

NATS Limited
Financial statements
Year ended 31 March 2021

Company Number: 03155567

Business model and principal activities

The company is a wholly owned subsidiary of NATS Holdings Limited, the ultimate parent undertaking of the NATS group of companies. The NATS group provides air traffic control services through two principal operating subsidiaries: NATS (En Route) plc (NERL) and NATS (Services) Limited (NATS Services). NATS Limited is an intermediate holding company and the sole shareholder of NERL and NATS Services.

NERL provides air traffic control (ATC) services to aircraft flying in airspace over the UK and the eastern part of the North Atlantic. It operates under licence from the Secretary of State for Transport and is economically regulated by the Civil Aviation Authority (CAA) and, until 1 January 2021, under the framework of the European Commission's (EC) Single European Sky (SES). It operates from two air traffic control centres, at Swanwick in Hampshire and Prestwick in Ayrshire.

NATS Services is organised by customer group and between UK and international activities. The former represents about 94% of its revenue. It provides airport ATC and related engineering services to UK airport operators; engineering support and other services to the UK's Ministry of Defence (MOD); other UK business such as aeronautical information management, design and data services, consultancy and ATC training; and services to International customers. Its international activities are mainly provided in the Asia Pacific and Middle East.

NATS Holdings Limited prepares accounts which consolidate the results and financial position of the company and its subsidiaries. For this reason, the company does not present consolidated accounts.

The company also acts as an employer to employees within the NATS group and incurs these employee expenses, and others, on behalf of its subsidiary companies which it recharges through a set of inter-company agreements.

At completion of the Public Private Partnership transaction on 26 July 2001, transfer schemes hived down the operating assets and liabilities of NATS Limited to NERL and NATS Services. In addition, the company entered into two Management Services Agreements (MSAs) with NERL and NATS Services on 25 July 2001. On 1 October 2009 that set of agreements was amended so that all relevant secondment obligations are now set out in two Inter-company Secondment Agreements (ISAs). These agreements are the basis for the provision by the company of personnel to NERL and NATS Services. In addition, two Inter-company Trading Agreements (as amended on 16 December 2014) are the basis for the provision of central services to NERL and NATS Services. The cost of central services is recharged based on a fair allocation of costs taking into account the most important drivers for the services provided. NERL and NATS Services are responsible for paying to the company an amount equal to the aggregate of all costs incurred by the company in connection with the employment of the personnel together with appropriate staff related costs and expenses and disbursements.

Results and financial position

The company's performance for the year is shown in the income statement on page 13 and reflects the results of the company under the Inter-company Secondment and Trading Agreements explained above. The company reported an operating profit of £nil (2020: £nil).

The company's subsidiaries did not pay a dividend in the year (2020: £59.0m), reflecting the impact of Covid on their results and in light of the uncertain outlook for the recovery in aviation.

The financial position is explained in the balance sheet on page 14. At 31 March 2021 the company had net assets of £250.5m (2020: £259.9m). The company's principal assets are its investments in subsidiaries; amounts receivable from subsidiaries for the recharge of services provided; cash balances and its share of the company's defined benefit pension scheme deficit measured in accordance with IAS 19. Its principal liabilities include staff-related costs relating to the NATS group's all-employee share scheme, holiday pay provisions, payroll taxes and social security costs; and the remaining liabilities for redundancies and staff relocation.

The company provides a defined benefit pension scheme to employees as explained in note 23. The Trustees' last formal valuation at 31 December 2017 reported a funding deficit of £270.4m. The company paid normal and deficit repair contributions totalling £0.8m in the year. The company expects to make contributions of £0.5m during the year ending 31 March 2022. The Trustees are conducting a formal valuation at 31 December 2020, the outcome of which is not yet known.

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

Principal risks and uncertainties

The principal risk that NATS Limited faces is a subsidiary being unable to meet its obligations as they fall due, which would cause financial distress to the company. The company's subsidiaries have procedures in place to mitigate against market and financial risk and their financial positions are

monitored to ensure these amounts due to the company are recoverable.

A full description of the NATS group's emerging and principal activities, including key risks and uncertainties, is contained in the Strategic report section of the Annual Report and Accounts of NATS Holdings Limited.

Engaging with our stakeholders

As principal employer of staff within the NATS group, the directors' decisions in the year had regard both to its subsidiaries and the workforce. In so doing, the directors also acted in the interests of the parent company and its ultimate shareholders.

Prior to the outbreak of Covid, the directors took decisions in service of the company's people strategy, which is to attract, develop and retain the highly skilled and increasingly diverse workforce the subsidiaries need to meet the demands of the industry. The company also engaged directly with the contractor workforce on changes in off-payroll working rules. Finally, a digital workplace enabled more effective collaboration and communication across the workforce.

Following the outbreak of Covid, the directors' priority was the safety and wellbeing of the workforce to enable subsidiaries to maintain a safe and resilient air traffic control service for their airline and airport customers. The directors, in collaboration with NERL and NATS Services, actioned changes in operational working practices and home working, focussed on mental health and wellbeing and ensured regular communications to staff on business developments. To protect the workforce critical facilities were identified for safety, hygiene and maintenance activities including airport towers, engineering systems and key sites. Consultations

also took place with trades unions on staff furloughing, pay and benefits, and a voluntary redundancy programme. The latter reflecting fewer

flights and therefore less income for subsidiaries for a number of years.

Section 172 (1) statement

The directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the company for the benefit of its parent company and its members as a whole, and in doing so had regard, to the long-term success of the business, the way we work with a large number of important stakeholders, and the importance of maintaining high standards of business conduct and having regard to the impact of the company's operations on the community and the environment.

The Board takes account of the views and interests of a wide range of stakeholders, when making its decisions, and balances different stakeholder perspectives. Inevitably it is not possible to achieve outcomes which fulfil the needs of all stakeholders.

How our Board and its committee operate, and the way decisions are reached, including the matters discussed during the year, are set out in the Governance section on pages 4 to 8. Set out above we explain how the directors had regard to section 172(1) in Engaging with our stakeholders.

Our stakeholders	Why are they important to us?	How do we engage and have regard to their views in our decisions?
SUBSIDIARIES	We provide personnel and other central services to NERL and NATS Services to enable them to undertake their essential ATC activities.	NERL and NATS Services wish to ensure that we provide the requisite people resources cost effectively. We have regard to these objectives in our decision making and maintain systems which ensure a fair cost allocation.
WORKFORCE	We act as an employer to employees seconded to NERL and NATS Services. Their ATC service and infrastructure depends on the skill and professionalism of our workforce. They make a critical difference to the success of NERL and NATS Services, and our investment in them protects and strengthens the group's safety and business culture. Most of our employees are members of trades unions.	Through our Working Together partnership we have an open dialogue with trades unions. We receive feedback on pay and benefits, a safe and healthy working environment, flexible working, talent development and career opportunities, and a diverse and inclusive culture. ATC training has been a focus of discussions since Covid, as well as mental health and wellbeing, and workforce diversity. Through the pandemic the group's CEO and executive communicated regularly to the workforce via our intranet and to senior leaders in bi-monthly virtual meetings. The NATS Board receives a monthly report from the CEO which includes workforce matters and employee relations. We operate a Just Safety culture, enabling staff to raise safety matters and the company maintains a whistleblowing facility. Every few years we conduct an employee opinion survey.
PENSION TRUSTEES	We provide a defined benefit pension to employees hired before April 2009. We wish to ensure that this benefit is provided cost effectively, having regard to prevailing market conditions and demographic factors.	We support Trustees in understanding the financial position and prospects of the company and its subsidiaries in assessing the employer covenant. We monitor the funding position of the scheme and the outcome of formal valuations. We have consulted with Trustees on their formal valuation and proposed contributions to the pension scheme. Trustees consult the company on investment and risk management strategy.
SHAREHOLDERS	We are a wholly owned subsidiary within the NATS group. Our decisions have regard to the group's ultimate shareholders as well as the parent company. These parties provide equity investment which finances our activities and enables us to invest in our ATC service and infrastructure, for which it expects a return.	The Board meets with the group's ultimate shareholders twice a year. The NATS Strategic Partnership Agreement enables shareholders to appoint representatives to the Board. Shareholders wish to see remuneration policies which drive executive management to deliver strong sustainable performance aligned with the interests of key stakeholders.

The Strategic report was approved by the Board of directors on 9 July 2021 and signed by order of the Board by:



Richard Churchill-Coleman, Secretary

Governance framework

Introduction

NATS Limited (NATS) became part of the NATS group of companies through the Public Private Partnership (PPP) transaction in July 2001. A key element of the NATS group's governance structure is the Strategic Partnership Agreement (SPA) between its main shareholders: the Secretary of State for Transport; The Airline Group Limited (AG); and LHR Airports Limited (LHRA).

The SPA sets out the relative responsibilities of the signatories and, in particular, requires the group and its directors to adhere to the UK Corporate Governance Code so far as reasonably practicable and save to the extent inconsistent with the other provisions of the SPA (see below).

The Board and Directors

Ultimate responsibility for the governance of NATS rests with the Board of NATS Holdings Limited (NHL), which provides strategic direction and leadership and is responsible for ensuring that the NATS group is run safely, efficiently, effectively and legally, with appropriate internal controls to safeguard shareholders' investment and group assets, ensuring it delivers value to shareholders and fulfils its wider role as a provider of critical national infrastructure. For this reason, the NATS Board adheres to the UK Corporate Governance Code.

NATS' Board plays an important leadership role in promoting the desired culture of the organisation. Through governance activities in the year it monitored and provided input to the aspects of culture which it regards as:

- the highest governance and ethical standards reflecting the aspirations of the PPP;
- a prominent safety culture through 'Just Culture' reflecting the company's purpose of advancing aviation and keeping the skies safe;
- consultation with customers on service performance, capital investment and plans for RP3;
- a cost efficient, service oriented and commercially smart organisation, requiring best in class performance of its workforce and partners; and
- diversity and inclusion and fair treatment of its workforce, valuing the contributions of Trades Unions.

As at the date of approval of the accounts, the NATS Board comprised 2 directors, as follows:

Executive Directors

Chief Executive Officer (CEO); and
Chief Financial Officer (CFO).

Non-Executive Directors

There are no statutory Non-Executive Directors or a Chair of NATS however, under the PPP structure the Non-Executive Directors of NATS Holdings Limited have reserved rights and powers in respect of certain aspects of the NATS business and, as such, provide an independent challenge and oversight for the NATS Board's Executive Directors.

Changes to the Directors

From 1 April 2020 to the date of approval of the accounts, there were no changes to the directors of the company.

Access to legal and professional advice

All directors have access to the advice and services of the Legal Director, Richard Churchill-Coleman. If necessary, in furtherance of their duties, directors may take independent professional advice at the group's expense.

Board meetings

The NATS group has nested board meetings with NATS Board meetings taking place as part of the NHL meetings. The NATS Board routinely meets seven times per year in January, March, May, June, July, September and November, and supplements these scheduled meetings with additional meetings as business priorities require. Reports and papers are circulated to Board members in a timely manner in preparation for meetings, and this information is supplemented by any information specifically requested by directors from time to time. The directors also receive monthly management reports and information to enable them to review the company's performance.

Compliance with the UK Corporate Governance Code

NATS is committed to maintaining the highest standards of corporate governance. The company applied the principles of the Corporate Governance Code 2018 from 1 April 2020, to the extent considered appropriate by the Board. A number of the principles and provisions in the Code are not relevant to the partnership nature of NATS' ultimate ownership and the principal areas

where the company did not comply are summarised below.

Provision 3: Engagement with major shareholders

Within the PPP structure NATS is a wholly owned subsidiary of NATS Holdings Limited. There are no institutional or public shareholders. The Chair of the Board of NHL has regular discussions with shareholders in addition to the formal shareholder meetings.

Report of the directors

The directors present their report, together with the financial statements and auditor's report, for the year ended 31 March 2021.

Information about the use of financial instruments by the company is given in note 15 to the financial statements.

Dividends

The Board declared no interim dividends in the year (2020: £59.0m) and recommends a final dividend for the year of £nil (2020: £nil).

Directors

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

Alistair Borthwick

Martin Rolfe

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

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

Directors' 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.

Employee engagement

The directors are committed to the involvement of employees in the decision-making process through effective leadership at all levels in the

organisation, including engagement with the Board. Employees are frequently involved through direct discussions with their managers, cross company working groups and local committees. Regular employee consultations cover a range of topics affecting the workforce, including such matters as corporate performance and business plans. The directors encourage the involvement of employees in the company's performance through the All-Employee Share Ownership Plan. Following the outbreak of Covid, the directors had regard to the health and well-being of employees and consulted on and implemented adjustments to the working environment, including social distancing measures and home working, to protect the workforce and the company's operation. The NATS CEO maintains high visibility with employees through visits to NATS sites, or through virtual engagements where more appropriate, where he talks to them about current business issues and takes questions in an open and straightforward manner. As a result of Covid travel restrictions, the NATS CEO and the Executive team provided regular updates to staff through the company's internal media. Such actions enable employees to achieve a common awareness of those factors affecting the performance of the company. Also, employees' views are represented through an open dialogue with Prospect and the Public and Commercial Services Union (PCS), the recognised unions on all matters affecting employees. Formal arrangements for consultation with employees exist through a local and company-wide framework agreed with the Trades Unions.

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

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

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

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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are 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 relating to the company which is included on the NATS group'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 results of the company;

- the Strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the emerging and principal risks and uncertainties that it faces; and
- the 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

At the meeting to approve the financial statements, the Board resolved to re-appoint BDO LLP as statutory auditor.

Approved by the Board of directors and signed by order of the Board by:



Richard Churchill-Coleman

Secretary

9 July 2021

Registered office

4000 Parkway, Whiteley, Fareham,

Hampshire, PO15 7FL

Registered in England and Wales

Company Number: 03155567

Independent auditor's report to the members of NATS Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its result for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of NATS Limited ("the Company") for the year ended 31 March 2021 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. 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.

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 complying with its legal obligation to apply international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the financial position of the

company as at 31 March 2021 and of its financial performance and its 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.

Independence

We remain independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and the Governance report other than our auditor's report. 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.

Other Companies Act 2006 reporting

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 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.

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, 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.

Responsibilities of directors

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, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included:

- Obtaining an understanding of the legal and regulatory framework that the company operates in, focussing on those laws and regulations that had a significant effect on the financial statements or that had a fundamental effect on the operations of the company, including the Companies Act 2006, International Financial Reporting Standards and relevant tax legislation.
- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - challenging assumptions made by management in their significant accounting estimates.
- Discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Identifying and testing journal entries, in particular those journal entries considered most susceptible to fraud.

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:

<https://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 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.

DocuSigned by:
Chris Pooles
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Christopher Pooles (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Reading

United Kingdom

9 July 2021

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

Income statement

for the year ended 31 March

	Notes	2021 £m	2020 £m
Revenue	4	505.4	510.1
Staff costs	7	(431.9)	(499.8)
Staff redundancies	7	(65.2)	(2.2)
Services and materials		(0.3)	(0.8)
Repairs and maintenance		(0.1)	(0.1)
Depreciation, amortisation and impairment		(0.3)	(0.2)
Other operating charges		(7.6)	(7.0)
Net operating costs		<u>(505.4)</u>	<u>(510.1)</u>
Operating result	6	-	-
Investment income	8	-	59.0
Profit before tax		<u>-</u>	<u>59.0</u>
Tax	9	-	-
Profit for the year attributable to equity shareholders		<u>-</u>	<u>59.0</u>

Statement of comprehensive income

for the year ended 31 March

	Notes	2021 £m	2020 £m
Profit for the year after tax		-	59.0
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss)/gain on defined benefit pension scheme	23 b	(11.5)	10.6
Deferred tax relating to actuarial (loss)/gain on defined benefit pension scheme	18	2.1	(2.0)
Other comprehensive (loss)/income for the year, net of tax		<u>(9.4)</u>	<u>8.6</u>
Total comprehensive (loss)/income for the year attributable to equity shareholders		<u>(9.4)</u>	<u>67.6</u>

Balance sheet

at 31 March

	Notes	2021 £m	2020 £m
Assets			
Non-current assets			
Right-of-use assets	12	0.5	0.8
Investments	25	244.6	244.6
Retirement benefit asset	23 b	-	9.8
Deferred tax asset	18	0.3	-
		<u>245.4</u>	<u>255.2</u>
Current assets			
Trade and other receivables	13	49.3	75.1
Cash and cash equivalents	15	5.9	6.0
		<u>55.2</u>	<u>81.1</u>
Total assets		<u>300.6</u>	<u>336.3</u>
Current liabilities			
Trade and other payables	16	(42.5)	(48.7)
Lease liabilities	14	(0.3)	(0.3)
Provisions	17	(0.3)	(3.1)
		<u>(43.1)</u>	<u>(52.1)</u>
Net current assets		<u>12.1</u>	<u>29.0</u>
Non-current liabilities			
Trade and other payables	16	(4.8)	(21.4)
Lease liabilities	14	(0.3)	(0.5)
Retirement benefit obligations	23 b	(1.3)	-
Provisions	17	(0.6)	(0.6)
Deferred tax liability	18	-	(1.8)
		<u>(7.0)</u>	<u>(24.3)</u>
Total liabilities		<u>(50.1)</u>	<u>(76.4)</u>
Net assets		<u>250.5</u>	<u>259.9</u>
Equity			
Called up share capital	19	141.0	141.0
Other reserves		(50.0)	(50.0)
Retained earnings		159.5	168.9
Total equity		<u>250.5</u>	<u>259.9</u>

The financial statements (Company No. 03155567) were approved by the Board of directors and authorised for issue on 9 July 2021 and signed on its behalf by:



Martin Rolfe
Chief Executive



Alistair Borthwick
Chief Financial Officer

Statement of changes in equity

for the year ended 31 March

	Equity attributable to equity holders of the company			Total £m
	Share capital £m	Other reserves ¹ £m	Retained earnings £m	
At 1 April 2019	141.0	(50.0)	160.3	251.3
Profit for the year	-	-	59.0	59.0
Other comprehensive income for the year	-	-	8.6	8.6
Total comprehensive income for the year	-	-	67.6	67.6
Dividends paid	-	-	(59.0)	(59.0)
At 31 March 2020	141.0	(50.0)	168.9	259.9
At 1 April 2020	141.0	(50.0)	168.9	259.9
Profit for the year	-	-	-	-
Other comprehensive loss for the year	-	-	(9.4)	(9.4)
Total comprehensive loss for the year	-	-	(9.4)	(9.4)
Dividends paid	-	-	-	-
At 31 March 2021	141.0	(50.0)	159.5	250.5

¹ Other reserves arose on the completion of the PPP transaction in July 2001.

Cash flow statement

for the year ended 31 March

	Notes	2021 £m	2020 £m
Net cash generated from operating activities	20	0.1	0.1
Cash flows from investing activities			
Dividends received		-	59.0
Net cash inflow from investing activities		-	59.0
Cash flows from financing activities			
Principal paid on lease liabilities		(0.2)	(0.2)
Dividends paid		-	(59.0)
Net cash outflow from financing activities		(0.2)	(59.2)
Decrease in cash and cash equivalents during the year		(0.1)	(0.1)
Cash and cash equivalents at 1 April		6.0	6.1
Cash and cash equivalents at 31 March		5.9	6.0

1. General information

NATS 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 8. The nature of the company's operations and its principal activities are set out in the Report of the directors and Strategic report.

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

2. Basis of preparation and accounting policies

The financial statements have been prepared on the going concern basis, as explained in note 3, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial information has also been prepared in accordance with IFRSs issued by the International Accounting Standards Board (IASB).

Following the UK's departure from the EU, for the financial year ending 31 March 2022 the financial statements will be prepared in accordance with IFRS and IFRIC adopted by the UK.

Accounting standards adopted in the year

The company 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 16 (amendments): *COVID-19-Related Rent Concessions*; effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID pandemic.
- ◆ IFRS 3 (amendments): *Definition of a Business*; the definition of a business in IFRS 3: Business Combinations has been amended in order to help companies determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This is likely to result in more acquisitions being accounted for as asset acquisitions.
- ◆ IAS 1 and IAS 8 (amendments): *Definition of Material*; the definition of material has been amended in IAS 1: *Presentation of Financial Statements* and IAS 8: *Accounting Policies, Changes in Accounting Estimates*

and *Errors* and should be considered when deciding what information should be included in financial statements. The amendments were issued to align the definition of material across the IFRS standards and to clarify certain aspects of the definition.

- ◆ IFRS 7, IFRS 9, IAS 39 (amendments): *Interest Rate Benchmark Reform*; Phases 1 and 2 of the interest rate benchmark (IBOR) reform amendments is now effective and relates to changes to IAS 39: *Financial Instruments: Recognition and Measurement*, IFRS 9: *Financial Instruments* and IFRS 7: *Financial Instruments: Disclosures*.

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 (and in some cases had not yet been adopted by the EU):

- ◆ IAS 16 (amendments): *Property, Plant and Equipment – Proceeds Before Intended Use* (effective on or after 1 January 2022)
- ◆ IAS 37 (amendments): *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract* (effective on or after 1 January 2022)
- ◆ IFRS 3 (amendments): *Business Combinations* (effective on or after 1 January 2022)
- ◆ Annual Improvements to IFRS Standards 2018 – 2020 (effective on or after 1 January 2022)
- ◆ IAS 1 (amendments): *Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current* (effective on or after 1 January 2023)
- ◆ IAS 1 (amendments): *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective on or after 1 January 2023)
- ◆ IAS 8 (amendments): *Accounting Policies, Changes in Accounting Estimates and Errors* (effective on or after 1 January 2023)
- ◆ IFRS 17: *Insurance Contracts* (effective on or after 1 January 2023)

The company is currently assessing the impact of these new accounting amendments but does not expect that

their adoption will have a material impact on the financial statements in future periods.

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

Revenue recognition

Revenue is recognised from the transfer of goods or services at an amount that the company 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. Revenue excludes amounts collected on behalf of third parties.

Revenue is recognised over time in accordance with the Inter-company Secondment and Trading Agreements.

Income from other sources

Rental income from operating 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 receipts through the expected life of the financial asset to that asset's net carrying amount.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the NATS Executive team, which is considered to be the chief operating decision maker. An operating segment represents a component of NATS Limited that engages in business activities from which it may earn revenues and incur expenses. Operating segment results are reviewed regularly by the NATS 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.

Operating profit

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

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 as follows:

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

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 income in the period to which they relate (and are reported on the face of the income statement).

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 same discount rate that applied on lease commencement. 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 company 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, low-value leases and expired leases

The company 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.

The company has leases that have expired and have not yet been renewed, 'holding over leases'. These leases have no lease liability and therefore a right-of-use asset is not recognised for these leases. The annual rent for these properties is charged to profit and loss in the period to which it relates.

Share-based payments

The company 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 The Airline Group Limited (AG) for £nil consideration and NESL was gifted cash of £279,264 to acquire additional shares to maintain the Plan's interest at 5% of the share capital of NATS Holdings Limited. The Plan is administered by NESL, a trustee company. The employee ordinary shares may only be owned by employee shareholders and can only be sold to the trust company. Shares awarded by the Plan are treated as cash-settled liabilities. A liability is recognised for shares awarded over the period from award to when the employee becomes unconditionally entitled to the shares and are measured initially at their fair value. At each balance sheet date until the liability is settled, as well as at the date of settlement, the fair value of the liability is re-measured based on independent share valuations with any changes in fair value recognised in profit or loss for the year.

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

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax 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 company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided at a rate of 19% (2020: 19%), being the prevailing rate of corporation tax which is expected to apply in the period when the liability is settled or the asset realised. The Spring Budget 2021 proposed that from April 2023 the main rate of corporation tax will increase to 25%

however the legislation was not substantively enacted at the balance sheet date. When substantively enacted, deferred tax balances will be provided for at a rate of 25% for amounts expected to unwind after April 2023, with the impact of the increase in rate from 19% reflected in the income statement and reserves.

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 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.

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 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:

- ◆ 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 23. 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.

Provisions

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

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company 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 company's business model for managing the financial asset and its cash flow characteristics.

The company has financial assets at amortised cost. The company does not have financial assets at fair value through the profit or loss or at fair value through other comprehensive income. Detailed disclosures are set out in notes 13 to 16.

Financial assets:

Amortised cost

These assets arise principally from the provision of goods and services to customers (such as 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 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 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, twelve 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 the profit or loss are measured initially at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

Other financial liabilities: including bank, other borrowings, loan notes and debt securities

Interest-bearing bank loans, other borrowings, loan notes and debt securities are recorded at the proceeds received, net of direct issue costs. Finance charges, including 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.

Effective interest method

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

Equity

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.

Investment in subsidiaries

A subsidiary is an entity in which the company has control. The existence and effect of voting rights that are currently exercisable or convertible are considered when assessing whether the company has such power over another entity.

Investment in subsidiaries is carried in the balance sheet at cost less any impairment losses. Consolidated financial statements are not presented by the company for the year ended 31 March 2021 as they are presented by the parent undertaking NATS Holdings Limited.

3. Critical judgements and key sources of estimation uncertainty

Retirement benefits

The company accounts for its defined benefit pension scheme such that the net pension scheme 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 2021 the funding position of the scheme reported in the financial statements was a deficit of £1.3m. With respect to the prior year surplus the directors consider that the company has an unconditional right to a refund of surplus at the end of the life of the scheme and, therefore, that the criteria for recognition under IFRIC 14 are met.

A number of key assumptions have been made in calculating the fair value of the company's defined benefit pension scheme which affect the balance sheet position and the company's reserves and income statement. Refer to note 23 of the notes to the accounts for a summary of the main assumptions and sensitivities. Actual outcomes may differ materially from the assumptions used and may result in volatility in the net pension scheme position.

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 Strategic report. Note 15 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 net cash balances of £5.9m at the balance sheet date together with formal arrangements with its subsidiaries on the recovery of costs, which the directors have assessed for their ability to meet their obligations as they fall due. As a result, the directors believe that the company is well placed to manage its

business risks successfully despite the uncertain current economic outlook.

The directors have formed a judgement that taking into account the financial resources available to the company and the financial position and prospects of the subsidiaries, 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 2021.

4. Revenue

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

	2021 £m	2020 £m
Services provided to NATS (En Route) plc	401.0	400.4
Services provided to NATS (Services) Limited	104.4	109.7
	<u>505.4</u>	<u>510.1</u>
Investment income (see note 8)	-	59.0
	<u>505.4</u>	<u>569.1</u>

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

5. Operating segments

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

Principal activities are as follows:

The company acts as an employer to staff within the NATS group of companies. The company seconded staff to the two principal operating companies within the group (NERL and NATS Services). It also provides central services to these two companies. The provision of these services is governed by Inter-company Secondment and Trading Agreements between the two operating companies and NATS Limited. In accordance with these agreements, NERL and NATS Services pay fees to NATS Limited for the provision of the company's services.

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

	2021 Total £m	2020 Total £m
Revenue		
Revenue from customers	<u>505.4</u>	<u>510.1</u>
Segmental operating result	-	-
Investment income	-	59.0
Profit before tax	-	59.0
Tax	-	-
Profit for the year	<u>-</u>	<u>59.0</u>
Balance Sheet		
Segmental assets	<u>300.6</u>	<u>336.3</u>
Segmental liabilities	<u>(50.0)</u>	<u>(76.4)</u>

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

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

6. Operating result for the year

The operating result for the year has been arrived at after charging:

	2021 £m	2020 £m
Auditor's remuneration for audit services (see below)	0.3	0.2
Depreciation of right-of-use assets (note 12)	0.3	0.2
Staff relocation costs (net of credits for revisions to estimates) following site closure	-	0.3
Redundancy costs	<u>65.2</u>	<u>2.2</u>

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.

The group incurs redundancy costs in the normal course of business. Redundancy costs include pension augmentation costs, see note 7a.

7. Staff costs

The company is responsible for employing the staff engaged in the activities carried out by both NERL and NATS Services. Under the terms of the respective Inter-company Secondment Agreements (ISAs) dated 1 October 2009 the services of certain employees are seconded to NERL and NATS Services by the company. NERL and NATS Services are responsible for paying to the company an amount equal to the aggregate of all costs incurred by the company in connection with the employment of the seconded employees (including all taxes and social security and pension costs) together with appropriate staff related costs and expenses and disbursements. The total staff costs incurred by the company for the group were:

a) Staff costs	Staff costs			Staff costs		
	(excluding redundancies) £m	Staff redundancies £m	Total 2021 £m	(excluding redundancies) £m	Staff redundancies £m	Total 2020 £m
Salaries and staff costs, including directors' remuneration, were as follows:						
Wages and salaries	340.1	54.4	394.5	358.6	2.2	360.8
Social security costs	39.3	7.1	46.4	44.6	-	44.6
Pension costs (note 7 b)	89.4	3.7	93.1	96.6	-	96.6
	<u>468.8</u>	<u>65.2</u>	<u>534.0</u>	<u>499.8</u>	<u>2.2</u>	<u>502.0</u>
Less:						
Government grants	(36.9)	-	(36.9)	-	-	-
	<u>431.9</u>	<u>65.2</u>	<u>497.1</u>	<u>499.8</u>	<u>2.2</u>	<u>502.0</u>

Government grants of £36.9m (2020: £nil) relate to the reimbursement of employee costs for staff furloughed due to Covid under the Coronavirus Job Retention Scheme. There are no unfulfilled conditions or contingencies attached to these grants.

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

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

	2021 £m	2020 £m
Salaries and staff costs, including directors' remuneration, were as follows:		
Wages and salaries	3.7	2.9
Social security costs	0.4	0.4
Pension costs (note 7 b)	0.9	0.7
	<u>5.0</u>	<u>4.0</u>

Wages and salaries include share based payment credits or charges, other allowances and holiday pay.

b) Pension costs (note 23)

	2021 £m	2020 £m
Defined benefit scheme costs	66.5	73.9
Defined contribution scheme costs	26.6	22.7
	<u>93.1</u>	<u>96.6</u>

Staff pension contributions are included within these pension scheme costs as the group operates a salary sacrifice arrangement. Wages and salaries (note 7a) have been shown net of staff pension contributions. The pension costs for the company net of the pension costs for those staff seconded to NERL and NATS Services under the respective ISAs were as follows:

	2021 £m	2020 £m
Defined benefit pension scheme costs	0.5	0.5
Defined contribution pension scheme costs	0.4	0.2
	<u>0.9</u>	<u>0.7</u>

c) Staff numbers

The monthly average number of employees (including secondments to NERL and NATS Services under the ISAs) was:

	2021 No.	2020 No.
Air traffic controllers	1,774	1,811
Air traffic service assistants	617	657
Engineers	886	917
Others	1,139	1,187
	<u>4,416</u>	<u>4,572</u>
The number of employees (including executive directors) in post at 31 March was:	<u>4,080</u>	<u>4,696</u>

The voluntary redundancy programme was completed in December 2020.

The monthly average number of employees excluding secondments to NERL and NATS Services was:

	No.	No.
Air traffic controllers	-	-
Air traffic service assistants	1	1
Engineers	1	2
Others	44	36
	<u>46</u>	<u>39</u>

The number of employees (including executive directors) in post at 31 March was:

	<u>49</u>	<u>38</u>
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8. Investment income

	2021 £m	2020 £m
Income from shares in group undertakings	-	59.0

9. Tax

	2021 £m	2020 £m
Corporation tax		
Current tax	-	-
Deferred tax (see note 18)	-	-

Corporation tax is calculated at 19% (2020: 19%) 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:

	2021 £m	%	2020 £m	%
Profit on ordinary activities before tax	-		59.0	
Tax on profit on ordinary activities at standard rate in the UK of 19% (2020: 19%)	-	-	11.2	19.0%
Tax effect of dividend income not assessed in determining taxable profit	-	-	(11.2)	(19.0%)
Tax charge for year at an effective tax rate of 0.0% (2020: 0.0%)	-	-	-	-
Deferred tax (credit)/charge taken directly to equity (see note 18)	(2.1)		2.0	

Deferred tax is provided at a rate of 19% (2020: 19%), being the prevailing rate of corporation tax expected to apply in the period when the liability is settled or the asset realised. The Spring Budget 2021 proposed that from April 2023 the main rate of corporation tax will increase to 25% however the legislation was not substantively enacted at the balance sheet date. The Finance Bill 2021 was substantively enacted in May 2021, and accordingly deferred tax balances will be provided for at a rate of 25% for amounts expected to unwind after 1 April 2023.

10. Dividends

	2021 £m	2020 £m
Amounts recognised as dividends to equity shareholders in the year		
First interim dividend of £nil per share (2020: 21.28 pence per share)	-	30.0
Second interim dividend of £nil per share (2020: 20.57 pence per share)	-	29.0
	-	59.0

11. Property, plant and equipment

The company has assets with an original cost of £1.0m which are fully depreciated (2020: £1.0m). The net book value of property, plant and equipment at 31 March 2021 was £nil (2020: £nil). Depreciation charges amounted to £nil (2020: £nil).

12. Right-of-use assets

	Leasehold land and buildings £m
Cost	
At 1 April 2019	0.9
Additions during the year	0.1
At 1 April 2020	1.0
Additions during the year	-
At 31 March 2021	1.0
Accumulated depreciation and impairment	
At 1 April 2019	-
Provided during the year	0.2
At 1 April 2020	0.2
Provided during the year	0.3
At 31 March 2021	0.5
Carrying amount	
At 31 March 2021	0.5
At 31 March 2020	0.8
At 1 April 2019	0.9

13. Financial and other assets

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

Trade and other receivables

	2021 £m	2020 £m
Current		
Other debtors	0.7	2.0
Amounts due from subsidiary undertaking (NATS (En Route) plc)	35.9	55.2
Amounts due from subsidiary undertaking (NATS (Services) Limited)	10.9	16.1
Amounts due from subsidiary undertaking (NATS Services DMCC)	0.3	0.3
Amounts due from subsidiary undertaking (NATS Solutions Limited)	0.1	0.1
Prepayments	1.4	1.4
	<u>49.3</u>	<u>75.1</u>

The company does not have any external customers. Its customers are subsidiaries. No allowance has been made for irrecoverable amounts on the outstanding balances. The company's subsidiaries have procedures in place to mitigate against market and financial risk and their financial positions are monitored to ensure that amounts due to the company are recoverable. The company supplies personnel and central services to its subsidiaries under the Inter-company Secondment and Trading Agreements.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the company. 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 (excluding prepayments and VAT) would be £53.6m (2020: £79.6m).

14. Leases

Details of the carrying values of right-of-use assets under lease agreements are reported in note 12.

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

	31 March 2021 £m	31 March 2020 £m
Due within one year or less	0.3	0.3
Due between one and two years	0.3	0.3
Due between two and five years	-	0.2
	<u>0.6</u>	<u>0.8</u>
Less: future finance charges	-	-
	<u>0.6</u>	<u>0.8</u>
Analysed as:		
	31 March 2021 £m	31 March 2020 £m
Current	0.3	0.3
Non-current	0.3	0.5
	<u>0.6</u>	<u>0.8</u>

The income statement shows the following amounts relating to leases:

	2021 £m	2020 £m
Depreciation charge for right-of-use assets		
Leasehold land and buildings	<u>0.3</u>	<u>0.2</u>

The depreciation charge for right-of-use assets included in the income statement, is shown in note 12.

Minimum lease payments under operating leases recognised in the income statement are £nil (2020: £nil).

Nature of leasing activities

The company leases two properties. Both property contracts contain provision for payments to be uplifted to market rentals every five years.

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.

Year ended 31 March 2021	Lease contracts	Fixed payments	Variable payments	Sensitivity
	No.	% (i)	% (i)	£m
Property leases with periodic uplifts to market rentals	2	n/a	100%	-
Vehicle leases	-	-	n/a	n/a
	<u>2</u>	<u>-</u>	<u>100%</u>	<u>-</u>
Year ended 31 March 2020	Lease contracts	Fixed payments	Variable payments	Sensitivity
	No.	% (i)	% (i)	£m
Property leases with payments linked to inflation	-	n/a		
Property leases with periodic uplifts to market rentals	2	n/a	100%	-
Vehicle leases	1	-	n/a	n/a
	<u>3</u>	<u>-</u>	<u>100%</u>	<u>-</u>

(i) The fixed/variable payment percentage is calculated based on the value of the lease liability outstanding as at 31 March 2021, divided by the company's total lease liability outstanding at that date.

The company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the company will consider whether the absence of a break clause would expose the company 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 company.

At 31 March 2021, the company has no break clauses in any of its leases (2020: none).

The amount for leases not yet commenced to which the company is committed at 31 March 2021 is £nil (2020: £nil).

15. Financial instruments

Capital risk management

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

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

Categories of financial instrument

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

	2021 £m	2020 £m
Financial assets at amortised cost		
Trade and other receivables, excluding prepayments and VAT	47.7	73.6
Cash and cash equivalents	5.9	6.0
	<u>53.6</u>	<u>79.6</u>
Financial liabilities at amortised cost		
Trade and other payables	(35.8)	(56.3)
Lease liabilities	(0.6)	(0.8)
	<u>(36.4)</u>	<u>(57.1)</u>

Trade and other receivables excludes prepayments, and VAT of £0.2m (2020: £0.1m). Financial liabilities at amortised cost includes trade and other payables (excluding taxes and social security liabilities of £11.5m (2020: £13.8m)) and lease liabilities.

Financial risk management objectives

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

Market risk

The company's activities expose it to the financial risk of changes in interest rates on cash deposits. The company is not exposed to interest rate risk on borrowings. It has no material risk as a result of changes in foreign currency exchange rates as it only holds small euro and US dollar balances to make foreign currency purchases.

Interest rate risk management

The company had no debt at 31 March 2021 (2020: none).

Economic interest rate exposure

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

Currency	Cash					
	2021			2020		
	Amount £m	Economic interest rate %	Average maturity days	Amount £m	Economic interest rate %	Average maturity days
Sterling	5.9	0.0	1	6.0	0.5	1

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 the reasonably possible change in interest rates.

The following table shows the effect of a 1% increase in interest rates on the company's cash deposits on profit for the year and on equity. A positive number represents an increase in profit and equity and a negative number a decrease in profit and equity.

	2021 Impact £m	2020 Impact £m
Cash on deposit (2021: £5.9m, 2020 £6.0m)	<u>0.1</u>	<u>0.1</u>

15. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's exposure to credit risk arises from the risk of default by its fellow subsidiaries and from the risk of a failure of a financial institution in which funds are invested for return or held for trading purposes or with whom derivative contracts are entered into. The risk of loss from default by fellow subsidiaries and the mitigations against this risk are explained in note 13. 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.

Currently, the company's investments take the form of money market fund investments and are restricted to AAAM rated liquidity funds.

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

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

Rating (Standard & Poor's)	2021			2020		
	Number of institutions	£m	By credit rating %	Number of institutions	£m	By credit rating %
AAAm	1	5.8	98.3	1	5.9	98.3
A-	1	0.1	1.7	1	0.1	1.7
		<u>5.9</u>	<u>100.0</u>		<u>6.0</u>	<u>100.0</u>

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.

Maturity of non-derivative 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.

	2021			2020		
	Lease liabilities £m	Other liabilities £m	Total £m	Lease liabilities £m	Other liabilities £m	Total £m
Due within one year or less	0.3	31.1	31.4	0.3	34.9	35.2
Between one and two years	0.3	2.0	2.3	0.3	17.2	17.5
Due between two and five years	-	2.5	2.5	0.2	3.8	4.0
Due in more than five years	-	0.2	0.2	-	0.4	0.4
	<u>0.6</u>	<u>35.8</u>	<u>36.4</u>	<u>0.8</u>	<u>56.3</u>	<u>57.1</u>

Fair values 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 to their fair values.

16. Financial and other liabilities

Trade and other payables

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

	2021 £m	2020 £m
Current		
Trade payables	0.2	0.5
Other payables	0.1	8.7
Tax and social security	11.5	13.8
Accruals and deferred income	30.7	25.7
	<u>42.5</u>	<u>48.7</u>
Non-current		
Accruals and deferred income	4.8	21.4
	<u>47.3</u>	<u>70.1</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 14 days (2020: 19 days). The directors consider that the carrying amount of the trade payables approximates to their fair values.

17. Provisions

	Redundancy £m	Relocation £m	Other £m	Total £m
At 1 April 2020	2.5	0.9	0.3	3.7
Additional provision in the year	65.8	-	-	65.8
Release of provision in the year	(0.6)	-	-	(0.6)
Utilisation of provision	(67.6)	(0.3)	(0.1)	(68.0)
At 31 March 2021	0.1	0.6	0.2	0.9
			2021 £m	2020 £m
Amounts due for settlement within 12 months			0.3	3.1
Amounts due for settlement after 12 months			0.6	0.6
			0.9	3.7

The redundancy provision represents the best estimate of the future cost of redundancy payments to employees that have committed to the group's redundancy programme at 31 March 2021. 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 employees' relocation date.

The other provisions represent the best estimate of other liabilities, and include property-related costs. The ageing of the provision reflects the best estimate of when these potential liabilities will fall due.

18. Deferred tax

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

	Retirement benefits £m	Other £m	Total £m
At 1 April 2019	(0.2)	-	(0.2)
Charge/(credit) to income	0.1	(0.1)	-
Charge to equity	2.0	-	2.0
At 31 March 2020	1.9	(0.1)	1.8
Credit to equity	(2.1)	-	(2.1)
At 31 March 2021	(0.2)	(0.1)	(0.3)

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2021 £m	2020 £m
Deferred tax liabilities	-	1.9
Deferred tax assets	(0.3)	(0.1)
	(0.3)	1.8

19. Share capital

	Authorised:		Called up, allotted and fully paid:	
	Number of shares	£m	Number of shares	£m
Ordinary shares of £1 each				
At 31 March 2020 and 31 March 2021	150,000,100	150.0	141,000,005	141.0

20. Notes to the cash flow statement

	2021 £m	2020 £m
Operating result from continuing operations	-	-
Adjustments for:		
Depreciation of right-of-use assets	0.3	0.2
Pension scheme funding	(0.4)	(0.1)
Operating cash flows before movements in working capital	<u>(0.1)</u>	<u>0.1</u>
Decrease/(Increase) in trade and other receivables	25.8	(6.7)
(Decrease)/Increase in trade, other payables and provisions	(25.6)	6.8
Cash generated from operations	<u>0.1</u>	<u>0.2</u>
Tax paid	-	(0.1)
Net cash generated from operating activities	<u>0.1</u>	<u>0.1</u>

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.

Reconciliation of net financial assets

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

	Assets	Liabilities	Net financial assets
	Cash and cash equivalents £m	Lease liabilities £m	Total £m
Net financial assets as at 1 April 2019	6.1	(1.0)	5.1
Cash flows	(0.1)	0.2	0.1
Net financial assets as at 31 March 2020	<u>6.0</u>	<u>(0.8)</u>	<u>5.2</u>
Cash flows	(0.1)	0.2	0.1
Net financial assets as at 31 March 2021	<u>5.9</u>	<u>(0.6)</u>	<u>5.3</u>

21. Financial commitments

	2021 £m	2020 £m
Amounts contracted but not provided for in the accounts	<u>-</u>	<u>-</u>

22. Share based payments

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

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

Date of share awards	No. shares awarded to employees	No. employee shares outstanding at 31 March 2021	No. employee shares outstanding at 31 March 2020
Free share awards			
21 September 2001	3,353,742	165,766	239,314
20 October 2003	2,459,000	159,777	224,782
10 September 2004	1,966,000	255,122	329,557
11 January 2008	1,071,840	204,188	259,557
18 September 2009	963,200	228,007	284,207
Partnership shares			
1 March 2011	694,783	206,285	256,916
26 September 2012	714,959	258,032	316,932
30 May 2014	496,738	234,891	280,066
31 October 2016	530,303	384,690	452,825
31 October 2018	635,048	522,551	603,136
Matching shares			
1 March 2011	694,783	205,700	256,931
26 September 2012	714,959	257,702	316,602
30 May 2014	496,738	234,957	280,132
31 October 2016	530,303	384,852	452,987
31 October 2018	635,048	525,351	603,136
		4,227,871	5,157,080
Dividend shares issued on 28 June 2005	247,017	20,549	28,544
Total employee shares in issue at 31 March		4,248,420	5,185,624

The movement in the number of employee shares outstanding for staff employed by NATS Limited is as follows:

	Movement in the no. of shares during the year ended 31 March 2021	Movement in the no. of shares during the year ended 31 March 2020
Balance at 1 April	5,185,624	5,757,370
Forfeited during the year	(20,606)	(9,358)
Exercised during the year	(916,598)	(562,388)
Balance at 31 March	4,248,420	5,185,624

Typically these shares are valued every six months by independent valuers using discounted cash flows 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. The outbreak of Covid had a significant and material impact and the scheme has been closed for leavers and joiners since 1 April 2020. The fair value of an employee share was estimated by reference to a comparable listed company at 31 March 2021 to be £3.12 (2020: £2.85). The independent valuation at 30 June 2019 was £3.85. The liability for the employee shares at 31 March 2021 was £15.6m (2020: £13.9m), which includes amounts owing to good leavers since 1 April 2020, is included in other accruals and deferred income. The income statement includes a debit of £1.8m (2020: £4.9m credit). The payments made to employees for the shares they exercised during the year was £nil (2020: £2.1m).

22. Share based payments (continued)

The number of shares outstanding at the balance sheet date for staff employed directly by NATS Limited was:

Date of share awards	No. employee shares outstanding at 31 March 2021	No. employee shares outstanding at 31 March 2020
Free share awards		
21 September 2001	600	-
20 October 2003	2,000	2,000
10 September 2004	2,000	2,000
11 January 2008	2,640	2,420
18 September 2009	2,400	2,400
Partnership shares		
1 March 2011	2,600	2,400
26 September 2012	3,013	2,714
30 May 2014	2,100	1,500
31 October 2016	3,402	2,916
31 October 2018	5,400	4,400
Matching shares		
1 March 2011	2,520	2,320
26 September 2012	3,013	2,714
30 May 2014	2,100	1,500
31 October 2016	3,402	2,916
31 October 2018	5,400	4,400
	42,590	36,600
Dividend shares issued on 28 June 2005	187	187
Total employee shares in issue at 31 March	42,777	36,787

The movement in the number of employee shares outstanding for staff employed directly by NATS Limited is as follows:

	Movement in the no. of shares during the year ended 31 March 2021	Movement in the no. of shares during the year ended 31 March 2020
Balance at 1 April	36,787	43,392
Exercised during the year	(6,175)	(5,377)
Staff transfers between group companies	12,165	(1,228)
Balance at 31 March	42,777	36,787

The liability on the balance sheet that relates to NATS Limited for the employee shares at 31 March 2021 was £0.1m (2020: £0.1m), which includes amounts owing to good leavers since 1 April 2020, is included in other accruals and deferred income. The payments made to NATS Limited employees for the shares they exercised during the year was £nil (2020: £nil).

23. Retirement benefit scheme

Defined contribution scheme

The company 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 company in funds under the control of a board of Trustees.

The company operates a salary sacrifice arrangement whereby employees sacrifice an element of their salary in favour of contributions to the pension scheme. NATS matches employee contributions to the scheme in a ratio of 2:1, up to a maximum contribution of 18%. For the year ended 31 March 2021 employer contributions of £16.6m (2020: £14.7m), excluding employee salary sacrifice contributions of £9.1m (2020: £8.0m) and redundancy payments of £1.0m (2020: £nil), represented 16.0% of pensionable pay (2020: 15.7%). Employer contributions for staff employed directly by the company of £0.2m (2020: £0.1m) and past service costs, excluding employee salary sacrifice contributions of £0.1m (2020: £0.1m), represented 15.6% of pensionable pay (2020: 14.6%).

The defined contribution scheme had 1,812 members at 31 March 2021 (2020: 1,961), of which 29 were company members (2020: 19).

Defined benefit scheme

The company 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 6 employer (NATS and CAA) and 6 member-nominated trustees, as well as an independent chair.

During 2009 the company introduced a number of reforms to manage the cost and risk of pensions. The defined benefit pension scheme was closed to new joiners with effect from 31 March 2009. In addition, from 1 January 2009, annual increases in pensionable pay were limited to a maximum increase in the retail price index (RPI) plus 0.5%. A defined contribution scheme was also introduced for new joiners (see above). Finally, pension salary sacrifice arrangements were introduced with effect from 1 April 2009.

During 2013 the company consulted on further pension reforms to mitigate rising pension costs. These included a change to the limit on increases in pensionable pay to a maximum of the consumer price index (CPI) plus 0.25%. In addition, the Trustees consulted members of the scheme on a change to the indexation of future service at CPI, rather than RPI. These reforms were agreed by staff.

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 2017 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 2017 was £4,540.4m. 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 £270.4m, corresponding to a funding ratio of 94.4%.

The 2017 valuation showed that, based on long-term financial assumptions, the contribution rate required to meet future benefit accrual and expenses was 47.6% of pensionable pay (41.8% employer and 5.8% employee). The employer contribution includes an allowance to cover administration costs, including the Pension Protection Fund (PPF) levy.

Contributions to the pension scheme

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

Following the 2017 valuation, NATS and the Trustees agreed a recovery plan which would see the funding deficit repaid by 2026. Under the schedule of contributions, normal contributions are paid at 41.7% payable from 1 January 2020 onwards. The NATS group paid deficit recovery contributions of £40.8m in the 2018 calendar year, £41.8m in the 2019 and £25.4m in 2020. For 2021, £26.0m will be paid, increasing annually by 2.37% for 2022 to 2023. No contributions will be paid in 2024. Further deficit recovery contributions will be paid in 2025 and 2026 at £2.3m per year. NATS' share of the deficit recovery contributions for directly employed staff is c.1%.

As the employer of all staff in the NATS group, during the year the group paid cash contributions to the scheme of £97.0m (2020: £99.8m). This amount included £8.1m (2020: £8.7m) of wages and salaries sacrificed by employees in return for pension contributions as well as contributions of £2.8m in lieu of redundancy payments (2020: £nil). Excluding the effect of salary sacrifice and past service costs, employer cash contributions were paid at a rate of 59.5% (2020: 58.6%) of pensionable pay. Contributions for staff working directly for NATS Limited were £0.8m (2020: £0.6m). This included salary sacrifice contributions of £42,000 (2020: £45,000).

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

The estimated contributions expected to be paid to the scheme for all staff in the NATS group during the financial year ending 31 March 2022 is £92.5m, including salary sacrifice contributions estimated at £7.9m. Contributions for staff who work directly for NATS Limited are expected to be £0.5m, including salary sacrifice contributions estimated at £nil.

23. Retirement benefit scheme (continued)**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 2017, 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.

An actuarial valuation for IAS 19 purposes was carried out at 31 March 2021 (based on 31 December 2020 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:

	2021	2020	2019
RPI inflation	3.05%	2.45%	3.10%
CPI inflation	2.55%	1.85%	2.00%
Increase in:			
- salaries	2.55%	1.85%	2.00%
- deferred pensions	3.05%	2.45%	3.10%
- pensions in payment	3.05%	2.45%	3.10%
Discount rate for net interest expense	2.15%	2.30%	2.45%

The mortality assumptions have been drawn from actuarial tables 105% S3PMA light and 103% S3PFA light (2020: 97% S2PMA light and 102% S2PFA light) with future improvements in line with CMI 2019 (2020: CMI 2016) projections for male/female members, subject to a long-term improvement of 1.5% p.a. (2020: 1.5% p.a.) These tables assume that the life expectancy, from age 60, for a male pensioner is 28.3 years and a female pensioner is 30.1 years. Allowance is made for future improvements in longevity, such that based on the average age of the current membership (46), when these members reach retirement, life expectancy from age 60 will have increased for males to 29.4 years and for females to 31.2 years.

The principal risks to the financial performance of the company 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.

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 10.1%/increase by 11.8%
Rate of inflation	Increase/decrease by 0.5%	Increase by 11.4%/decrease by 9.9%
Rate of pensionable salary growth	Increase/decrease by 0.5%	Increase by 2.5%/decrease by 2.4%
Rate of mortality	1 year increase in life expectancy	Increase by 3.6%

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.

The directors consider that the criteria for recognition of a pension surplus under IFRIC 14 are met.

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

Amounts recognised in the consolidated income statement of NATS Holdings Limited, in the staff costs line item, in respect of the defined benefit scheme are as follows:

	2021 £m	2020 £m
Current service cost	(67.3)	(72.7)
Past service cost	(3.3)	-
Net interest credit	6.4	0.6
Administrative expenses	(2.3)	(1.8)
Components of defined benefit costs recognised within operating profit	<u>(66.5)</u>	<u>(73.9)</u>

23. Retirement benefit scheme (continued)

Remeasurements recorded in the consolidated statement of comprehensive income of NATS Holdings Limited are as follows:

	2021 £m	2020 £m
Return on plan assets (excluding amounts included in net interest expense)	414.3	(181.4)
Actuarial gains and losses arising from changes in financial assumptions	(801.4)	400.4
Actuarial gains and losses arising from changes in demographic assumptions	106.4	-
Actuarial gains and losses arising from experience adjustments	(13.3)	9.2
	<u>(294.0)</u>	<u>228.2</u>

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

	2021 £m	2020 £m
Present value of defined benefit obligations	(5,145.4)	(4,440.1)
Fair value of scheme assets	5,113.9	4,672.1
(Deficit) / Surplus in scheme	<u>(31.5)</u>	<u>232.0</u>

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

	2021 £m	2020 £m
At 1 April	(4,440.1)	(4,789.8)
Current service cost	(67.3)	(72.7)
Past service cost	(3.3)	-
Interest expense on defined benefit scheme obligations	(100.1)	(115.8)
Actuarial gains and losses arising from changes in financial assumptions	(801.4)	400.4
Actuarial gains and losses arising from changes in demographic assumptions	106.4	-
Actuarial gains and losses arising from experience adjustments	(13.3)	9.2
Benefits paid	173.7	128.6
At 31 March	<u>(5,145.4)</u>	<u>(4,440.1)</u>

The average duration of the scheme's liabilities at the end of the year is 21.8 years (2020: 21.2 years). The present value of the defined benefit obligation can be analysed by member group as follows:

	2021 £m	2020 £m
Active members	2,039.1	1,780.2
Deferred members	693.1	474.3
Pensioners	2,413.2	2,185.6
	<u>5,145.4</u>	<u>4,440.1</u>

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

	2021 £m	2020 £m
At 1 April	4,672.1	4,767.7
Interest income on scheme assets	106.5	116.4
Return on plan assets (excluding amounts included in net interest expense)	414.3	(181.4)
Contributions from sponsoring company	97.0	99.8
Benefits paid	(173.7)	(128.6)
Administrative expenses	(2.3)	(1.8)
At 31 March	<u>5,113.9</u>	<u>4,672.1</u>

23. Retirement benefit scheme (continued)

The major categories of scheme assets was as follows:

	2021 £m	2020 £m
Cash and cash equivalents	43.2	40.9
Equity instruments		
- Emerging markets	47.9	109.7
- Global	628.3	776.1
	<u>676.2</u>	<u>885.8</u>
Bonds		
- Fixed income	2,510.5	1,830.4
- Index-linked gilts over 5 years	1,120.9	1,328.3
	<u>3,631.4</u>	<u>3,158.7</u>
Other investments		
- Property	231.8	242.2
- Hedge funds	129.1	219.3
- Private equity funds	146.1	131.0
	<u>507.0</u>	<u>592.5</u>
Derivatives		
- Futures contracts	6.1	(5.8)
Other receivables	250.0	-
	<u>5,113.9</u>	<u>4,672.1</u>

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

Virtually all equity and debt instruments have 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 and bonds, although the scheme also invests in property, cash and investment (private equity and hedge) funds.

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. The strategy includes establishing trigger levels which define the rates of interest and inflation rates at which hedging transactions will be executed. In addition, and as an acceleration of the existing strategy, NATS and the Trustees agreed during 2014 to increase the level of hedging of interest rates and inflation to 50%, as measured on the Trustee funding basis. During 2018 it was agreed to further increase the level of hedging of interest rates and inflation to 65%, as measured on the Trustee funding basis. 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 counterparty bank.

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.

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 2021 was £520.8m (2020: £65.0m loss).

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

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

	2021 £m	2020 £m
Current service cost	(0.4)	(0.4)
Past service cost	(0.2)	-
Net interest credit	0.2	-
Administrative expenses	(0.1)	(0.1)
Components of defined benefit costs recognised within operating profit	<u>(0.5)</u>	<u>(0.5)</u>

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

	2021 £m	2020 £m
Return on plan assets (excluding amounts included in net interest expense)	8.2	(6.1)
Actuarial gains and losses arising from changes in financial assumptions	(22.2)	16.3
Actuarial gains and losses arising from changes in demographic assumptions	2.9	-
Actuarial gains and losses arising from experience adjustments	(0.4)	0.4
	<u>(11.5)</u>	<u>10.6</u>

23. Retirement benefit scheme (continued)

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

	2021 £m	2020 £m
Present value of defined benefit obligations	(204.0)	(186.5)
Fair value of scheme assets	202.7	196.3
(Deficit) / Surplus in scheme	(1.3)	9.8

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

	2021 £m	2020 £m
At 1 April	(186.5)	(203.3)
Current service cost	(0.4)	(0.4)
Past service cost	(0.2)	-
Interest expense on defined benefit scheme obligations	(4.2)	(4.9)
Actuarial gains and losses arising from changes in financial assumptions	(22.2)	16.3
Actuarial gains and losses arising from changes in demographic assumptions	2.9	-
Actuarial gains and losses arising from experience adjustments	(0.4)	0.4
Contributions from scheme members	-	-
Benefits paid	7.0	5.4
At 31 March	(204.0)	(186.5)

The average duration of the scheme's liabilities at the end of the year is 21.8 years (2020: 21.2 years). The present value of the defined benefit obligation can be analysed by member group as follows:

	2021 £m	2020 £m
Active members	25.8	31.7
Deferred members	60.9	50.1
Pensioners	117.3	104.7
	204.0	186.5

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

	2021 £m	2020 £m
At 1 April	196.3	202.4
Interest income on scheme assets	4.4	4.9
Return on plan assets (excluding amounts included in net interest expense)	8.2	(6.1)
Contributions from company	0.9	0.6
Benefits paid	(7.0)	(5.4)
Administrative expenses	(0.1)	(0.1)
At 31 March	202.7	196.3

The company's share of the major categories of scheme assets was as follows:

	2021 £m	2020 £m
Cash and cash equivalents	1.7	1.7
Equity instruments		
- Emerging markets	1.9	4.6
- Global	24.9	32.6
	26.8	37.2
Bonds		
- Fixed income	99.5	76.9
- Index-linked gilts over 5 years	44.5	55.8
	144.0	132.7
Other investments		
- Property	9.2	10.2
- Hedge funds	5.1	9.2
- Private equity funds	5.8	5.5
	20.1	24.9
Derivatives		
- Futures contracts	0.2	(0.2)
Other receivables	9.9	-
	202.7	196.3

The company's share of the actual return on scheme assets for the year ended 31 March 2021 was £12.6m (2020: £1.2m loss).

24. 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.

AG is a consortium of British Airways plc, Deutsche Lufthansa AG, easyJet Airline Company Limited, The Pension Protection Fund, Thomas Cook Airlines Limited (in liquidation), 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 eight members of AG have not exercised undue influence on the group either acting individually or in concert and therefore the individual transactions with each member of AG have not been disclosed in this set of accounts.

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

Transactions with other companies in the NATS group are described in note 4 and amounts due from other companies in the NATS group are described in note 13.

Remuneration of key management personnel

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

	2021 £m	2020 £m
Short term employee benefits	7.2	8.7
Post-employment benefits	0.4	0.4
Other long term benefits	-	1.2
Termination benefits	3.0	-
	<u>10.6</u>	<u>10.3</u>

The remuneration of key management personnel incurred directly by NATS Limited was £0.2m (2020: £0.3m).

Directors' remuneration

None of the directors receive any fees or salaries in respect of their services as directors of the company. Details of directors remuneration is provided in the annual report and accounts of NATS Holdings Limited.

25. Subsidiaries, joint ventures and associates

Name of company	Principal activity	Proportion of ordinary shares and voting rights held	Country of registration	Country of operation
Direct holding:				
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
Indirect holding:				
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
National Air Traffic Services Limited*	Dormant	100%	England and Wales	United Kingdom
NATS Services (Asia Pacific) Pte. Limited 3 Raffles Place, #06-01 Bharat Building, Singapore 048617	Airport and ATM consultancy	100%	Singapore	Singapore
NATS Services DMCC Suite 1201, Platinum Tower, Plot No. PH1-12, Jumeirah Lake Towers, PO Box 392497, Dubai, United Arab Emirates	ATM consultancy	100%	UAE	UAE
NATS Services (Hong Kong) Limited 31F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	Airport and ATM consultancy	100%	Hong Kong	Hong Kong
NATS Services LLC PO Box 533, Ruwi, PC 112, Muscat, Sultanate of Oman	ATM consultancy	70%	Oman	Oman
NATS (USA) Inc. The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware, United States	Engineering and ATM consultancy	100%	USA	USA
NATS (Services) Canada Inc 100 King Street West, Suite 6200, 1 First Canadian Place, Toronto, Ontario, M5X 1B8, Canada	Digital airport air traffic services	100%	Canada	Canada
European Satellite Services Provider SAS 18, Avenue Edouard Belin - BPI 602, 31 401 Toulouse Cedex 9, France	Satellite based navigation	17%	France	France
FerroNATS Air Traffic Services SA Calle Principe de Vergara, 135, 28002, Madrid, Spain	Airport air traffic services	50%	Spain	Spain
Aquila Air Traffic Management Services Limited 2 Dashwood Lang Road, The Bourne Business Park, Addlestone, Surrey, KT15 2NX, United Kingdom	Asset provision and ATM services to UK MOD	50%	England and Wales	United Kingdom
Searidge Technologies Inc 19 Camelot Drive, Nepean, Ontario, K2G 5W6, Canada	Digital airport air traffic services	50%	Canada	Canada
* The registered office address is 4000 Parkway, Whiteley, Fareham, Hampshire, PO15 7FL, United Kingdom.				Total £m
Balance of investments at 31 March 2020 and 31 March 2021:				244.6

The company holds investments directly in NATS (En Route) plc (NERL) and NATS (Services) Limited. Pursuant to a loan agreement entered into by NERL, as at 31 March 2021, the company has granted a legal mortgage and fixed charge over its shares in NERL and a floating charge over all other assets.

26. Parent undertaking

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

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.

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

27. Events after the reporting period

Deferred tax is provided at 31 March 2021 at a rate of 19%, being the prevailing rate of corporation tax expected to apply in the period when the liability is settled or the asset realised. The Spring Budget 2021 proposed that from April 2023 the main rate of corporation tax will increase to 25% however the legislation was not substantively enacted at the balance sheet date. The Finance Bill 2021 was substantively enacted in May 2021, and accordingly deferred tax balances will be provided for at a rate of 25% for amounts expected to unwind after 1 April 2023.