia for transactions in similar economically regulated businesses, NERL's licence period and the outcome of the regulatory price control determinations.

The RAB reflects the capital employed in the economically regulated business and, broadly, is uplifted annually for inflation and increases with capital expenditure and reduces by regulatory depreciation. The market premium, which is applied to the RAB when determining the fair value of goodwill, was assessed at the balance sheet date to be 7.5% (2023: 5%). This reflected market precedent transactions in the year and the result of an independent assessment which had regard to the CAA's NR23 regulatory settlement and the outlook for air traffic volumes.

There is an uncertainty in respect of the judgement on the RAB premium. As a sensitivity, the removal of the 7.5% RAB premium would not result in a goodwill impairment charge.

Should the actual outcomes in respect of these matters differ to the NR23 regulatory settlement, further impairment charges may be required which would materially impact operating results in future periods. See notes 12, 13, 14 and 15.

## **Leases (see notes 15 and 19)**

Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or asset life if it is shorter, and subject to annual impairment reviews, as noted above.

### **Determining the lease term**

The lease term determined by the lessee comprises non-cancellable periods of lease contracts, periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Specific lease term judgements have been taken in relation to:

- > Property leases in England and Wales that are governed by the Landlord and Tenant Act 1954. For those that are in the process of being extended, it has been assumed that they will be extended, under the Landlord and Tenants Act 1954, for a period of 15 years which is aligned with the NERL's Air Traffic Services licence termination notice period.
- > Airport equipment leases have primary, secondary and tertiary periods. The lease term assumed is the period for which the group is reasonably certain to exercise the option to extend, being the period the lessee expects to use the asset in delivery of air navigation services.

# Notes forming part of the consolidated accounts

## 4. Total revenue and regulatory allowances

The group has recognised the following total revenue and regulatory allowances in the income statement:

	2024 £m	2023 £m
Revenue from contracts with customers	1,041.8	863.6
Regulatory allowances under-recovered	136.5	41.0
Other revenue: EU funding passed to UK en route customers (see note 4a)	7.7	22.7
Other revenue: rental and sub-lease income	3.0	2.7
<b>Total revenue and regulatory allowances (see operating segments)</b>	<b>1,189.0</b>	<b>930.0</b>

### a) Total revenue and regulatory allowances disaggregated by operating segment

The group's Executive team is considered to be the chief operating decision maker as defined by IFRS 8. The segmental analysis is based on the information that the Executive team uses internally for the purposes of evaluating the performance of operating segments and determining resource allocation between segments. The business is organised into service lines, aligned with our customers: Airspace, UK Airports, Defence Services, Other UK Business and International, and the products and services provided to each.

The performance of operating segments is assessed based on service line revenue and contribution. Service line contribution represents the total revenue and regulatory allowance under-recovered and costs which are directly attributed to a service line. Costs which are not directly attributed to a service line include: costs managed outside of service lines, depreciation and amortisation (net of government grants), goodwill impairment, expected credit losses, profit/(loss) on disposal of non-current assets, employee share scheme (costs)/credits, redundancy and relocation costs, R&D expenditure above the line tax credits, investment income, fair value movements on financial instruments, profit on disposal of joint venture and finance costs. A reconciliation of service line contribution to profit before tax is set out in note 5.

### Principal activities

The following table describes the activities of each operating segment:

<b>Airspace</b>	This includes all of the group's economically regulated activities and encompasses services to en route, oceanic and London Approach customers provided from our Prestwick and Swanwick centres, together with all the supporting communications, navigation and surveillance infrastructure and facilities. Airspace includes air traffic services for helicopters operating in the North Sea, approach services for London airports, infrastructure services to the Ministry of Defence (MOD) for their en route operations and European projects in conjunction with other air traffic organisations.
<b>UK Airports</b>	The provision of air traffic control, engineering support and airport optimisation services to UK airport customers.
<b>Defence Services</b>	The provision of air traffic control, engineering support and other services to the UK MOD and to our joint venture for the UK MOD's Marshall contract.
<b>Other UK Business</b>	Other services provided to UK customers including: consultancy, offering airspace development, capacity improvement and training; and information, providing data to enable future efficiency and flight optimisation.
<b>International</b>	The provision of air traffic control and related services (including consultancy, engineering, training and information services) and the development and delivery of digital and remote tower solutions to overseas customers.

# Notes forming part of the consolidated accounts

## 4. Total revenue and regulatory allowances (continued)

### a) Total revenue and regulatory allowances disaggregated by operating segment (continued)

Segment information about these activities is presented below:

	2024			2023		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
<b>Revenue from contracts with customers</b>						
UK air traffic services:						
Services to UK en route customers	725.1	-	725.1	576.5	-	576.5
London Approach services	15.7	-	15.7	13.5	-	13.5
Infrastructure services to the MOD	44.2	-	44.2	41.4	-	41.4
Services for North Sea helicopters	9.3	-	9.3	8.8	-	8.8
Other income	2.7	-	2.7	4.4	-	4.4
	<b>797.0</b>	<b>-</b>	<b>797.0</b>	<b>644.6</b>	<b>-</b>	<b>644.6</b>
North Atlantic air traffic services:						
Services to oceanic en route customers	54.2	-	54.2	43.7	-	43.7
Intercompany revenue	25.1	(25.1)	-	14.0	(14.0)	-
Airspace	876.3	(25.1)	851.2	702.3	(14.0)	688.3
UK Airports	168.6	(14.5)	154.1	155.3	(22.7)	132.6
Defence Services	12.1	(1.0)	11.1	16.6	(1.0)	15.6
Other UK Business	20.4	(3.1)	17.3	17.5	(3.0)	14.5
International	10.0	(1.9)	8.1	12.7	(0.1)	12.6
Total revenue from contracts with customers	<b>1,087.4</b>	<b>(45.6)</b>	<b>1,041.8</b>	<b>904.4</b>	<b>(40.8)</b>	<b>863.6</b>
<b>Regulatory allowances under-recovered</b>						
Airspace						
UK air traffic services:						
Services to UK en route customers	133.5	-	133.5	41.6	-	41.6
London Approach services	3.0	-	3.0	(0.6)	-	(0.6)
Total regulatory allowances under-recovered	<b>136.5</b>	<b>-</b>	<b>136.5</b>	<b>41.0</b>	<b>-</b>	<b>41.0</b>
<b>Other revenue: EU funding passed to UK en route customers</b>						
Airspace	7.7	-	7.7	22.7	-	22.7
<b>Other revenue: rental and sub-lease income</b>						
Airspace	4.1	(1.1)	3.0	3.5	(0.8)	2.7
	<b>4.1</b>	<b>(1.1)</b>	<b>3.0</b>	<b>3.5</b>	<b>(0.8)</b>	<b>2.7</b>
Total revenue and regulatory allowances	<b>1,235.7</b>	<b>(46.7)</b>	<b>1,189.0</b>	<b>971.6</b>	<b>(41.6)</b>	<b>930.0</b>

UK air traffic services provide en route air traffic services within UK airspace, air traffic services for helicopters operating in the North Sea, approach services for London airports, services to the Ministry of Defence and miscellaneous activity connected to the en route business. North Atlantic air traffic services provide en route air traffic services over the North Atlantic, including an altitude calibration service.

EC Regulations require that European funding for SESAR deployment received by ANSPs should ultimately be passed on to airspace users through a discount in the unit rate charge for UK en route services. In the financial year ended 31 March 2024, £7.7m (2023: £22.7m) of European funding was passed to airspace users. Accordingly, an equivalent amount was released from contract liabilities to offset the cost of the discount.

Regulatory allowances under-recovered includes £123.2m following confirmation by the CAA of the Covid income shortfall, recognised at 31 March 2023 as variable consideration (2023: £23.3m, based on CAA's initial proposals, published October 2022, for the Covid income shortfall).

# Notes forming part of the consolidated accounts

## 4. Total revenue and regulatory allowances (continued)

### b) Total revenue and regulatory allowances disaggregated based on economic regulation

	2024			2023		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
<b>Regulated income</b>						
Services to UK en route customers	725.1	-	725.1	576.5	-	576.5
London Approach services	15.7	-	15.7	13.5	-	13.5
Services to oceanic en route customers	54.2	-	54.2	43.7	-	43.7
Revenue from contracts with customers	795.0	-	795.0	633.7	-	633.7
Regulatory allowances under-recovered	136.5	-	136.5	41.0	-	41.0
Other revenue: EU funding passed to UK en route customers	7.7	-	7.7	22.7	-	22.7
Total regulated income	939.2	-	939.2	697.4	-	697.4
<b>Non-regulated income</b>						
Airspace						
Infrastructure services to the MOD	44.2	-	44.2	41.4	-	41.4
Services for North Sea helicopters	9.3	-	9.3	8.8	-	8.8
Other income	2.7	-	2.7	4.4	-	4.4
Intercompany revenue	25.1	(25.1)	-	14.0	(14.0)	-
UK Airports	168.6	(14.5)	154.1	155.3	(22.7)	132.6
Defence Services	12.1	(1.0)	11.1	16.6	(1.0)	15.6
Other UK Business	20.4	(3.1)	17.3	17.5	(3.0)	14.5
International	10.0	(1.9)	8.1	12.7	(0.1)	12.6
Revenue from contracts with customers	292.4	(45.6)	246.8	270.7	(40.8)	229.9
Other revenue: rental and sub-lease income	4.1	(1.1)	3.0	3.5	(0.8)	2.7
Total non-regulated income	296.5	(46.7)	249.8	274.2	(41.6)	232.6
	1,235.7	(46.7)	1,189.0	971.6	(41.6)	930.0

Airspace services are economically regulated activities governed by NATS (En Route) plc's air traffic services licence. The revenue which NERL is allowed to generate from these services is governed by the price control conditions of this licence.

# Notes forming part of the consolidated accounts

## 4. Total revenue and regulatory allowances (continued)

### c) Total revenue and regulatory allowances disaggregated by timing of recognition

	2024			2023		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
<b>Over time</b>						
Revenue from contracts with customers	1,086.3	(45.6)	1,040.7	900.8	(40.8)	860.0
Regulatory allowances under-recovered	158.7	-	158.7	53.2	-	53.2
Other revenue: EU funding passed to UK en route customers	7.7	-	7.7	22.7	-	22.7
Other revenue: rental and sub-lease income	4.1	(1.1)	3.0	3.5	(0.8)	2.7
	<b>1,256.8</b>	<b>(46.7)</b>	<b>1,210.1</b>	980.2	(41.6)	938.6
<b>At a point in time</b>						
Regulatory allowances over-recovered	(22.2)	-	(22.2)	(12.2)	-	(12.2)
Revenue from contracts with customers	1.1	-	1.1	3.6	-	3.6
	<b>(21.1)</b>	<b>-</b>	<b>(21.1)</b>	(8.6)	-	(8.6)
	<b>1,235.7</b>	<b>(46.7)</b>	<b>1,189.0</b>	971.6	(41.6)	930.0



# Notes forming part of the consolidated accounts

## 4. Total revenue and regulatory allowances (continued)

### d) Total revenue and regulatory allowances disaggregated by geographical area

The following table provides an analysis of the group's total revenue and regulatory allowances by geographical area based on the location of its customers:

	2024			2023		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
<b>Revenue and regulatory allowances, including Other revenue: EU funding passed to UK en route customers</b>						
United Kingdom	563.2	(44.2)	519.0	456.4	(40.8)	415.6
United States of America	153.3	-	153.3	113.7	-	113.7
Other European countries	151.1	-	151.1	149.2	-	149.2
Republic of Ireland	122.4	-	122.4	94.4	-	94.4
Countries in Asia	90.8	(1.2)	89.6	70.4	-	70.4
Germany	63.6	-	63.6	50.4	-	50.4
Countries in Africa	51.0	-	51.0	4.3	-	4.3
Other North American countries	32.9	(0.2)	32.7	26.9	-	26.9
Countries in South America	1.7	-	1.7	1.2	-	1.2
Countries in Oceania	1.6	-	1.6	1.2	-	1.2
	<b>1,231.6</b>	<b>(45.6)</b>	<b>1,186.0</b>	968.1	(40.8)	927.3
<b>Other revenue: rental and sub-lease income</b>						
United Kingdom	4.1	(1.1)	3.0	2.9	(0.8)	2.1
Other European countries	-	-	-	0.6	-	0.6
	<b>4.1</b>	<b>(1.1)</b>	<b>3.0</b>	3.5	(0.8)	2.7
	<b>1,235.7</b>	<b>(46.7)</b>	<b>1,189.0</b>	971.6	(41.6)	930.0

Total revenue and regulatory allowances is attributed to countries on the basis of the customer's country of domicile. Individual countries have not been shown where revenue from these countries of domicile are less than 5% of total revenue.

# Notes forming part of the consolidated accounts

## 4. Total revenue and regulatory allowances (continued)

### e) Contract balances

Contract assets and contract liabilities from contracts with customers are disclosed in notes 17 and 22. Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Contract assets		Contract liabilities	
	2024 £m	2023 £m	2024 £m	2023 £m
At 1 April	31.2	24.0	(77.1)	(93.6)
Opening contract assets transferred to trade and other receivables	(11.2)	(13.3)	-	-
Additional contract asset balances recognised at the balance sheet date	6.9	20.9	-	-
Impairment of contract assets	(0.4)	(0.4)	-	-
Opening contract liabilities which have now been recognised as revenue	-	-	18.4	35.8
Increases due to cash received, excluding amounts recognised as revenue during the year	-	-	(10.4)	(19.3)
At 31 March	<b>26.5</b>	<b>31.2</b>	<b>(69.1)</b>	<b>(77.1)</b>

Contract assets and contract liabilities included within "Trade and other receivables" and "Trade and other payables" respectively are reported on the face of the statement of financial position. The majority of contracts in the Airspace and UK Airports service lines are service contracts that do not result in a contract asset or liability position at each reporting date. Other contracts (including consultancy, engineering, training and information services) may result in a contract asset or liability because the cumulative payments received from customers at each balance sheet date does not necessarily equal the amount of revenue recognised on these contracts.

### f) Total revenue and regulatory allowances from performance obligations satisfied in previous periods

For the year ended 31 March 2024, a reduction of £22.2m was recognised for regulatory allowances over-recovered for performance obligations satisfied in previous periods (2023: £12.2). This amount represents the difference between actual pension contributions and the regulator's assumption for the calendar years 2023 to 2024.

# Notes forming part of the consolidated accounts

## 4. Total revenue and regulatory allowances (continued)

### g) Remaining performance obligations

For the majority of contracts, the group has a right to consideration from the customer in an amount that corresponds directly to the value to the customer of the group's performance completed to date, or the contract has an original duration of one year or less. For such contracts, the practical expedient in paragraph 121 of IFRS 15 applies.

For the remaining contracts, the amount of revenue that will be recognised in future periods in relation to performance obligations that are partially satisfied at 31 March is approximately as follows:

	2024				Total £m
	Due within one year or less £m	Between one and two years £m	Due between two and five years £m	Due in more than five years £m	
UK Airports	19.3	8.5	0.3	-	28.1
Defence Services	5.0	-	-	-	5.0
Other UK Business	0.3	-	-	-	0.3
International	4.4	1.1	-	-	5.5
	<b>29.0</b>	<b>9.6</b>	<b>0.3</b>	<b>-</b>	<b>38.9</b>

  

	2023				Total £m
	Due within one year or less £m	Between one and two years £m	Due between two and five years £m	Due in more than five years £m	
UK Airports	15.3	13.1	-	-	28.4
Defence Services	3.5	-	-	-	3.5
Other UK Business	1.0	-	0.1	-	1.1
International	3.4	1.2	-	-	4.6
	<b>23.2</b>	<b>14.3</b>	<b>0.1</b>	<b>-</b>	<b>37.6</b>

### h) Cash flow hedged revenue from contracts with customers

A portion of the group's revenue from the provision of services denominated in foreign currencies is cash flow hedged. Included in revenue is the recycling of the effective amount of foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a £0.2m loss (2023: £1.0m gain).

# Notes forming part of the consolidated accounts

## 5. Operating segments

Service line contribution represents the total revenue and regulatory allowances under-recovered and costs which are directly attributed to a service line.

A reconciliation of service line contribution to profit before tax is provided below:

	2024 £m	2023 £m
Airspace	556.0	341.5
UK Airports	39.4	29.2
Defence Services	(33.6)	1.3
Other UK Business	6.1	8.0
International	(7.3)	-
<b>Service line contribution</b>	<b>560.6</b>	<b>380.0</b>
Costs not directly attributed to service lines:		
Depreciation and amortisation (net of deferred grants released)	(123.8)	(103.7)
Impairment of goodwill	-	(2.9)
Loss on disposal of non-current assets	(0.2)	(0.2)
Employee share scheme costs	(5.4)	(6.7)
Redundancy and relocation costs	(2.0)	(0.3)
Other costs not directly attributed to service lines	(77.4)	(91.7)
R&D expenditure above the line tax credits	4.5	1.6
Profit on disposal of joint venture	-	1.3
Investment income	54.4	28.4
Fair value movements on financial instruments	(13.7)	(27.1)
Finance costs	(25.5)	(30.2)
<b>Profit before tax</b>	<b>371.5</b>	<b>148.5</b>

The performances of Airspace and Defence Services include the group share of the results of European Satellite Services Provider SAS (ESSP SAS) and Aquila Air Traffic Management Services Limited respectively. The performance of International includes the group share of the results of FerroNATS Air Traffic Services SA up to December 2022. Other costs not directly attributed to service lines include corporate costs providing central support functions.

Total assets and total liabilities by operating segment are not regularly provided to the chief operating decision maker and accordingly are not required to be disclosed.

# Notes forming part of the consolidated accounts

## 5. Operating segments (continued)

### Non-current assets additions

Additions to non-current assets are presented by service line below:

	2024 £m	2023 £m
Airspace	109.0	103.8
UK Airports	5.3	5.4
Defence Services	0.6	0.5
Other Service lines	1.9	4.0
	<b>116.8</b>	<b>113.7</b>

### Geographical segments

The following table provides an analysis of the group's non-current assets (excluding amounts recoverable under regulatory agreement, financial assets and retirement benefit assets) by geographical location. An analysis of the group's total revenue and regulatory allowances by geographical location is provided in note 4 d).

	Non-current assets	
	2024 £m	2023 £m
United Kingdom	1,182.9	1,191.0
United States of America	4.2	30.0
Canada	24.5	7.8
Other European countries	8.0	3.7
Countries in Asia	0.3	0.6
	<b>1,219.9</b>	<b>1,233.1</b>

Included within the United States of America geographical segment is the group's equity investment in Aireon LLC, see note 16. Included within the Canada geographical segment is the group's goodwill that arose on acquisition of Searidge, see note 12.

### Information about major customers

No customer accounted for more than 10% of the group's revenue.



# Notes forming part of the consolidated accounts

## 6. Operating profit for the year

Operating profit for the year has been arrived at after charging/(crediting):

	2024 £m	2023 £m
The CAA regulatory charges in respect of NERL's air traffic services licence	4.9	5.4
The CAA regulatory charges for safety regulation at airports	0.2	0.1
Impairment of goodwill (note 12)	-	2.9
Amortisation of intangible assets (note 13)	51.0	42.7
Impairment of intangible assets (note 13)	16.3	9.3
Depreciation of property, plant and equipment (note 14)	48.4	45.6
Impairment of property, plant and equipment (note 14)	3.1	0.4
Depreciation of right-of-use assets (note 15)	5.4	6.3
Deferred grants released	(0.4)	(0.6)
Redundancy costs	2.0	0.3
Research and development costs	8.1	4.7
R&D expenditure above the line tax credits	(4.5)	(1.6)
Foreign exchange (losses)/gains	(1.8)	3.3
Auditor's remuneration for audit services (see below)	0.5	0.5

Government grants relating to the purchase of property, plant and equipment contributions received are treated as deferred income which is credited to the income statement by equal annual instalments over the expected useful lives of the related assets.

Research and development costs represent internal labour costs incurred in support of research and development activities.

The analysis of auditor's remuneration is as follows:

	2024 £m	2023 £m
Fees payable to the company's auditor for the audit of the company's annual accounts	0.4	0.4
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries	0.1	0.1
Total audit fees	0.5	0.5

Total non-audit fees of £39,000 (2023: £60,500) include agreed upon procedures in relation to the NERL regulatory accounts of £30,000 (2023: £20,000) and other agreed upon procedures of £9,000 (2023: £40,500).

# Notes forming part of the consolidated accounts

## 7. Staff costs

### a. Staff costs

	2024 £m	2023 £m
Salaries and staff costs, including directors' remuneration, were as follows:		
Wages and salaries	402.5	367.3
Employee share scheme costs (note 31)	5.4	6.7
Social security costs	47.4	45.9
Pension costs (note 7b)	80.1	101.9
	535.4	521.8
Less: amounts capitalised	(39.9)	(35.9)
	495.5	485.9

Wages and salaries include other allowances and holiday pay.

### b. Pension costs (note 32)

	2024 £m	2023 £m
Defined benefit scheme	39.6	69.9
Defined contribution scheme	40.5	32.0
	80.1	101.9

Staff pension contributions are included within these pension scheme costs as the company operates a salary sacrifice arrangement. Wages and salaries (note 7a) have been shown net of staff pension contributions.

# Notes forming part of the consolidated accounts

## 7. Staff costs (continued)

### c. Staff numbers

	2024 No.	2023 No.
The monthly average number of employees (including executive directors) was:		
Air traffic controllers (incl. trainees)	1,728	1,675
Air traffic service assistants	647	614
Engineers	854	846
Others	1,223	1,080
	<b>4,452</b>	<b>4,215</b>
The number of employees (including executive directors) in post at 31 March was:		
	<b>4,606</b>	<b>4,323</b>

## 8. Investment income

	2024 £m	2023 £m
Interest on bank deposits	8.4	3.3
Other loans and receivables	46.0	25.1
	<b>54.4</b>	<b>28.4</b>

Interest on bank deposits has been earned on financial assets, including cash and cash equivalents and short term investments.

Other loans and receivables includes £8.8m (2023: £8.5m) due to the effect of unwinding the discount on amounts receivable after more than one year and £0.6m (2023: £0.5m) for interest accrued on the loan to our joint venture, Aquila.

## 9. Fair value movement on financial instruments

	2024 £m	2023 £m
Charge arising from change in the fair value of derivatives not qualifying for hedge accounting	(9.0)	(13.7)
Change in the fair value of equity investment in Aireon designated as fair value through profit or loss (see note 16)	(4.7)	(13.4)
	<b>(13.7)</b>	<b>(27.1)</b>

# Notes forming part of the consolidated accounts

## 10. Finance costs

	2024 £m	2023 £m
Interest on bank loans and hedging instruments	1.3	7.3
Bond and related costs including financing expenses	19.7	14.1
Interest on lease liabilities (see note 19)	1.1	1.4
Other finance costs	3.4	6.6
One-off re-financing costs	-	0.8
	25.5	30.2

Other finance costs includes the effect of unwinding the discount on amounts payable after more than one year.

## 11. Tax

	2024 £m	2023 £m
<b>Corporation tax</b>		
Current tax	79.3	12.1
Adjustments in respect of prior year	(4.7)	-
	74.6	12.1
<b>Deferred tax (see note 24)</b>		
Origination and reversal of temporary timing differences	16.6	21.9
Adjustments in respect of prior year	2.8	1.7
Effects of tax rate change on opening balance	-	(3.4)
	19.4	20.2
	94.0	32.3

Corporation tax is calculated at 25% (2023: 19%) of the estimated assessable profit for the year.

# Notes forming part of the consolidated accounts

## 11. Tax (continued)

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

	2024		2023	
	£m	%	£m	%
Profit on ordinary activities before tax	<b>371.5</b>		148.5	
Tax on profit on ordinary activities at standard rate in the UK of 25% (2023: 19%)	<b>92.9</b>	<b>25.0%</b>	28.2	19.0%
Tax effect of change in corporation tax from 19% to 25%	-	-	0.5	0.3%
Tax effect of prior year adjustments: current tax	<b>(4.7)</b>	<b>(1.3%)</b>	-	-
Tax effect of prior year adjustments: deferred tax	<b>2.8</b>	<b>0.8%</b>	1.7	1.1%
Patent box <sup>1</sup>	<b>(1.4)</b>	<b>(0.4%)</b>	(1.2)	(0.8%)
Employee share scheme <sup>2</sup>	<b>1.3</b>	<b>0.3%</b>	1.3	0.9%
R&D expenditure credits	<b>(0.4)</b>	<b>(0.1%)</b>	-	-
Goodwill impairment	-	-	0.6	0.4%
Change in fair value of equity investment	<b>1.2</b>	<b>0.3%</b>	2.0	1.3%
Joint ventures and associate	<b>0.8</b>	<b>0.2%</b>	0.4	0.3%
Deferred tax assets on overseas subsidiaries	<b>2.4</b>	<b>0.7%</b>	0.1	0.1%
Disposal of joint venture	-	-	0.2	0.1%
Foreign permanent establishment exemption <sup>3</sup>	<b>(0.8)</b>	<b>(0.2%)</b>	-	-
Other permanent differences	<b>(0.1)</b>	-	(1.5)	(0.9%)
<b>Tax charge for year at an effective tax rate of 25.3% (2023: 21.8%)</b>	<b>94.0</b>	<b>25.3%</b>	32.3	21.8%
Deferred tax credit taken directly to equity (see note 24)	<b>(11.8)</b>		(67.5)	

<sup>1</sup> Under UK HMRC regulations, NERL is able to take advantage of income attributable to patents being taxed at a lower rate.

<sup>2</sup> Under UK HMRC regulations, the cost of employee shares is deductible when shares are awarded to employees. Costs (or credits) which arise from changes in the market value of employee shares are not deductible (or chargeable) for UK tax purposes.

<sup>3</sup> Under UK HMRC regulations, NSL has elected that income relating to overseas branches is taxed in the local jurisdiction.

Deferred tax is provided at the prevailing rate of corporation tax expected to apply in the period when the liability is settled or the asset realised.

The group does not have any material uncertain tax positions.



# Notes forming part of the consolidated accounts

## 11. Tax (continued)

### Detailed reconciliation of the current tax charge

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

	2024		2023	
	£m	%	£m	%
Profit on ordinary activities before tax	<b>371.5</b>		148.5	
Tax on profit on ordinary activities at standard rate in the UK of 25% (2023: 19%)	<b>92.9</b>	<b>25.0%</b>	28.2	19.0%
Expenses not deductible for tax purposes				
Employee share scheme costs	<b>1.3</b>	<b>0.3%</b>	1.3	0.9%
Patent box	<b>(1.4)</b>	<b>(0.4%)</b>	(1.2)	(0.8%)
R&D expenditure tax credit	<b>(0.1)</b>	-	0.2	0.1%
Pension contributions paid in excess of charge to income statement	<b>(25.3)</b>	<b>(6.8%)</b>	(3.7)	(2.5%)
Capital allowances in excess of depreciation				
Capital allowances	<b>(33.1)</b>	<b>(8.9%)</b>	(16.9)	(11.4%)
Depreciation and amortisation on eligible assets	<b>29.7</b>	<b>8.0%</b>	14.5	9.8%
Other temporary differences - fixed assets				
Capitalised revenue expenditure	<b>(6.3)</b>	<b>(1.7%)</b>	-	-
Amortisation of capital grants	<b>(1.0)</b>	<b>(0.3%)</b>	-	-
Other temporary timing differences				
Provisions	<b>(1.0)</b>	<b>(0.3%)</b>	0.5	0.3%
Index-linked swaps	<b>(2.1)</b>	<b>(0.5%)</b>	(1.7)	(1.2%)
Corporate interest restriction	-	-	(6.0)	(4.0%)
Consolidation adjustments				
Dividends received from group companies	-	-	(0.4)	(0.3%)
Disposal of joint venture	-	-	0.2	0.1%
Impairment/changes in fair value of investments and goodwill	<b>1.2</b>	<b>0.3%</b>	2.6	1.8%
Joint ventures and associate	<b>0.8</b>	<b>0.2%</b>	0.4	0.3%
Deferred tax assets on overseas subsidiaries	<b>2.4</b>	<b>0.7%</b>	0.1	0.1%
Foreign permanent establishment exemption	<b>(0.8)</b>	<b>(0.2%)</b>	-	-
Other consolidation adjustments	<b>0.8</b>	<b>0.3%</b>	(0.8)	(0.5%)
Losses brought forward	<b>(3.6)</b>	<b>(1.0%)</b>	(8.9)	(6.0%)
Other permanent differences	<b>(0.4)</b>	<b>(0.1%)</b>	-	-
Prior year adjustments	<b>(4.7)</b>	<b>(1.3%)</b>	-	-
<b>Current tax charge for year at an effective tax rate of 13.3% (2023: 5.7%)</b>	<b>49.3</b>	<b>13.3%</b>	8.4	5.7%

The total current tax charge comprises a £74.6m charge to the Income statement (2023: £12.1m) and a £25.3m credit to the Statement of comprehensive income (2023: £3.7m) in relation to contributions to the Defined benefit pension scheme.

# Notes forming part of the consolidated accounts

## 11. Tax (continued)

### Detailed reconciliation of the current tax charge (continued)

The Group will be in scope of Pillar Two rules for accounting periods commencing on or after 31 December 2023 as the UK has implemented Multinational Top Up Tax and Domestic Top Up tax. We have undertaken a high-level assessment and believe that the effective UK rate will be above the minimum tax rate of 15% so no UK top up tax is expected given the present statutory rate of corporation tax. No assessment has been undertaken in respect of the overseas jurisdictions on the basis that any additional top up tax arising in respect of these jurisdictions is expected to be immaterial.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes. The Pillar Two legislation was not effective at the reporting date and as such the Group has no related current tax exposure.

## 12. Goodwill

	£m
<b>Cost</b>	
At 1 April 2022	358.4
Exchange on International goodwill	(0.2)
<b>At 31 March 2023</b>	<b>358.2</b>
Exchange on International goodwill	(0.2)
<b>At 31 March 2024</b>	<b>358.0</b>
<b>Accumulated impairment losses</b>	
<b>At 1 April 2022</b>	<b>312.7</b>
Impairment of subsidiary goodwill	2.9
Exchange on International goodwill	(0.1)
<b>At 31 March 2023</b>	<b>315.5</b>
Exchange on International goodwill	(0.1)
<b>At 31 March 2024</b>	<b>315.4</b>
<b>Carrying amount</b>	
At 31 March 2024	42.6
At 31 March 2023	42.7
At 1 April 2022	45.7

# Notes forming part of the consolidated accounts

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## 12. Goodwill (continued)

The amounts disclosed above relate to the following service lines: Airspace £38.3m (2023: £38.3m) and International £4.3m (2023: £4.4m). Its recoverable amount is determined by reference to the higher of its fair value less costs of disposal and its value in use. The valuation methodology is consistent with the IFRS 13 level 3 hierarchy.

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. For goodwill held in the Airspace service line, which arose from the NATS public private partnership transaction in 2001, fair value less costs of disposal is determined by reference to the value of the regulatory asset bases (RABs) of the relevant cash generating units of UK Air Traffic Services and North Atlantic Air Traffic Services (in aggregate £2,299.6m; 2023: £1,959.1m), opportunities for out-performance of regulatory settlements and market premia for economically regulated businesses, as well as estimated costs of disposal of £1.0m. A market premium is applied to the value of the RABs. It is assessed annually by reference to market precedent transactions and an independent assessment in 2024. The RAB premium at 31 March 2024 was determined to be 7.5% (2023: 5%). Overall, reflecting the value of the RAB and the premium assumption, goodwill was not impaired in the year (2023: £nil). This assessment reflected latest forecasts for air traffic, the CAA's NR23 regulatory settlement which reflects new projections of air traffic volumes and associated safety, service performance targets and capital investment requirements. Goodwill would be impaired if the RAB premium was assessed to be a discount of 15% (2023: 11%).

Fair value less costs of disposal was higher than value in use at 31 March 2024. The carrying value of goodwill at 31 March 2024 was not impaired (2023: not impaired) as the book value of the net assets of the Airspace service line of £1,827m (2023: £1,660m) was below the fair value less costs of disposal of £2,299m (2023: £1,958m).

Goodwill held in the International service line arose on acquisition of Searidge. Its carrying value has been assessed based on the expected recoverable amount on a value in use basis, based on cash flow projections over a five year period assuming compound annual sales growth of 20% (2023: 31%), reflecting historic experience and using a 24% (2023: 26%) pre-tax discount rate. Goodwill at 31 March 2024 was not impaired (2023: £2.9m), when comparing the value in use of £8.5m to the carrying value. Goodwill will not be deductible for tax purposes. As a sensitivity a 1% increase in the discount rate would result in a goodwill impairment of £0.7m.

# Notes forming part of the consolidated accounts

## 13. Other intangible assets

	Operational software £m	Non-operational software £m	Airspace and resectorisation £m	Assets in course of construction £m	Total £m
<b>Cost</b>					
At 1 April 2022	507.2	130.2	135.3	395.7	1,168.4
Additions internally generated	1.2	-	1.7	22.3	25.2
Additions externally acquired	1.2	0.6	0.4	32.6	34.8
Disposals during the year	-	(0.1)	-	-	(0.1)
Other transfers during the year	2.0	-	3.8	(9.3)	(3.5)
<b>At 31 March 2023</b>	<b>511.6</b>	<b>130.7</b>	<b>141.2</b>	<b>441.3</b>	<b>1,224.8</b>
Additions internally generated	4.7	0.1	1.0	24.9	30.7
Additions externally acquired	3.0	0.6	1.3	31.4	36.3
Disposals during the year	-	-	(2.2)	-	(2.2)
Other transfers during the year	36.7	6.7	55.8	(82.8)	16.4
<b>At 31 March 2024</b>	<b>556.0</b>	<b>138.1</b>	<b>197.1</b>	<b>414.8</b>	<b>1,306.0</b>
<b>Accumulated amortisation and impairment</b>					
At 1 April 2022	317.9	103.8	46.9	12.5	481.1
Charge for the year	22.7	7.5	12.5	-	42.7
Impairment provision recognised in income statement	1.1	-	-	8.2	9.3
Disposals during the year	-	(0.1)	-	-	(0.1)
<b>At 31 March 2023</b>	<b>341.7</b>	<b>111.2</b>	<b>59.4</b>	<b>20.7</b>	<b>533.0</b>
Charge for the year	25.9	9.5	15.6	-	51.0
Impairment provision recognised in income statement	-	-	-	16.3	16.3
Transfer of impairment provision	1.4	0.1	6.0	(6.1)	1.4
Disposals during the year	-	-	(2.2)	-	(2.2)
<b>At 31 March 2024</b>	<b>369.0</b>	<b>120.8</b>	<b>78.8</b>	<b>30.9</b>	<b>599.5</b>
<b>Carrying amount</b>					
At 31 March 2024	187.0	17.3	118.3	383.9	706.5
At 31 March 2023	169.9	19.5	81.8	420.6	691.8
At 1 April 2022	189.3	26.4	88.4	383.2	687.3

An annual review is performed to assess the carrying value of other intangible assets, including operating assets and assets in the course of construction. The accumulated amortisation of assets in the course of construction represents impairment provisions. During the year, impairment charges of £16.3m (2023: £9.3m) were made in respect of both a data integration system and an airport transformation programme, both within assets in the course of construction, which are no longer considered commercially viable.

Other transfers during the year represents the transfer on delivery of assets under the course of construction to the relevant operating asset classification, including transfers between other intangible assets and property, plant and equipment when the final classification is determined following an assessment at completion.

# Notes forming part of the consolidated accounts

## 14. Property, plant and equipment

	Freehold land and buildings £m	Improvements to leasehold land and buildings £m	Air traffic control systems, plant and equipment £m	Vehicles, furniture and fittings £m	Assets in course of construction and installation £m	Total £m
<b>Cost</b>						
At 1 April 2022	246.5	45.6	1,447.6	26.1	164.1	1,929.9
Additions during the year	0.4	0.2	10.9	0.6	40.9	53.0
Disposals during the year	-	-	(0.7)	-	-	(0.7)
Other transfers during the year	0.1	0.4	23.2	0.7	(20.9)	3.5
<b>At 31 March 2023</b>	<b>247.0</b>	<b>46.2</b>	<b>1,481.0</b>	<b>27.4</b>	<b>184.1</b>	<b>1,985.7</b>
Additions during the year	0.7	-	9.7	2.5	34.2	47.1
Disposals during the year	-	-	(4.6)	(0.3)	-	(4.9)
Other transfers during the year	3.3	0.2	45.8	3.4	(69.1)	(16.4)
<b>At 31 March 2024</b>	<b>251.0</b>	<b>46.4</b>	<b>1,531.9</b>	<b>33.0</b>	<b>149.2</b>	<b>2,011.5</b>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2022	168.2	42.4	1,281.7	23.4	1.8	1,517.5
Provided during the year	7.7	1.1	36.0	0.8	-	45.6
Impairment provision recognised in income statement	-	-	0.4	-	-	0.4
Transfer of impairment provision	-	-	(0.5)	-	0.5	-
Disposals during the year	-	-	(0.5)	-	-	(0.5)
<b>At 31 March 2023</b>	<b>175.9</b>	<b>43.5</b>	<b>1,317.1</b>	<b>24.2</b>	<b>2.3</b>	<b>1,563.0</b>
Provided during the year	7.7	0.9	38.6	1.2	-	48.4
Impairment provision recognised in income statement	-	-	3.1	-	-	3.1
Transfer of impairment provision	-	-	-	-	(1.4)	(1.4)
Disposals during the year	-	-	(4.4)	(0.3)	-	(4.7)
<b>At 31 March 2024</b>	<b>183.6</b>	<b>44.4</b>	<b>1,354.4</b>	<b>25.1</b>	<b>0.9</b>	<b>1,608.4</b>
<b>Carrying amount</b>						
At 31 March 2024	67.4	2.0	177.5	7.9	148.3	403.1
At 31 March 2023	71.1	2.7	163.9	3.2	181.8	422.7
At 1 April 2022	78.3	3.2	165.9	2.7	162.3	412.4

The group conducts annual reviews of the carrying values of its property, plant and equipment including operating assets and assets in the course of construction, where there is an indicator of impairment. During the year, the group incurred net impairment charges of £3.1m, including a charge of £4.3m (2023: £0.4m) to write down the value of network infrastructure system test equipment, reflecting the limited alternative uses for this equipment and an impairment charge reversal of £1.2m (2023: £nil) as a result of an increase in the value in use of digital airport solution assets, following a reassessment of the likelihood of benefits being realised.

Other transfers during the year represents the transfer on delivery of assets under the course of construction to the relevant operating asset classification, including transfers between other intangible assets and property, plant and equipment when the final classification is determined following an assessment at completion.

During the year the group capitalised £0.7m (2023: £0.9m) of general borrowing costs at a capitalisation rate of 1.51% (2023: 1.70%), in accordance with IAS 23: *Borrowing Costs*, relating to both property, plant and equipment and other intangible assets.

# Notes forming part of the consolidated accounts

## 15. Right-of-use assets

	Leasehold land and buildings £m	Air traffic control systems, plant and equipment £m	Vehicles, furniture and fittings £m	Total £m
<b>Cost</b>				
At 1 April 2022	65.9	4.0	1.2	71.1
Additions during the year	0.2	-	0.5	0.7
Effect of modification to lease terms	-	0.5	-	0.5
Terminations during the year	(0.7)	(0.6)	(1.1)	(2.4)
<b>At 31 March 2023</b>	<b>65.4</b>	<b>3.9</b>	<b>0.6</b>	<b>69.9</b>
Additions during the year	1.3	0.3	1.1	2.7
Effect of modification to lease terms	1.1	1.1	-	2.2
Terminations during the year	(1.9)	0.2	(0.1)	(1.8)
<b>At 31 March 2024</b>	<b>65.9</b>	<b>5.5</b>	<b>1.6</b>	<b>73.0</b>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2022	25.2	2.1	0.9	28.2
Charge during the year	5.2	0.8	0.3	6.3
Terminations during the year	(0.7)	(0.6)	(1.0)	(2.3)
<b>At 31 March 2023</b>	<b>29.7</b>	<b>2.3</b>	<b>0.2</b>	<b>32.2</b>
Charge during the year	4.4	0.7	0.3	5.4
Depreciation effect of modification to lease terms	-	0.8	-	0.8
Terminations during the year	(1.9)	0.2	(0.1)	(1.8)
<b>At 31 March 2024</b>	<b>32.2</b>	<b>4.0</b>	<b>0.4</b>	<b>36.6</b>
<b>Carrying amount</b>				
At 31 March 2024	33.7	1.5	1.2	36.4
At 31 March 2023	35.7	1.6	0.4	37.7
At 1 April 2022	40.7	1.9	0.3	42.9

The group conducts annual reviews of the carrying values of its right-of-use assets where there is an indicator of impairment. No assets were impaired in the years ended 31 March 2024 and 31 March 2023.

# Notes forming part of the consolidated accounts

## 16. Investment in Aireon LLC

In May 2018, NATS paid £51.0m (US\$68.75m) to acquire a minority interest in Aireon LLC (Aireon) (subsequently Aireon Holdings LLC upon transfer of shareholding), a limited liability company incorporated in Delaware USA, which provides a space-based air traffic surveillance system for air navigation service providers (ANSPs) through Automatic Dependent Surveillance-Broadcast (ADS-B) receivers on the Iridium NEXT satellite constellation. Aireon is an unquoted company. NATS' investment was made by NATS (USA) Inc, a wholly owned subsidiary. Other investors are Iridium and four other ANSPs: NAV CANADA (Canada), ENAV (Italy), the Irish Aviation Authority (Ireland) and Naviair (Denmark).

The investment in Aireon is in convertible redeemable cumulative 5% preference interests with voting rights of 8.6%. The investment is intended to result in fully diluted common interests (equivalent to ordinary shares) with voting rights of 10.35%. NATS is entitled to appoint one of the eleven Board members.

The interests carry a right of conversion to common equity interests until 2 January 2027 or are otherwise mandatorily redeemed in three annual instalments from that date. The dividend is payable on or after 1 January 2027.

The investment in Aireon meets the definition of a financial asset under international accounting standards. The conversion option and the mandatory redemption characteristics of the investment requires its measurement at fair value through profit or loss.

The valuation technique used to determine fair value is the income approach. The fair value of the investment reflects the present value of dividend projections based on Aireon's most recent long-term operating plan (January 2024), and NATS' assessment of underlying plan assumptions. The discount rate assumed for this purpose is 15.0% (2023: 14.3%). The fixed cost nature of Aireon's business makes its plan sensitive to the achievement of management's revenue growth assumptions, which is reflected in the discount rate assumption. A 1% increase in the discount rate would result in a c£2.8m decrease in fair value and a 1% reduction in the discount rate would result in a c£3.2m increase in fair value. A 10% increase in revenue assumed from unsigned sales contracts would result in an increase in fair value of £5.2m and a 10% reduction in revenue assumed from unsigned sales contracts would result in a decrease in fair value of £5.6m. The investment is classified within Level 3 of the fair value hierarchy.

	£m
Fair value at 1 April 2023	29.7
Change in fair value in the period, reported in 'Fair value movement on financial instruments' (see note 9)	(4.7)
Effect of foreign exchange, reported in Consolidated statement of comprehensive income	(0.7)
<b>Fair value at 31 March 2024</b>	<b>24.3</b>

The effect of changes in the rate of foreign exchange arises on consolidation of NATS (USA) Inc, which reports its results in US dollars.



# Notes forming part of the consolidated accounts

## 17. Financial and other assets

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

### Trade and other receivables

	2024 £m	2023 £m
<b>Non-current</b>		
Receivable from customers gross	0.2	0.4
Other debtors	0.6	-
Prepayments	3.5	1.1
Contract assets	11.0	13.6
	<u>15.3</u>	<u>15.1</u>
<b>Current</b>		
Receivable from customers gross	181.6	159.5
Less: expected credit loss provision	(10.0)	(10.8)
	<u>171.6</u>	<u>148.7</u>
Contract assets	15.5	17.6
Other debtors	5.6	2.5
Prepayments	17.8	19.4
	<u>210.5</u>	<u>188.2</u>

The average credit period on sales of services was 31 days (2023: 35 days). Interest is charged by Eurocontrol to UK en route customers at 13.26% (2023: 9.97%) on balances outstanding after more than 30 days.

Receivables from customers which are current include unbilled revenue for services provided in March 2024. Prior year receivables from customers included unbilled revenue for services provided in March 2023.

### Amounts recoverable under regulatory agreement

	2024 £m	2023 £m
<b>Non-current</b>		
Amounts recoverable under regulatory agreement	<u>575.3</u>	<u>631.1</u>
<b>Current</b>		
Amounts recoverable under regulatory agreement	<u>223.7</u>	<u>100.1</u>

# Notes forming part of the consolidated accounts

## 17. Financial and other assets (continued)

### Movement in Amounts recoverable under regulatory agreement

	2024 £m	2023 £m
Balance at the beginning of the year	731.2	724.6
Adjustments in respect of variable consideration for services provided in prior years, net of associated discounting	123.2	23.2
Discounted amounts recognised during the year	109.1	53.1
Unwind of/(additional) discounting	2.1	(2.6)
Amounts recovered under regulatory agreement through charges in the year	(166.6)	(67.1)
Balance at the end of the year	<b>799.0</b>	731.2

Amounts recoverable under regulatory agreement which are non-current include the net present value of regulatory allowances under-recovered. These will be recovered after 31 March 2025. The amount relating to the Covid income shortfall of £560.8m will be recovered across the ten years of the NR23 and NR28 price controls. An amount of £28.7m relating to pension pass through (2023: £29.3m) includes £5.6m arising in Reference Period 1 to be recovered by 31 December 2030 and £23.1m arising in Reference Period 2 that will be recovered by 31 December 2035. An assessment of credit risk has been included within the discount rate used to determine the net present value.

Amounts recoverable under regulatory agreement which are current relate to Reference Period 1, the recovery of the relevant portion of the Covid income shortfall and revenue allowances relating to 2023 and 2024 which have been deferred by the regulator's price profiling. The amounts will be included in the unit rates to be charged in the financial year ending 31 March 2025.

### Movement in the excepted credit loss provision

	2024 £m	2023 £m
Balance at the beginning of the year	10.8	11.7
Decrease in allowance recognised in the income statement	-	(0.8)
Foreign exchange movement in the year	(0.3)	0.4
Amounts written off as irrecoverable	(0.5)	(0.5)
Balance at the end of the year	<b>10.0</b>	10.8

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. In order to measure the expected credit losses, the credit risk characteristics of trade receivables and contract assets have been considered. Based on this, trade receivables and contract assets have been grouped into sub-groups as they are considered to have different credit risk characteristics and for each of these sub-groups separate provisions matrices based on the days past due are used to summarise historic loss patterns. The historical loss rates calculated reflect the economic conditions in place during the period to which the historical data relates. Consideration needs to be made as to whether these historical loss rates were incurred in economic conditions that are representative of those expected to exist during the exposure period at the balance sheet date. We have assessed lifetime expected credit losses at 31 March 2024 by using available airline credit ratings to derive a customer default risk profile. The historic loss rates have been adjusted accordingly, to reflect these revised expected credit losses.

Contract assets relate to unbilled work in progress and have substantially the same credit risk characteristics as trade receivables for the same types of contracts. The group has concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the expected credit loss rates for contract assets.

# Notes forming part of the consolidated accounts

## 17. Financial and other assets (continued)

At 31 March the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

	2024								
	Unbilled income	Receivables - months past due						In administration	Total £m
		Current	1 month	2-3 months	4-6 months	7-12 months	>12 months		
NERL expected credit loss rate (%)	0.9%	0.9%	8.4%	17.5%	51.4%	43.9%	99.0%	100.0%	
NERL gross carrying amount (£m)	67.9	71.1	1.5	0.5	0.2	0.4	0.8	7.4	149.8
NERL lifetime expected credit loss (£m)	<b>0.6</b>	<b>0.6</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.8</b>	<b>7.4</b>	<b>9.9</b>
Other subsidiaries expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13.6%	100.0%	
Other subsidiaries gross carrying amount (£m)	29.6	23.2	3.8	0.3	1.0	-	0.6	-	58.5
Other subsidiaries expected credit losses (£m)	-	-	-	-	-	-	0.1	-	0.1
<b>Total expected credit losses (£m)</b>	<b>0.6</b>	<b>0.6</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.9</b>	<b>7.4</b>	<b>10.0</b>

	2023								
	Unbilled income	Receivables - months past due						In administration	Total £m
		Current	1 month	2-3 months	4-6 months	7-12 months	>12 months		
NERL expected credit loss rate (%)	1.5%	1.5%	9.1%	27.8%	74.4%	43.8%	80.9%	100.0%	
NERL gross carrying amount (£m)	63.5	62.7	1.2	0.4	0.3	0.8	0.7	7.5	137.1
NERL lifetime expected credit loss (£m)	<b>1.0</b>	<b>0.9</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>	<b>7.5</b>	<b>10.8</b>
Other subsidiaries expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.5%	100.0%	
Other subsidiaries gross carrying amount (£m)	33.7	17.6	1.6	0.6	0.3	-	0.2	-	54.0
Other subsidiaries expected credit losses (£m)	-	-	-	-	-	-	-	-	-
<b>Total expected credit losses (£m)</b>	<b>1.0</b>	<b>0.9</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>	<b>7.5</b>	<b>10.8</b>

# Notes forming part of the consolidated accounts

## 17. Financial and other assets (continued)

Non-current trade and other receivables include £11.0m of performance obligations delivered in advance of invoicing to UK Airport customers that will be released against billed revenue over the remaining life of the airport ATC contracts, which has not been subject to a significant increase in credit risk since initial recognition (2023: £13.6m).

As at 31 March 2024 trade receivables of £7.4m (2023: £7.5m) had lifetime expected credit losses of the full value of the receivables. These receivables are in administration, receivership or liquidation.

At 31 March 2024, the joint venture loan to Aquila (including interest) outstanding was £18.8m (2023: £8.8m). The group assessed the carrying value of the loan at the balance sheet date and concluded that the balance should be written down in full, based on its assessment of its onerous contract explained in note 34 (2023: not impaired).

### Cash and cash equivalents

Cash and cash equivalents comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The directors consider that the carrying amount of these assets approximates to their fair value.

Overall, the maximum credit risk relating to cash and cash equivalents, loan to joint venture and trade and other receivables, excluding amounts recoverable under regulatory agreement, contract assets, prepayments and VAT receivable, would be £342.7m (2023: £320.2m).

## 18. Borrowings

	2024 £m	2023 £m
<b>Unsecured at amortised cost</b>		
Bank loans	-	65.0
£450m 1.375% Bonds due 2031	453.1	446.2
£445m 1.750% Bonds due 2033	412.9	-
£300m 1.750% Bonds due 2033	-	297.1
£145m 1.750% Bonds due 2033	-	104.4
Gross borrowings	<b>866.0</b>	912.7
Unamortised bank facility fees	<b>(1.1)</b>	(1.3)
	<b>864.9</b>	911.4
Amounts due for settlement within 12 months	<b>104.0</b>	45.0
Amounts due for settlement after 12 months	<b>760.9</b>	866.4

# Notes forming part of the consolidated accounts

## 18. Borrowings (continued)

Bonds and bank borrowings are initially recognised at fair value net of any directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried on the balance sheet. Interest expense includes initial transaction costs as well as any interest payable while the liability is outstanding.

During the course of the year, the £145m of fixed rate bonds issued in the previous financial year in the form of a tap were consolidated with the original £300m 1.750% bonds, as represented above by the £445m 1.750% Bonds due 2033 at 31 March 2024.

The carrying value of all the bonds at 31 March 2024 includes unpaid annual interest which was settled on 2 April 2024, due to the timing of the Easter 2024 bank holiday.

The average effective interest rate on the bank loans in the year was 5.1% (2023: 2.6%) and was determined based on the Sterling Overnight Index Average (SONIA) rates plus a margin of 0.45% and utilisation fee.

### Undrawn committed facilities

	2024 £m	2023 £m
<b>Undrawn committed facilities expire as follows:</b>		
Expiring in more than two years	400.0	335.0
	<b>400.0</b>	<b>335.0</b>

At 31 March 2024, NERL had outstanding drawings of £nil (2023: £65.0m) against its committed bank facilities.

NATS Services has an uncommitted overdraft facility of £1.0m that was undrawn as at 31 March 2024 and 31 March 2023 and is not included in the table above.

# Notes forming part of the consolidated accounts

## 19. Leases

Details of the carrying values of right-of-use assets under lease agreements, and the depreciation charge for right-of-use assets included in the income statement are reported in note 15.

The following table sets out the contractual maturity of the group's lease liabilities:

	2024 £m	2023 £m
Due within one year or less	8.0	9.2
Due between one and two years	8.9	7.7
Due between two and five years	21.1	21.2
Due in more than five years	13.0	19.4
	<b>51.0</b>	57.5
Less: future finance charges	<b>(4.3)</b>	(5.1)
	<b>46.7</b>	52.4
Analysed as:		
Current	6.8	8.0
Non-current	39.9	44.4
	<b>46.7</b>	52.4

The consolidated income statement includes the following amounts relating to leases:

	2024 £m	2023 £m
Interest on lease liabilities (see note 10)	1.1	1.4
Short-term lease expense	0.2	0.1

### Nature of leasing activities

The group leases a number of properties in the jurisdictions from which it operates. Some property contracts contain provision for payments to increase each year by inflation, others to be reset periodically to market rental rates. In other cases, the periodic rent is fixed over the lease term. The group also leases certain items of plant, equipment and vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

# Notes forming part of the consolidated accounts

## 19. Leases (continued)

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date relative to lease payments that are variable.

	Lease contracts No.	Fixed payments % <sup>(i)</sup>	Variable payments % <sup>(i)</sup>	Sensitivity £m
<b>Year ended 31 March 2024</b>				
Property leases with payments linked to inflation	52	n/a	19.8%	0.5
Property leases with periodic uplifts to market rentals	45	n/a	69.9%	1.6
Property leases with fixed payments	9	4.9%	n/a	n/a
Leases of plant and equipment	34	2.8%	n/a	n/a
Vehicle leases	84	2.6%	n/a	n/a
	<b>224</b>	<b>10.3%</b>	<b>89.7%</b>	<b>2.1</b>
<b>Year ended 31 March 2023</b>				
Property leases with payments linked to inflation	53	n/a	21.9%	0.6
Property leases with periodic uplifts to market rentals	45	n/a	69.1%	1.8
Property leases with fixed payments	6	3.8%	n/a	n/a
Leases of plant and equipment	28	3.3%	n/a	n/a
Vehicle leases	41	1.9%	n/a	n/a
	<b>173</b>	<b>9.0%</b>	<b>91.0%</b>	<b>2.4</b>

(i) The fixed/variable payment percentage is calculated based on the value of the lease liability outstanding as at 31 March, divided by the group's total lease liability outstanding at that date.

The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- > The length of the lease term;
- > What the location will be used for e.g. a break clause is more important for a location used to house older technology; and
- > Whether the location represents a new area of operations for the group.

At 31 March 2024, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses where it was considered reasonably certain that the group would not exercise its right to exercise any right to break the lease. In addition, the carrying amounts of some leases include the period to which the group is reasonably certain that options to extend the leases will be exercised. The remaining lease payments on all these leases is £15.8m (2023: £21.2m), of which £7.5m (2023: £11.6m) is potentially avoidable if the leases were not extended and a further £5.4m (2023: £8.3m) is potentially avoidable were the group to exercise break clauses at the earliest opportunity.

The group builds certain airport engineering assets used to satisfy its obligations under its Airport ATC contracts. Dependent on the agreement with individual airports those assets are either sold directly to the airports or the group enters into a sale and leaseback arrangement and recharges the monthly lease cost to the airport on a cost plus administrative fee basis. The leases have primary lease periods of between 5 and 7 years and are extendable to secondary and tertiary periods. In the event that an Airport ATC contract is not renewed the assets will be sold by the lease company directly to the Airport and the leases disposed of in the group financial statements. The outstanding discounted liability for these leases at 31 March 2024 was £0.7m (2023: £0.8m).

The group did not enter into any new sale and leaseback arrangements in the year to 31 March 2024 (2023: nil). The amount for leases not yet commenced to which the group is committed at 31 March 2024 is £nil (2023: £0.1m).



# Notes forming part of the consolidated accounts

## 20. Derivative financial instruments

### Fair value of derivative financial instruments

	2024 £m	2023 £m
<b>Non-current assets</b>		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	<b>0.1</b>	1.5
<b>Current assets</b>		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	<b>2.0</b>	1.6
<b>Current liabilities</b>		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	<b>(1.5)</b>	(1.0)
Derivative financial instruments classified as held for trading		
Index-linked swaps	<b>(12.4)</b>	(11.7)
	<b>(13.9)</b>	(12.7)
<b>Non-current liabilities</b>		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	<b>(0.8)</b>	(0.6)
Derivative financial instruments classified as held for trading		
Index-linked swaps	<b>(67.4)</b>	(69.9)
	<b>(68.2)</b>	(70.5)

Further details on derivative financial instruments are provided in note 21. The index-linked swaps are classified under international accounting standards as held for trading as they do not qualify for hedge accounting.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge ratio is established with reference to the cash flows associated with the hedged item and the hedging instrument. Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the hedging instrument counterparties.

# Notes forming part of the consolidated accounts

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## 21. Financial instruments

### Capital risk management

The group manages its capital to ensure that entities in the group are able to continue as going concerns, to ensure that NERL is able to meet its obligations under the air traffic services licence, for NATS Services to meet obligations to its customers, and to fund returns to shareholders.

The capital structure of the group consists of borrowings as disclosed in note 18, cash and cash equivalents, as shown in this note, and equity attributable to shareholders as disclosed in the consolidated statement of changes in equity.

### External capital requirements

NERL's air traffic services licence requires the company to use all reasonable endeavours to maintain an investment grade issuer credit rating (BBB-/Baa3 or better). Separately, it is the objective of the group to target a credit profile for NERL that exceeds BBB-/Baa3.

As at 31 March 2024, NERL had a credit rating of A+ (stable outlook) from Standard & Poor's (2023: A+ (negative outlook)) and A2 (stable outlook) from Moody's (2023: A2 (stable outlook)).

### Gearing ratio

The group does not seek to maintain a target gearing ratio at group level. Instead it monitors and reports on the gearing ratio of NERL, the economically regulated subsidiary, based on a ratio of net debt (as defined by its air traffic services licence) to its regulatory asset base (RAB), ensuring that gearing remains below its financial covenant level of 85%. In addition, the CAA has set NERL a monitoring threshold for gearing of 60% and a gearing cap of 65% of net debt to RAB, with a requirement for NERL to remedy the position if this cap is exceeded. NERL's gearing ratio at 31 March 2024 was 41.9% (2023: 52.3%).

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Categories of financial instrument

The carrying values of financial instruments by category at 31 March were as follows:

	2024 £m	2023 £m
<b>Financial assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
Equity investment (see note 16)	24.3	29.7
<b>Financial assets at amortised cost</b>		
Trade and other receivables	176.5	151.2
Loan to joint venture	-	8.8
Cash and cash equivalents	166.2	160.2
	<b>342.7</b>	320.2
<b>Derivative financial instruments</b>		
In designated hedge accounting relationships	2.1	3.1
	<b>369.1</b>	353.0
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	(136.3)	(127.6)
Borrowings	(864.9)	(911.4)
Lease liabilities	(46.7)	(52.4)
	<b>(1,047.9)</b>	(1,091.4)
<b>Derivative financial instruments</b>		
In designated hedge accounting relationships	(2.3)	(1.6)
At fair value through profit or loss	(79.8)	(81.6)
	<b>(82.1)</b>	(83.2)
	<b>(1,130.0)</b>	(1,174.6)

Financial assets at amortised cost includes balances for trade and other receivables (excluding prepayments of £21.3m (2023: £20.5m), contract assets of £26.5m (2023: £31.2m) and VAT of £1.5m (2023: £0.4m)), loan to joint venture and cash and cash equivalents. The 2023 comparative amount for trade and other receivables, previously reported as £182.4m has been adjusted to exclude contract assets, which are not considered to be financial instruments to be disclosed in this table.

Financial liabilities at amortised cost includes balances for trade and other payables (excluding contract liabilities of £69.1m (2023: £77.1m), deferred income of £26.6m (2023: £24.7m) and taxes and social security liabilities of £14.2m (2023: £17.8m)), bond and bank borrowings and lease liabilities.

The index-linked swaps are categorised as held for trading. During the year £10.8m of amortisation payments (2023: £8.0m) were made in relation to the index-linked swaps. Taking into account the index-linked swap amortisation payments, a charge arising from the change in fair value of £9.0m has been recorded in the income statement in the year (2023: £13.7m charge) for the market value movement in the RPI swap liability. This decrease in the charge for the year largely relates to the impact that actual inflation and future inflation expectations have had on the fair value changes for the £200m (notional) of 10 year index-linked swaps that were entered into in June 2021.

# Notes forming part of the consolidated accounts

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## 21. Financial instruments (continued)

### Financial risk management objectives

The group's Treasury function is mandated by the Board 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 and 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 at least 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 group's activities include market risk (including currency risk, interest rate risk and inflation risk), credit risk and liquidity risk.

### Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and inflation rates. These risks are explained below. From time to time, the group enters into a variety of derivative financial instruments to manage its exposure to these risks, including:

- > forward foreign exchange contracts to hedge the exchange risk arising on services provided to UK en route customers that are billed in euro, US dollar satellite data charges for satellite based surveillance services across the North Atlantic and other purchases from foreign suppliers in foreign currencies;
- > interest rate swaps to mitigate the risk of rising interest rates; and
- > index-linked swaps to mitigate the risk of low inflation.

### Foreign currency risk management

During the course of the year the group continued to manage foreign exchange risk arising from UK en route services revenue. It did this by entering into forward foreign exchange contracts on a monthly basis to hedge up to 95% of the forecast UK en route revenue up to four months hence, based on short-term forecasts of chargeable service units.

The group's international activities account for 0.7% of external revenue and regulatory allowances (2023: 1.4%). The group trades with and provides finance to its overseas subsidiaries. Where appropriate the transactions are conducted in sterling. The group benefits from natural hedges of its exposure to fluctuations on the translation of its foreign operations into sterling as a result of holding cash reserves in foreign currencies.

The group also enters into contracts for the purchase and sale of goods and services with overseas suppliers and customers who operate in foreign currencies. To mitigate currency risk the contract value is hedged when a firm commitment arises, either through the use of forward foreign currency contracts or by purchasing foreign currency at spot rates on the date the commitment arises or by setting aside already available foreign currency.

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Foreign currency risk management (continued)

The carrying amount of the group's foreign currency denominated monetary assets and monetary liabilities at 31 March was as follows:

Currency	Assets		Liabilities	
	2024 £m	2023 £m	2024 £m	2023 £m
Euro	65.9	62.3	(10.9)	(8.2)
US dollar	26.8	35.3	(2.3)	(2.7)
Canadian dollar	5.4	3.7	(4.3)	(4.5)
Hong Kong dollar	5.1	5.0	(0.3)	(0.3)
Singapore dollar	0.8	0.9	(0.5)	(0.6)
Thai baht	0.6	0.9	-	(0.1)
Indian rupee	0.6	0.3	-	-
Qatari riyal	0.5	0.6	(0.4)	-
UAE dirham	0.5	0.3	(0.6)	(0.4)
Omani rial	0.4	0.4	-	-
Norwegian krone	0.1	0.1	(0.1)	(0.2)
Swedish krona	-	-	-	(0.1)
	<b>106.7</b>	109.8	<b>(19.4)</b>	(17.1)

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Foreign currency sensitivity analysis

The group has assets and liabilities denominated in foreign currencies including the equity investment in Aireon and cash balances of £12.3m at 31 March 2024 (2023: £10.4m) in euro, Hong Kong dollars, US dollars, Canadian dollars, Indian rupee, Thai baht, Omani rial, Norwegian krone, Qatari riyal and Singapore dollars. Trade and other receivables and trade and other payables includes balances of £68.7m (2023: £68.0m) and £15.2m (2023: £13.8m) respectively, denominated in euro, Hong Kong dollars, US dollars, Canadian dollars, Indian rupee, Thai baht, Omani rial, Norwegian krone, Qatari riyal, Singapore dollars, UAE dirham and Swiss franc. Furthermore, the group has entered into forward foreign currency contracts to hedge exchange risk relating to customer receipts and supplier costs which will arise in future periods.

The following table details the group's 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 (to the nearest £0.1m). 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	2024 Impact £m	2023 Impact £m
Euro	10.0	5.3
US dollar	(4.3)	(7.1)
Hong Kong dollar	(0.5)	(0.5)
Canadian dollar	(0.4)	(0.3)
Thai baht	(0.1)	(0.1)
Qatari riyal	-	(0.1)
Indian rupee	(0.1)	-
Norwegian krone	(0.1)	(0.1)
	<b>4.5</b>	<b>(2.9)</b>

There was an overall increase in currency exposure reflecting an increase in forward contract sales of euro (due to the greater volume of flights driving higher billings compared to prior year) and US dollar. The group believes that this sensitivity analysis accurately reflects its inherent foreign exchange risk.

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Foreign currency sensitivity analysis (continued)

Throughout the year the group applied its policy of entering into forward foreign exchange contracts to sell euro forecast to be remitted to the UK by Eurocontrol in respect of UK en route revenues. The group also continued to enter into various forward foreign exchange contracts to fund capital purchases and services, which have been designated as cash flow hedges. At the year end, all forward foreign exchange contracts were determined to be effective. The following contracts were outstanding at year end:

	2024			2023		
	£m	€m	Average exchange rate	£m	€m	Average exchange rate
<b>Euro sold</b>	<b>£m</b>	<b>€m</b>		£m	€m	
0-90 days	203.8	237.5	0.8584	163.5	184.6	0.8858
91-365 days	0.2	0.2	0.8953	3.7	4.2	0.8684
> 365 days	10.1	11.4	0.8868	7.7	8.6	0.8930
	<b>214.1</b>	<b>249.1</b>	<b>0.8597</b>	174.9	197.4	0.8857
<b>Euro bought</b>	<b>€m</b>	<b>£m</b>		€m	£m	
0-90 days	13.5	11.7	0.8674	6.1	5.4	0.8823
91-365 days	17.5	15.7	0.8935	24.5	21.6	0.8818
> 365 days	35.2	31.9	0.9054	44.7	40.5	0.9066
	<b>66.2</b>	<b>59.3</b>	<b>0.8945</b>	75.3	67.5	0.8965
<b>US dollar sold</b>	<b>£m</b>	<b>US\$m</b>		£m	US\$m	
0-90 days	5.7	6.9	1.2116	5.9	7.2	1.2046
91-365 days	11.1	13.5	1.2133	-	-	-
> 365 days	-	-	-	16.8	20.4	1.2127
	<b>16.8</b>	<b>20.4</b>	<b>1.2127</b>	22.7	27.6	1.2106
<b>US dollar bought</b>	<b>US\$m</b>	<b>£m</b>		US\$m	£m	
0-90 days	15.0	11.8	1.2670	14.6	11.6	1.2565
91-365 days	29.1	23.0	1.2627	20.1	16.6	1.2103
> 365 days	0.5	0.4	1.2247	42.1	33.3	1.2648
	<b>44.6</b>	<b>35.2</b>	<b>1.2637</b>	76.8	61.5	1.2485



# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Foreign currency sensitivity analysis (continued)

	2024			2023		
	£m	C\$m	Average exchange rate	£m	C\$m	Average exchange rate
<b>Canadian dollar sold</b>						
0-90 days	0.4	0.8	1.7079	-	-	-
	0.4	0.8	1.7079	-	-	-
<b>Canadian dollar bought</b>						
0-90 days	4.0	2.3	1.7055	3.2	1.9	1.6529
91-365 days	1.2	0.7	1.6807	4.0	2.6	1.5847
> 365 days	0.2	0.1	1.6980	0.3	0.2	1.7098
	5.4	3.1	1.6997	7.5	4.7	1.6174
<b>Norwegian krone sold</b>						
0-90 days	0.4	5.0	13.5814	-	-	-
	0.4	5.0	13.5814	-	-	-
<b>Norwegian krone bought</b>						
0-90 days	10.5	0.8	13.0527	6.0	0.5	12.0860
91-365 days	9.9	0.7	13.4849	-	-	-
> 365 days	1.0	0.1	13.5305	3.2	0.3	12.1537
	21.4	1.6	13.2721	9.2	0.8	12.1097
<b>Singapore dollar sold</b>						
91-365 days	-	-	-	0.5	0.8	1.6255
	-	-	-	0.5	0.8	1.6255

At 31 March 2024, the aggregate amount of the unrealised losses under forward foreign exchange contracts deferred in the hedge reserve relating to the exposure on these future transactions was £0.8m (2023: £0.8m unrealised gain). The majority of these contracts will mature within the next financial year at which stage the amount deferred in equity will be realised in the income statement.

In addition to the above, on 28 March 2024 NERL entered into an average rate forward agreement with a fixing date after 31 March 2024 to sell euro anticipated to be received in July 2024 in respect of UK en route revenues, for this reason they are not included in the table above. The value of these cash flows is £78.4m (2023: £64.7m).

### Interest rate risk management

The group is exposed to interest rate risk to the extent that it holds borrowings at fixed, floating and index-linked interest rates. Its interest rate risk management policies, which are kept under continuous review, are specific to NERL. Except for NERL, other than shareholder loans, no other entity within the NATS group had borrowings at 31 March 2024 (2023: none).

The group seeks to minimise NERL's exposure to movements in interest rates by ensuring NERL holds an appropriate balance of fixed, floating and index-linked debt as a percentage of its net debt by the use of interest rate swap contracts and index-linked swap contracts.

The group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note. The group held no interest rate swaps at 31 March 2024 (2023: none).

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Economic interest rate exposure

The group's cash balances were as follows:

Currency	2024			2023		
	Amount £m	Economic interest rate %	Average maturity days	Amount £m	Economic interest rate %	Average maturity days
Sterling	153.9	5.1	18	149.8	4.0	30
Euro	4.8	-	2	1.7	-	3
Hong Kong dollar	3.9	-	2	3.6	-	3
US dollar	1.0	-	2	1.2	-	3
Canadian dollar	0.8	-	2	2.0	-	3
Indian rupee	0.6	-	2	0.3	-	3
Thai baht	0.6	-	2	0.7	-	3
Omani rial	0.3	-	2	0.3	-	3
Norwegian krone	0.1	-	2	0.1	-	3
Qatari riyal	0.1	-	2	0.1	-	3
Singapore dollar	0.1	-	2	0.3	-	3
UAE dirham	-	-	-	0.1	-	3
	<b>166.2</b>			<b>160.2</b>		

The economic interest rate reflects the true underlying cash rate that the group was paying on its borrowings or receiving on its deposits at 31 March (excluding any unwind of original issue discount). The economic interest rate exposure of the group's borrowings is presented below:

	Total £m	Variable rate £m	Fixed rate £m	Economic interest rate %	Weighted average time rate is fixed years
<b>At 31 March 2024</b>					
Sterling:					
£450m 1.375% Bonds due 2031	453.1	-	453.1	1.38%	4.3
£445m 1.750% Bonds due 2033	412.9	-	412.9	1.91%	9.5
Lease liabilities	46.7	-	46.7	2.69%	6.8
<b>Total</b>	<b>912.7</b>	<b>-</b>	<b>912.7</b>		
<b>At 31 March 2023</b>					
Sterling:					
£450m 1.375% Bonds due 2031	446.2	-	446.2	1.38%	4.9
£300m 1.750% Bonds due 2033	297.1	-	297.1	1.76%	10.5
£145m 1.750% Bonds due 2033	104.4	-	104.4	2.40%	10.5
Bank loans	65.0	65.0	-	4.66%	0.0
Lease liabilities	52.4	-	52.4	2.55%	8.9
<b>Total</b>	<b>965.1</b>	<b>65.0</b>	<b>900.1</b>		

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Economic interest rate exposure (continued)

The following table shows the percentage of fixed, index-linked and floating rate debt as a percentage of group net debt. Net debt is defined for this purpose as borrowings and lease liabilities net of cash and cash equivalents, as distinct from the definition used for financial covenants purposes. Index-linked debt in this table reflects the notional of outstanding inflation swaps only. As a result, the fixed debt represents total fixed debt less the notional of outstanding inflation swaps, plus lease liabilities.

	2024		2023	
	£m	%	£m	%
Fixed (net of bond discount and issue costs)	692.3	92.9	669.5	83.3
Index-linked (effected via inflation swaps)	220.4	29.6	230.6	28.7
Floating (net of cash and facility costs)	(167.3)	(22.4)	(96.5)	(12.0)
Net debt	745.4	100.0	803.6	100.0

At 31 March 2024, NERL is the only entity in the group with borrowings and had net debt of £817.0m (2023: £903.2m). NATS Services had cash of £65.1m (2023: £91.5m), NATS Limited had cash of £2.6m (2023: £3.9m) and other entities in the group had cash of £7.4m (2023: £7.1m). Net debt includes lease liabilities of £43.2m (2023: £49.5m) in NERL and £3.5m (2023: £2.9m) in other group entities.

The following table shows the percentage of fixed, index-linked and floating rate debt as a percentage of NERL net debt, reflecting the application of the interest rate risk management policies that are specific to NERL.

	2024		2023	
	£m	%	£m	%
Fixed (net of bond discount and issue costs)	688.8	84.3	666.6	73.8
Index-linked (effected via inflation swaps)	220.4	27.0	230.6	25.5
Floating (net of cash and facility costs)	(92.2)	(11.3)	6.0	0.7
Net debt	817.0	100.0	903.2	100.0

### 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 were in place for the whole year. A 1% increase or decrease is considered to represent a reasonably possible change in interest rates.

The following table shows the effect of a 1% increase in interest rates on the group's cash and floating rate bank loans 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.

	2024 Impact £m	2023 Impact £m
Cash at bank (2024: £166.2m, 2023: £160.2m)	1.7	1.6
Borrowings (2024: £nil, 2023: £65.0m)	-	(0.7)
	1.7	0.9

At 31 March 2024 the group was not negatively exposed to an increase in interest rates, reflecting a reduction in floating rate liabilities since 31 March 2023.

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Inflation rate risk

The regulatory charge control conditions that apply to NERL's UK en route and North Atlantic services determines a regulatory allowance for financing charges that is linked to inflation. To achieve an economic hedge of part of this income, NERL enters into index-linked swaps. The table below sets out the group's exposure to these inflation swaps:

	Notional index-linked swaps (by amortisation or termination date)				Marked to market £m	Interest rate % (weighted average)	
	Within one year £m	Between one and five years £m	Between five and 15 years £m	Total £m		Payable %	Receivable %
<b>At 31 March 2024</b>							
<b>Inflation swaps</b>							
Amortising swap fixed to RPI, maturing in 2026	10.2	10.2	-	20.4	23.5	4.05%	5.25%
Bullet repayment swap fixed to RPI, maturing in 2031	-	-	200.0	200.0	56.3	(2.14%)	1.53%
	<b>10.2</b>	<b>10.2</b>	<b>200.0</b>	<b>220.4</b>	<b>79.8</b>		
<b>At 31 March 2023</b>							
<b>Inflation swaps</b>							
Amortising swap fixed to RPI, maturing in 2026	10.2	20.4	-	30.6	34.2	4.05%	5.25%
Bullet repayment swap fixed to RPI, maturing in 2031	-	-	200.0	200.0	47.4	(2.14%)	1.53%
	<b>10.2</b>	<b>20.4</b>	<b>200.0</b>	<b>230.6</b>	<b>81.6</b>		

### Inflation rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to inflation arising from the index-linked swaps. The analysis is prepared assuming that the index-linked swaps at the balance sheet date were in place for the whole year. A 1% increase or decrease in inflation each year for the life of the swaps is considered to represent a reasonably possible change in inflation. An increase in the rate of RPI inflation will increase the future index-linked payments that NERL is required to make under the swap contracts and so impacts their mark to market value.

The following table shows the effect of a 1% increase in inflation on the amount of interest payable in respect of the swaps and the impact on their value when marked to market. A positive number indicates an increase in profit and equity and a negative number a reduction in profit and equity. There would be a fairly equal and opposite impact on profit and equity if inflation falls by 1%.

	2024 Impact £m	2023 Impact £m
Change in mark to market value	<b>(17.7)</b>	<b>(20.6)</b>

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Inflation rate sensitivity analysis (continued)

The mark to market value of the index-linked swaps is also sensitive to the discount rates that are used to determine the net present value of the cash flows under the swap agreements. The discount rate is determined by reference to market yields on interest rate swaps. The effect of a 1% increase in the discount rate would be to increase profit and equity by £2.6m (2023: £3.4m). There would be a fairly equal and opposite impact on profit and equity if discount rates decreased by 1%.

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's exposure to credit risk arises from the risk of default by customers on settlement of trade receivables and contract assets 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 customers and the mitigations against this risk are explained in note 17. With regard to funds or contracts held with financial institutions, the group's policy is to transact with counterparties that hold a minimum credit rating as supplied by independent rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

The group's 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 rating is applied.

The group's cash and cash equivalents take the form of cash at bank of £14.3m (2023: £11.4m), bank term deposits of £47.0m (2023: £62.7m) and money market fund investments of £104.9m (2023: £86.1m). Bank term deposits with maturities up to 3 months and between 3 and 6 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 Ratings and A3 and A1 respectively from Moody's. Money market fund investments are restricted to AAA rated liquidity funds and must have same-day access.

Investment limits for each institution are set with reference to their credit ratings.

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

Rating (Standard & Poor's)	2024			2023		
	Number of institutions	£m	By credit rating %	Number of institutions	£m	By credit rating %
AAAm	5	104.9	63.1	5	86.1	53.7
AA-	2	10.4	6.3	2	10.9	6.8
A+	4	31.9	19.2	4	39.7	24.8
A	1	19.0	11.4	2	23.5	14.7
		<b>166.2</b>	<b>100.0</b>		<b>160.2</b>	<b>100.0</b>

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Liquidity risk management

The responsibility for liquidity risk management, the risk that the group will have insufficient funds to meet its obligations as they fall due, rests with the Board with oversight provided by the Treasury Committee. The group manages liquidity by maintaining adequate reserves and borrowing facilities by monitoring actual and forecast cash flows, including contributions to the defined benefit pension scheme, and ensuring funding is diversified by source and maturity and available at competitive cost.

With regard to NERL, the group's policy is to:

- > maintain free cash at a level equivalent to between one and two months' of UK en route services revenues (see below) and at any time not less than £50m. Free cash is defined as cash and cash equivalents and short-term investments;
- > ensure access to committed bank facilities sufficient to withstand a credible range of downside scenarios relative to the prevailing price control business plan. At 31 March 2024 NERL had access to undrawn bank facilities totalling £400m;
- > ensure access to long-term funding to finance its long-term assets;
- > ensure that the ratio of bank funding to total gross borrowings does not exceed 75%; and
- > maintain a portfolio of debt diversified by source and maturity.

The following table shows the ratio of free cash in NERL to average monthly UK en route services income during the year:

	2024 £m	2023 £m
Average monthly UK en route services income	72.1	53.3
Free cash at 31 March	91.1	57.7
Ratio of free cash to UK en route services income	<b>1.3</b>	1.1

The following table shows the ratio of the group's bank borrowings to its gross borrowings at 31 March:

	2024 £m	2023 £m
Bank borrowings	-	65.0
Gross borrowings (including lease liabilities)	912.7	965.1
Bank borrowings as a percentage of gross borrowings	<b>0%</b>	7%

It is company policy not to issue new guarantees in respect of the borrowings of subsidiaries or to allow the creation of any new mortgages or other charges over group assets.

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Maturity of borrowings

The following table sets out the remaining contractual maturity of the group'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 group can be required to repay. The table includes both interest and principal cash flows.

	2024				2023			
	Unsecured lease liabilities £m	Unsecured loans £m	Other liabilities £m	Total £m	Unsecured lease liabilities £m	Unsecured loans £m	Other liabilities £m	Total £m
Due within one year or less	8.0	103.6	125.9	237.5	9.2	62.4	121.2	192.8
Between one and two years	8.9	57.7	3.2	69.8	7.7	60.6	1.8	70.1
Due between two and five years	21.1	214.5	0.4	236.0	21.2	236.3	0.5	258.0
Due in more than five years	13.0	617.5	6.8	637.3	19.4	718.4	4.1	741.9
	<b>51.0</b>	<b>993.3</b>	<b>136.3</b>	<b>1,180.6</b>	57.5	1,077.7	127.6	1,262.8
Effect of interest, discount and unamortised bond issue and bank facility fees	(4.3)	(128.4)	-	(132.7)	(5.1)	(166.3)	-	(171.4)
	<b>46.7</b>	<b>864.9</b>	<b>136.3</b>	<b>1,047.9</b>	52.4	911.4	127.6	1,091.4

Other liabilities above include trade and other payables (excluding deferred income of £26.6m (2023: £24.7m), contract liabilities of £69.1m (2023: £77.1m) and taxes and social security liabilities of £14.2m (2023: £17.8m)).

The following table sets out the maturity profile of the group's derivative financial liabilities. Cash flows under the index-linked swaps are not fixed and are subject to movements in inflation. Accordingly, the cash flows associated with the index-linked swaps have been derived from observable market prices for inflation. The table shows undiscounted cash inflows/(outflows) on these derivatives.

	Due within one year or less £m	Due between one and two years £m	Due between two and five years £m	Due in more than five years £m	Total £m
<b>2024</b>					
Index-linked swaps receivable	8.8	4.4	28.2	15.1	56.5
Index-linked swaps payable	(12.4)	(85.8)	-	(53.4)	(151.6)
	(3.6)	(81.4)	28.2	(38.3)	(95.1)
Foreign exchange forward contract receivables	287.6	24.4	16.4	-	328.4
Foreign exchange forward contract payables	(287.0)	(25.1)	(17.1)	-	(329.2)
	0.6	(0.7)	(0.7)	-	(0.8)
	<b>(3.0)</b>	<b>(82.1)</b>	<b>27.5</b>	<b>(38.3)</b>	<b>(95.9)</b>
<b>2023</b>					
Index-linked swaps receivable	8.4	8.7	23.0	24.8	64.9
Index-linked swaps payable	(11.7)	(12.6)	(85.5)	(56.0)	(165.8)
	(3.3)	(3.9)	(62.5)	(31.2)	(100.9)
Foreign exchange forward contract receivables	233.4	65.2	32.9	0.3	331.8
Foreign exchange forward contract payables	(232.5)	(64.3)	(33.7)	(0.3)	(330.8)
	0.9	0.9	(0.8)	-	1.0
	<b>(2.4)</b>	<b>(3.0)</b>	<b>(63.3)</b>	<b>(31.2)</b>	<b>(99.9)</b>



# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Fair value measurements

Set out below is information about how the group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- > Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- > Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- > Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Fair value measurements recognised on the balance sheet

	2024				2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>								
Equity investment	-	-	24.3	24.3	-	-	29.7	29.7
Derivative financial instruments in designated hedge accounting relationships	-	2.1	-	2.1	-	3.1	-	3.1
	-	2.1	24.3	26.4	-	3.1	29.7	32.8
<b>Financial liabilities</b>								
Derivative financial instruments in designated hedge accounting relationships	-	(2.3)	-	(2.3)	-	(1.6)	-	(1.6)
Derivative financial instruments classified as held for trading	-	(79.8)	-	(79.8)	-	(81.6)	-	(81.6)
	-	(82.1)	-	(82.1)	-	(83.2)	-	(83.2)

There were no transfers between individual levels in the year.

# Notes forming part of the consolidated accounts

## 21. Financial instruments (continued)

### Valuation techniques and key inputs

The fair value of the financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

The fair values of the financial instruments held at fair value have been determined based on available market information at the balance sheet date and the valuation methodologies listed below:

- > the fair values of forward foreign exchange contracts are calculated with reference to well recognised proprietary financial models used by bank counterparties, and verified using discounted cash flow modelling;
- > the fair value of the index-linked swaps reflect valuations provided by bank counterparties using proprietary financial models and debt value adjustments that are based on market parameters. This is validated using discounted cash flow modelling based on the latest published inflation index, observable forecasts of inflation and discount rates taken from the observable interest rate swap curve at the reporting date, as well as observable sources of credit risk values;
- > the valuation technique used to determine the fair value of the equity investment in Level 3 of the hierarchy is explained in note 16; and
- > the fair value of the fixed rate bond has been derived from its externally quoted price.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying amount		Fair value	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Financial liabilities</b>				
£450m 1.375% Bonds due 2031	(453.1)	(446.2)	(390.5)	(386.3)
£445m 1.750% Bonds due 2033	(412.9)	-	(348.4)	-
£300m 1.750% Bonds due 2033	-	(297.1)	-	(224.9)
£145m 1.750% Bonds due 2033	-	(104.4)	-	(108.7)
	<b>(866.0)</b>	<b>(847.7)</b>	<b>(738.9)</b>	<b>(719.9)</b>

# Notes forming part of the consolidated accounts

## 22. Financial and other liabilities

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

### Trade and other payables

	2024 £m	2023 £m
<b>Current</b>		
Trade payables	29.1	24.1
Other payables	9.8	8.7
Tax and social security	14.2	17.8
Contract liabilities	21.3	21.6
Accruals and deferred income	89.1	90.4
	163.5	162.6
<b>Non-current</b>		
Trade payables	6.0	3.7
Other payables	0.1	0.1
Contract liabilities	47.8	55.5
Accruals and deferred income	28.8	25.3
	82.7	84.6

### Amounts payable under regulatory agreement

	2024 £m	2023 £m
<b>Current</b>		
Amounts payable under regulatory agreement	9.3	91.4
<b>Non-current</b>		
Amounts payable under regulatory agreement	45.5	50.2

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 23 days (2023: 29 days). The directors consider that the carrying amount of the trade payables approximates to their fair value.

# Notes forming part of the consolidated accounts

## 22. Financial and other liabilities (continued)

### Movements in Amounts payable under regulatory agreement

	2024 £m	2023 £m
Balance at the beginning of the year	141.6	169.1
Amounts recognised during the year	26.1	7.3
Unwind of discounting	3.3	2.2
Amounts repaid under regulatory agreement through charges	(116.2)	(37.0)
Balance at the end of the year	<b>54.8</b>	141.6

Amounts payable under regulatory agreement that are non-current include regulatory allowances over-recovered from previous regulatory control periods and over recoveries in respect of the current regulatory period, which will be repaid after 31 March 2025 through future charges. Amounts payable under regulatory agreement that are current include regulatory allowances over-recovered for previous regulatory control periods, which will be repaid by 31 March 2025 through 2024 and 2025 charges.

## 23. Provisions

	Property £m	Redundancy £m	Relocation £m	Other £m	Total £m
At 1 April 2023	12.3	0.3	0.1	3.9	16.6
Additional provision in the year	1.3	2.0	-	8.4	11.7
Release of provision in the year	(3.7)	-	-	-	(3.7)
Utilisation of provision	(0.4)	(1.3)	(0.1)	(0.4)	(2.2)
<b>At 31 March 2024</b>	<b>9.5</b>	<b>1.0</b>	<b>-</b>	<b>11.9</b>	<b>22.4</b>

	2024 £m	2023 £m
Amounts due for settlement within 12 months	4.4	2.4
Amounts due for settlement after 12 months	18.0	14.2
	<b>22.4</b>	16.6

The property provision represents the best estimate of dismantlement, removal or restoration costs arising from property leases and other property-related costs. The ageing of the provision reflects the expected timing of the settlement of these costs.

The redundancy provision represents the best estimate of the future cost of redundancy payments to employees that have committed to the redundancy terms at 31 March 2024. The ageing of the provision reflects the expected timing of employees leaving the group.

The relocation provision represents the best estimate of the future cost of relocating staff when the site they work at closes and they are relocated to another site. The ageing of the provision reflects the expected timing of the settlement of relocation costs.

The other provisions represent the best estimate of other liabilities, including the cost of fulfilling onerous contracts. The latter includes a liability of £6.2m for the legal obligation to continue to finance the Aquila joint venture based on the undrawn balance of its £25m shareholder loan facility (see note 34). The ageing of the provision reflects the best estimate of when these potential liabilities will fall due.

# Notes forming part of the consolidated accounts

## 24. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £m	Retirement benefits £m	Financial instruments £m	Tax credits and unutilised tax losses £m	Other £m	Total £m
At 1 April 2022	192.0	82.5	(2.4)	(16.3)	(10.6)	245.2
Charge/(credit) to income	4.8	-	1.7	15.0	(1.3)	20.2
(Credit)/charge to equity	-	(67.8)	0.3	-	-	(67.5)
<b>At 31 March 2023</b>	<b>196.8</b>	<b>14.7</b>	<b>(0.4)</b>	<b>(1.3)</b>	<b>(11.9)</b>	<b>197.9</b>
At 1 April 2023	196.8	14.7	(0.4)	(1.3)	(11.9)	197.9
Charge/(credit) to income	19.5	-	(0.1)	(1.2)	1.2	19.4
Credit to equity	-	(11.4)	(0.4)	-	-	(11.8)
<b>At 31 March 2024</b>	<b>216.3</b>	<b>3.3</b>	<b>(0.9)</b>	<b>(2.5)</b>	<b>(10.7)</b>	<b>205.5</b>

The accelerated tax depreciation deferred tax liability arises as a result of timing differences between the accounting under IFRS of Other intangible assets and Property, plant and equipment and UK tax law. Of the balance at 31 March 2024, £20.9m is expected to reverse out of deferred tax liabilities within five years.

The deferred tax liability in respect of retirement benefits is a result of the defined benefit surplus at 31 March 2024, under IAS 19: *Employee benefits*. The timing of reversal of timing differences relating to the defined benefit scheme is dependent on the scheme's funding position, which is sensitive to financial market conditions and which can be volatile, and the company's contributions to the scheme. The company is currently making payments under a schedule of contributions that includes ongoing costs at 66.2% of pensionable pay as well as deficit recovery payments to repair the funding deficit by 31 December 2029. See note 32 for more details. The schedule of contributions is expected to be reassessed following the conclusion of the trustees 2023 valuation.

The tax credits and unutilised losses deferred tax liability is expected to reverse during the year ending 31 March 2025.

Other deferred tax assets arise from property reinstatement provisions and above the line tax credits. Property reinstatement conditions provide for the cost of reinstating a leased property back to its original condition at the point of lease expiry. Of the current balance, £10.7m, is expected to reverse in greater than five years, reflecting the lease term.

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.

	2024 £m	2023 £m
Deferred tax liabilities	219.6	211.5
Deferred tax assets	(14.1)	(13.6)
	<b>205.5</b>	197.9

# Notes forming part of the consolidated accounts

## 25. Share capital

	Authorised		Called up, allotted and fully paid	
	Number of shares	£m	Number of shares	£m
<b>Ordinary shares of £1 each</b>				
At 31 March 2024 and 31 March 2023	144,100,007	144.1	131,000,007	131.0
<b>Ordinary A shares of 80 pence each</b>				
At 31 March 2024 and 31 March 2023	54,272,594	43.4	12,048,193	9.6
		<b>187.5</b>		<b>140.6</b>

Each class of ordinary shares has the same voting rights and rights to dividends.

### Special share

The authorised and issued share capital of NATS Holdings Limited includes one special rights redeemable preference share with a nominal value of £1. The share is redeemable at any time after the shareholding of the Crown falls below 25%. This share can only be held by a Minister of the Crown, the Treasury Solicitor or any other person acting on behalf of the Crown. The special shareholder is entitled to attend and speak at meetings. The special share does not carry any rights to vote at general meetings except in the following circumstances:

- > alterations to the company's share capital;
- > alterations to voting rights of any of the company's shares; and
- > the removal of any director appointed by a Crown representative.

If an attempt is made to approve any of these events or to pass a resolution to wind up the company at a general meeting, on an ordinary resolution, the special shareholder will have no less than one vote more than the total number of all other votes cast, and on a special resolution, they shall have no less than one vote more than 25% of the total votes cast.

## 26. Share premium account

	£m
Balance as at 31 March 2024 and 31 March 2023	<b>0.4</b>

# Notes forming part of the consolidated accounts

## 27. Other reserves

The following table shows a breakdown of the balance sheet line item 'Other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided in note 2.

	AESOP reserve £m	Hedge reserve £m	Translation reserve £m	Other reserves <sup>1</sup> £m	Total £m
<b>At 1 April 2022</b>	(0.3)	(0.7)	0.9	(34.7)	(34.8)
Other comprehensive income for the year	-	1.3	2.3	-	3.6
<b>At 31 March 2023</b>	<b>(0.3)</b>	<b>0.6</b>	<b>3.2</b>	<b>(34.7)</b>	<b>(31.2)</b>
<b>At 1 April 2023</b>	(0.3)	0.6	3.2	(34.7)	(31.2)
Other comprehensive loss for the year	-	(1.1)	(0.3)	-	(1.4)
<b>At 31 March 2024</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>2.9</b>	<b>(34.7)</b>	<b>(32.6)</b>

<sup>1</sup>Other reserves arose on the completion of the PPP transaction in July 2001.

## 28. Non-controlling interest

The non-controlling interest (a 30% ownership interest in NATS Services LLC) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to £0.1m (Omani rial 0.1m).

As at 31 March 2024, a loan to the non-controlling interest amounted to £0.1m (Omani rial 0.1m) and is included in other debtors (see note 17).

# Notes forming part of the consolidated accounts

## 29. Notes to the cash flow statement

	2024 £m	2023 £m
<b>Operating profit from continuing operations</b>	<b>384.6</b>	174.1
Adjustments for:		
Impairment of goodwill	-	2.9
Depreciation of property, plant and equipment	<b>48.4</b>	45.6
Amortisation of intangible assets	<b>51.0</b>	42.7
Depreciation of right-of-use assets	<b>5.4</b>	6.3
Impairment losses	<b>19.4</b>	9.7
Deferred grants released	<b>(0.4)</b>	(0.6)
Loss on disposal of property, plant and equipment	<b>0.2</b>	0.2
R&D expenditure above the line tax credits	<b>(4.5)</b>	(1.6)
Adjustment for pension funding	<b>(101.5)</b>	(19.7)
<b>Operating cash flows before movements in working capital</b>	<b>402.6</b>	259.6
Decrease in amounts recoverable under contracts	-	1.4
Increase in trade, other receivables and amounts recoverable under regulatory agreement	<b>(56.0)</b>	(39.5)
Decrease in trade, other payables, provisions and amounts payable under regulatory agreement	<b>(91.1)</b>	(34.0)
<b>Cash generated from operations</b>	<b>255.5</b>	187.5

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.

Increase in trade and other receivables, and amounts recoverable under regulatory agreement represents the movement on the balance sheet adjusted for non-cash items such as discounting and pension pass through accruals, and for capital prepayments.

Decrease in trade and other payables, amounts payable under regulatory agreement and provisions represents the movement on the balance sheet adjusted for interest and capital accruals.

### Reconciliation of net financial liabilities

The table below analyses those net financial liabilities for which cash flows arise from financing activities in each of the periods presented.

	2024 £m	2023 £m
Cash and cash equivalents	<b>166.2</b>	160.2
Borrowings	<b>(864.9)</b>	(911.4)
Lease liabilities	<b>(46.7)</b>	(52.4)
<b>Net debt</b>	<b>(745.4)</b>	(803.6)
Index-linked swaps	<b>(79.8)</b>	(81.6)
<b>Net financial liabilities</b>	<b>(825.2)</b>	(885.2)
<b>Cash and liquid investments</b>	<b>166.2</b>	160.2
Gross debt - fixed interest rates (net of unamortised bond issue costs)	<b>(912.7)</b>	(900.1)
Gross debt - variable interest rates (net of unamortised bank facility fees)	<b>1.1</b>	(63.7)
<b>Net debt</b>	<b>(745.4)</b>	(803.6)
Index-linked swaps	<b>(79.8)</b>	(81.6)
<b>Net financial liabilities</b>	<b>(825.2)</b>	(885.2)

Amounts shown in the table above under "Gross debt - variable interest rates" for 2024 relate to unamortised bank facility fees.



# Notes forming part of the consolidated accounts

## 29. Notes to the cash flow statement (continued)

### Reconciliation of net financial liabilities (continued)

The table below reconciles the movements in financial assets and financial liabilities arising from financing activities in the period.

	Assets	Liabilities from financing activities (excluding derivatives)			Net debt	Derivatives	Net financial liabilities
	Cash and cash equivalents £m	Lease liabilities £m	Bonds (i) £m	Bank loans (ii) £m	Sub-total £m	Index-linked swaps £m	Total £m
Net financial liabilities as at 1 April 2023	160.2	(52.4)	(847.7)	(63.7)	(803.6)	(81.6)	(855.2)
Cash flows	6.1	10.1	-	65.4	81.6	10.8	92.4
New leases in the year	-	(2.7)	-	-	(2.7)	-	(2.7)
Effect of modification to lease terms	-	(1.7)	-	-	(1.7)	-	(1.7)
Fair value movements on index-linked swaps	-	-	-	-	-	(9.0)	(9.0)
Foreign exchange adjustments	(0.1)	-	-	-	(0.1)	-	(0.1)
Other changes:							
Interest expense	-	(1.1)	(14.0)	(2.0)	(17.1)	(0.8)	(17.9)
Interest payments (presented as financing cash flows)	-	1.1	-	2.0	3.1	0.9	4.0
Interest income	-	-	-	-	-	8.4	8.4
Interest receipts (presented as financing cash flows)	-	-	-	-	-	(8.5)	(8.5)
Other non-cash movements (iii)	-	-	(4.3)	(0.6)	(4.9)	-	(4.9)
<b>Net financial liabilities as at 31 March 2024</b>	<b>166.2</b>	<b>(46.7)</b>	<b>(866.0)</b>	<b>1.1</b>	<b>(745.4)</b>	<b>(79.8)</b>	<b>(825.2)</b>

# Notes forming part of the consolidated accounts

## 29. Notes to the cash flow statement (continued)

### Reconciliation of net financial liabilities (continued)

	Assets	Liabilities from financing activities (excluding derivatives)			Net debt	Derivatives	Net financial liabilities
	Cash and cash equivalents £m	Lease liabilities £m	Bonds (i) £m	Bank loans (ii) £m	Sub-total £m	Index-linked swaps £m	Total £m
Net financial liabilities as at 1 April 2022	148.0	(58.6)	(742.1)	(196.8)	(849.5)	(75.9)	(925.4)
Cash flows	12.0	6.9	(104.2)	135.4	50.1	8.0	58.1
New leases in the year	-	(0.7)	-	-	(0.7)	-	(0.7)
Effect of modification to lease terms	-	(0.5)	-	-	(0.5)	-	(0.5)
Fair value movements on index-linked swaps	-	-	-	-	-	(13.7)	(13.7)
Foreign exchange adjustments	0.2	-	-	-	0.2	-	0.2
Other changes:							
Interest expense	-	(1.4)	(11.6)	(8.2)	(21.2)	-	(21.2)
Interest payments (presented as financing cash flows)	-	1.4	11.6	7.5	20.5	-	20.5
Interest income	-	-	-	-	-	7.3	7.3
Interest receipts (presented as financing cash flows)	-	-	-	-	-	(7.3)	(7.3)
Other non-cash movements (iii)	-	0.5	(1.4)	(1.6)	(2.5)	-	(2.5)
<b>Net financial liabilities as at 31 March 2023</b>	<b>160.2</b>	<b>(52.4)</b>	<b>(847.7)</b>	<b>(63.7)</b>	<b>(803.6)</b>	<b>(81.6)</b>	<b>(885.2)</b>

(i) The amount shown under bonds is net of unamortised bond issue costs.

(ii) The amount shown under bank loans is net of unamortised bank facility fees and accrued bank facility fees.

(iii) Other non-cash flow movements include amortisation of bond issue costs of £4.3m (2023: £1.4m) and amortisation of bank facility fees net of accrual movements of £0.6m (2023: £1.6m).

# Notes forming part of the consolidated accounts

## 30. Financial commitments

	<b>2024</b> <b>£m</b>	2023 £m
Amounts contracted but not provided for in the accounts	<b>60.1</b>	48.7

### Guarantees

NATS Holdings Limited has given guarantees to the Ministry of Defence in relation to NERL's performance under its Future Military Area Radar Services contract with the MOD.

NATS Services has provided a parent company guarantee to the MOD to secure the performance by Aquila of its obligations under the Project Marshall contract.

NATS Services has guaranteed all of the obligations of NATS (USA) Inc to Aireon LLC in relation to its status as a member of Aireon LLC.

As part of the tendering process for new contracts, the NATS group may be required to put in place a tender or bid guarantee which expires once the contract is awarded. Where tenders are successful, contractual terms may also require performance or advance payment guarantees. These guarantees vary in length depending on the life of the contract and may run until the expiry of the contract. The total guarantees provided in these respects at 31 March 2024 was £4.9m (2023: £7.8m).

# Notes forming part of the consolidated accounts

## 31. 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 the company. 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. Partnership shares vest at the point of the issuance and are cash-settled. 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 2024	No. employee shares outstanding at 31 March 2023
<b>Free share awards</b>			
21 September 2001	3,353,742	<b>120,691</b>	147,600
20 October 2003	2,459,000	<b>114,258</b>	140,012
10 September 2004	1,966,000	<b>168,720</b>	215,520
11 January 2008	1,071,840	<b>130,740</b>	172,088
18 September 2009	963,200	<b>146,506</b>	193,106
<b>Partnership shares</b>			
1 March 2011	694,783	<b>129,100</b>	174,498
26 September 2012	714,959	<b>156,563</b>	216,441
30 May 2014	496,738	<b>135,817</b>	190,157
31 October 2016	530,303	<b>183,643</b>	275,121
31 October 2018	635,048	<b>287,959</b>	485,968
<b>Matching shares</b>			
1 March 2011	694,783	<b>129,707</b>	175,125
26 September 2012	714,959	<b>158,154</b>	217,141
30 May 2014	496,738	<b>136,410</b>	190,283
31 October 2016	530,303	<b>184,436</b>	275,120
31 October 2018	635,048	<b>293,670</b>	490,887
		<b>2,476,374</b>	3,559,067
Dividend shares issued on 28 June 2005	247,017	<b>14,964</b>	17,949
<b>Total employee shares in issue at 31 March</b>		<b>2,491,338</b>	3,577,016

# Notes forming part of the consolidated accounts

## 31. Share based payments (continued)

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

	<b>Movement in the no. of shares during the year ended 31 March 2024</b>	Movement in the no. of shares during the year ended 31 March 2023
Balance at 1 April	<b>3,577,016</b>	4,066,975
Exercised during the year	<b>(1,085,678)</b>	(489,959)
<b>Balance at 31 March</b>	<b>2,491,338</b>	3,577,016

These shares are valued every six months by independent valuers using discounted cash flow and income multiple methods of valuation. Valuations are approved by HMRC for a period of six months unless a significant event arises which has a material impact on the share value. As at 31 March 2024 the price of an employee share was valued at £5.45 (2023: £3.70). The liability for the employee shares at 31 March 2024 was £13.6m (2023: £13.3m) and is included in other accruals and deferred income. The income statement includes a cost of £5.4m (2023: £6.7m cost). Payments made to leavers and current employees for the shares they exercised during the year was £4.8m (2023: £5.9m).

## 32. Retirement benefit schemes

### Defined contribution scheme

The group provides a defined contribution scheme to all qualifying employees who are not members of the defined benefit scheme. The assets of the scheme are held separately from those of the group in funds under the control of a board of Trustees.

The group operates a salary sacrifice arrangement whereby employees sacrifice an element of their salary in favour of contributions to the pension scheme. NATS operates a number of contribution structures. In general, NATS matches employee contributions to the scheme in a ratio of 2:1, up to a maximum employer contribution of 18%. For the year ended 31 March 2024 employer contributions of £25.5m (2023: £20.5m), excluding employee salary sacrifice contributions of £15.0m (2023: £11.5m), represented 15.9% of pensionable pay (2023: 16.3%).

The defined contribution scheme had 2,336 members at 31 March 2024 (2023: 2,108).

# Notes forming part of the consolidated accounts

## 32. Retirement benefit schemes (continued)

### Defined benefit scheme

NATS Limited (formerly National Air Traffic Services Limited), the company's wholly-owned subsidiary, entered into a deed of adherence with the CAA and the Trustees of the Civil Aviation Authority Pension Scheme (CAAPS) whereby the company was admitted to participate in CAAPS from 1 April 1996. CAAPS is a fully funded defined benefit scheme providing benefits based on final pensionable salaries. 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 CAAPS. CAAPS was divided into two sections to accommodate this, namely the CAA section and the NATS section, and a series of common investment funds was established in which both sections participate for investment purposes. 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. The assets of the scheme are held in a separate trustee administered fund. CAAPS is governed by a board of Trustees which is responsible for implementing the funding and investment strategy. The board comprises six employer (NATS and CAA) and six member-nominated trustees, as well as an independent chair.

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 salaries were limited to a maximum increase in the retail prices index (RPI) plus 0.5%. A defined contribution scheme was also introduced for new joiners (see above). Finally, pension salary sacrifice arrangements were introduced with effect from 1 April 2009.

During 2013 the group consulted on further pension reforms to mitigate rising pension costs. These included a change to the limit on increases in pensionable salaries to a maximum of the consumer prices 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. These reforms were agreed by staff.

The defined benefit scheme had the following membership at 31 March:

	<b>2024</b>	2023
	<b>No.</b>	No.
Active members	<b>1,456</b>	1,550
Deferred members	<b>957</b>	1,016
Pensioners	<b>3,118</b>	3,011
	<b>5,531</b>	5,577

# Notes forming part of the consolidated accounts

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## 32. Retirement benefit schemes (continued)

### Trustees' funding assessment

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 the future.

The last Trustees' funding assessment of the NATS' section was carried out at 31 December 2020 and used the projected unit credit method. The assumptions which have the most significant effect on the liabilities assessed at the valuation and hence the contribution requirement are those relating to the rate of return on investments, the rate of increase in salaries, the rate of increase in pensions and life expectancy.

The market value of the NATS' section's assets as at 31 December 2020 was £5,496.2m. For the purpose of the Trustees' funding assessment assets were taken at market value. The shortfall of assets relative to the value of benefits that had accrued to existing members was £171.9m, corresponding to a funding ratio of 97.0%.

The 2020 valuation showed that, based on long-term financial assumptions, the contribution rate required to meet future benefit accrual and expenses was 71.9% of pensionable pay (66.2% employers and 5.7% employees). The employer contribution includes an allowance to cover administration costs, including the Pension Protection Fund (PPF) levy.

### Contributions to the pension scheme

Following the 2020 valuation, NATS and the Trustees agreed a recovery plan which would see the funding deficit repaid by 31 December 2029. Under the schedule of contributions, normal contributions were paid at 41.7% of pensionable pay until 31 December 2022 and increased to 66.2% from 1 January 2023. The NATS group paid deficit recovery contributions of £26.0m, £26.6m and £27.2m in calendar years 2021, 2022 and 2023 respectively. From 1 January 2024 to 31 December 2029, deficit recovery contributions will be paid at £27.8m in 2024 and increase annually by 2.37% for 2025 to 2029.

During the year the group paid cash contributions to the scheme of £141.1m (2023: £89.6m). This amount included £8.7m (2023: £7.1m) of wages and salaries sacrificed by employees in return for pension contributions. Excluding the effect of salary sacrifice and past service costs, employer cash contributions were paid at a rate of 85.3% (2023: 67.2%) of pensionable pay.

The estimated contributions expected to be paid to the scheme during the financial year ending 31 March 2025 is £133.7m, including salary sacrifice contributions estimated at £8.3m.

Contributions to the scheme are ultimately funded by NATS' two principal operating subsidiaries: NERL and NATS Services, in proportion to their pensionable payrolls.

### Company's accounting valuation under international accounting standards

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 IAS 19: *Employee Benefits*.

This valuation differs from the Trustees' funding assessment explained above 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 2020, 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.

If an accounting valuation reveals a surplus at the balance sheet date, this is recognised in full to the extent that it can be realised in full by the company. See note 3.

# Notes forming part of the consolidated accounts

## 32. Retirement benefit schemes (continued)

### Company's accounting valuation under international accounting standards (continued)

An actuarial valuation for IAS 19 purposes was carried out at 31 March 2024 (based on 31 December 2023 membership data). 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:

	2024	2023	2022
RPI inflation	<b>2.95%</b>	3.05%	3.40%
CPI inflation	<b>2.60%</b>	2.65%	2.95%
Increase in:			
- salaries	<b>2.60%</b>	2.65%	2.95%
- deferred pensions	<b>2.95%</b>	3.05%	3.40%
- pensions in payment	<b>2.95%</b>	3.05%	3.40%
Discount rate for net interest expense	<b>4.90%</b>	4.80%	2.75%

The mortality assumptions have been drawn from actuarial tables 105% S3PMA light and 103% S3PFA light (2023: 105% S3PMA light and 103% S3PFA light) with future improvements in line with CMI 2022 (2023: CMI 2019) projections for male/female members, subject to a long-term improvement of 1.5% p.a. (2023: 1.5% p.a.). These tables assume that the life expectancy, from age 60, for a male pensioner is 27.9 years and a female pensioner is 29.9 years. Allowance is made for future improvements in longevity, such that based on the average age of the current active membership (48), when these members reach retirement, life expectancy from age 60 will have increased for males to 28.9 years and for females to 30.9 years.

The principal risks to the financial performance of the group arising from the scheme are in respect of:

- asset volatility: for accounting purposes, scheme liabilities are determined using a discount rate set by reference to high quality corporate bond yields. If scheme assets under-perform relative to this yield, this will create a deficit. As explained below, NATS and Trustees have taken and continue to review measures to de-risk the scheme by investing more in assets which better match the liabilities.
- changes in bond yields: a decrease in the yield on high quality corporate bonds will increase scheme obligations, although this is partly mitigated by an increase in the value of the scheme's holdings of bonds.
- inflation risk: the scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. As discussed further below, the scheme has implemented a liability driven investment programme to partially protect the funding position from changes in inflation. Furthermore, some of the scheme's assets (such as equities) are real in nature and so provide some additional inflation protection, but overall, an increase in inflation will adversely impact on the funding position.
- life expectancy (mortality): the majority of the scheme's obligations are to provide benefits for the life of a member, so an increase in life expectancy will result in an increase in the scheme's obligations.



# Notes forming part of the consolidated accounts

## 32. Retirement benefit schemes (continued)

### Company's accounting valuation under international accounting standards (continued)

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 (bond yields)	Increase/decrease by 0.5%	Decrease by 7.6%/increase by 8.6%
Rate of inflation	Increase/decrease by 0.5%	Increase by 8.5%/decrease by 7.6%
Rate of pensionable salary growth	Increase/decrease by 0.5%	Increase by 1.6%/decrease by 1.5%
Rate of mortality	1 year increase in life expectancy	Increase by 2.7%

Each sensitivity above is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognised on the balance sheet.

Amounts recognised in income, in the staff costs line item, in respect of the defined benefit scheme are as follows:

	2024 £m	2023 £m
Current service cost	(43.6)	(78.8)
Net interest credit	6.2	10.8
Administrative expenses	(2.2)	(1.9)
<b>Components of defined benefit costs recognised within operating profit</b>	<b>(39.6)</b>	<b>(69.9)</b>

Remeasurements recorded in the statement of comprehensive income are as follows:

	2024 £m	2023 £m
Return on plan assets (excluding amounts included in net interest expense)	(315.0)	(1,849.1)
Actuarial gains and losses arising from changes in financial assumptions	83.8	1,786.2
Actuarial gains and losses arising from changes in demographic assumptions	56.9	-
Actuarial gains and losses arising from experience adjustments	27.6	(240.0)
	<b>(146.7)</b>	<b>(302.9)</b>

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

	2024 £m	2023 £m
Present value of defined benefit obligations	(3,371.1)	(3,486.0)
Fair value of scheme assets	3,384.6	3,544.7
<b>Surplus in scheme</b>	<b>13.5</b>	<b>58.7</b>

# Notes forming part of the consolidated accounts

## 32. Retirement benefit schemes (continued)

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

	2024 £m	2023 £m
At 1 April	(3,486.0)	(4,957.7)
Current service cost	(43.6)	(78.8)
Interest expense on defined benefit scheme obligations	(163.6)	(134.4)
Actuarial gains and losses arising from changes in financial assumptions	83.8	1,786.2
Actuarial gains and losses arising from changes in demographic assumptions	56.9	-
Actuarial gains and losses arising from experience adjustments	27.6	(240.0)
Benefits paid	153.8	138.7
<b>At 31 March</b>	<b>(3,371.1)</b>	<b>(3,486.0)</b>

The average duration of the scheme's liabilities at the end of the year is 16.9 years (2023: 18.1 years). The present value of the defined benefit obligation can be analysed by member group as follows:

	2024 £m	2023 £m
Active members	(1,137.7)	(1,190.4)
Deferred members	(305.7)	(326.1)
Pensioners	(1,927.7)	(1,969.5)
	<b>(3,371.1)</b>	<b>(3,486.0)</b>

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

	2024 £m	2023 £m
At 1 April	3,544.7	5,299.6
Interest income on scheme assets	169.8	145.2
Return on plan assets (excluding amounts included in net interest expense)	(315.0)	(1,849.1)
Contributions from sponsoring company	141.1	89.6
Benefits paid	(153.8)	(138.7)
Administrative expenses	(2.2)	(1.9)
<b>At 31 March</b>	<b>3,384.6</b>	<b>3,544.7</b>

# Notes forming part of the consolidated accounts

## 32. Retirement benefit schemes (continued)

The major categories of scheme assets were as follows:

	2024 £m	2023 £m
<b>Cash and cash equivalents</b>	<b>85.3</b>	325.4
<b>Equity instruments</b>		
- Emerging markets	172.7	86.4
- Global	639.7	430.0
	<b>812.4</b>	516.4
<b>Bonds</b>		
- Fixed income	664.8	716.2
- Index-linked gilts over 5 years	1,225.0	1,406.3
	<b>1,889.8</b>	2,122.5
<b>Other investments</b>		
- Property	123.0	112.5
- Hedge funds	239.4	220.4
- Private equity funds	130.7	142.0
- Other	102.1	104.7
	<b>595.2</b>	579.6
<b>Derivatives</b>		
- Futures contracts	1.9	0.8
	<b>3,384.6</b>	3,544.7

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

Scheme assets of £3,384.6m (2023: £3,544.7) include equity and debt instruments of £138.8m (2023: £262.9m) with quoted prices in active markets. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the assets consist of equities, bonds and cash, although the scheme also invests in property and investment (private equity and hedge) funds which are generally illiquid, unquoted assets and trade on a less regular basis. Investments that do not have a quoted market price in an active market, totalling £3,245.8m (2023: £3,281.8m), are measured using their most recent net asset valuations adjusted for cash movements between the latest valuation date and 31 March 2024. Where appropriate, management also take into account movements in external quoted benchmarks in order to determine whether a risk adjustment is required in determining fair value as at 31 March 2024.

NATS and Trustees implemented a liability driven investment (LDI) programme in 2012 in order to hedge the impact of changes in inflation and interest rates on the value of the scheme's obligations, which are sensitive to inflation and movements in yields in the gilt market. As a result of discussions between NATS and the Trustee the amount of interest rate and inflation hedging has increased over time, starting out at 25% in 2012 with subsequent increases to 50% in 2014 and to 65% in 2018, as measured on the Trustee funding basis. In March 2020, NATS and the Trustee agreed a further increase in the level of inflation and interest rate hedging to 75%, as measured on a long-term funding target basis of gilts + 0.5% p.a. and the trades needed to achieve this were carried out between May and August 2020. Swap transactions are executed with carefully scrutinised banks and collateral is provided in the form of index-linked gilts to protect against the unlikely event of default by a counterparty bank.

# Notes forming part of the consolidated accounts

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## 32. Retirement benefit schemes (continued)

During 2018, NATS and the Trustees also agreed changes to the asset allocation to make the portfolio more efficient by reducing the overall level of risk whilst continuing to support the valuation assumptions agreed for the 2017 funding valuation and therefore having no impact on the level of contributions payable. This included a reduction in the allocation to equities in favour of a more diversified portfolio with a higher allocation to liquid debts.

Following the LDI events in late 2022, towards the end of 2022 NATS and the Trustees agreed to adjust the level of collateral within the LDI portfolio such that the portfolio could withstand a 3% rise in real interest rates. In addition, the growth portfolio was restructured to include 7-10% of Scheme assets in liquidity funds that would provide an additional collateral margin for the LDI portfolio, while retaining sufficient expected return to support the assumptions agreed for the 2020 funding valuation.

Derivative instruments are used by investment managers to reduce risk or gain exposure to investment classes without the requirement to hold the underlying investment. Trustees monitor derivative positions to ensure that, when combined with the underlying physical position, the aggregate falls within specified investment guidelines.

The actual return on scheme assets for the year ended 31 March 2024 was a loss of £145.2m (2023: £1,703.9m loss).

## 33. Related party transactions

The NATS group has four shareholders - the Crown, The Airline Group Limited (AG), LHR Airports 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 LHR Airports Limited and AG. Transactions occur on an arm's length basis.

AG is a consortium of British Airways plc, Deutsche Lufthansa AG, easyJet Airline Company Limited, the Pension Protection Fund, TUI Airways Limited, Virgin Atlantic Airways Limited and USS Sherwood Limited. AG has a 42% stake in NATS Holdings Limited. 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.

Contractual arrangements existed during the year between LHR Airports Limited and NATS Services in relation to air navigation services provided at Heathrow Airport.

Contractual arrangements existed during the year between the MOD and NERL in relation to the provision of engineering, surveillance and communication services.

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the company and its subsidiaries are disclosed in the subsidiary companies' financial statements.

Transactions between the company and its joint venture and associate, which are related parties, are disclosed below and in note 34.

# Notes forming part of the consolidated accounts

## 33. Related party transactions (continued)

### Trading transactions

During the year, group companies entered into the following transactions with related parties.

	Sales		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£m	£m	£m	£m	£m	£m	£m	£m
LHR Airports Limited	52.3	48.1	1.1	1.0	5.6	4.1	0.1	0.1
Ministry of Defence (MOD)	46.6	44.0	2.0	2.1	5.2	0.3	19.2	10.7
The Airline Group Limited (AG)	-	-	0.4	0.2	-	-	-	-
Department for Transport (DfT)	0.9	0.6	-	-	0.2	0.2	-	-
Meteorological Office	0.3	0.3	0.8	0.8	-	-	-	0.1
European Satellite Services Provider SAS	0.1	0.1	-	-	-	-	-	-
Aquila Air Traffic Management Services Limited	14.1	14.6	0.5	1.1	2.5	1.8	0.4	0.2

Sales are made to related parties at the group's usual rates and purchases at market prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. No expected credit loss provisions (2023: £nil) have been made in respect of amounts owed by related parties above, however an impairment of our net joint venture investment in Aquila has been recognised, see note 34.

### Remuneration of key management personnel

The remuneration of key management personnel of the 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. Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Committee report.

	2024	2023
	£m	£m
Short-term employee benefits	11.1	11.0
Post-employment benefits	0.5	0.6
Termination benefits	0.1	0.1
	<b>11.7</b>	<b>11.7</b>

# Notes forming part of the consolidated accounts

## 34. Subsidiaries, joint ventures and associates

The group's subsidiaries at 31 March 2024, all of which have been consolidated in these accounts were:

Name of company or partnership	Principal activity	Proportion of ordinary shares and voting rights held	Country of registration	Country of operation
<b>Direct holding:</b>				
NATS Limited*	Corporate services	100%	England and Wales	United Kingdom
<b>Indirect holding:</b>				
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
NATS Solutions Limited*	Airport and airfield air traffic services	100%	England and Wales	United Kingdom
NATSNV Limited*	Satellite-based navigation	100%	England and Wales	United Kingdom
NATS Employee Sharetrust Limited*	Corporate trustee of employee share plan	100%	England and Wales	United Kingdom
National Air Traffic Services Limited*	Dormant	100%	England and Wales	United Kingdom
NATS Services DMCC <i>Suite 2206, Mazaya AA1 Building, Mazaya Business Avenue, Jumeirah Lakes Tower, PO Box 392497, Dubai, United Arab Emirates</i>	ATM consultancy	100%	UAE	UAE
NATS Services LLC (in liquidation) <i>PO Box 533, Ruwi, PC 112, Muscat, Sultanate of Oman</i>	ATM consultancy	70%	Oman	Oman
NATS Services (Asia Pacific) Pte. Limited <i>51 Changi Business Park, Central 2, #04-06, The Signature, Singapore 486066</i>	Airport and ATM consultancy	100%	Singapore	Singapore
NATS Services (Hong Kong) Limited <i>31F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong</i>	Airport and ATM consultancy	100%	Hong Kong	Hong Kong
NATS (USA) Inc <i>The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware, United States</i>	Engineering and ATM consultancy	100%	USA	USA
NATS (Services) Canada Inc <i>100 King Street West, Suite 6200, 1 First Canadian Place, Toronto, Ontario, M5X 1B8, Canada</i>	Digital airport air traffic services	100%	Canada	Canada
Searidge Technologies Inc <i>19 Camelot Drive, Nepean, Ontario, K2G 5W6, Canada</i>	Digital airport air traffic services	100%	Canada	Canada
NATS Services (India) LLP <i>Unit No. 216, Second Floor, Square One, C2 District Centre, Saket New Delhi, South Delhi DL 110017 India</i>	Airport and ATM consultancy	100%	India	India

\* The registered office address of the entities registered in England and Wales is: 4000 Parkway, Whiteley, Fareham, Hampshire, PO15 7FL, United Kingdom.

NATS Services, through its subsidiaries and joint ventures, operates in certain low tax jurisdictions regarded as tax havens. This is a consequence of establishing entities or a business presence for legitimate commercial reasons and the provision of air traffic services in these territories.

# Notes forming part of the consolidated accounts

## 34. Subsidiaries, joint ventures and associates (continued)

The group had one associate and one joint venture as at 31 March 2024, details are as follows:

Name of company	Principal activity	Date of acquisition	Proportion of ordinary shares held	Country of incorporation
European Satellite Services Provider SAS 18, Avenue Edouard Belin - BPI 602, 31 401 Toulouse Cedex 9, France	Satellite-based navigation	1 September 2008	16.67%	France
Aquila Air Traffic Management Services Limited 350 Longwater Avenue, Green Park, Reading, RG2 6GF, United Kingdom	Asset provision and ATM services to UK MOD	9 October 2014	50.00%	United Kingdom

The associate and joint venture are indirectly held by NATS Holdings Limited. The investment in ESSP is held by NATSNav Limited and the investment in Aquila is held by NATS (Services) Limited.

### Summarised financial information relating to the associate and joint venture

#### European Satellite Services Provider SAS (ESSP)

In September 2008, the group acquired 16.67% of the issued share capital of ESSP for cash consideration of €0.2m (£0.1m).

The associate is accounted for using the equity method. Pursuant to the shareholder agreement, the group has the right to cast 16.67% of the votes at shareholder meetings. The financial year end is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ESSP for the year ended 31 December 2023 have been used.

Although the group holds less than 20% of the equity shares of ESSP, the group exercises significant influence by virtue of representation on the Board of directors, participation in policy making decisions of ESSP and the provision of essential technical information to ESSP.

Summarised financial information in respect of ESSP is set out below. These amounts have been prepared in accordance with French GAAP and converted from the euro, ESSP's functional currency.

# Notes forming part of the consolidated accounts

## 34. Subsidiaries, joint ventures and associates (continued)

### Aquila Air Traffic Management Services Limited

In October 2014, the group acquired 50% of the issued share capital of Aquila Air Traffic Management Services Limited (Aquila) for a cash consideration of £0.1m. Aquila provides air traffic management services at military airfields in the delivery of Project Marshall for the Ministry of Defence. Aquila draws up its accounts to 31 March and therefore these accounts have been used to determine its performance for the financial year. It prepares its accounts under IFRS and its functional currency is pounds sterling.

The group and its joint venture partner provide Aquila with a shareholder loan facility of up to £50m, with each party providing an equal share of the facility of £25m. At 31 March 2024, the group's share of outstanding loan to Aquila, including interest of £0.6m (2023: £0.4m), was £18.8m (2023: £8.8m). Aquila had drawn down £9.4m (net) in the year (2023: £0.5m draw down (net)).

Aquila's latest business plan is projecting an onerous obligation following an increase in costs for the period through to the completion of its Project Marshall contract. Unaudited management accounts for Aquila for 2024 are not available for the year. However, based on information available to NATS, the expected loss exceeds the carrying amount of the group's net investment. The group considers that the prospects for the recovery of its investment and shareholder loan at the end of the contract to be remote. As a result, the group has: recognised its share of losses up to the carrying value of the investment brought forward at 1 April 2023 of £4.5m; impaired the outstanding balance of the shareholder loan to Aquila of £18.8m; and made a provision for a liability of £6.2m for the legal obligation to enable Aquila to draw on the shareholder loan facility up to its limit of £25m. The group has reported an aggregate amount of £29.5m relating to its share of losses and impairment of its net investment in joint venture on the face of the income statement.

	2024 £m
Share of loss of joint venture up to the carrying value of the investment brought forward at 1 April 2023	4.5
Legal obligation: undrawn balance of £25m joint venture loan facility (see note 23)	6.2
	10.7
<b>Impairment of loan to joint venture</b>	<b>18.8</b>

In addition, since contract inception, NATS Services has provided a parent company guarantee to the MOD to secure Aquila's performance under its contract (see note 30). The effect of this guarantee is to compensate the MOD for the costs of a retender exercise in the event of contract termination by Aquila, which is not contemplated. The cost to NATS Services in that event is estimated at £27m until completion of an operational service deployment contract milestone, expected in June 2025, and then £25m until contract completion in 2037.



# Notes forming part of the consolidated accounts

## 34. Subsidiaries, joint ventures and associates (continued)

The summarised financial information above is reconciled to the carrying amount recognised in the consolidated financial statements as follows:

	2024 <sup>(i)</sup>	2023	
	Associate ESSP £m	Associate ESSP £m	Joint venture Aquila £m
Non-current assets	2.4	1.9	41.8
Current assets	47.7	33.4	10.8
Current liabilities	(28.9)	(17.6)	(40.8)
Non-current liabilities	(0.1)	(0.1)	-
<b>Net assets of associate/joint venture</b>	<b>21.1</b>	<b>17.6</b>	<b>11.8</b>
Group share	3.5	2.9	5.9
Impairment provision brought forward	-	-	(1.7)
Impairment reversal recognised in income statement	-	-	0.3
<b>Carrying amount of the group's interest in associate/joint venture</b>	<b>3.5</b>	<b>2.9</b>	<b>4.5</b>
Revenue	53.1	62.2	100.8
Profit after tax for the year	7.0	5.2	1.1
<b>Group share</b>	<b>1.2</b>	<b>0.9</b>	<b>0.6</b>
Impairment reversal recognised in income statement	-	-	0.3
Group share of profit after tax and impairment <sup>(ii)</sup>	1.2	0.9	0.9
Dividends received	(0.5)	(0.6)	-
Other comprehensive (loss)/income	(0.1)	0.1	-

(i) Summarised financial information for the Aquila joint venture for 2024 is not disclosed as unaudited management accounts are not available. As explained above, the NATS share of Aquila's losses for the year will exceed the carrying value of the investment brought forward at 1 April 2023 of £4.5m and have been recognised up to this amount.

(ii) The Share of results of associate and joint venture in the prior year income statement contains a £0.2m profit in relation to FerroNATS which is not included in the above table. The Group sold its 50% share in FerroNATS Air Traffic Services SA in January 2023.

## 35. Ultimate controlling party

There is no ultimate controlling party of NATS Holdings Limited. Under the shareholders' agreement, The Airline Group Limited and the Crown have similar reserve rights in respect of material decisions affecting the company.

## 36. Events after the reporting period

NERL was served by an airline in April 2024 with a High Court claim for compensation of c. £4.6m plus interest for flight cancellations and delays said to have arisen as a consequence of actions taken to fulfil our statutory obligation to maintain air traffic control safety following a technical incident impacting our flight plan processing system in August 2023. At this very early stage, the directors do not currently expect this is likely to result in a material financial loss to the group.

# Company balance sheet

## At 31 March

	Notes	2024 £m	2023 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	4	141.0	141.0
<b>Net assets</b>		<b>141.0</b>	141.0
<b>Equity</b>			
Share capital	5	140.6	140.6
Share premium account	5	0.4	0.4
Retained earnings		-	-
<b>Total equity</b>		<b>141.0</b>	141.0

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own income statement for the year. For the year ended 31 March 2024 the company recognised a profit of £nil (2023: £nil).

The financial statements (Company No. 04138218) were approved by the Board of directors and authorised for issue on 27 June 2024 and signed on its behalf by:



**Paul Golby**  
Chairman



**Alistair Borthwick**  
Chief Financial Officer

# Company statement of changes in equity

## For the year ended 31 March

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
<b>At 1 April 2022</b>	140.6	0.4	-	141.0
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-
Dividends paid	-	-	-	-
<b>At 31 March 2023</b>	<b>140.6</b>	<b>0.4</b>	-	<b>141.0</b>
<b>At 1 April 2023</b>	140.6	0.4	-	141.0
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-
Dividends paid	-	-	-	-
<b>At 31 March 2024</b>	<b>140.6</b>	<b>0.4</b>	-	<b>141.0</b>

# Notes forming part of the company accounts

## 1. Cash flow statement

No cash flow statement has been provided because the company does not maintain a bank account or have any cash transactions.

## 2. Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the UK.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are the same as those set out in note 2 to the consolidated financial statements.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Income from subsidiaries is recognised when received.

## 3. Profit for the year

Profit for the year has been arrived at after charging:

	<b>2024</b> <b>£m</b>	2023 £m
Staff costs	-	-
Auditor's remuneration	-	-

	<b>2024</b> <b>No.</b>	2023 No.
Executive directors	<b>2</b>	2
Non-executive directors	<b>10</b>	10
	<b>12</b>	12

Detailed disclosure of the remuneration of the directors is provided in the Remuneration Committee's report on pages 54 to 69.

The company incurred no charge to current or deferred taxes in the year (2023: £nil).

# Notes forming part of the company accounts

## 4. Investments

	<b>Investments in subsidiary undertakings £m</b>
Investments at 31 March 2024 and 31 March 2023	141.0

The company's investments in subsidiary undertakings are as set out in note 34 to the consolidated financial statements.

## 5. Share capital and share premium accounts

These items are disclosed in the consolidated statement of changes in equity and notes 25 and 26 of the consolidated financial statements.

## 6. Financial instruments

The company held no financial instruments at 31 March 2024 (2023: none).

## 7. Ultimate controlling party

There is no ultimate controlling party of NATS Holdings Limited. Under the shareholders' agreement, The Airline Group Limited and the Crown have similar reserve rights in respect of material decisions affecting the company.

# Abbreviations and definitions

<b>2023</b>	Financial year ended 31 March 2023	<b>IAS</b>	International Accounting Standard
<b>2024</b>	Financial year ended 31 March 2024	<b>IASB</b>	International Accounting Standards Board
<b>3Di</b>	3 Dimensional Flight Inefficiency Metric	<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>ACOG</b>	Airspace Change Organising Group	<b>IFRS</b>	International Financial Reporting Standards
<b>ADS-B</b>	Automatic Dependent Surveillance-Broadcast	<b>INEA</b>	Innovation and Networks Executive Agency
<b>AESOP</b>	All-Employee Share Ownership Plan	<b>ISO</b>	International Organisation for Standardisation
<b>AG</b>	The Airline Group Limited	<b>KPI</b>	Key Performance Indicator
<b>AIREON</b>	Aireon LLC, subsequently Aireon Holdings LLC	<b>LHRA</b>	LHR Airports Limited
<b>ANSP</b>	Air Navigation Service Provider	<b>LTIP</b>	Long-Term Incentive Plan
<b>AQUILA</b>	Aquila Air Traffic Management Services Limited	<b>MOD</b>	Ministry of Defence
<b>ATC</b>	Air Traffic Control	<b>NATS</b>	NATS Holdings Limited and its subsidiaries, together the NATS group
<b>ATM</b>	Air Traffic Management	<b>NATS Services</b>	NATS (Services) Limited
<b>CAA</b>	Civil Aviation Authority	<b>NERL</b>	NATS (En Route) plc
<b>CAAPS</b>	Civil Aviation Authority Pension Scheme	<b>NESL</b>	NATS Employee Sharetrust Limited
<b>CANSO</b>	Civil Air Navigation Services Organization	<b>NHL</b>	NATS Holdings Limited
<b>CDP</b>	Climate Disclosure Project	<b>NR23</b>	Price control from 1 January 2023
<b>CEO</b>	Chief Executive Officer	<b>NR28</b>	Price control from 1 January 2028
<b>CFO</b>	Chief Financial Officer	<b>PPP</b>	Public Private Partnership
<b>CMA</b>	Competition and Markets Authority	<b>R&amp;D</b>	Research and Development
<b>CPI</b>	Consumer Prices Index	<b>RAB</b>	Regulatory Asset Base
<b>DACF</b>	Debt-Adjusted Cash Flows	<b>RAT</b>	Risk Analysis Tool
<b>DB</b>	Defined Benefit Pension Scheme	<b>RP3</b>	Reference Period 3 (2020-2024)
<b>DC</b>	Defined Contribution Pension Scheme	<b>RPI</b>	Retail Prices Index
<b>DfT</b>	Department for Transport	<b>S-ACM</b>	Strategic Airport Capacity Manager
<b>DNV GL</b>	DNV GL is a quality assurance and risk management company	<b>SAF</b>	Sustainable Aviation Fuel
<b>EC</b>	European Commission	<b>SBTi</b>	Science Based Targets initiative
<b>ESSP</b>	European Satellite Services Provider SAS	<b>SEARIDGE</b>	Searidge Technologies Inc
<b>EU</b>	European Union	<b>SESAR</b>	SES ATM Research
<b>FerroNATS</b>	FerroNATS Air Traffic Services SA	<b>SPA</b>	Strategic Partnership Agreement
<b>FRC</b>	Financial Reporting Council	<b>SMS</b>	Safety Management System
<b>GAAP</b>	Generally Accepted Accounting Principles	<b>TCFD</b>	Taskforce for Climate Related Financial Disclosures
<b>GHG</b>	Green house gas	<b>UAS</b>	Unmanned Aircraft Systems
<b>HMRC</b>	His Majesty's Revenue & Customs		

# Alternative performance measures

## 1 **Gearing:** Ratio of NERL's net debt (as defined by its licence) to its Regulatory Asset Base (RAB)

NATS (En Route) plc's (NERL) gearing is the ratio of its net debt (as defined by its licence) to regulatory assets. Net debt for this ratio differs from statutory net debt in three areas: (i) borrowings are recorded at face value, rather than net of remaining capitalised original issue discounts and issuance costs; (ii) leases are included, but only to the extent that they would have been treated as finance leases prior to application of IFRS 16; and (iii) it includes a value for NERL's RPI swaps that represents the historic accretion on the notional of the swaps. This value differs to the value of derivatives reported on the balance sheet.

The Regulatory Asset Base (RAB) represents the capital employed in the economically regulated businesses operated by NERL, and is reported annually in regulatory accounts prepared on a calendar year basis. The regulatory accounts are published at [www.nats.aero](http://www.nats.aero). The CAA's economic regulatory framework determines the basis for measuring regulatory assets. The RAB is uplifted annually by RPI inflation and increases by capital expenditure and reduces by regulatory depreciation. The RAB excludes balances relating to tax, financing and the IAS 19 pension position. The CAA sets a net debt to RAB target and bank covenants are set on a net debt to RAB basis. At 31 December 2023 the value of NERL's RAB was £2,047.5m.

	<b>2024 £m</b>
<b>Net debt (per note 29)</b>	<b>(745.4)</b>
Inclusion of items as defined in financial covenants:	
Unamortised bond discount	(37.9)
Unamortised bond issue cost and bank facility fees	(6.2)
RPI swaps stated on a bank covenant valuation basis	(79.0)
Exclusion of items as defined in financial covenants:	
Lease liabilities recognised on adoption of IFRS 16	46.3
Non-NERL cash balances	(75.1)
<b>Net debt (as defined in NERL's finance documents)</b>	<b>(897.3)</b>
<b>Regulatory Asset Base at 31 March 2024</b>	<b>2,139.2</b>
<b>Gearing</b>	<b>41.9%</b>

# Alternative performance measures

**2 Debt Adjusted Cash Flows (DACF):** Increase/decrease in cash and cash equivalents for the year, adjusted to remove draw down or repayment of bank borrowings, bonds, index-linked swaps and advances of en route charges.

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Net cash generated from/(used in) operating activities	200.1	183.5	(172.5)
Net cash outflow from investing activities	(112.3)	(112.2)	(120.0)
Net cash (outflow)/inflow from financing activities	(81.7)	(59.3)	168.2
Increase/(decrease) in cash and cash equivalents during the year	6.1	12.0	(124.3)
Advances of en route charges	-	-	67.4
Net bonds (issued)/repaid	-	(105.5)	(456.9)
Bond and bank arrangement fees	0.4	1.7	9.4
Repayment of obligations under finance leases	10.1	6.9	7.0
Repayment of bank facilities	65.0	175.0	435.0
Drawdown on bank facilities	-	(40.0)	(240.0)
Index-linked swap repayment	10.8	8.0	61.3
Total debt adjustments	86.3	46.1	(116.8)
<b>Debt-adjusted cash flow</b>	<b>92.4</b>	<b>58.1</b>	<b>(241.1)</b>

**3 Adjusted revenue and regulatory allowances and profit before tax:** Excludes income recognised at the reporting date that relates to a service provided in a prior year for which variable consideration had been estimated previously. NERL was required to provide a continuous ATC service during Covid, in spite of air travel restrictions in place. The CAA undertook a retrospective reconciliation subsequently of the flight income and costs during the Covid period (2020 to 2022) to determine the income shortfall due to NERL. The CAA confirmed the outcome of its retrospective reconciliation and the value of the Covid income shortfall alongside its decision on the NR23 price control in November 2023. In 2024 NERL recognised the difference between the CAA's value and previously recognised variable consideration. An equivalent adjustment for 2023 reflected an assessment of variable consideration at the reporting date based on the CAA's initial proposals of October 2022.

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Revenue and regulatory allowances - IFRS	1,189.0	930.0
Adjustment for the assessment of regulatory allowances recognised in the period (see note 17)	(123.2)	(23.2)
<b>Adjusted revenue and regulatory allowances</b>	<b>1,065.8</b>	<b>906.8</b>
Profit before tax - IFRS	371.5	148.5
Adjustment for the assessment of regulatory allowances recognised in the period (see note 17)	(123.2)	(23.2)
<b>Adjusted profit before tax</b>	<b>248.3</b>	<b>125.3</b>



# Alternative performance measures

- 4 Regulatory return - adjusted:** Calendar year Regulatory profit divided by Average Regulatory Asset Base (RAB), excluding income recognised at the reporting date that relates to a service provided in a prior year for which variable consideration had been estimated previously.

Regulatory profit represents NERL's calendar year regulatory income less costs, as prepared under the Regulatory Accounting Guidelines (RAGs), specified in NERL's licence; rather than on an IFRS accounting basis. Regulatory profit divided by the Calendar year average RAB determines regulatory return. These values are derivable from NERL's 31 December 2023 regulatory accounts.

Adjusted regulatory return reflects NERL's reported regulatory return adjusted for an assessment of regulatory allowances recognised in the period, on a regulatory rather than IFRS basis.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Regulatory return	223.0	34.6
Adjustment for the assessment of regulatory allowances recognised in the period (regulatory basis)	(125.6)	(34.0)
Adjusted regulatory return	97.4	0.6
Average Regulatory Asset Base (RAB)	1,989.2	1,589.7
<b>Adjusted Regulated rate of return</b>	<b>4.9%</b>	<b>0.0%</b>

# Explanatory notes

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- 5** An Airprox is a situation in which, in the opinion of a pilot or controller, the distance between aircraft as well as their relative positions and speeds have been such that the safety of the aircraft involved was or may have been compromised. The severity of these incidents is assessed periodically by the UK Airprox Board, an independent body, in the interests of enhancing flight safety.
- Airprox events are classified A to D on the basis only of actual risk, not potential risk. An event classified as category B - safety not assured, is an aircraft proximity in which the safety of the aircraft may have been compromised.
- 6** The three-dimensional inefficiency score (3Di) measures the environmental efficiency of a flight by comparing its actual radar track to an optimal profile. A lower score represents better flight efficiency. NATS has made the 3Di environmental insight tool freely available to aviation stakeholders to use to track their carbon efficiency.
- 7** Best Companies are employee engagement specialists, who's methodology formerly underpinned the Times Top 100 best companies to work.
- 8** Project Marshall is a 22 year contract awarded to the Aquila joint venture to transform the military's terminal Air Traffic Control technical services. It was initiated by the MOD to modernise ATM for over 100 MOD locations, of which over 60 are airfields or ranges, including overseas. It provides the foundation to deliver efficient and cost effective terminal ATM services and ensures that this capability keeps pace with modern regulatory demands and Single European Sky standards. NATS provides services to Aquila to enable it to deliver Project Marshall.
- 9** The severity of ground and airborne incidents is scored against six criteria: minimum separation achieved; rate of closure; detection of potential conflict; plan to achieve required separation; execution of the plan; and recovery when separation is lost.
- 10** Aireon LLC provides a space-based air traffic surveillance system with global coverage capable of tracking and monitoring aircraft in real-time. This improves ATC and surveillance over regions with limited or no radar coverage and backup surveillance for regions with full radar coverage. Aireon is a private company whose investors are Iridium Communications, NAV CANADA, ENAV, IAA, Navair and NATS.
- 11** Link to Pay Gap Report: [https://www.nats.aero/wp-content/uploads/2024/04/PayReport2023\\_Final.pdf](https://www.nats.aero/wp-content/uploads/2024/04/PayReport2023_Final.pdf)
- 12** Link to NATS Slavery and Human Trafficking statement 2023: [https://www.nats.aero/wp-content/uploads/2023/08/Modern\\_Slavery\\_Annual\\_Statement\\_-\\_April\\_2023.pdf](https://www.nats.aero/wp-content/uploads/2023/08/Modern_Slavery_Annual_Statement_-_April_2023.pdf)
- 13** Link to Responsible Business policy: <https://www.nats.aero/wp-content/uploads/2018/03/EMP01RB.pdf>
- 14** Modelled enabled ATM-related CO<sub>2</sub> reductions represent the saving in CO<sub>2</sub> emissions from improvements to the ATM network, such as technical changes which enable us to provide more fuel-efficient flight profiles, based on projections of the volume of flights likely to take advantage of the improvements. The enabled reduction in emissions is reported in full in the year in which the improvement is made.

# Explanatory notes

## Taxation

### Country-by-country reporting (CBCr)

The table below sets out the scale of activities in the countries we operate in.

2024	Unrelated party revenue £m	Related party revenue £m	Total revenue £m	Profit/(loss) before income tax £m	Income tax paid (on a cash basis) £m	Current tax £m	Deferred tax £m	Monthly average number of employees No.	Tangible and intangible assets other than Cash and cash equivalents £m	Net assets £m
United Kingdom <sup>1</sup>	1,183.0	581.8	1,764.8	379.5	55.4	74.6	20.8	4,356	1,144.4	1,158.4
Canada	2.5	1.2	3.7	(6.1)	-	(0.1)	(1.4)	62	2.5	11.5
Hong Kong	3.5	-	3.5	0.2	0.1	0.1	-	14	0.2	3.5
UAE	-	2.3	2.3	-	-	-	-	11	0.1	0.2
Singapore	0.8	0.3	1.1	(1.5)	-	-	-	8	-	(12.2)
USA <sup>2</sup>	-	-	-	(4.7)	(0.1)	-	-	-	-	24.2
Other	0.1	0.2	0.3	(0.7)	-	-	-	1	-	1.0
Consolidation adjustments	(0.9)	(585.8)	(586.7)	4.8	-	-	-	-	(1.2)	(271.8)
<b>Total</b>	<b>1,189.0</b>	<b>-</b>	<b>1,189.0</b>	<b>371.5</b>	<b>55.4</b>	<b>74.6</b>	<b>19.4</b>	<b>4,452</b>	<b>1,146.0</b>	<b>914.8</b>

<sup>1</sup> The information aggregates the activities of NATS local legal entities and its branches. Except for employee numbers all figures are stated to the nearest £m. The group operates a single third party contract in Gibraltar which is not disclosed for reasons of commercial confidentiality.

<sup>2</sup> NATS (USA) Inc is a holding company and loss before tax is an investment impairment.

# Contacts

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## Talk to us

If you would like to find out more about any of the information in this report, please talk to us:

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## Customer website

Our dedicated customers website [www.customer.nats.co.uk](http://www.customer.nats.co.uk) provides the latest news, operational information, meeting details, contacts and links to other resources.

## Customer Forums

We have a number of forums for engaging with customers including our monthly lookahead sessions, Lead Operator for airspace design, Service & Investment Plan consultation as well as future price control consultations. Please get in touch for any more information.

[Help.CUSTOMERHelp@nats.co.uk](mailto:Help.CUSTOMERHelp@nats.co.uk)