

NATSNav Limited
Financial statements
Year ended 31 March 2017

Company Number: 04164590

Report of the directors

The directors present their report, together with the financial statements and auditor's report for the year ended 31 March 2017.

Business model and principal activities

The company is a holding company with a 16.67% shareholding in European Satellite Services Provider SAS (ESSP), a French private limited company. It also provides services to ESSP. The objective of ESSP is to continue to be the certified service provider for the European Geostationary Navigation Overlay Service (EGNOS), the European satellite based augmentation to the global positioning system for aviation under the Single European Sky regulations. The directors are satisfied that the carrying value of the company's investment in ESSP is appropriate. This year the company recognised dividends of £549,463 (2016: £179,657) from the ESSP.

In June 2013 the ESSP entered into a new service provision contract with the European Global Navigation Satellite System (GNSS).

The contract continues to 31 December 2021. NATSNav provides satellite monitoring infrastructure services to ESSP. This service provision reduced in July 2015 as a result of a rationalisation programme by ESSP.

A full description of the NATS group's principal activities and business review is contained in the accounts of NATS Holdings Limited.

Going concern and subsequent events

The directors' assessment of going concern is explained in note 3.

Results and dividends

The results for the year are shown in the statement of comprehensive income on page 6. The Board recommends that no dividend be paid (2016: £nil).

Directors and their interests

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

Guy Adams
Nigel Fotherby
Martin Rolfe

None of the directors had any interests in the share capital of the company.

The following directors held interests in ordinary shares of the company's ultimate parent undertaking NATS Holdings Limited at 31 March 2017:

| | |
|----------------|-------|
| Guy Adams | 3,401 |
| Nigel Fotherby | 3,101 |
| Martin Rolfe | 624 |

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

Directors' liabilities and indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's

transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each person who is a director at the date of approval of these financial statements confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Auditor

A resolution to re-appoint BDO LLP as statutory auditor will be proposed at the Annual General Meeting.

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

**Richard Churchill-Coleman**

Secretary

30 June 2017

Registered office

4000 Parkway, Whiteley, Fareham, Hampshire
PO15 7FL

Registered in England and Wales

Company Number: 04164590

Independent auditor's report to the members of NATSNav Limited

We have audited the financial statements of NATSNav Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matters prescribed by the Companies Act 2006

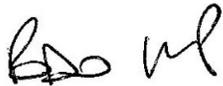
In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements and the Report of the directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the directors.

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

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



Malcolm Thixton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom
30 June 2017

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

Statement of comprehensive income

for the year ended 31 March

| | Notes | 2017 £ | 2016 £ |
|--|-------|-----------------|------------------|
| Revenue | | 84,219 | 297,463 |
| Operating costs | | | |
| Other operating charges - external charges | | (65) | (49) |
| Other operating charges - intra-group | | (84,219) | (297,463) |
| Other operating income | | 5,289 | 82,553 |
| | 4 | <u>(78,995)</u> | <u>(214,959)</u> |
| Operating profit | | 5,224 | 82,504 |
| Investment revenue | 5 | <u>549,764</u> | <u>180,043</u> |
| Profit before tax | | 554,988 | 262,547 |
| Tax | 6 | <u>(1,105)</u> | <u>(16,578)</u> |
| Profit for the year | | 553,883 | 245,969 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | <u>553,883</u> | <u>245,969</u> |

Balance sheet

at 31 March

| | Notes | 2017 £ | 2016 £ |
|-----------------------------|-------|-----------|-----------|
| Non-current assets | | | |
| Investments | 13 | 134,548 | 134,548 |
| Current assets | | | |
| Trade and other receivables | 7 | 385,560 | 48,042 |
| Cash and cash equivalents | 12 | 331,280 | 844,908 |
| | | 716,840 | 892,950 |
| Total assets | | 851,388 | 1,027,498 |
| Current liabilities | | | |
| Trade and other payables | 8 | (32,098) | (746,618) |
| Current tax liabilities | | (1,105) | (16,578) |
| | | (33,203) | (763,196) |
| Net current assets | | 683,637 | 129,754 |
| Total liabilities | | (33,203) | (763,196) |
| Net assets | | 818,185 | 264,302 |
| Equity | | | |
| Called up share capital | 9 | 1 | 1 |
| Retained earnings | | 818,184 | 264,301 |
| Total equity | | 818,185 | 264,302 |

The financial statements (Company No. 04164590) were approved by the Board of directors and authorised for issue on 30 June 2017 and signed on their behalf by:



Martin Rolfe
Chief Executive



Nigel Fotherby
Finance Director

Statement of changes in equity

for the year ended 31 March

| | Share capital £ | Retained earnings £ | Total £ |
|-------------------------|--------------------|---------------------------|----------------|
| At 1 April 2015 | 1 | 18,332 | 18,333 |
| Profit for the year | - | 245,969 | 245,969 |
| At 31 March 2016 | <u>1</u> | <u>264,301</u> | <u>264,302</u> |
| At 1 April 2016 | 1 | 264,301 | 264,302 |
| Profit for the year | - | 553,883 | 553,883 |
| At 31 March 2017 | <u>1</u> | <u>818,184</u> | <u>818,185</u> |

Cash flow statement

for the year ended 31 March

| | Notes | 2017 £ | 2016 £ |
|---|-------|-----------------------|-----------------------|
| Net cash (used by)/ from operating activities | 10 | (26,822) | 98,271 |
| Cash flows from investing activities | | | |
| Interest received | | 262 | 386 |
| Dividends received from investments | | 195,913 | 179,657 |
| Net cash inflow from investing activities | | <u>196,175</u> | <u>180,043</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (682,981) | - |
| Net cash outflow from financing activities | | <u>(682,981)</u> | <u>-</u> |
| (Decrease)/increase in cash and cash equivalents during the year | | (513,628) | 278,314 |
| Cash and cash equivalents at 1 April | | <u>844,908</u> | <u>566,594</u> |
| Cash and cash equivalents at 31 March | | <u><u>331,280</u></u> | <u><u>844,908</u></u> |

1. General information

NATSNav 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 3. The nature of the company's operations and its principal activities are set out in the Report of the directors.

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

2. Accounting policies

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

Basis of preparation and accounting

The financial statements have been prepared on the going concern basis. For further detail please refer to page 12. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU) and therefore the company financial statements comply with Article 4 of the EU IAS Regulation. The financial information has also been prepared in accordance with IFRSs.

In the current year, the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are effective for accounting periods beginning on or after 1 January 2016.

The application of these amendments has not resulted in any material impact on the financial statements of the company.

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

IFRS 9: *Financial Instruments*

IFRS 15: *Revenue from Contracts with Customers*

IFRS 16: *Leases*

IAS 7 (amendments): *Disclosure Initiative*

IAS 12 (amendments): *Recognition of Deferred Tax Assets for Unrealised Losses*

IFRIC 22: *Foreign Currency Transactions and Advance Consideration*

IFRS 9: *Financial Instruments* deals with classification, measurement and derecognition of financial assets and financial liabilities, hedge accounting and introduces a new expected loss impairment model. The standard is expected to have one main impact on the company: the adoption of the expected loss impairment model in assessing the fair value of trade receivables. The standard is effective for reporting periods beginning on or after 1 January 2018. The directors are currently assessing the impact of IFRS 9.

IFRS 15: *Revenue from Contracts with Customers* will replace IAS 18: *Revenue* and IAS 11: *Construction Contracts*, and provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the company expects to be entitled to receive. The standard also updates revenue disclosure requirements. While the directors are still in the process of assessing the full impact of the application of IFRS 15 on the company's financial statements it is not expected to have a material impact. The standard is effective for annual periods beginning on or after 1 January 2018. The directors do not intend to adopt the standard earlier and expect to use the full retrospective method upon adoption which requires the restatement of comparative financial information.

The directors do not expect that the adoption of the other standards and interpretations listed above will have a material impact on the financial statements in future periods.

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

Revenue recognition

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

- ◆ Income from the rendering of services is recognised when the outcome can be reliably estimated and then by reference to the stage of completion of the transaction at the balance sheet date.

- ◆ Sales of goods are recognised when they are delivered and title has passed.
- ◆ Interest income is recognised on a time-proportion basis using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- ◆ Dividend income is recognised when the shareholder's rights to receive payment have been established.

Operating profit

Operating profit is stated before investment income, finance costs and taxation.

Foreign currency translation

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business

combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying value 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 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.

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

Under the Finance (No.2) Act 2015 which was enacted on 18 November 2015, the corporation tax rate was reduced to 19% with effect from 1 April 2017. Under the Finance Act 2016, the corporation tax rate will be reduced to 17% with effect from 1 April 2020. The future main tax rate reductions are expected to have a similar impact on the company's financial statements as outlined above, subject to the impact of other developments in the company's tax position which may reduce the beneficial effect of this in the company's tax rate.

Investments

The investment is accounted for as an associate at cost with an annual review for impairment. The company does not prepare consolidated financial statements. The associate is equity accounted within the accounts of NATS Holdings Limited, the ultimate parent company accounts.

Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Detailed disclosures are set out in notes 7, 8 and 12.

Financial assets

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

- Loans and receivables

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

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

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

Other than loans and receivables the company does not have financial assets in other categories.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are rigorously assessed for indicators of impairment at half year and year end.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Impairment losses on trade receivables are recognised using allowance accounts. When a trade receivable is considered irrecoverable, it is written off against the allowance account, any subsequent recoveries are credited to the allowance account. Changes in the allowance account are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other highly liquid investments (with

a maturity of 3 months or less) that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

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

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 company after deducting all of its liabilities.

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

Reporting segments

The operations of the company all take place within one operating segment and as such there is no segmental information presented in the notes to the financial statements.

3. Critical judgements and key sources of estimation uncertainty

Going concern

The company's business activities, together with the factors likely to affect its performance and the financial position of the company, its cash flows and liquidity position are explained in the Report of the directors. Note 12 also describes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company had cash balances of £331,280 and other net current assets of £352,357 at the balance sheet date. The directors have formed a judgement that taking into account the financial resources available to the company, it has adequate resources to continue to operate for 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 for the year ended 31 March 2017.

4. Operating costs

a. Directors' remuneration

The Report of the directors on page 1 includes details of the directors of the company. None of these directors received any fees in the year or in the prior year for their services as directors of this company.

b. Staff costs

The company has no employees.

c. Auditor's remuneration

The auditor's remuneration is borne by another group company. Fees payable to BDO LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

d. Other operating income and charges

Other operating income and external charges includes a gain of £5,289 (2016: gain of £82,553) in relation to foreign exchange.

5. Investment revenue

| | 2017 £ | 2016 £ |
|----------------------------|----------------|----------------|
| Interest receivable | 301 | 386 |
| Dividends from investments | 549,463 | 179,657 |
| | <u>549,764</u> | <u>180,043</u> |

6. Tax

| | 2017 £ | 2016 £ |
|------------------------|--------------|---------------|
| Corporation tax | | |
| Current tax | 1,105 | 16,578 |
| | <u>1,105</u> | <u>16,578</u> |

Corporation tax is calculated at 20% (2016: 20%) of the estimated assessable profit for the year.

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

| | 2017 £ | 2016 £ |
|--|--------------|---------------|
| Profit on ordinary activities before tax | 554,988 | 262,547 |
| Tax on profit on ordinary activities at standard rate in the UK of 20% (2016: 20%) | 110,998 | 52,509 |
| Dividend income | (109,893) | (35,931) |
| Tax charge for the year | <u>1,105</u> | <u>16,578</u> |

7. Financial and other assets

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

| | 2017 | 2016 |
|--|----------------|---------------|
| | £ | £ |
| Trade and other receivables | | |
| Receivable from customers (gross) | 28,129 | 37,461 |
| Other debtors | 3,880 | 10,580 |
| Dividend income receivable | 353,550 | - |
| Called up share capital not paid and due from parent undertaking | 1 | 1 |
| | <u>385,560</u> | <u>48,042</u> |

All balances are non-interest bearing. Receivables in respect of customers are provided for where there is an identified loss event, such as administration, receivership or liquidation or where there is evidence of a reduction in the recoverability of the cash flows.

Receivables from customers is fully attributable to NATSNV's single customer, European Satellite Services Provider SAS. The balance was partially settled in May 2017.

In March 2017, European Satellite Services Provider SAS declared a dividend of €416,667 (£353,550) at its Annual General Meeting which confirmed the company's entitlement to the dividend. The dividend was received in May 2017.

| | 2017 | 2016 |
|---|--------------|----------|
| | £ | £ |
| Ageing of past due but not impaired trade receivables | | |
| 31 - 90 days | <u>8,862</u> | <u>-</u> |

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the company 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 for the items discussed above would be £716,840 (2016: £892,950).

8. Financial and other liabilities

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

| | 2017 | 2016 |
|---|---------------|----------------|
| | £ | £ |
| Loan from parent company (unsecured) | - | 682,981 |
| Amounts due to parent company | 2,898 | - |
| Amounts due to other group undertakings (NATS (En Route) plc) | 29,200 | 63,637 |
| | <u>32,098</u> | <u>746,618</u> |

In 2002 NATSNV entered into a loan facility, repayable on demand, in an aggregate principal amount of £824,000 with NATS (Services) Limited. The loan was repaid in full in June 2016.

NATSNV's fellow subsidiaries of NATS Limited, NATS (En Route) plc and the parent company, NATS (Services) Limited provide services to NATSNV to fulfil the obligations against the EGNOS contract with European Satellite Services Provider SAS.

9. Called up share capital

| | 2017 | 2016 |
|-------------------------------|----------|----------|
| | £ | £ |
| Authorised | | |
| 1 ordinary share of £1 | <u>1</u> | <u>1</u> |
| Called up and allotted | | |
| 1 ordinary share of £1 | <u>1</u> | <u>1</u> |

10. Notes to the cash flow statement

| | 2017 £ | 2016 £ |
|--|------------------------|----------------------|
| Operating profit from continuing operations | 5,224 | 82,504 |
| Decrease in trade and other receivables | 16,071 | 169,588 |
| Decrease in amounts due to other group companies | (31,539) | (153,821) |
| Cash (outflow)/inflow from operations | <u>(10,244)</u> | <u>98,271</u> |
| Tax paid | (16,578) | - |
| Net cash (used by)/ from operating activities | <u><u>(26,822)</u></u> | <u><u>98,271</u></u> |

11. Related party transactions

During the year or in the prior year there were no material transactions or amounts owed or arising with any of the directors or members of their close family. Transactions with other group undertakings are described in note 8 above. Transactions with European Satellite Services Provider SAS are disclosed within revenue and note 7 above.

12. Financial instruments**Capital risk management**

The company manages its capital to ensure that it is able to continue as a going concern, to meet its obligations and to fund returns to shareholders. The capital structure of the company consists of cash and cash equivalents, intercompany loans and equity attributable to shareholders as disclosed in this note and the statement of changes in equity.

Significant accounting policies

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

Categories of financial instruments

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

| | 2017 £ | 2016 £ |
|--|-----------------|------------------|
| Financial assets | | |
| Trade and other receivables, excluding prepayments | 385,560 | 48,042 |
| Cash and cash equivalents | 331,280 | 844,908 |
| | <u>716,840</u> | <u>892,950</u> |
| Financial liabilities | | |
| Financial liabilities at amortised cost | <u>(32,098)</u> | <u>(746,618)</u> |

Financial liabilities at amortised cost includes amounts owed to group undertakings.

Financial risk management objectives

The NATS group's treasury function is mandated by the Board of NATS Holdings Limited to manage financial risks that arise in relation to underlying business needs. The function provides services to the business, co-ordinates access to financial markets and monitors and manages financial risks relating to the operations of the company. The function has clear policies and operating parameters. The Treasury Committee provides oversight and meets three times a year to approve strategy and to monitor compliance with Board policy. The treasury function does not operate as a profit centre and the undertaking of speculative transactions is not permitted. The principal financial risk arising from NATSNav's activities include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Interest rate risk management

The company had no debt at 31 March 2017 (2016: loan from NATS (Services) Limited of £682,981). However, the company maintains cash deposits on which it earns a return.

12. Financial instruments (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on cash deposits. The analysis is prepared assuming the amount of cash deposits 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 company's cash deposits on profit for the year and on equity. A positive number represents an increase in profit and equity and a negative number a decrease in profit and equity.

| | 2017 Impact £ | 2016 Impact £ |
|--|---------------------|---------------------|
| Cash on deposit (2017: £331,280, 2016: £844,908) | <u>3,313</u> | <u>8,449</u> |

Foreign currency risk management

The company's principal exposure to foreign currency transaction risk is in relation to its transactions with European Satellite Services Provider SAS (ESSP). The company earned revenue from ESSP in euros, has accrued a dividend from ESSP in euros and maintains a euro denominated bank account. The carrying amount of the company's foreign currency denominated monetary assets and liabilities at 31 March was as follows:

| | Assets | | Liabilities | |
|------|----------------|----------------|-------------|-----------|
| | 2017 £ | 2016 £ | 2017 £ | 2016 £ |
| Euro | <u>712,959</u> | <u>882,369</u> | <u>-</u> | <u>-</u> |

Foreign currency sensitivity analysis

The following table details the company's sensitivity to a 10% increase or decrease in the value of sterling against the euro. 10% is the sensitivity rate that represents the reasonably possible change in the sterling euro exchange rate in a financial year. The sensitivity analysis includes all euro cash balances, trade receivables and trade payables and adjusts their translation at the period end for a 10% strengthening of sterling. 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 euro.

| | 2017 Impact £ | 2016 Impact £ |
|------|---------------------|---------------------|
| Euro | <u>(71,296)</u> | <u>(88,237)</u> |

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's exposure to credit risk arises from the risk of default by customers on settlement of trade receivables and from the risk of a failure of a financial institution in which funds are invested for return or held for trading purposes. The risk of loss from default by the customer is mitigated through comprehensive credit checks and credit control procedures being enforced. With regard to funds or contracts held with financial institutions, the company's policy is to transact with counterparties that hold a minimum credit rating as supplied by independent rating agencies, Standard & Poor's, Moody's and Fitch Ratings.

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

Investments in bank time deposits with maturities up to three months and between three and six months are only entered into with institutions holding a long term minimum credit rating of A- and A+ respectively from Standard & Poor's or Fitch Ratings and A3 and A1 respectively from Moody's. Currently the company's investments take the form of current account deposits only.

12. Financial instruments (continued)

Credit risk management (continued)

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

| Rating (Standard & Poor's) | Limit per institution £m |
|-------------------------------|-----------------------------|
| AAA & AAAm | 70.0 |
| AA+ | 56.0 |
| AA | 42.0 |
| AA- | 28.0 |
| A+ | 21.0 |
| A | 14.0 |
| A- | 10.5 |

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

| Rating (Standard & Poor's) | Number of institutions | 2017 | | Number of institutions | 2016 | |
|----------------------------|---------------------------|---------|-----------------------|---------------------------|---------|-----------------------|
| | | £ | By credit rating % | | £ | By credit rating % |
| BBB+ | 1 | 331,280 | 100 | 1 | 844,908 | 100 |

The company's investments were held in a current account provided by a BBB+ rated institution, that is not subject to the above investment limits.

Liquidity risk management

The responsibility for liquidity risk management, the risk that the company will have insufficient funds to meet its obligations as they fall due, rests with the Board with oversight provided by the Treasury Committee. The company manages liquidity by maintaining adequate reserves and borrowing facilities by monitoring actual and forecast cash flows and ensuring funding is diversified by source and maturity and available at competitive cost. The company has no borrowing facilities.

Maturity of financial liabilities

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

| | 2017 | | | 2016 | | |
|--|-------------------------|------------------------|------------|-------------------------|------------------------|------------|
| | Unsecured loans £ | Other liabilities £ | Total £ | Unsecured loans £ | Other liabilities £ | Total £ |
| Due within one year or less or on demand | - | 32,098 | 32,098 | 682,981 | 63,637 | 746,618 |

Fair value of financial instruments

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.

13. Investments

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Investment in European Satellite Services Provider SAS | 134,548 | 134,548 |

During the year ended 31 March 2009 the company acquired a 16.67% shareholding in European Satellite Services Provider SAS, a French private limited company.

14. Parent undertaking

The company's immediate parent undertaking is NATS (Services) Limited and the ultimate parent undertaking is NATS Holdings Limited. Both are private companies incorporated in Great Britain and registered in England and Wales.

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

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