

NATS

NATS Holdings Limited

Annual Report
and Accounts
2025

Year ended 31 March

2025

nats.aero

Company Number: 04138218

Advancing
aviation,
keeping the
skies safe.

In brief

Financial results (year ended 31 March) £m (unless specified)	2025	2024
Adjusted revenue ^a	1,071.6	1,065.8
Adjusted profit before tax ^a	234.3	248.3
Statutory profit before tax	234.3	371.5
Debt-adjusted cash inflow ^b	209.9	92.4
Capital expenditure	125.9	116.8
Net debt ^c	710.7	745.4
Gearing ^d (%)	42.5%	41.9%
Regulatory Asset Base ^a	2,074.0	2,139.2
Regulatory return - adjusted ^a	3.6%	4.9%
Dividends	171.0	nil

Notes: ^a Alternative performance measure (APM), see explanatory notes; ^b APM, representing cash flows excluding repayments/drawings on borrowings; ^c see note 22 to the financial statements. Net debt excludes derivative financial instruments; ^d APM, ratio of NERL's net debt (as defined by its licence) to regulatory assets¹.

Financial results

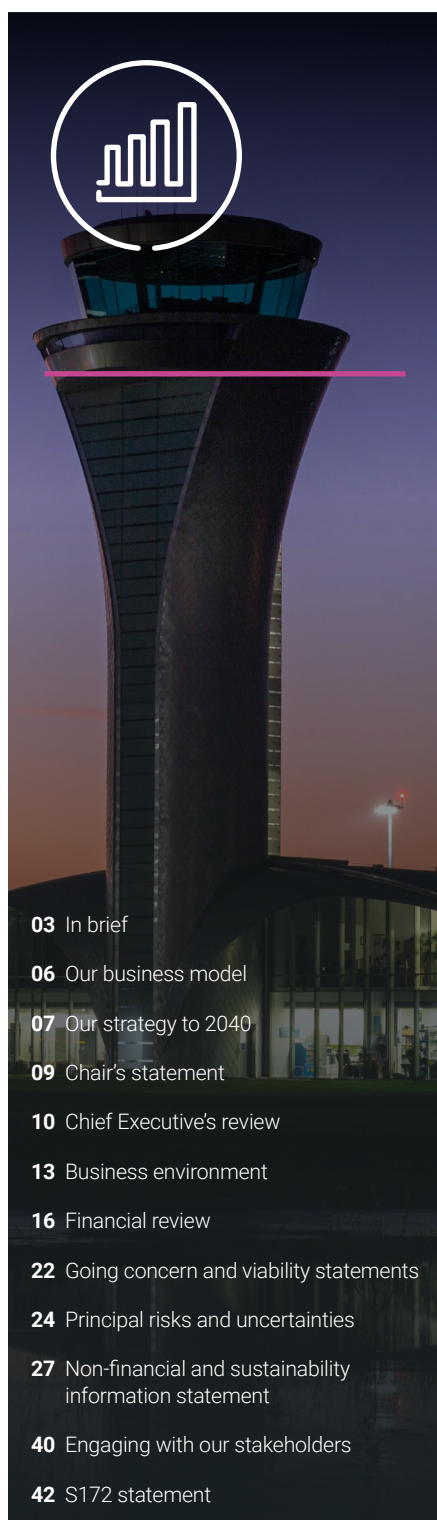

- > The statutory profit before tax of £234.3m (2024: £371.5m) is £137.2m lower than last year's result, which is in line with expectations. Last year's result included a one-off amount of £123.2m to align cumulative revenue with the CAA's decision on the value of the Covid income shortfall NATS (En Route) plc (NERL) is entitled to recover.
- > On an adjusted basis, this year's result is £14.0m lower than last year and does not repeat last year's £30m write down of our investment in the Aquila joint venture. The resulting overall difference in profit performance reflects our continuing investment in our workforce to support the increase in air traffic volumes, today and in future, as airspace users respond to consumer demand for air travel, and to maintain technical system resilience and for developing our infrastructure.
- > The group's cash flows, measured on a debt-adjusted basis, were more closely aligned with the result reflecting improved revenue receipts and the ongoing recovery of the Covid income shortfall, as well as lower pension and tax payments.
- > The Board resumed dividend payments this year, the first since November 2019 and their pause during Covid and the subsequent recovery.

Operational headlines

- > Our safety performance was very good and in line with our previous best while handling traffic which grew this year by 2.9% to 2.48 million flights (2024: 2.41 million). There were no risk-bearing airprox⁵ attributed to our operation.
- > Average delay per en route flight improved to 4.4 seconds meeting the CAA target of 8.3 seconds (2024: 8.8 secs/flight against a target of 8.5). Our 3Di score⁶, excluding non-revenue flights, was 28.57 for calendar year 2024 against the regulator's more challenging target range of 25.6 to 28.3 (CY 2023: 28.2 against a target range of 26.2 to 29.0).
- > With the industry's backing, the CAA and Department for Transport (DfT) appointed NERL as the UK Airspace Design Service (UKADS) provider to oversee the design of airspace in London and the Southeast in June 2025. In addition, following stakeholder consultation, this summer we will propose our NATS OpenAir service to the CAA for enabling the safe integration of new airspace users, such as drones, and a charging mechanism to fund this activity.
- > We secured revenue orders worth £267m in the year. This included a 10-year ATC and engineering services contract with Birmingham Airport alongside contract renewals with Belfast City and Bristol. Intelligent Approach, our runway efficiency tool, was deployed at Heathrow and Gatwick airports and, in May 2025, Saudi Air Navigation Services agreed to implement the system at Saudi airports. The scope of our manpower sourcing contract with the Hong Kong Airport Authority was also increased in the year.
- > We continued to decarbonise our estate, investing in solar arrays at our main air traffic control centres and we were rated by Best Companies⁷ as a 'Very Good Company to Work For' following employees' responses to our latest b-Heard engagement survey.

¹ A number of alternative performance measures and explanatory notes are provided on page 182 of this report. Abbreviations used in this report are provided on page 181.

Contents



03 In brief

06 Our business model

07 Our strategy to 2040

09 Chair's statement

10 Chief Executive's review

13 Business environment

16 Financial review

22 Going concern and viability statements

24 Principal risks and uncertainties

27 Non-financial and sustainability information statement

40 Engaging with our stakeholders

42 S172 statement

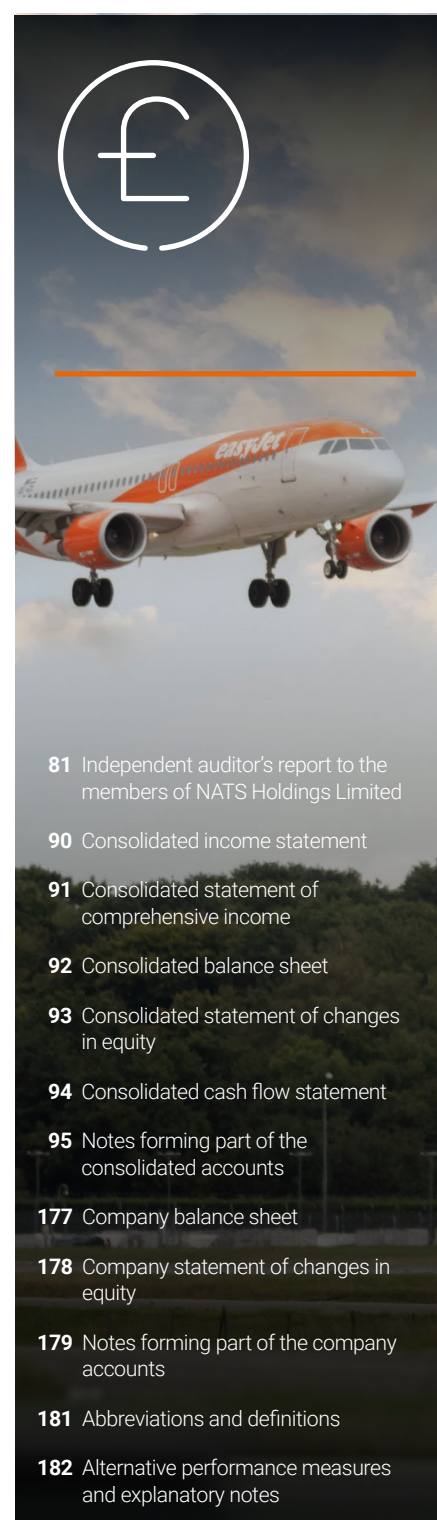



45 Directors of NATS Holdings

50 NATS governance framework

54 Reports from Board Committees

78 Report of the directors



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

90 Consolidated income statement

91 Consolidated statement of comprehensive income

92 Consolidated balance sheet

93 Consolidated statement of changes in equity

94 Consolidated cash flow statement

95 Notes forming part of the consolidated accounts

177 Company balance sheet

178 Company statement of changes in equity

179 Notes forming part of the company accounts

181 Abbreviations and definitions

182 Alternative performance measures and explanatory notes



Strategic Report

- 03 In brief
- 06 Our business model
- 07 Our strategy to 2040
- 09 Chair's statement
- 10 Chief Executive's review
- 13 Business environment
- 16 Financial review
- 22 Going concern and viability statements
- 24 Principal risks and uncertainties
- 27 Non-financial and sustainability information statement
- 40 Engaging with our stakeholders
- 42 S172 statement

Annual Report and Accounts 2025



Our business model

Our business model

We generate income from Air Traffic Control (ATC) and related services in the UK and overseas, mainly conducted through NATS (En Route) and NATS Services.

We have a broad range of stakeholders and understanding their needs today and in the future shapes our strategic objectives (see page 7). We also have an important role in supporting aviation to meet its decarbonisation objectives, discussed on page 34.

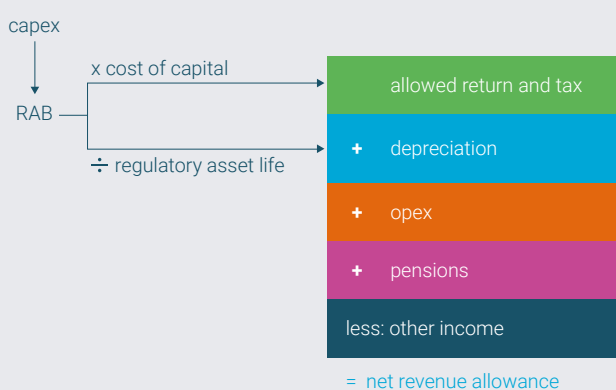
NATS (En Route) plc (NERL)

NERL is our core business and accounts for 81% of the group's revenue. It is the sole provider of ATC services for aircraft flying en route in UK airspace and the eastern part of the North Atlantic. It operates under a licence granted under the Transport Act 2000 as amended by the Air Traffic Management and Unmanned Aircraft Act 2021 and is economically and safety regulated by the CAA.

The CAA has a duty to ensure that it is not unduly difficult for NERL to finance its activities. Under the regulatory framework illustrated below, the CAA establishes revenue allowances for a price control period. These remunerate efficient investment (capex), operating costs (opex), pensions, tax and an allowed return on the capital invested in the Regulatory Asset Base (RAB) to recover the cost of capital. The RAB represents the value ascribed to the capital employed in the regulated businesses. For NR23 (2023 to 2027), the CAA set the cost of capital at 4.37% (pre-tax real). Income from other activities is deducted under a 'single till', leaving a net revenue allowance. A price per service unit is set to recover this based on forecast traffic for the price control period. The charges for the UK en route ATC service are administered by Eurocontrol, the European network manager and a non-governmental organisation of 41 member states. Charges for North Atlantic en route and other services are recovered by NERL directly from users.

The CAA also sets targets, and provides incentives, for service, environmental performance, capital investment and gearing levels. If regulatory assumptions are borne out and NERL efficiently meets its targets then NERL would earn a return at the cost of capital. It can out-perform if it is more cost efficient than the CAA's assumptions, finances at lower cost, if traffic volumes after risk sharing (see below) are higher than forecast or if it beats service targets. NERL would earn lower returns if the opposite applied. Regulatory mechanisms mitigate the impact of variations in traffic volumes, inflation, pension contributions and corporation tax rates from the level assumed and result in adjustments to charges in future periods.

The economic regulatory framework



NATS Services (NSL)

NSL is entirely separate from NERL and operates in contestable markets, servicing both UK and international customers. Together with its subsidiaries NSL accounts for 19% of the group's revenue.

The UK Airports service currently provides ATC to 14 major UK airports as well as engineering support and airport optimisation services. NSL provides ATC and related engineering services to the UK MOD mainly through the Project Marshall[®] contract that is delivered in partnership with Thales by our Aquila joint venture. Other UK Business includes aeronautical information management, design and data services, digital tower services, consultancy and ATC training to airlines and airspace users.

Our International activities focus on providing the same range of services to the Asia Pacific and Middle East markets and is also targeted to specific international airports and Air Navigation Service Providers. We have offices in Delhi, Dubai, Hong Kong and Singapore. Our Searidge Technologies subsidiary is based in Ottawa. It provides digital towers and advanced airport solutions.

Our strategy to 2040

Our purpose

Advancing aviation, keeping the skies safe.

We exist to ensure the skies are a safe and efficient environment for aviation. Defined by the things we care about, our strategy is driven by our purpose and our values and is informed by the needs of our stakeholders.

Our company vision for 2040

Passionate about aviation, we step forward and seize the opportunities across our evolving industry. Our talented team creates and operates sustainable solutions for all airspace users. Advanced products and services using the latest data, technology and automation result in the skies being safe, efficient and cleaner for everyone. It is why we are proud to connect airspace users, partners and customers in the UK and around the world.

Our values

- We are safe**



Safety is our core value. Our commitment to the safety of our people, operations and positive safety culture remains consistent and unwavering. It permeates everything we do as we address an evolving working environment and the challenges brought about by the expansion of types of airspace users and new technologies.
- We are courageous**



We have the courage to think differently, to speak up and create a positive working environment in pursuit of our goals, and to strive for better. Our courage develops excellence in our people and in our practices. It advances our products and our services, and provides us with safe, sustainable and efficient solutions that we are proud of.
- We are one team**




We accomplish more together. We share knowledge and collaborate, both within functions and across divisions so our successes are shared across the business. We put team goals ahead of personal ones, trust each other to deliver on commitments and support each other to develop the capabilities of the company. We are one team.
- We are respectful**



We value everyone regardless of background. We treat each other, customers, partners and suppliers with dignity and professionalism. We acknowledge the value each of us brings, our differences, and our contributions. We also respect the world in which we operate, always acting responsibly and hold ourselves to the highest standards.

Our stakeholders - see page 40

Safety is our highest priority for all our stakeholders and the public, today and in the future. Our stakeholders rely on our service, work for us, regulate us, finance us, live in the communities we serve and supply us. We are committed to doing business responsibly and sustainably and thinking for the long-term. This is key to delivering our strategy.

 <p>Airspace users, airports and other customers</p>	 <p>Employees</p>
 <p>Regulators</p>	 <p>Government</p>
 <p>Investors: shareholders and lenders</p>	 <p>Communities and environment</p>
 <p>Suppliers</p>	

Our strategic objectives

Our strategy is designed to drive the company's purpose of **Advancing aviation, keeping the skies safe**, which is at the heart of why we do what we do and what we are passionate about. It is supported by the guiding principles which underpin the company's culture and its core values, and is centred around four long-term objectives, which are deliberately challenging, for delivery by 2040.

Our strategy to 2040

By 2040



We will be a top 25 UK company to work for

We want to retain our brilliant people and attract the best new talent.

Inclusion, career development and wellbeing are front and centre of our approach.

We are working in a safe and diverse environment that encourages innovation and continuous improvement.



Every airspace user will be able to rely on our services

We are relentless in our pursuit of safety, for all airspace users and everyone who works with us and for us.

We are delivering the UK's ATM service and a single unsegregated airspace.

We are constantly evolving and leading our industry to meet ever more complex technical demands.

We are solving the issues our customers face through our innovation and pioneering technology.



We will be carbon negative

We have minimised our direct environmental impact and are carbon negative across our estate.

We have limited waste and have invested in carbon capturing technology.

Additionally, we are supporting the reduction of aviation's impact on the environment thereby ensuring aviation's crucial role in the UK's economy.

We prioritise working with our customers and partners to find more sustainable solutions, including providing efficient routings to minimise the emissions of air traffic in our airspace.



We will be delivering an additional £500m in revenue per year (in 2021 prices)

We will achieve this by being sustainable and providing competitive and market leading propositions to new and existing UK and international customers aligned with their strategies which we will develop by working alongside our partners.

We work in an efficient culture, delivering value for money and cost efficiencies every day.

We have adapted to the big changes in our industry, and we are focusing on R&D and innovation.

We are nimble and agile and forging new industry relationships. We understand our customers and their needs, we think long-term.

Chair's statement



I am pleased to present my first report as Chair on what has been a very positive year for safe service delivery and strategic progress.

A driving force this last year has been reaffirming our reputation as the world's leading air traffic service provider. Our service performance was very sound, with little NATS attributable air traffic delay, comparing very favourably with the performance of the wider European network, and a safety performance in line with our best historic performance, which was achieved when traffic volumes were lower than they have been this year.

There is no doubt that aviation delivers enormous social and economic benefits, acting as a critical enabler of growth in the UK economy through the connectivity it brings. What has become clear to me since I joined NATS is the scale of the opportunity for the group and the aviation sector from modernising the UK's airspace infrastructure over the next decade - creating a system that is fit for the future with more efficient flight paths, minimal delay and a reduction in greenhouse gas emissions while also unlocking the further economic benefits offered by the next generation of airspace users such as drones and other uncrewed aircraft.

This is a positive vision for the UK and for NATS which operates this critical national infrastructure, and we are pleased there is now the political will for this wholesale change. Airspace is the collection of invisible corridors in the sky which has been largely unchanged since the 1950s when the volume of flights was a fraction of what we manage today. Demand for airspace is expected to continue to increase to accommodate the growth in new and existing airspace users, and this underpins the UK's airspace modernisation strategy. This will require a redesign of the airspace structure and the ground infrastructure that supports it, with NATS playing a key role. Progress on both fronts was made this year. In particular, the CAA and DfT jointly consulted on a new UK Airspace Design Service (UKADS) to prioritise the modernisation of the complex airspace around London. Alongside this it will be important that policy decisions on additional runways in the South are made in a co-ordinated way to ensure the full benefits of airspace modernisation can be delivered.

Separately the Board is monitoring the increasingly complex geopolitical landscape and uncertain economic outlook. The imposition of tariffs by the US may have significant consequences for the global economy and potentially the demand for air travel, which is closely correlated with economic growth, although our exposure to a significant fall in flight volumes is mitigated by our regulatory agreements. Separately it remains far from clear at this stage whether there will be a peaceful resolution to the war in Ukraine in the near term and, if so, whether more of Europe's airspace network will be opened up or whether restrictions will persist for monitoring that peace. As Martin explains in his Chief Executive's review, most of our customers fly through European airspace and are therefore impacted by the capacity of its wider network. These uncertainties make it challenging to forecast flight volumes, which we rely on for financial, operational resource and investment planning. Finally, we continue to stay abreast of the global security situation and monitor and respond to emerging physical and cyber threats. As other organisations have recently found the cyber threat is a very real one and we have upgraded our already significant efforts in this direction in close collaboration with government bodies.

Our statutory profit at £234m was less than the prior year's result (2024: £372m). This is in line with expectation as the latter included the one-off recognition of £123.2m of income following the CAA's final confirmation of NERL's revenue entitlement for the three years of the Covid pandemic. Dividends, which had been suspended since November 2019 due to Covid, were resumed by the Board this year with shareholders receiving £171m (2024: £nil). The Board is committed to sustainable returns to shareholders and expects to set distributions in the medium-term by reference to NERL's free cash flows, after investment in the airspace infrastructure and for operational resilience, while NSL's earnings will be reinvested to support the revenue growth strategy.

Good progress was made in that respect too with forward revenue from new contracts of £267m secured in the year. Of particular note are the deployment of Intelligent Approach at Gatwick Airport, a world-first for a single runway operation that will enhance its runway capacity, and the strategic partnership agreement with Birmingham Airport. The airport has ambitious plans to become one of Europe's leading regional airports and we look forward to working with the team there to enhance their operation.

Since joining NATS I have been struck by the pride and passion of our people. This year's accomplishments reflect their dedication, professionalism and expertise, and their focus on the safety and efficiency of air travel for millions of passengers, for which I thank them. Also, I would like to extend the Board's thanks to Paul Golby for his leadership and dedication throughout his tenure as Chair.

Sir Warren East
Chair

Chief Executive's review

We made good progress this year against each of our strategic objectives. While our primary focus is always to provide our customers with a safe, efficient and resilient service, we have also given a great deal of thought to the conditions required to meet those needs in the future. Alongside continuing our investment in the ATC infrastructure and our people, we have engaged with the joint DfT/CAA consultation on a new UK Airspace Design Service (UKADS) and consulted stakeholders on our proposals for the integration of new airspace users. These are key national infrastructure projects aligned with the Government's growth agenda that will ensure we can continue to meet the increasing demand for air travel with more fuel-efficient routes while addressing the limitations of existing airspace infrastructure to enable new aircraft and journey types to operate.

Putting our customers first

We maintain an unshakeable commitment and focus on safety and our performance this year remained very strong, comparable to our best historical performance while handling 3% more flights in the year. This continued a trend of good performance founded on our strong safety culture and reflects enhanced collaboration across our operation, the development of a fast-paced lesson learning culture, internal safety campaigns and enhanced competency management.

Our en route service performance was very good with an average delay per flight attributable to our operation for calendar year 2024 of 4.4 seconds (2024: 8.8 seconds). This met the regulator's target of 8.3 seconds and reflects focus on consistency in our service delivery performance at key times of the day and our focus on the punctuality of first rotation flights to avoid knock-on delays for the remainder of the day, and minimising staffing-related delays. These outcomes also reflect the enhancements to our operational readiness procedures and the benefit of our daily industry calls, increased incident management training and implementation of enhanced resilience measures on critical service days. The improvements in information sharing and collaboration have been particularly helpful during times of external disruption, such as responding to named storms, major events like the Paris Olympics and the power failure at Heathrow.

While I have been pleased with our service performance, this has not always been as visible to our airline customers, as very few experience our services in isolation. A large proportion of their flights, particularly those of short-haul airlines, interact with the wider European aviation network. European ATM faced many challenges last summer, with bad weather and higher than anticipated traffic putting pressure on a network already geographically constrained by the war in Ukraine. In these circumstances we are frequently constrained by continental Europe's network capacity to absorb flights originating from the UK by regulating the flow of traffic, while continuing to prioritise safety. This can result in departure delays which are not attributable to our operation; however, we recognise the impact these have on our customers and their passengers and we do all we can to minimise that impact through factors we can control.

The CAA's independent review panel published its report in November 2024 into the flight planning system failure of the previous year. We fully supported this investigation. The panel endorsed our own finding, that at no time was safety compromised. It also made recommendations for NATS and others, including airlines, airports, the CAA and DfT. Those relating to NATS focus mainly on software, engineering, customer communications and resilience, all of which have been completed.

Our own major investigation report had recommended improvements in engagement with our airline and airport customers, our wider contingency and crisis response and our engineering support processes. These have also all been completed alongside fixing the specific issue in the days following the incident in 2023 so that it cannot reoccur. For the 2024/25 year, I am delighted to report that we maintained a highly resilient operational service, with our customers experiencing no material delay as a result of technical issues in our systems. In fact, engineering-related delay this year accounted for only 1.2% of NERL's attributable delay.

Achieving our other service objective of enabling the most fuel-efficient flight profiles was more challenging however, and will become more so over the remainder of NR23. We measure our performance as a three-dimensional inefficiency (3Di) score as a proxy for aircraft fuel burn and emissions and achieved 28.57, excluding non-revenue flights, for calendar year 2024 (2023: 28.2). While 3Di is now embedded into daily network operating plans with tools to identify and suggest more efficient flight plans, we were not able to meet the regulator's target range of 25.6 to 28.3. Our score this year reflects the many external factors that impact the 3Di measurement, not least some difficult weather conditions in the early part of the financial year from which it was difficult to recover. The score is also reflective of the increase in flight volumes, particularly in the congested area over London and the Southeast, where our primary objective of keeping aircraft safely separated while still meeting demand often requires techniques such as airborne holding to be applied, which lead to aircraft flying less efficient trajectories. Other factors that decrease environmental efficiency included: an increase in military use of airspace for training, requiring greater track extensions for civil aircraft; the geopolitical situation causing some flights to enter and exit UK airspace in sub-optimal routings; and ad hoc flights, such as for aerial surveys, flight trials, calibration or research that cannot maximise flight efficiency while conducting their missions. Looking ahead, we expect some modest improvement in the 3Di score from reduced airborne holding following the deployments of our Intelligent Approach tools at Heathrow and Gatwick airports (see below). Nevertheless, it is important that the flight efficiency measure is properly reflective of the emissions savings that airline and airport customers and society require and NR28 provides an opportunity to engage further with our stakeholders on this.

Modernising UK airspace infrastructure

The future use of our airspace, and hence how we manage traffic, will be radically different from today. The volume of flights from traditional civil aviation continues to grow, requiring more capacity in the skies, while new airspace users – such as advanced air mobility and uncrewed aircraft systems – are seeking a clearer mechanism to access airspace efficiently. Alongside these is the need for more fuel-efficient flights to support aviation's transition to net zero carbon emissions by 2050.

UK airspace is an invisible but vital piece of national infrastructure. Due to the social challenges of changing aircraft flight paths its basic design has not kept pace with advances in aircraft and air traffic control technologies and an increase in demand from airspace users. Modernisation is now essential to ensure that UK airspace is better able to meet the demands upon it – enabling more quicker, cleaner and quieter journeys that safely integrate the full potential of new aviation technology such as drones, illustrated by Project Caelus on page 15.

Chief Executive's review

Elements of this modernisation are likely to include: the redesign of terminal airspace around major airports, so aircraft arrive more efficiently with less airborne holding to cut fuel usage; the safe integration of future airspace users, so that new modes of flying can be accommodated alongside existing airspace users; and improved airspace management for current users, including general aviation, so areas of airspace use can be switched dynamically, for example, between civil aviation, military operations and space launches.

Airspace change has been a focus for policymakers and the regulator this year, creating the conditions for this modernisation with developments in the regulatory framework for integrating new users and updating airspace around London and the Southeast. NERL has been appointed to establish an UK Airspace Design Service (UKADS) function following a joint consultation by the DfT and the CAA. Our role will be to coordinate and sponsor future airspace changes to deliver a holistic design in line with the CAA's Airspace Modernisation Strategy. These changes are currently devolved across all airports involved and NERL, which creates significant coordination challenges – particularly for the 12 airports in and around London – alongside the airspace changes required to enable runway expansion plans. We welcome the changes proposed by the Government and the CAA to the policy framework and rules for making airspace change which should help UKADS to secure the anticipated benefits as swiftly as possible in the coming years.

While we continue to work towards large-scale airspace modernisation, our Operational Service Enhancements Project (OSEP) delivers smaller-scale changes that can be introduced relatively quickly which help reduce controller workload, provide more flexibility to our customers and enable more fuel-efficient flights. This year the projects included enhancements that enabled continuous climbs for southbound departures from East Midlands Airport, reduced complexity across the Lakes and Rathlin sectors where traffic converges within a relatively small geographic area and enabled some Area Control and Terminal Control sector tactical direct routings to be flight planable.

Alongside airspace modernisation, integration of new airspace users is one of the pillars of the UK Government's Future Flight strategy, with the goal of enabling all aircraft to share airspace safely in a coordinated and efficient manner. As part of the NR23 regulatory settlement, the CAA required NERL to set out the services it is developing to meet the demand for airspace access from an increasingly diverse variety of crewed and uncrewed aircraft, to consult with stakeholders on these alongside an appropriate charging mechanism, and to develop proposals accordingly. Our resulting OpenAir proposal has been developed to provide the necessary data exchange to a range of service providers thereby enabling the creation of integrated airspace. We have consulted with stakeholders on this proposal for the digital infrastructure to support integration of uncrewed aircraft into lower airspace. This summer, we will be sharing our thoughts with the CAA including our view that these services should be funded from charges on new airspace users, distinct from existing en route services, along with a specific model of regulatory oversight which should enable service innovation by NERL while protecting users' interests.

Growing our order book

It was a good year commercially for NSL which secured forward orders worth £267m from new contracts and renewals. This is of great credit to our commercial team, which has been focusing on longer-term larger contracts, which are by their nature harder to win. Our success is also a reflection of the industry's recognition of our market leading propositions.

Of particular note was our agreement with Birmingham Airport on a 10-year contract to provide ATC and engineering services. After a year-long transition from their in-house service provision we will be supporting the airport from late 2025/early 2026, and ensuring this transition runs smoothly is one of our priorities. We were also pleased that Belfast City and Bristol airports agreed to renew their contracts. Significantly, each of these is a strategic partnership agreement which looks beyond providing excellence in ATC service and engineering by also facilitating us working with the airport operator to address their specific challenges.

We have also been supporting Heathrow and Gatwick airports to improve their operational resilience and boost on-time performance for a better passenger experience. Our Intelligent Approach (IA) suite of controller tools, which includes Time-Based Separation (TBS) Pairwise and Advanced Mixed Mode, safely optimises arrival spacing to maximise runway capacity. At Heathrow we deployed TBS Pairwise, further enhancing the IA tool that has been in service at the airport since 2015. TBS safely separates aircraft on final approach based on time rather than distance, having regard to aircraft wake vortices, and in doing so enables additional movements particularly in strong headwinds. Pairwise makes use of a significantly more extensive wake turbulence separation scheme based on the characteristics of individual aircraft types allowing reduced separation between appropriate pairs of aircraft enabling an increase in landing rates. At a capacity constrained airport like Heathrow, this can make a positive difference to airline punctuality, operational resilience and carbon emissions. At Gatwick the deployment of IA Advanced Mixed Mode is a world-first for a single runway airport and is expected to increase runway capacity by two to three movements per hour in strong wind conditions. This expertise is also recognised internationally with existing deployments in Canada and the Netherlands. More recently, Saudi Air Navigation Services, with whom we have a collaborative strategic partnership, are contracting us to deploy IA at Riyadh, Jeddah and Medina airports, in support of the Kingdom's ambitious growth and development plans.

Finally, Airport Authority Hong Kong (AAHK) agreed an extension to our commitment to provide world class controllers to Hong Kong International Airport until 2029. This reflects the strength of our relationship. Alongside the commencement of their three-runway operation, the scale of Hong Kong's ambition and their embrace of technology is raising the bar for the industry, and we are very proud to be playing a part in their ongoing success.

Focusing on our people

Training our next generation of air traffic controllers is key to maintaining operational resilience and as an enabler to airspace modernisation and the technical transformation of our infrastructure. We are continuing to focus on recruiting and training new controllers to offset those retiring from NATS however, as trainees can take up to three years to obtain a licence, we do not expect to reach peak annual validations we need until early in NR28. To mitigate this challenge, we continually review the effectiveness of our training to maximise success rates, optimise the use of simulators and partner with an external training partner to provide more capacity. This year 69 trainees completed their initial training (2024: 73) and 67 controllers extended their validations, enabling them to control additional areas of airspace (2024: 75).

Chief Executive's review



In February we conducted a second b-Heard employee opinion survey to track our progress since the 2023 survey which provided a baseline for our strategic objective of being a Top 25 UK employer. As before, the survey was conducted by Best Companies, the employee engagement specialists, who accredited us as one of a very small number of 'Very Good Company to Work For' again.

I was encouraged that our level of engagement remained stable during what has been a challenging time for many organisations. I was particularly pleased to see the sense of pride people feel about working here, something I recognise from my interactions each day. Our company-wide actions since the 2023 survey focused on three factors for improvement: leadership, personal growth and giving something back. This year's survey showed leadership engagement is unchanged while personal growth and giving something back improved. The latter is pleasing to see given the focus since the last survey and reflects the actions taken by colleagues and the company to support local causes. With the help of colleagues from across the business, we will use the feedback from this latest survey to shape and deliver improvement plans, and we are placing an emphasis this year on the development of local initiatives, particularly around leadership.

Equality, Diversity and Inclusion (ED&I), alongside sustainability, has been a topical issue of late with a number of organisations assessing what is right for their circumstances. Our approach and commitment to these matters remains unchanged. With respect to ED&I, it is important that we build on the progress we have made to further increase diversity and ensure we have an inclusive work environment. We want to attract and retain the best and widest talent we can, as is right for our business. Our pay gap report sets out the actions we are taking to encourage more people from diverse backgrounds to join the organisation, how we support colleagues from underrepresented groups to develop and progress and create an inclusive environment where our colleagues feel they belong, so we retain our talent. Achieving 27th place in the UK Top 50 Inclusive Companies list is acknowledgement of the improvements we are making and reflects the great work of our employee networks and support groups.

Sustainability

As a company, we continue to step up our efforts to lead the way in sustainable air traffic management, with a firm commitment to becoming carbon negative by 2040. We have been recognised for our progress to date, being included for the fifth year in a row in the Financial Times' list of Europe's Climate Leaders.

Notable this year was the completion of the first of three large scale solar schemes which installed 2,600 panels on the roof of our Swanwick control centre. In total, 11,000 panels will be installed at Swanwick and Prestwick in an initiative to deliver on-site renewable electricity self-generation to supply around 20% of the consumption of these sites.

We are also pushing forward with our plans to make Prestwick the world's first net zero air traffic control centre by 2028 by removing gas from the site alongside the investment in renewable energy. We have a unique opportunity here to drive environmental improvement and positively impact the local community.

NATS has a long track record of working with airports to enhance runway capacity. We are now applying that same expertise to sustainability. Our Clarity tool is an emissions impact demonstrator that enables airports to analyse, visualise and compare the carbon impact of different aspects of their operation and to understand the relative effectiveness of future sustainability initiatives. In addition, we have enrolled five ANSPs to Green Aviation Insights (GAIN) to help us shape what we hope will be a globally collaborative data and analytics tool to measure airspace efficiency and environmental impacts in a standardised way enabling ANSPs worldwide to drive more sustainable airspace management.

Executive team changes

Guy Adams (Managing Director, NSL) retired this year after 28 years of service. Guy joined the Executive team in 2016. Under his leadership we won back major service contracts at both Gatwick and Birmingham, and we have established greater scale in our international business. Kuldeep Gharatya (Technical Services Director) left the company in May 2025, having joined us in 2022. I would like to thank both for their significant contributions to NATS and I am very grateful for all they achieved. Interim arrangements have been put in place for both roles while we undertake a recruitment process.

Looking forward

The key priorities for our airline customers this summer are, unsurprisingly, safety, punctuality (on-time performance), and sustainability which, together with resilience, guide our own internal planning and operational delivery. We have also been working closely with Eurocontrol's Network Manager and the wider aviation community to ensure the UK network is managed safely and efficiently so that summer 2025 runs as smoothly as possible across the whole European network. Our close collaboration with airlines is essential and we will continue with engagement activities such as the daily calls which enable us to brief on the day's operational picture. I have no doubt that the summer will be challenging but I believe we have come a long way over the last year and we have set ourselves up in the best possible way to deliver for our customers and their passengers.

A handwritten signature in black ink, appearing to read 'Martin Rolfe'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Martin Rolfe, FRAeS
Chief Executive

Business environment

Air traffic volumes

The volume of flights that we handled this year grew by 2.9% to 2.48 million (2024: 2.41million), which marks a positive recovery to 96% of pre-pandemic levels. However, while our operation has never been busier our income is falling short of our price control allowance. Flights were 3.8% lower than the forecast adopted by the regulator for NR23 and chargeable service units (CSU), the basis by which we recover our revenue allowance, were 5.9% below the NR23 price control. These are significant deviations from forecast despite a relatively stable economic environment. Appropriate traffic forecasting will need to be a key issue in our discussions with the CAA in NR28.

Our UK en route revenue allowance is recovered by charging a unit rate that is a function of an aircraft's weight and the distance it flies in UK airspace. The unit rate is set ex ante by the CAA based on the volume of CSUs they forecast which, for NR23, assumed Eurocontrol STATFOR's March 2023 forecast. Alongside the general impact of a more sluggish UK and European economy on CSU growth, our analysis indicates that eastbound North Atlantic over-flights are flying shorter distances in UK airspace. Since 2023 more airlines have taken advantage of the free route airspace we implemented over the west of the UK, that enables more flexible routing, while also using Irish airspace that bears a lower air traffic control charge than the UK reflecting our more complex airspace, particularly in the congested Southeast. In addition, there have been fewer transatlantic arrivals and departures from the UK to the west coast of the US, reflecting changes in airline scheduling.

While NERL's licence provides some mitigation from traffic variances relative to the price control, NERL bears all the risk if volumes are 2% below the CAA's forecast and 30% of the risk if volumes are between 2% and 10% lower. NERL's UK en route income for the financial year was c3% or £24m less than its anticipated revenue entitlement due to lower volumes.

We have updated our internal forecast to reflect a slowdown in demand consistent with economic projections of a more challenging global environment and continuing geopolitical uncertainty. We also foresee that UK and European mandates for the use of more expensive sustainable aviation fuel (SAF) alongside the elimination of free carbon credits will have a dampening effect on demand in 2026 and 2027.

While SAF mandates are not yet specifically included by Eurocontrol (STATFOR) in its projections, though some generic dampening has been applied, their most recent 7-year forecast also reflects an expectation of slower UK economic growth with flight volumes annually 1-3% below their forecast of a year ago. Overall, we anticipate that the volume of flights and chargeable service units will continue to track below the price control forecast for the remainder of NR23 and this is reflected in our business planning.

Safety Performance

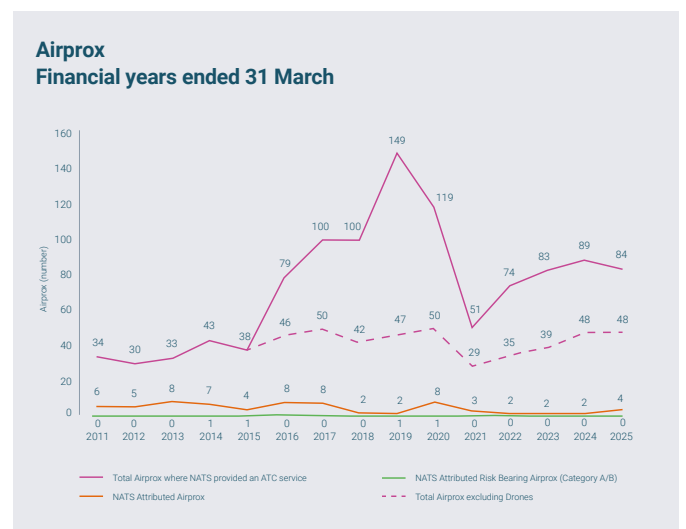
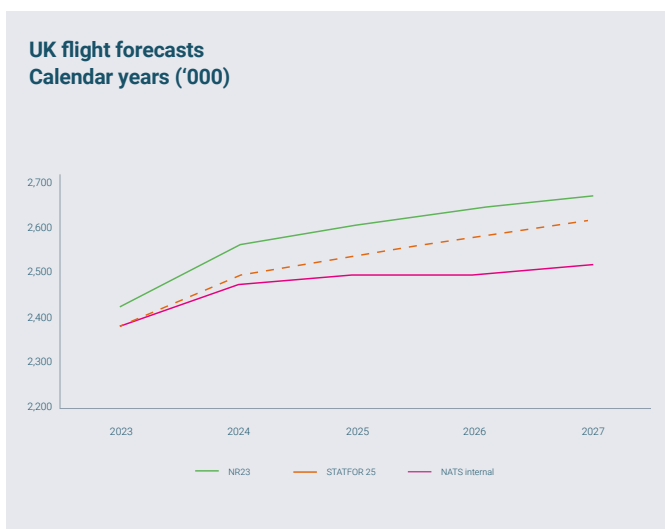
Safety is our primary duty and our foremost priority. The safety of all airspace users and their passengers is at the forefront of our operational service delivery, staff training and equipment maintenance and investment decision-making.

Our commitment to safety is underpinned by a robust set of metrics and targets that we use to monitor our performance and to drive continuous safety improvement. We maintained our strong safety record this year, meeting all of our performance targets.

a. Operational Safety

A key target is to achieve no NATS-attributable category A or B risk-bearing airprox from our en route ATC activities provided by NERL as well as our airport ATC operations provided by NSL. Airprox are an important barometer of risk in the aviation sector. Each report is assessed independently by the UK Airprox Board, a panel of experienced civilian and military aviator and controllers, which reviews each incident to determine its causal factors and the degree of risk of collision. There were no NATS-attributable A or B risk bearing airprox in this financial year (2024: nil).

Remotely Piloted Aircraft Systems (RPAS), or drones, account for a significant proportion of the airprox events in airspace where NATS provides a service, especially during the busy summer months. While there are strict regulations on the operation of RPAS, including the airspace that can be used, drones are not detectable by radar and to date there has been limited technology to make their pilots aware of other aircraft.



Business environment

Ensuring the electronic conspicuity of all airspace users' technology that can help drone operators, general aviation pilots and air traffic services be more aware of what is flying in surrounding airspace alongside an aeronautical information service underpins our OpenAir proposals.

In addition to airprox incidents, we assess the severity of safety events using Eurocontrol's Risk Analysis Tool (RAT⁹), as a proxy measure for safety risk. In this respect we have seen our longest period of sustained improvement across both our air traffic control centres and our airport units. This financial year we recorded a total of 763 points (2024: 554). This remains well below pre-pandemic levels, despite the volume of flights now being at a similar level. RAT events in the year included one severity A and four severity B events against our target of less than 10 events a year. Each event is investigated, to the extent necessary, and the most serious events are reviewed by our Safety Review Committee, which scrutinises recommendations and mitigating actions to prevent recurrence.

Our strong safety performance is attributable to a variety of different factors, the benefits of which have been accumulating over several years. At its heart is a cultural change supported by regular safety campaigns focusing on our four safety behaviours: Communicate, Support, Challenge and Report, which reinforces a positive safety culture, as well as safety improvement teams which continue to provide fast-paced lesson learning and strive to identify early signals of safety risk.

b. Employee health and safety

The health and wellbeing of our employees is an essential part of our overall safety culture. We assess performance according to the number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2012) incidents, of which there was just one in the year (2024: one). It was investigated and improvements were implemented to prevent recurrence. It highlights the importance of our continuing focus on health and safety practices. We are ISO 45001 certified and provide health and safety training to mitigate risk in this area.

Alongside this, we provide a peer support programme, now in place for 20 years, operated by trained peer supporters from across the business. The programme includes mental health support which is available to all employees. We have seen a fall in the number of interventions requested for the first time in seven years which reflects the hard work of our volunteers and the education available to employees, such as our mental health awareness course.

Safety management

We are subject to an extensive safety regulatory framework that includes regulations overseen by the CAA as well as retained EU regulations overseen by the European Union Aviation Safety Agency (EASA). This framework is anchored in our safety management approach that covers systems, procedures and personnel.

To ensure that we work effectively to understand, maintain and improve safety performance in a consistent way, we have a formalised Safety Management System (SMS). Over the past year, we have enhanced this by developing a standardised description of safety risks to ensure a common basis for safety risk reporting across our control centres and airport units.

Our progress in evolving the maturity of our SMS was recognised in the year with two awards from the Civil Air Navigation Services Organisation. The CANSO Standard of Excellence in Air Navigation Services – Safety programme, offers air navigation services providers a means of assessing the level of maturity of their SMS. We currently attain a level C maturity whereby our SMS processes are formally documented and consistently applied with processes in place to measure its effectiveness, for instance by using comparative analysis. Our aim is to achieve level D by 2028.

The strength of our safety culture is one of the fundamental values of our company and in November 2025 we will be undertaking our next company-wide safety culture survey. We will also be joining a CANSO Safety Culture benchmarking initiative to support improvement in safety using data-driven analysis to assess cultural strengths and identifying areas for development. In addition, we are continuing to work towards the development of a Fatigue Risk Management System, ahead of any regulatory requirement, underscoring our commitment to managing human-related risks. While fatigue management is already integral to our rostering and personnel support practices, we have determined best practice by engaging with other ANSPs, airlines and other industries on the key steps for enhancing our understanding of fatigue risks.

Long-term capital investment

Maintaining safety and service delivery continues to be the priority for our investment programme. Aligned with this is delivering the future technical foundation and for this we must upgrade the infrastructure to enable the most modern ATM concepts essential to meeting future sustainability targets and medium to long-term forecast traffic growth. Modernised systems are also essential if we are to deliver major airspace change.

Our investment this year of £126m, included £118m in the regulated infrastructure of the projected £636m in NR23. Alongside this we made a number of important investment decisions for the future, the most significant being a £120m project to replace 10 and decommission two of our current network of 12 primary and secondary long-range radars that will provide enhanced coverage of en route air traffic. The new radars have an operational life through to 2045 and will consume between 30% and 50% less energy than those being replaced, contributing to our emissions reduction strategy. In addition, we implemented a significant update to the National Airspace System (NAS) flight data processor (FDP) to improve resilience and integration with other critical flight systems. We are seeking to replace NAS with a modern interim solution that will provide the foundation for our airspace development needs and ensure a reliable service until the deployment of iTEC SkyNex, with the replacement system potentially serving as an enduring fallback capability. iTEC SkyNex is being developed through the European Commission's SESAR programme and will enable more aircraft to fly safely and more fuel efficiently within the same airspace.

Other investments this year included the upgrade to operational network firewalls that provide critical security and connectivity at our centres and head office, mitigating technical obsolescence risk, a major software update to the New En Route Centre (NERC) system which supports our London Area Control operation, enhancing our capabilities and supporting our radar replacement programme and systems used by our military colleagues, the solar array at Swanwick and the development of new facilities at our Prestwick control centre. Additionally, our engineers delivered the two world-first IA projects for Heathrow and Gatwick airports.

Business environment

Project Caelus

A recent study forecasts that up 900,000 drones could be flying across UK skies by 2030. To realise the commercial potential of a safe and profitable low-level airspace economy in the UK, the CAA has targeted 2027 for routine beyond visual line of sight (BVLOS) drone flights and has supported several trials within the Future Flight Challenge Programme to test drone technologies and procedures in increasingly complex environments.

Project Caelus is one of the most comprehensive of these trials, bringing together each element required for successful end-to-end service delivery and a vital stepping stone along the path of evolving regulations and operations. Over the last four years, Project Caelus brought together 16 consortium partners to deliver the UK's first national drone network equipped to transport essential medical supplies to both urban and rural communities across Scotland. Flight trials established that safely managed medical drone flights between NHS Scotland sites could be done in both controlled and uncontrolled airspace using Temporary

Danger Areas (TDAs). This was also a test bed for the Future Flight Challenge to develop a clearer understanding of how BVLOS operations could be evolved into a fully integrated airspace with commercial and other traditional traffic. Evidence from the trial flights in TDAs will build the safety case for using other types of more flexible airspace, leading to full integration.

For NATS, the project provided an invaluable opportunity to develop and test how complex low-level drone flights can be safely managed within the airport airspace environment, where drones and passenger carrying aircraft will soon have to share the same airspace. In particular, it helped validate the concept of operations and technology and define a progressive roadmap towards full integration. We have now set out in a white paper, available on our website, the important conclusions from the project if the industry and regulators are to progress from advanced trials to routine commercial operations.



Financial review

Alternative performance measures

In order to provide better insight for managing and reporting our financial performance, we adopt a number of non-IFRS measures: adjusted revenue, adjusted profit before tax, debt-adjusted cash flows (DACF), net debt, the regulatory asset base (RAB), regulatory return (adjusted) and gearing. These alternative performance measures (APMs) are not defined by International Financial Reporting Standards (IFRS) and should be considered in addition to, and are not intended to be a substitute for, IFRS and statutory measures. A reconciliation of the APMs to IFRS measures is provided at page 182.

Results overview

£m (unless specified)	2025	2024	Change
Revenue	1,071.6	1,189.0	(117.4)
Adjusting items	-	(123.2)	123.2
Adjusted revenue	1,071.6	1,065.8	5.8
Profit before tax	234.3	371.5	(137.2)
Adjusting items	-	(123.2)	123.2
Adjusted profit before tax	234.3	248.3	(14.0)
Operating cash flows	345.7	200.1	145.6
Cash flows from investing activities	(114.7)	(112.3)	(2.4)
Cash flows from financing activities	(232.3)	(81.7)	(150.6)
Net (decrease)/increase in cash and cash equivalents	(1.3)	6.1	(7.4)
Adjusting items	211.2	86.3	124.9
Debt-adjusted cash flows	209.9	92.4	117.5
Capital expenditure	125.9	116.8	9.1
Net debt (statutory basis)	(710.7)	(745.4)	34.7
Gearing (%)	42.5%	41.9%	0.6%
Regulatory Asset Base (RAB)	2,074.0	2,139.2	(65.2)
NERL's regulatory return - adjusted profit basis (%)	3.6%	4.9%	(1.3%)
Dividends	171.0	nil	171.0

The group reported a statutory profit before tax of £234.3m, which was £137.2m less than the prior year (2024: £371.5m). This reduction is as anticipated as the prior year's result included one-off revenue of £123.2m to align with the CAA's assessment of NERL's income entitlement for Covid years 2020 to 2022. As it was obliged to do, NERL had provided its ATC service throughout that period while having to finance the significant shortfall in its income caused by the collapse in air traffic volumes. Until the CAA's decision, revenue had to be recognised for those years at an amount judged to be highly probable of not being reversed subsequently.

Financial review

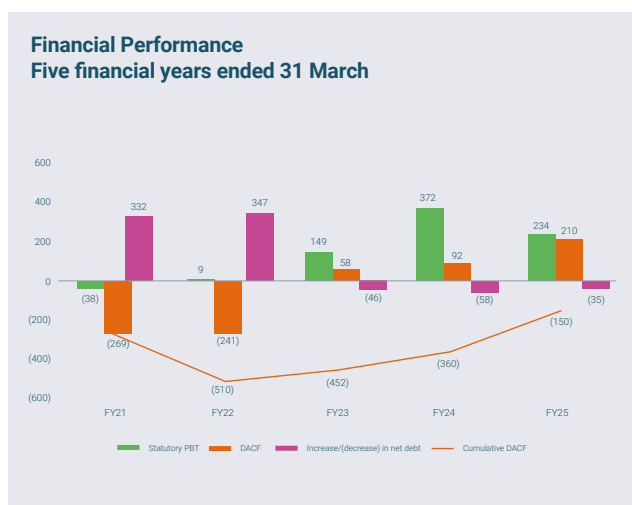
Adjusted profit before tax

The measure of Adjusted profit before tax excludes the one-off revenue allowance explained above, to enable a better understanding of the group's underlying performance for the service provided in the financial year.

On an adjusted basis, this year's profit before tax was £14.0m lower than the prior year's £248.3m and does not repeat last year's £30m write down of our investment in the Aquila joint venture. The resulting overall difference in our year-on-year performance reflects our continuing investment in our workforce to support the increase in air traffic volumes, today and in future, as airspace users respond to consumer demand for air travel, and to maintain technical system resilience and for developing our infrastructure.

Debt adjusted cash flows (DACF)

Since the Covid pandemic we have used DACF to monitor the conversion of our earnings into cash. It represents the cash flows from our operations, our investing activities and our debt service costs but excludes the cash flows relating to our financing capital structure such as bond issues and bank loan repayments and shareholder dividends.



The chart above shows our statutory results before tax (PBT), DACF and the change in net debt in each of the last five years.

Our net debt increased during the 2021 and 2022 financial years as we took action during the Covid pandemic to finance the shortfall in our income receipts from the travel restrictions that were put in place. Subsequent to the pandemic, the CAA agreed that this income shortfall should be recovered over an extended 10-year period to 2032, starting from January 2023. DACF improved in 2023 and 2024, and for 2025 is now broadly in line with PBT, reflecting the improvement in operating cash flows. This improvement reflected improved income receipts, including the ongoing recovery of the Covid income shortfall, lower defined benefit pension contributions from January 2025 and lower corporate tax payments. Looking forward, we expect DACF to exceed profit before tax over the latter years of NR23, which will be reflective of underlying performance, while operating cash flows benefit from the ongoing recovery of the income shortfall.

To deliver the NR23 plan we will continue to utilise manageable levels of debt, the term and structure of which is aligned to match our expected cash flows to 2033 and provides efficient and stable funding over the extended period for recovering the Covid income shortfall. The path of net debt over time will be determined by the recovery of the Covid income shortfall, dividend strategy and capital investment.

NERL's regulatory return – adjusted profit basis

NERL's regulatory return for calendar year 2024 was 3.6% (2023 calendar year: 4.9%, adjusted for the one-off impact of the CAA's confirmation of the Covid income shortfall) compared with the CAA's NR23 cost of capital assumption of 3.2%.

Revenue was £20m below the CAA's price control assumption mainly due to a combination of lower flight volumes and airlines flying shorter distances in UK airspace, as explained in more detail on page 13, and for the licence pass-through items. Operating costs were £36m (2023 calendar year: £61m) lower than CAA's final determination assumption. The impact of Consumer Prices Index (CPI) on NERL's costs tends to lag the price control cost inflation assumption by a year. While NERL has been able to contain temporarily some of the inflationary pressures on its cost base, its expectation is that the level of inflation currently projected on costs in 2025 and going forward will exceed the level assumed by the CAA in those years. Accordingly, NERL currently expects higher operating costs against the CAA's target for the later years of NR23. Overall costs over the price control period are expected to be more aligned with the CAA's final determination assumption in its entirety.

Global trade tariffs

We expect the current tariff uncertainty to have a mostly indirect and limited impact on our business, and only for the remainder of the NR23 price control. Our principal source of revenue is from air traffic control services to airlines flying through UK and the eastern North Atlantic airspace. As the demand for air travel is closely correlated with gross domestic product, a pronounced slowdown in economic growth in the UK, the United States and Europe could result in fewer flights and lower income for NERL than the CAA assumed for NR23. These are the most relevant economies given the importance to our UK en route service of North Atlantic flights, which tend to travel further in UK airspace and, with a greater weight factor, generate a relatively larger share of revenue.

If air travel demand softens, the impact on our income is insulated by NERL's licence traffic risk sharing mechanism, with the loss of revenue limited to 4.4% of NERL's annual revenue allowance. For the NR28 price control period, starting January 2028, the CAA will develop a new forecast of air traffic volumes which will reflect the prevailing economic conditions at the time, including any enduring impacts of trade tariffs.

Financial review

Revenue

	2025 £m	2024 £m
Airspace	862.2	998.4
Airports and Other UK Services	181.9	169.4
Defence Services	12.6	11.1
International	12.6	8.1
New Airspace Users	2.3	2.0
Revenue	1,071.6	1,189.0
Adjusting item	-	(123.2)
Adjusted revenue	1,071.6	1,065.8

Overall, adjusted revenue of £1,071.6m (2024: £1,065.8m), which excludes the one-off item explained above, was £5.8m higher than the prior year. By service line the significant factors contributing to this increase were:

Airspace: on an adjusted basis, revenue was £13.0m lower, reflecting the reduction made by the CAA to the year's NR23 licence revenue allowance in anticipation of lower defined benefit pension scheme contributions from 2025 (see pensions below). The economic regulatory framework basis for setting revenue allowances is explained on page 6.

Revenue for the North Atlantic en route ATC service increased by £13.5m to £67.7m (2024: £54.2m) with flight volumes growing by 3.0% to 544,397 (2024: 528,350 flights). Revenue also included the licence entitlement to recover the impact of higher inflation than assumed in the price control and the effect of a temporary unit rate applied for 2023 prior to the final NR23 determination.

Airports and Other UK Services: revenue was £12.5m (7.4%) higher for the year, mainly reflecting contract price indexation and progress with the equipment and systems to support Heathrow Airport's back-up virtual contingency control tower facility.

Defence: revenue was £1.5m higher (13.5%) as additional support services were provided to the UK MOD.

International: revenue was £4.5m higher (55.6%) reflecting improved performance from Searidge, our provider of digital towers and advanced airport solutions, and an increase in the scope of our Air Traffic Controller (ATCO) manpower sourcing contract with the Hong Kong Airport Authority.

New Airspace Users: revenue was broadly in line with the prior year.

Operating costs

Operating costs increased by £66.9m or 8.3%, mainly reflecting our investment in the workforce and to support our infrastructure, and inflationary pressures.

	2025 £m	2024 £m
Staff costs	(543.4)	(495.5)
Non-staff costs (net)	(195.9)	(184.9)
	(739.3)	(680.4)
Depreciation and amortisation (net)	(111.0)	(104.6)
Asset impairment charges	(20.0)	(19.4)
Goodwill impairment charge	(1.0)	-
Operating costs	(871.3)	(804.4)

Staff costs were £47.9m higher at £543.4m (2024: £495.5m). We have continued to recruit trainee air traffic controllers to meet future demand and engineers to enhance our technical resilience and to support our technology transformation programme, which is the right thing to do for our customers and consumers. As a result, our headcount at 31 March 2025 of 4,820 was 214 higher than at last year end (2024: 4,606). Our staff also received a CPI-linked pay award in the year.

Non-staff costs increased by £11.0m to £195.9m (2024: £184.9m). This largely reflects the modernisation of our data infrastructure, including hosting fees and cyber security-related costs. We are also transitioning our non-operational support systems to cloud-based solutions.

Asset depreciation and impairment charges at £132.0m were £8.0m more than the prior year (2024: £124.0m). A full year's charge was made for operational assets that entered service in the second half of the previous financial year, including a new back-up voice communication system and a system to monitor airspace infrastructure performance. We also impaired a contingent surveillance system and an operational data storage, analytics and information system. These were two software-related projects paused during the Covid pandemic which have subsequently been superseded by more cost-effective technical solutions from software providers.

Financial review

Results of joint venture and associate

	2025 £m	2024 £m
Aquila joint venture	-	(29.5)
Other associate	0.8	1.2
Results of joint venture and associate	0.8	(28.3)

In 2024 the Aquila joint venture, in which NATS Services is invested, projected an increase in the costs to deliver its Project Marshall contract, which completes in 2037. As a result, we wrote down the carrying value of our investment of £4.5m, impaired the outstanding shareholder loan of £18.8m and made a provision for £6.2m, representing the legal obligation enabling Aquila to draw on its £25m shareholder loan facility.

In light of the length of the remaining contract term, the reliability of long-term forecasts and the assumptions made, and the significant risks to the deliverability of their plan, we have concluded that the carrying value remains unchanged. We remain, with our partner, fully committed to maintaining the shareholder loan facility and working with its management to identify opportunities to improve contract performance.

Net finance income and fair value movements on financial instruments

	2025 £m	2024 £m
Investment income	65.9	54.4
Finance costs	(25.4)	(25.5)
Net finance income	40.5	28.9
Fair value movement on financial instruments	(7.3)	(13.7)
Net finance income and fair value movements	33.2	15.2

Investment income increased in the year by £11.5m. This mainly reflected the unwinding of the discount on the balance of the Covid income shortfall, which is being recovered through charges over an extended 10-year period to 2032.

Finance costs, which include bond, bank and leasing interest, were in line with the prior year.

Fair value movements on financial instruments arise from revaluing NERL's index-linked swap and the group's equity interest in Aireon. The net charge for the year was £6.4m less than 2024 and mainly reflected a fair value gain of £0.9m (2024: £4.7m charge) for Aireon¹⁰ based on its latest business plan projections.

Taxation

The tax charge of £59.7m (2024: £94.0m) represents an effective rate of tax of 25.5%. This is slightly higher than the headline rate of 25%.

The tax charge consists of a current tax charge of £50.4m and a net deferred tax charge of £9.3m, which mainly relates to accelerated capital allowances.

We maintained our Fair Tax Mark accreditation in the year, which acknowledges the transparency of our disclosures. NATS' taxes generally arise in the UK, though it undertakes business in other countries. Wherever we operate we organise our operations to pay the correct and appropriate amount of tax at the right time, according to relevant national laws, and ensure compliance with the group's tax policies and guidelines. Our Country-by-Country reporting (CbCr) table is set out within the explanatory notes on page 186.

The group also pays other taxes such as employer's national insurance contributions (£51.3m), business rates (£7.8m) and the apprenticeship levy (£2.0m), which are significant operating costs. The group's tax strategy can be viewed at www.nats.aero.

Balance sheet

	2025 £m	2024 £m
Goodwill	41.3	42.6
Tangible and intangible fixed assets	1,102.8	1,109.6
Right-of-use assets	32.3	36.4
Investments	24.7	24.3
Pension scheme (deficit)/surplus	(32.4)	13.5
Amounts recoverable under NERL's licence	781.2	799.0
Amounts payable under NERL's licence	(67.4)	(54.8)
Cash and cash equivalents	164.7	166.2
Derivatives (net)	(78.3)	(80.0)
Borrowings	(835.8)	(864.9)
Lease liabilities	(39.6)	(46.7)
Deferred tax (net)	(203.3)	(205.5)
Other net balances	(59.2)	(24.9)
Net assets	831.0	914.8

The group's net assets are £83.8m lower than at the start of the financial year. This follows the resumption of dividends, which had been suspended since November 2019 due to Covid, alongside the change in the defined benefit pension scheme's IAS 19 funding position (net of tax) explained below. These factors were partly offset by the result for the year.

Financial review

Capital investment

	2025 £m	2024 £m
SESAR deployment	29.3	43.1
Airspace modernisation	8.6	8.9
Infrastructure	33.9	17.1
Operational systems	31.7	26.8
Other	14.1	10.2
Regulatory capex	117.6	106.1
Other non-regulatory capex	8.3	10.7
Capital investment	125.9	116.8

Investment in our critical airspace infrastructure, which is shown as regulatory capex in the table above, increased by 10.8% on the previous year.

This year we updated a number of critical software systems, launched a radar replacement programme, made small-scale airspace changes, deployed a solar array at our Swanwick centre and started development of a new support building at the Prestwick centre. We also deployed our intelligent approach tools at Heathrow and Gatwick airports.

We forecast we will invest £630m during NR23 to replace ageing infrastructure and systems, continuing our strategy towards a single platform which will provide improved tools and standardised operations, which are critical to future service quality and airspace modernisation.

Defined benefit pensions

The group operates a final salary defined benefit pension scheme with 1,408 employee members at 31 March 2025 (2024: 1,456). The scheme was closed to new entrants in 2009 and a defined contribution scheme was put in place. This now has 2,633 members (2024: 2,336). The costs of this scheme increased by £10.3m, in line with the growth in members and a CPI-linked pay award. More information on our pension arrangements is provided in note 33 to the financial statements.

a. IAS 19 charge and funding position

The cost of defined benefit pensions at £43.8m (2024: £39.6m) reflected an increase in the accrual rate to 24.4% (2024: 22.4%) of pensionable pay. This is based on the funding position of the scheme and discount rate environment at the start of this financial year, relative to the start of the prior year.

IAS 19 pension (deficit)/surplus	£m
At 1 April 2024	13.5
Charge to income statement*	(43.8)
Actuarial gains/(losses):	
- on scheme assets	(467.4)
- on scheme liabilities	353.2
Employer contributions*	112.1
At 31 March 2025	(32.4)
Represented by:	
Scheme assets	3,050.5
Scheme liabilities	(3,082.9)
Deficit	(32.4)

*including salary sacrifice

At 31 March 2025, the scheme's funding position was in deficit with liabilities, using best estimate assumptions required by International Accounting Standards (IAS 19), exceeding assets by £32.4m (2024: £13.5m surplus). The fair value of the scheme's assets reduced by £334.1m, primarily reflective of the liability matching portfolio and underperformance of certain growth assets. Pension liabilities reduced by £288.2m as the real yield on AA corporate bonds used to value RPI-linked pension obligations increased by 105 basis points over the 12-month period.

b. Trustee valuation and funding obligations

The funding of the defined benefit scheme is subject to agreement between the company and the scheme's Trustees based on the outcome of their formal valuation. This valuation uses a wide range of financial and demographic assumptions for measuring pension liabilities and legislation requires a margin for prudence. As a result, the Trustees' valuation gives a different outcome to the valuation under IAS 19 for the company's financial statements.

The Trustees completed a formal valuation at 31 December 2023 which reported a funding deficit of £142.7m (equivalent to a funding level of 96%). This is a £29.2m improvement since the 2020 valuation. The scheme actuary also determined that the cost of employee benefits accruing in future was 29.9% of pensionable pay. This is a 36.3 percentage point reduction on the 2020 valuation (of 66.2%) and reflective of the impact of the general increase in interest rates in the intervening period on pension costs.

The Trustees agreed to defer deficit repair contributions of £44.8m until 2028, subject to the funding position at the next formal valuation. This followed the company's payment of deficit contributions during 2024, in line with the 2020 schedule of contributions, and a small funding surplus at 31 December 2024 based on the Trustees annual update.

Financial review



Net debt, liquidity and cash flows

	Cash and cash equivalents £m	Borrowings (including lease liabilities) £m	Net debt £m
Balance at 31 March 2024	166.2	(911.6)	(745.4)
Cash flow	(1.3)	28.5	27.2
Non-cash movements	(0.2)	7.7	7.5
Balance at 31 March 2025	164.7	(875.4)	(710.7)

The group completed a refinancing of its bank revolving credit facility (RCF) in December 2024. The new £400m RCF matures in December 2027, with options to extend until December 2029. The new RCF retains the covenant which requires NERL's net debt to be maintained at below 85% of its regulatory asset base. This gearing ratio was 42.5% (2024: 41.9%) at 31 March 2025.

At that date, the group's net debt was £710.7m (2024: £745.4m). This includes £767.3m in outstanding bonds which mature from 2031, £70m of bank borrowings and £39.6m of lease liabilities recognised under IFRS 16. These were partly offset by £164.7m of cash and cash equivalents.

Net debt reduced during the year as improved income receipts, including a further year's recovery of the Covid shortfall, funded our operating expenditure, capital investment and the payment of dividends to shareholders.

At 26 June 2025 the group had available liquidity of around £502m. Our cash flow forecasts show that the group should be able to operate within the level of its bank facilities and within its financial covenant for a period of at least 12 months from the date of issue of this report including under plausible stress scenarios, where appropriate mitigating actions would also be undertaken.

A handwritten signature in black ink, appearing to be 'Alistair Borthwick'.

Alistair Borthwick
Chief Financial Officer

Going concern and viability statements

Going concern

The group's business activities, together with the factors likely to affect its performance and financial position, its cash flows, liquidity position and borrowings are set out in this Strategic report. In addition, note 3 to the financial statements describes critical judgements and key sources of estimation uncertainties and note 22 the group's objectives, policies and processes for managing its capital and its financial risks and details its financial instruments and hedging activities.

At 31 March 2025, the group had access to liquidity of £495m comprising cash of £164.7m and undrawn committed bank facilities of £330m. At 26 June 2025, the group had access to cash and undrawn bank facilities of around £502m.

When considering the appropriateness of the going concern basis of preparation of the financial statements, the directors have reviewed the cash flow forecasts prepared by management covering a period to 30 June 2026, which is the formal going concern period modelled by the directors and at least 12 months from the date of approval of these financial statements. The directors have had regard to reasonably plausible changes in trading performance as well as severe traffic volume scenarios individually and in combination with other factors and the principal risks discussed on pages 24 to 26.

The principal scenarios modelled were: a severe traffic downside scenario represented by a sudden 12% reduction in air traffic volumes lasting for a 12-month period, as a proxy for a traffic shock resulting from a major geopolitical incident and subsequent recession; a low case traffic forecast of 8.8% fewer flights than the NR23 decision assumed; a 20% reduction in airport contract income from smaller airports in our portfolio in the event of its financial collapse; an unplanned increase in operating costs; an increase in the financial support provided to our investments; and a failure to secure new planned business revenue in spite of the investment made to support such growth activities. Finally, a combination scenario was also performed that assumed lower air traffic volumes, higher operating costs and loss of airport revenues. Under the most severe scenario the group maintains adequate liquidity (of £200m) and headroom (NERL gearing at 48%) to meet its debt covenant (NERL gearing at 85%), prior to mitigating actions (such as other cost saving measures and deferring capital investment).

The directors have also considered, through a reverse stress test which assumes no dividends, the point at which NERL's liquidity would be utilised or the financial covenant would be breached before both mitigating action and regard to the financeability duties of the CAA and Secretary of State for Transport. The reverse stress test considered NERL, as it represents 81% of the group's activities and is the only subsidiary with a debt covenant. The reverse stress tests considered, before mitigation, severe reductions in traffic volumes to 44% of expected levels or significant unplanned expenditure, which in this event would be broadly equivalent to the annual staff cost. The directors consider these scenarios to be remote. Taking all this into account, the group's cash flow forecasts, reflecting reasonably plausible downside scenarios, show that the group and company should be able to operate within the level of its available bank facilities and within its financial covenant for the foreseeable future.

Accordingly, the directors have formed the judgement that, taking into account the financial resources available, the range of reasonably plausible scenarios and potential mitigating actions that could be taken, together with the duties of the CAA and Secretary of State for Transport referred to in the Viability statement, the group and company have adequate resources to continue to operate for a period of at least 12 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.



Going concern and viability statements

Viability statement

The directors have assessed the viability of the group based on its current position and future prospects, its business strategy (page 7 to 8) and available financial resources (on page 26). The directors have also assessed the potential financial and operational impacts in plausible downside scenarios of the principal risks and uncertainties facing the business, set out on pages 24 to 26, and the effectiveness of currently available mitigating actions.

NERL, which represents 81% of the group's activities, is economically regulated by the CAA which determines its revenue allowances every five calendar years. The current price control is for the period 1 January 2023 to 31 December 2027. When making its price control decision, the CAA has a statutory duty to ensure that it is not unduly difficult for NERL to finance its licensed activities. This provides NERL with a high degree of certainty regarding the funding of its operation and its capital investment for this period. In addition, NSL's core airport air traffic services are generally supported by long-term contracts.

The Board considers that there is greater certainty around forecasting assumptions over a three-year period than a longer period, having regard to the NR23 price control which runs until 31 December 2027.

When considering viability, the directors had regard to the physical and transition risks of climate change and noted that the associated material impacts of these are long-term in nature and expected to fall outside the three-year viability period. Therefore, climate change was not assessed as a specific stress case scenario for the viability statement. However, it is worth noting that the economic lives and carrying amounts of assets recognised in the consolidated balance sheet do take climate change into account.

The directors assessed the solvency and liquidity risks arising from a traffic shock alongside a combination of other risk factors materialising, which the Board considered represented a reasonable worst-case scenario, as well as a reverse stress test. The specific scenarios considered were:

- > The risk of traffic shock as a result of a geopolitical event or a global recession: the consequences for the group's en route and airport ATC income of a contraction in the demand for air travel, noting the reasonably possible mitigating actions available to the group to manage its financial resources;
- > Joint venture funding: a scenario of additional unplanned financial support to Aquila beyond the group's legal obligation to enable it to fulfil its Project Marshall contract;
- > Defined benefit pensions: the requirement to pay deferred deficit repair contributions in January 2028, under the terms agreed following the Trustee's formal valuation at 31 December 2023. The directors consider that any additional contribution paid by NERL will be recovered through the future price controls, including any additional contributions required arising from unforeseen changes in financial market conditions during NR23. This is further supported by the CAA's issuance of a Pension Regulatory Policy Statement in April 2021. Contributions from NATS Services will be met from operating cash flows; and

- > The term of NERL's bank facilities: the directors have a reasonable expectation that NERL will meet the conditions of its banking covenant and be able to raise funds in the bank or debt capital markets as required, noting that NERL's bank facility was refinanced during the year, agreeing a new three-year term ending in 2027, with an option to further extend to 2029.

On the basis of this assessment, the directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities falling due over the three-year period to June 2028.



Principal risks and uncertainties

Enterprise Risk Framework

The system for the identification, evaluation and management of emerging and principal risks is embedded within the group's management, business planning and reporting processes, accords with the Code, and is aligned with the ISO 31000 risk management standard. Detailed risk identification, assessment, and control mapping is carried out at business unit, departmental, and executive levels and is recorded and measured in a structured and controlled enterprise-wide database. NATS' risks are mapped against risk appetite and tolerance statements which have been agreed by the Board. Risk update reports are submitted to the NATS Executive team on a monthly basis which address changes in risk, risk appetite and tolerance, internal controls and the progress of actions associated with NATS' risks.

The Board takes the management of risk very seriously, paying particular attention to key risk areas. Regular reviews are also carried out by the Audit, Safety and Transformation Review Committees in accordance with their remits, as reported in later sections.

Taking into account the work of the Committees, the Board formally reviews NATS top risks on a six-monthly basis, and the principal risks on an annual basis. Safety risks remain a priority for the business and as such are considered at every Board meeting in addition to the regular six-month review. In addition, the Board has paid particular attention to risks relating to legacy technical infrastructure, project delivery and operational resourcing over the course of the year.

Our Principal Risks

Our risk management framework has identified the key risks that the Board believes are likely to have the most significant potential impact on our business, financial position, results and reputation based on the severity and likelihood of risk exposure and has undertaken a robust assessment of those that would threaten its business model, future performance, solvency or liquidity.

The list below is not intended to be exhaustive and reflects the Board's assessment as at the date of this report. The risks outlined are the most important risks facing the company in seeking to achieve its objectives. The group focuses on mitigating these risks, although many remain outside of our control – for example changes in regulation, security threats, environmental factors and the impact of longevity and financial markets on pension funding.

These risks are reflected in and have been considered in assessing viability and going concern on pages 22 to 23. A summary of risk management and internal control processes is on page 57.

Safety: the risk of the business contributing to an aircraft accident

This risk is related to a failure of NATS' ATM controls that results in an accident in the air or on the ground which would have significant impact on customers and/or NATS. The reputational damage could result in the loss of future contracts and a reduction in revenue. The financial loss could also be significant. If notice were given by the Secretary of State requiring NERL to take action as a result of the accident and NERL were unable or failed to comply then ultimately this could result in revocation of NERL's licence.

As a provider of a safety-critical service, safety is the company's highest priority. NATS targets compliance with all targets set out in the regulatory price control. The group maintains an explicit Safety Management System (SMS), which includes investigations and reviews of operational safety performance and individual incidents to identify and respond to contributors to safety risk. The effectiveness of the Safety Management System is overseen by the Executive level NATS Safety Steering Group and the Board level Safety Review Committee.

Strategy: general economy, geopolitical issues and uncertainty of air travel demand

The demand for air travel can be sensitive to macro-economic and geopolitical conditions. Factors including global trade tariffs, conflict in the Middle East and Ukraine, cost of living pressures and public concern as to the sustainability of aviation have led to greater uncertainty within demand forecasting.

NERL's regulatory allowances are recovered through charges based on the CAA's forecast of air traffic volumes during a price control period. The regulatory framework includes a traffic risk mechanism which enables NERL to recover shortfalls of income through future charges. A general duty on the CAA and Secretary of State to ensure that NERL does not find it unduly difficult to finance its licensed activities provides mitigation against severe traffic shocks, as has been the case with Covid, resulting in a redetermination of the price control. NATS Services contracts for the provision of ATC services to airport operators are at fixed underlying prices for a contract term. The financial strength of airport operators is monitored for the impact of reductions in air travel demand.

Strategy: regulatory settlement

NERL's ability to fulfil the safety, capacity, environmental and cost efficiency targets and other obligations of its licence requires a balanced price control settlement from the CAA. It is the CAA's duty under the Transport Act 2000 to ensure that any price control determination will not result in NERL finding it unduly difficult to finance its licensed activities. However, the economic settlement that is given effect by the price control decision could impose challenging cost efficiency targets on NERL's operating costs and conditions to regulate its capital expenditure.

The NR23 price control sets charges for the five calendar years 2023 to 2027. Despite including operational service targets viewed as very challenging by NERL, such as flight efficiency, the overall determination was deemed to be acceptable. NERL is preparing for early engagement with airspace users in autumn 2025 on the NR28 price control (2028 to 2032).

In seeking to mitigate regulatory risks, NATS maintains engagement with the CAA at CEO and Board level on a regular basis. NERL's regulatory strategy is overseen by a Board sub-committee established for this purpose, and day to day oversight is provided by the CFO.

Principal risks and uncertainties

Strategy: sustainable aviation

NATS is committed to becoming carbon negative by 2040, and supporting our customers, partners, and suppliers to achieve a net zero aviation industry by 2050. Our climate targets have been independently validated by the Science Based Targets initiative (SBTi) and awarded 'Business Ambition' status – the highest ambition possible.

There are a range of potential physical and transitional impacts to the group from climate change, and these are outlined, along with how we managed these risks in our risk management system, within our Climate-related Financial Disclosures section on page 29.

Operational: business continuity and resilience

A catastrophic event, many of which are outside of our control such as adverse weather, another pandemic, terrorist attack or conflict, has the potential to disrupt ATC operations and our ability to resume a safe service to an acceptable performance level within a pre-defined period. A resilience plan, setting out NERL's approach to resilience and how we meet our service obligations to our customers, is required to be submitted every two years to the CAA by NERL's licence. The framework underpinning the disclosures in the resilience plan has been expanded to cover all NATS operations.

Resilience is considered for people, operational technical systems and facilities using NATS incident management processes to assess timely and effective responses. The NATS resilience programme assesses, documents and tests resilience capability in order to mitigate the impact of such disruptions to customers.

A major incident investigation was undertaken following the technical failure in the previous year. All recommendations from the NATS internal investigation have been completed, and evidence confirming the closure of all actions from the independent review has been submitted to the CAA.

Operational: systems security

The threat of disruptive cyber-attacks (such as denial of service) on critical infrastructure remains elevated due to geopolitical uncertainty and global conflict. A malicious cyber-attack could affect the integrity or availability of NATS operational services and result in extensive effort to respond and recover. A cyber-attack on a non-operationally critical part of the business could be similarly disruptive and reputationally damaging. NATS seeks to mitigate the risk through robust technical, physical and personnel security controls. Effectiveness of security controls is assured through ISO 27001 certification and NATS maintains regulatory compliance. Close working relationships are maintained between NATS and the UK's security services, including the National Cyber Security Centre and the National Protective Service Authority to monitor threats and minimise the risk of a damaging cyber-attack.

Operational: air traffic controller and engineering resource availability

While we retained our skilled air traffic controllers during Covid to support the recovery we were unable to train new controllers due to the risk of spreading the virus within our operation as well as training in a live environment being unfeasible with such low flight volumes. Air traffic controller training recommenced when pandemic restrictions lifted in 2022 and we have recruited engineers to support our investment programme. While we have sufficient resources today to meet our regulatory commitments, there is a risk that during NR23 we may not have adequate resource to meet all of our operational and training needs, as the pipeline of newly trained staff is catching up with the demand and retirement rates. The Operations and Technical Leadership teams continue to focus on these risks and ensuring we can respond to changing demand, including implementing actions to make our training programme more efficient so that new controllers and engineers can qualify more quickly. We have a resource agreement with the trades unions to increase resilience through additional air traffic controller attendances over the critical summer period.

Operational: employee relations

Employee relations if not managed sensitively could have a significant impact on our service performance, including from industrial action. Therefore, every effort is made to continue to build and sustain good employee relations, including joint working groups with union representatives as part of an employee relations project.

Regular dialogue takes place with trades unions on a range of challenging issues including air traffic controller supply, working practices and employee pay. We strive for constructive relationships with our trades unions, and these relationships enabled us to agree three year pay deals for grades negotiated by PCS and Prospect which run to December 2025. We remain committed to the partnership approach, and to engaging and consulting in a constructive and positive manner recognising the contribution our employees make and the wider challenges facing the aviation sector.

Transformation: portfolio delivery

The complex deployment of new technology and retirement of legacy systems could affect our ability to maintain service levels during transition and require additional costs to sustain legacy systems and support deployment during this period. NATS targets to deliver the change portfolio within the constraints of the business plan agreed with the CAA. If we are found to have been demonstrably inefficient or wasteful in expenditure on capital assets, the CAA may reduce recovery of such expenditure under the regulatory regime. We maintain programme governance and risk management processes overseen by the Executive, the Transformation Review Committee and the Board. We have adopted industry best practice, by using a Portfolio, Programme and Project approach.

Our capital programme developed following extensive customer consultation is reflected in our NR23 business plan. We engage with our customers bi-annually on the progress of our capital investment programme.

Principal risks and uncertainties

Financial: defined benefit pension scheme

Adverse movements in the value of scheme assets and liabilities arising from factors such as lower investment returns, lower real interest rates and improving life expectancy may increase the size of the funding deficit and result in significant contributions to fund pension benefits. The Trustees completed a formal valuation as at 31 December 2023, which reported a funding deficit of £143m reflecting market conditions at that date.

The scheme was closed to new entrants in 2009, pensionable pay rises are negotiated with our trades unions on the basis of affordability and are also capped through an agreement, and future service benefits are linked to the CPI. NATS regularly reviews the scheme's funding position and is consulted by Trustees on the design of risk reduction strategies. Also, subject to regulatory review, NERL is able to recover increases in contributions from changes in unforeseen financial market conditions. NATS Services maintains adequate cash reserves to meet its share of pension contributions.

The directors monitor the funding position of the scheme. The group's financing arrangements and cash reserves, its projected operating cash flows and mechanisms within the established economic regulatory framework for recovery of such costs enable the group to meet the contributions required.

Financial: availability of funding and other risks

The main financial risk to the group relates to the availability of funds to meet business needs (including meeting obligations to the pension scheme), the risk of default by counterparties to financial transactions, and fluctuations in interest and foreign exchange rates. A detailed description of each of these risks and specific mitigations are set out in note 22 to the financial statements.



Non-financial and sustainability information statement

Responsible business

Our investors, customers, suppliers and other stakeholders are aware of the need for, and benefits of, NATS as a responsible business. Our commitment to the welfare of society, including our employees, and the natural world is an increasingly important aspect of our overall performance. We recognise the significance of expectations from the public and policymakers regarding transparent reporting on our outcomes.

Scope of non-financial information statement

This statement focuses on employee and environmental matters, being the material non-financial matters, and provides information thereon necessary for an understanding of the company's development, performance and position. Our gender, ethnicity and disability pay gap report¹¹ and a slavery and human trafficking statement¹² are published on our website.

Governance

The NATS Board is responsible for non-financial policy and performance. The Board has reviewed how it has applied the principles of the UK Corporate Governance Code 2018 in each of the main areas of culture, diversity, employees, stakeholders, remuneration and succession. The Board receives regular updates throughout the year on these topics and formally reviews the approach annually.

In addition to the Board, the Executive and various sub-groups monitor health and safety, employee relations and environment matters.

Strategy

We have adopted a wide-ranging approach to being a responsible business, including how we manage and report our impacts. Specific measures include:

- > Our corporate strategy includes a target to operate a carbon negative estate by 2040 and to be a Top 25 company to work for;
- > Developing and monitoring appropriate policies, codes, management systems and targets, including a Responsible Business policy¹³ which can be viewed at www.nats.aero, and net zero emission targets;
- > Monitoring performance and practices across our business and our supply chain;
- > Undertaking internal and external audits;
- > Raising awareness of responsibilities among employees and developing training;
- > Supporting the development of employees from underrepresented backgrounds;
- > Managing relevant enterprise risks and monitoring trends;
- > Transparently reporting non-financial performance information to our customers, key stakeholders and the public each year; and
- > Monitoring levels of support provided through our employee assistance programme.

We maintain a range of certified ISO (or equivalent) management systems, which are externally assessed by DNV GL, including ISO 31000 (risk management) and ISO 14001 (environment management).

The Audit Committee oversees all verification and assurance activity.

a. Employee policies and outcome

Our people make a critical difference to our success. Their skills and professionalism are at the heart of what we do. Our investment in them protects and strengthens our safety and business culture. We operate a strong Safety culture which encourages employees to raise safety related matters. This year we have focused our efforts on specific actions in support of promoting Equality, Diversity and Inclusion (ED&I) within our organisation on key targeted areas.

To encourage more people from diverse backgrounds to join the company, we have designed a bursary scheme for trainee air traffic controllers from lower socio-economic backgrounds, aimed at removing some of the financial barriers to a career in air traffic control. We have also developed promotional recruitment material specifically designed to attract more women applicants and continued our involvement in STEM outreach programmes. We are supporting people within the organisation from underrepresented groups by creating a pipeline of diverse talent to progress into more senior leadership roles. We have focused on assessing our talent methodology to understand what barriers may prevent this outcome.

We continue to set and track performance against a set of meaningful goals to promote greater diversity and inclusion. We also benchmark ourselves externally through our membership of Inclusive Companies. In 2024 we achieved 27th in their index, improving from 44th place in the previous year. Advancing up the index demonstrates the tangible results of the actions we have taken.

Internally we track the proportion of women, people from minority backgrounds and those with disabilities across our recruitment, talent and succession plans. Increasing representation of women and people from ethnic minority backgrounds in STEM professions remains a challenge, not just for NATS, but we have taken proactive steps to attract people from underrepresented groups, to ensure that as a business we have access to the widest possible talent pool.

b. Environment policies and outcome

Our sustainability strategy encompasses initiatives across our business and estate to reduce greenhouse gas (GHG) emissions, resource use, energy, and pollution, while enhancing biodiversity protection, climate change resilience and sustainable procurement. It also includes initiatives to improve airspace efficiency, manage aircraft noise and to actively work with industry partners and others, including the UK Sustainable Aviation coalition, the Borealis Alliance, CANSO, Eurocontrol and the International Civil Aviation Organisation, to ensure a coordinated approach to reducing aviation's environmental impacts.

Our environmental management system across our UK operations is externally certified to the international standard ISO 14001 at 22 of our sites, to ensure robust identification and management of risks and opportunities, ensure legal compliance and continual improvement of our environmental performance.

Non-financial and sustainability information statement

Our estate GHG emissions related to our science-based target are subject to external assessment by DNV Business Assurance, to a reasonable level of assurance.

During the year we were awarded a B rating for our environmental stewardship by CDP, demonstrating good environmental management. This is below our internal target to achieve and maintain a score of at least A-. This stretching target reflects our commitment to being a leader in environmental transparency and action. Initiatives to achieve our internal target this year are underway.

We have been named as one of Europe's Climate Leaders for the fifth year running in the 2025 listing compiled by the Financial Times and Statista. This report names just 600 European companies that have achieved the greatest reduction in their greenhouse gas (GHG) emissions intensity and made further climate-related commitments.

For the core air traffic service we provide, we seek to reduce the impact of our operation on CO₂ emissions, noise, and other environmental impacts, through how we operate our business. We undertake this through the design and management of airspace across the UK, developing innovative solutions in partnership with our key suppliers and airport and airline customers for mutual benefit. As an example, we continue to develop and deploy solutions to enhance airport and airspace performance, including Intelligent Approach (see page 11) and 'hybrid' digital control towers. During the year, we worked with Manchester airport to enable them to become the UK's first major international airport to adopt a 'hybrid' digital control tower, including deploying ultra-high-definition panoramic cameras, to help tower controllers optimise the airport ground operation, enhance capacity, and improve on-time performance.

We have continued to co-chair and participate in European and global groups to set standards, produce guidelines for Air Navigation Service Providers (ANSPs) to reduce their environment impact, and engage with customers on future tools and airspace changes. We engage in industry groups and R&D initiatives to investigate solutions to aviation's impacts. Under the Single European Sky ATM Research programme, we are involved in projects seeking to mitigate non-CO₂ effects of aviation through contrail avoidance trials, amongst others, and have been active in continuing to support projects throughout the year.

We are working across the industry, including with the Airspace Change Organising Group (ACOG) to set out a plan for airspace modernisation to reduce the industry's CO₂ emissions, while we wait for changes to fleet and fuels to take effect in future.

We support the commitment by the aviation industry in the UK and Europe to reach net zero by 2050 and we are collaborating with customers, partners, and suppliers to achieve this, including through supporting the UK Sustainable Aviation coalition to update its decarbonisation roadmap.

On the ground, it is our strategic objective to operate a net zero estate by 2035 and to be a carbon negative company by 2040. Improving the sustainability of our business is key to achieving this and it can also reduce costs as we consume fewer resources and work in more efficient ways.

Annually we assess the effectiveness of our policies and actions in managing our environmental obligations. This performance is described in detail below.

Risk management

The group's risk management system is described above under Principal risks and uncertainties and is aligned with the ISO 31000 risk management standard. Employee relations is regarded by the Board as a key risk and is explained in this section.

Our enterprise risk management framework describes sustainability risk categories linked to the delivery of our sustainability strategy; physical sustainability risks (e.g. as a result of increased frequency and severity of extreme weather events); transitional sustainability risks (e.g. indirect policy, legal, market and reputational risks); net zero and carbon negative risks; improvements to our environmental performance; achieving compliance with multiple requirements; and the associated impacts of those risks.

Metrics and targets

a. Employee matters

Gender pay reporting has established benchmarks against which we monitor the impact of our actions to address the imbalance of gender pay over the longer term. As we did last year, we have gone further by publishing our disability and ethnicity pay gaps as well. Our gender pay gap has improved mainly due to the timings of a recent pay award, bringing it closer to our 2022 pay gap. Our disability pay gap has improved this year and whilst we have been able to attract more recruits from diverse backgrounds, this has not yet translated to an improvement in our ethnicity pay gap. We recognise it takes time to create sustainable change, but our focus in this area is leading to more diversity in senior roles within the organisation and external recognition through improved Inclusive Companies index rating. Our objective remains to bring the best diverse talent into our organisation and support individuals to reach their full potential.

b. Environment

We continue to focus on improving our environmental performance, in terms of the management of air traffic at airfields and in airspace we are responsible for, and the environmental impact from running our business.

We are set annual targets by the CAA on airspace efficiency, as measured by 3Di, in each price control period (see page 10).

Work is underway with major airports across the UK to continue the next stage of airspace modernisation, a nationwide plan to advance airspace, which is co-sponsored by the Department for Transport and the Civil Aviation Authority. There have been smaller scale airspace changes from the Operational Service Enhancement Project (OSEP), delivering changes to the design and use of airspace and enabling improved flight trajectories, for which the changes made enabled a saving of 498,000 nautical miles flown.

Non-financial and sustainability information statement

We continue to work closely with the Department for Transport, the CAA, airport operators and the wider industry to manage the impact of aircraft noise on communities.

We have established a near term science-based target to reduce the emissions from running our business (see page 36). This demonstrates that NATS' emissions targets exceed requirements to help prevent the most damaging effects of climate change and are consistent with the goals of the Paris Agreement.

The installation of roof mounted solar panels to self-generate renewable electricity at our Swanwick air traffic control centre went live during the year. This is the first of three large-scale solar installations at our main Swanwick and Prestwick centres, covering roof, ground, and adjoining land. Once all three installations are live, they will generate up to 18% of the energy consumption of these sites. This will complement our four existing arrays, which generated 260,000 kWh in the reporting year.

In the year, we also performed a feasibility study for ground source heat pumps at Swanwick centre and air source heat pumps at Prestwick centre, which have the potential to allow us to harness natural thermal heat to provide the sites with low carbon heating and cooling.

Climate-related Financial Disclosures

Our strategy recognises the contribution of air traffic control towards a sustainable future for aviation. It sets out our ambition to minimise our direct business-related impacts by being carbon negative by 2040, in addition to achieving net zero carbon emissions across our estate by 2035. Our strategy also supports DfT's targets of net zero flying by 2050, with domestic flights and airport operations net zero by 2040, through measures including optimising flight paths to reduce aircraft fuel burn and CO₂ emissions and delivering airspace modernisation.

As the provider of the UK's critical national airspace infrastructure, we are preparing for climate change trends from warmer, wetter winters and hotter, drier summers alongside an increase in frequency and intensity of extreme weather events, as well as sea level rise and storm surges. This means ensuring physical assets and infrastructure are resilient to severe and more frequent weather events, alongside adapting our business model to changes in policy, marketplaces, consumer behaviour and technology as the world transitions to a low-carbon economy.

Achieving our climate-related targets supports our other strategic objectives. Innovation in the delivery of carbon reduction can help us realise opportunities that support our objective to generate increased revenue and positively impact our objective to be relied on by all airspace users as we create integrated safe, efficient airspace for all. For current and future employees, being able to deliver solutions to our carbon challenges will be something we can be truly proud of. Alongside inclusion, career development and wellbeing, our environmental ambitions are, therefore, a core part of our objective to be a Top 25 UK company to work for.

We explain below how we identify, assess, manage and review climate-related risks and opportunities impacting the group, covering the eight requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as well as our energy use and greenhouse gas emissions under the Streamlined Energy and Carbon Reporting framework.

Governance

1) a description of the governance arrangements of the company in relation to assessing and managing climate-related risks and opportunities;

Our Board is responsible for setting and leading our climate-related strategy and goals, and has oversight of climate-related risks and opportunities impacting the group (risk governance is explained on page 57).

The Board delegates responsibility to various committees (see pages 54 to 77). The remit of its committees is reviewed periodically to ensure alignment with climate change risks and opportunities and the monitoring of progress against decarbonisation targets.

Our Board members bring a variety of skills and experience of ESG and climate change matters from their own qualifications as well as other external Board appointments, including from within the aviation and economically regulated entity sectors.

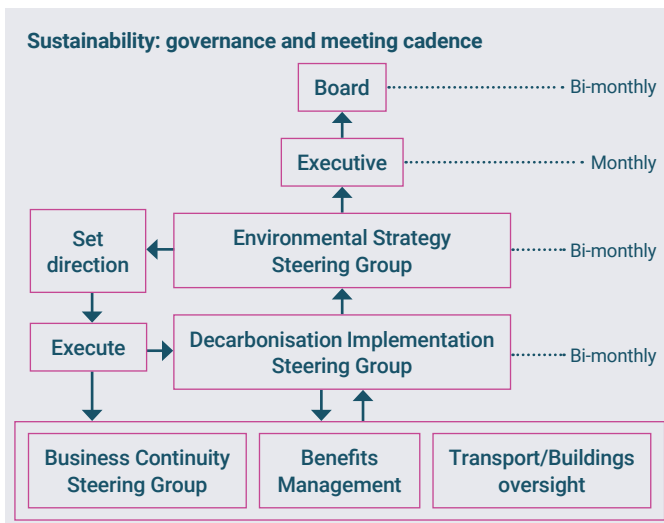
The CEO has overall accountability for the group's decarbonisation target and for ensuring business resilience to climate change. The Board receives periodic updates on matters discussed at the Environmental Strategy Steering Group (ESSG) and via bi-monthly performance reports. This includes progress against the company's near-term 1.5°C aligned science-based targets, our commitments to achieve net zero by 2035 and carbon negative by 2040, as well as consideration of physical and transition climate-related risks. These updates enable the Board to understand the drivers of emissions performance and to assess investments and resources to achieve net zero as well as actions for mitigating climate risks.

The ESSG meets bi-monthly and is chaired by the Director of Safety and Sustainability. Its members include the CFO, Chief Operations Officer, Technical Services Director, Director Supply Chain, Director of Sustainability and the Communications Director.

The ESSG sets direction for sustainability activities across NATS. Its scope covers environmental impacts from airspace users of our air traffic control service and from our estate as we deliver our services, as well as climate-related risks and opportunities faced by the group. The ESSG receives progress reports from the Decarbonisation Implementation Group, whose primary objective is to manage and monitor performance towards our net zero and carbon negative objectives. These goals include overseeing ATM activities that contribute to reducing aviation emissions, such as more fuel-efficient flight profiles and airspace change, as well as activities which reduce all Scope 1 and 2 emissions from NATS' estate and selected Scope 3 emissions.

Non-financial and sustainability information statement

The ESSG is also supported by other oversight groups, whose roles are described in the figure below.



Strategy

2) a description of:

- i. the principal climate-related risks and opportunities arising in connection with the operations of the company, and
- ii. the time periods by reference to which those risks and opportunities are assessed;

3) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company;

4) an analysis of the resilience of the business model and strategy of the company, taking into consideration different climate-related scenarios;

Scenario analysis

We use scenario analysis to assess material climate-related financial risks and opportunities and we have considered 1.5°C, 2-3°C and 4°C warming scenarios to provide a view of potential transition and physical risks. Scenario analysis improves our understanding of NATS' climate risk exposure and is integral to climate risk assessment under our risk management framework.

To assess transition risks and opportunities, we have tested the resilience of our business strategy against three scenarios with differing pathways to net zero:

- > an incremental transition that assumes current policies and trends in aviation with a high degree of residual emissions being offset or removed outside of the aviation sector;
- > an orderly transition with a focus on supply-side decarbonisation solutions, such as sustainable aviation fuels (SAF); and
- > a disorderly transition with a greater emphasis on demand reduction measures.

These scenarios are described more fully in the figure below.

Incremental Transition

2-3°C warming by 2100

A slow, piecemeal transition following business as usual market and policies. Investments from the public and private sector continues but there are delays in the implementation of innovations with a high degree of residual emissions requiring to be offset or removed outside of the aviation sector.

Key Assumptions:

- > Technological Change - Slow Pace
- > Policy Reactions - Current Policies

Key Events:

- > 74% increase in UK terminal passenger volumes by 2050 (from 2018 levels)
- > 10% SAF uptake by 2050
- > Carbon emission trading schemes (ETS and CORSIA) assumed to continue beyond 2035, with a cap reset
- > A formalised carbon offsetting market begins to take shape in the short/medium-term

Main Sources:

Jet Zero (Current Trends Scenario), IEA (Stated Policies Scenario), NGFS (Current Policies Scenario)

Orderly Transition

1.5°C warming by 2050

A rapid, but 'smooth' transition, achieving emission reductions in line with the Paris Agreement. Policy acts as a strong lever for change, technological innovations are successful and encourage investment. This scenario assumes a greater focus on supply-side decarbonisation solutions such as SAF and zero/low-emission aircraft.

Key Assumptions:

- > Technological Change - Moderate Pace
- > Policy Reactions - Immediate and Smooth

Key Events:

- > 70% increase in terminal passengers by 2050 (from 2018 levels)
- > UK SAF plants operational by 2026
- > 50% SAF uptake by 2050
- > Zero-emission aircraft introduced in 2035

Main Sources:

Jet Zero (High Ambition Scenario), IEA (Net Zero By 2050 Scenario), NGFS (Orderly Below 2°C)

Non-financial and sustainability information statement

Disorderly Transition

1.5°C warming by 2050 featuring volatility

A disjointed and non-linear pathway. Climate policy responses are uncoordinated or delayed. The implementation of new technology slows, motivating investment away from the industry. This scenario places a greater emphasis on demand reduction measures.

Key Assumptions:

- > Technological Change - Fast Pace
- > Policy Reactions - Immediate and Divergent

Key Events:

- > Terminal passenger volumes by 2050 assumed at 2018 levels
- > 5% SAF uptake by 2050
- > ETS and CORSIA extended in 2035 with no cap reset, driving up offsetting costs
- > Demand reduction measures, such as a frequent flyer levy, in the near-term to allow for slower commercial scaling up of supply-side solutions

Main Sources:

Chatham House (Scenario G), IEA (Delayed Transition Scenario), NGFS (Disorderly Divergent Net Zero)

The timeframes we have used to assess climate-related risks and opportunities are:

- > Short (one to two years): in line with our annual budget and shorter-term planning horizon;
- > Medium (to 2030): broadly reflecting the five-year price control and our longer-term business planning, enabling us to adjust course if appropriate;
- > Long (to 2050): spanning our 2035 net zero and 2040 carbon negative targets.

Our assessment of physical and transition climate risks is summarised in the table on page 37 and 38. This analysis has been provided to DEFRA as part of its fourth round adaptation reporting under the Climate Change Act 2008. We also responded to the DfT's consultation on adapting the UK's transport system to the impacts of climate change.



Non-financial and sustainability information statement

Climate-related physical risks

We have considered the potential for asset damage or operational risks from acute physical risks from an increase in the frequency of extreme weather events and from chronic physical risks arising from changing long-term climate trends.

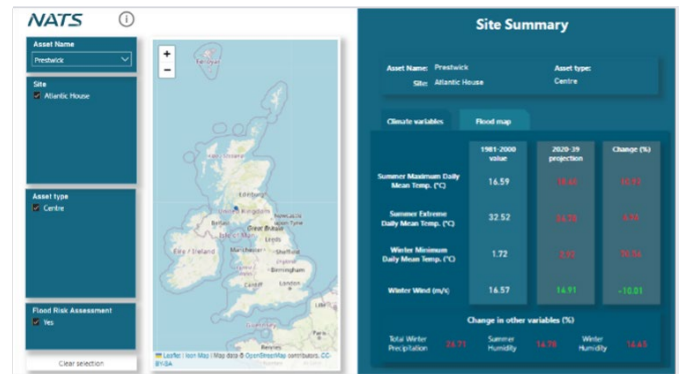
Our exposure to short-term physical risks is reflected in the weather extremes we have experienced in recent years. We mitigate the risk to our infrastructure and operational service through a planned and preventive maintenance regime and using a weather watch process when extreme events are forecast by the Met Office. Following the latter we proactively protect our assets, our employees and the operational service. Alongside system resilience, asset design and restoration management minimise engineering related delay impacting our operational service.

Storm Eowyn in January 2025 was the UK's most powerful windstorm for over a decade and the most significant for Northern Ireland since 1998. With the Met Office embedded in our operation, we had the very latest information as the storm developed. With respect to our infrastructure, we took preventive measures removing some radars from service to protect staff and equipment and, due to the design resilience of power infrastructure, there was no degradation in system availability. While the storm did cause major disruption to our airlines and airport customers' flight operations, we planned ahead of the storm for what we knew would be a very difficult day. Through our industry communication cell (ATICCC) we provided updates to customers throughout the day to help them plan their operation. In addition, our air traffic controllers safely managed the many go-arounds on final approach and diversions to alternative airports.

Other recent weather events, such as storms Dennis (2020), Arwen (2021) and Isha (2024) and the extreme heat of summer 2022, also provide a baseline for post event reviews of our resilience and asset maintenance, spares management and replacement decisions.

We have assessed physical risks over a medium-term horizon using a bottom-up approach that applied desktop GIS of a high emission reasonable worst-case scenario from the Met Office's UK Climate Projections (UKCP18, RCP8.5 ~ >4°C global warming) plotted onto the locations of 206 assets across the UK and Gibraltar. These assets represent the critical air traffic control and engineering assets providing services for civil and military customers. In addition, for 24 sites potentially most vulnerable to flooding, we prepared flood risk reports based on fine resolution flood risk modelling for 1 in 100 year and 1 in 1,000-year events at both 2030 and 2050 time horizons. This site-specific climate and flood risk modelling data has been summarised in a dashboard, an example of which is below, helping our engineers and estate managers to understand potential physical risks to individual assets and sites.

Over the long-term time horizon our assessment is supported by UK climate maps of temperature, precipitation and wind speeds and climate variable histograms based on medium to high global warming scenarios up to 4°C.



We do not own similar infrastructure overseas, given the nature of our activities currently. However, as we deliver our strategy to grow the business any new critical assets will be subject to climate risk assessment.

Our analysis indicates that, at the flood return periods considered, more frequent extreme weather events such as storms could result in surface water and fluvial flooding at some sites leading to asset damage and operational service risks. As a result, we are investing in a more detailed review of the resilience of the drainage capacity at our two air traffic control centres to surface water and the potential for attenuation storage systems, as well as possible flood protection measures against local fluvial flooding. Also, we own a small number of assets supporting the service at some airports, and operate others for airport operators, which may be at risk of fluvial flooding. In these cases we will be seeking to understand the wider mitigations being considered by the customer, government agencies and providers of other infrastructure services.

With respect to other weather-related risks, our design criteria for asset replacements utilise industry best practice standards, climate projections and expected future capacity requirements to ensure resilience to wind and changes in operating temperatures. For example, all new long range radars are to be equipped with radomes that protect the radars from extreme windstorms and icing.

More broadly than our day-to-day operational service delivery, resilience and asset management, we work with government and industry proactively to remain vigilant for emerging physical risks. We are an active member of the European Aviation Climate Change Adaptation (EACCA) group, chaired by the Airports Council International (Europe) and EUROCONTROL. This group has prepared CEO level engagement materials on physical risks as well as operationally focused summer and winter seasonal guidance notes for airports and air navigation service providers. The seasonal guidance alerts stakeholders at airports and ANSPs to the latest physical risks to be aware of and how to mitigate those risks.

Non-financial and sustainability information statement

Climate-related transition risks and opportunities

Climate-related financial disclosures identified several categories of climate-related risks and opportunities, including those arising from policy and legal actions, technological change, market factors and reputational risks and our assessment was made on this basis on www.nats.aero.

We have quantified transition risk when published sources have enabled us to model the impact of climate-related assumptions on the demand for air travel. Otherwise, we have qualitatively graded the impact and likelihood of material risks and opportunities in line with the NATS risk management framework. Our assessment is based on internal analysis, market data and involved a team of multi-disciplinary senior business leaders spanning the group's activities, supported by external subject matter experts. It captured a long list of risks and opportunities, which was further refined to those deemed most material to the group's business, strategy and financial plans.

a. Policy and legal risks

The most material risks to revenue relate to policy decisions which affect flight volumes either from supply-side measures or those that directly curtail the demand for air travel, such as frequent flyer levies. The focus of current policies, which underpin the Orderly Transition scenario, is on supply-side measures that remove carbon from aviation through more efficient aircraft and operations, including airspace modernisation, carbon emission trading scheme, carbon removals and mandates for the take-up of sustainable aviation fuel (SAF).

Our long-term traffic forecast to 2040 aligns with assumptions under the orderly transition scenario taking account of the DfT's Jet Zero Strategy "High Ambition" pathway assumption for SAF take-up. Our modelling assumes that air fares will increase to reflect the significantly higher cost today of SAF relative to jet fuel, leading to a reduction in passenger demand and lower flight volumes. We have quantified the estimated impact as a £20m reduction in NERL's annual revenue in the latter years of NR23, relative to the CAA's price control assumption. The projection applies to both the Incremental Transition and Orderly Transition scenarios. We believe the risk would be heightened in a Disorderly Transition, particularly in the long-term, with a greater emphasis on demand reduction measures. We will be looking for the regulator's traffic forecasts at subsequent price control reviews to reflect the impacts of sustainability policies on the cost of flying and air travel demand.

b. Reputational risks

Airspace modernisation, which is discussed on page 10 is one of the sector's operational measures for supporting its net zero targets, providing more fuel-efficient flight paths estimated to mitigate up to 4% of UK aviation emissions. Synchronised airspace change of this scale requires the continued commitment of the DfT and the CAA, an efficient policy framework and rules for making airspace change, planning policy decisions on additional runways in the South, coordination with airports on local changes to lower airspace for which they are responsible and public acceptance of airspace change proposals.

While significant aspects of airspace modernisation are outside our control, as operator of the UK's airspace infrastructure, we may face reputational risk if stakeholders perceive the coordinated response to be slower than expected. This could also have knock-on implications for our strategic objective to be a Top 25 employer and our ability to attract and retain talent, resulting in higher operating costs to do so.

c. Market risks

We track the public's perception of aviation annually by partnering with Ipsos to produce the Aviation Index. The 2024 survey shows that 53% (2023: 54%) of the public cited emissions reductions as the number one priority for aviation, ahead of improving flight times, reducing noise, increasing consumer choice of flights and expanding airport capacity. This survey provides us with a metric to monitor changes in attitudes to climate change and early warning of a hardening of attitudes that could result in a reduction in the propensity to travel by air, resulting in lower revenue. This risk is likely to be most prominent in a Disorderly Transition over a long-term horizon.

NATS relies on access to capital markets and to banks to finance its activities, including short-term bank facilities and bonds expiring in 2031-2033. There is a moderate risk in a Disorderly Transition scenario that access to, and the cost of, funding we require in the medium and long-term may be impacted by general sentiment towards the aviation sector's progress in reducing emissions and airspace modernisation, or if NATS is not perceived to be on track to meet its decarbonisation strategy.

d. Technology-related risks

Our net zero target by 2035 and our strategic objective to be carbon negative by 2040 are dependent on the development of technical and cost-effective solutions for the reduction and removal of carbon. Additional capital investment may be required in the short and medium-term to support emissions reduction in line with our climate target trajectory measures and ensure our objectives can be met. We are investing £8m to develop solar arrays at Swanwick and Prestwick.

e. Opportunities

Our strategic objective to grow revenue by £500m by 2040 assumes the development of services to new users of airspace. As the economy transitions to net zero this is likely to include a growth in demand from low emission unmanned aerial vehicles and the potential for new sources of income, such as data provision.

We are also well placed to support existing customers and the wider industry with their transition to net zero with tools and services that enable lower emissions.

Our Intelligent Approach tool reduces emissions on final approach enabling more sustainable capacity growth by airports and our demand capacity balancing tool which is used by Heathrow Airport now includes an environmental parameter for airfield modelling, alongside capacity.

Non-financial and sustainability information statement

Our experience of managing flow movements on the ground and enhancing airfield efficiency provides unique insights to optimise airport operation and maintenance. Clarity is our emissions impact demonstrator for airports that visualises ground and air operations, quantifies future CO₂ savings, and helps airports make the most impactful decisions to reach their sustainability targets while optimising their airside operations. We expect to demonstrate Clarity with an airport partner in the first half of FY26 to showcase its value in operational optimisation and sustainable decision-making.

Green Aviation Insights (GAIN) is the first global benchmarking, reporting and collaboration data platform that will help ANSPs around the world collectively take action to decrease emissions in the airspace they manage. Alongside us, three other ANSPs are actively involved in designing and testing the tool, which will be available for all ANSPs to use from January 2026.

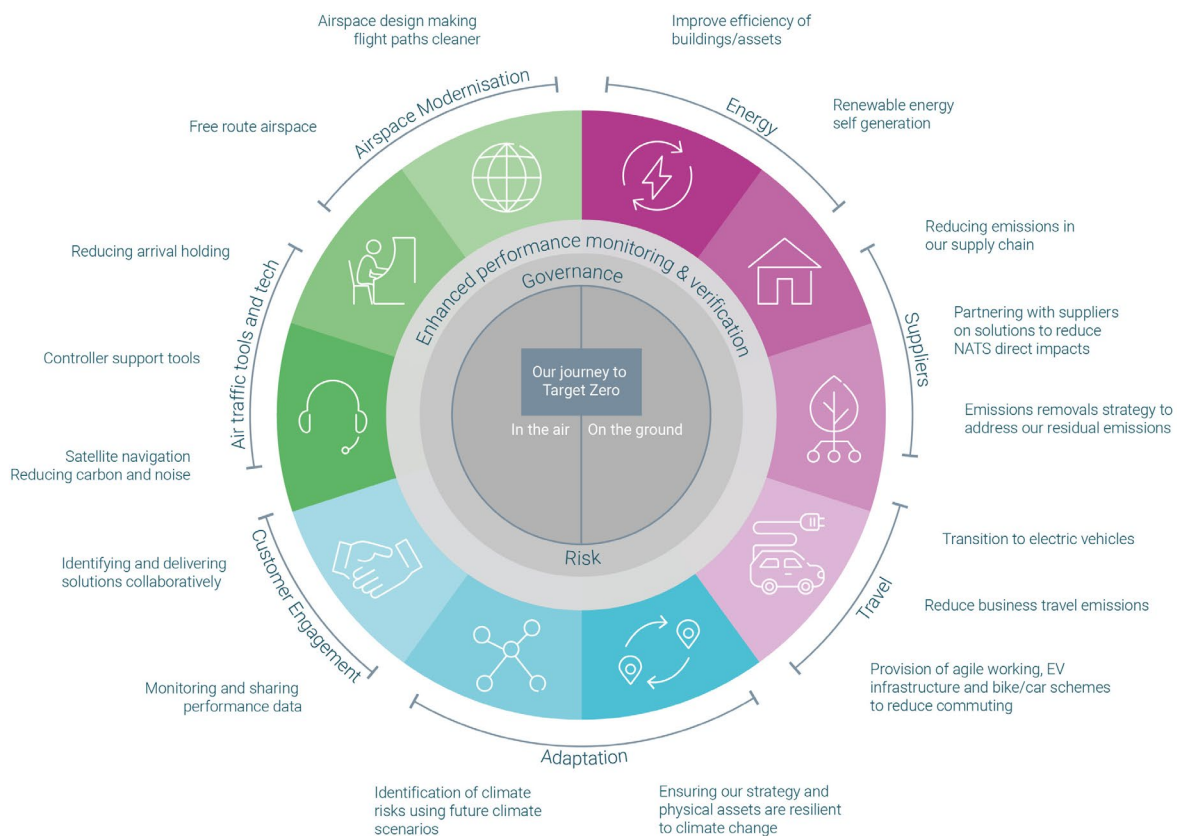
We expect to realise cost efficiencies over the medium-term from the energy-efficiency improvements we are making to our estate, such as the installation of solar arrays at our air traffic control centres. Also, the shift to low emission energy reduces our sensitivity to changes in the cost of carbon in future and enhances our business resilience.

Finally, achieving our net zero target and carbon negative strategic objective will also be a positive contributor to employee satisfaction, aligned with our objective to be a Top 25 employer, and enhance our reputation with wider stakeholders, including providers of finance.

Overall, none of the transition scenarios tested threaten the resilience of the group's business model and strategy and we are well placed to take advantage of opportunities which arise from the transition to a low carbon economy.

Our decarbonisation strategy

As well as preparing for the impacts of climate change on our business, we are committed to transitioning to a business model that is consistent with the objectives of the Paris Agreement. This is reflected in our strategic objective of reducing, on the ground, our Scope 1, 2 and selected Scope 3 emissions (which excludes airline emissions) to net zero by 2035 and being carbon negative by 2040 and, in the air, working with customers, partners and suppliers to achieve a net zero aviation industry by 2050.

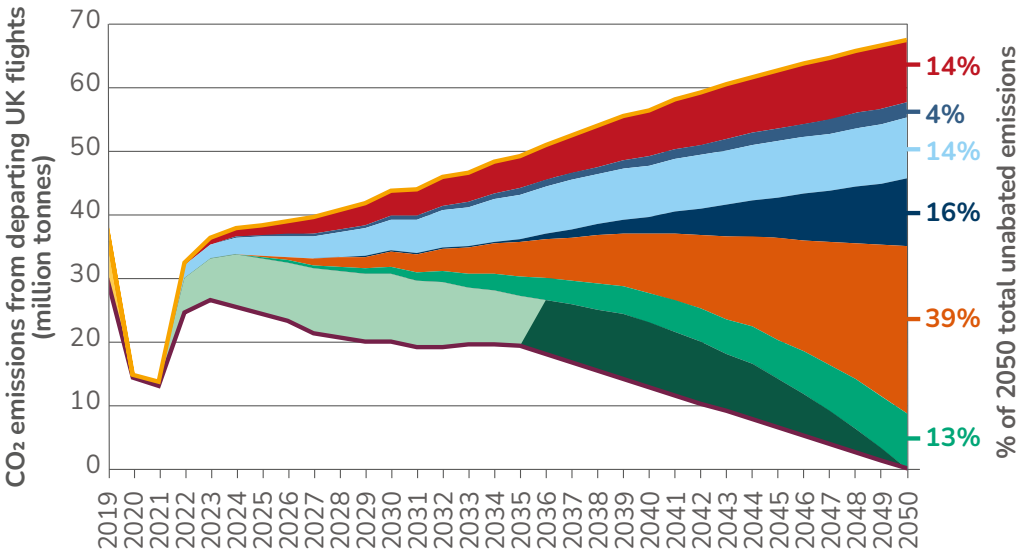


Non-financial and sustainability information statement

Our pathway to carbon negative on the ground focuses on achieving deep reductions in our emissions by 2035. Our near-term target is to reduce the emissions from running our business by 41% by 31 March 2026 against a 2019 baseline. This has been independently verified by the Science-based Targets Initiative, for which NATS was awarded 'Business Ambition' status - the highest achievement possible.

By 2030, we are targeting a 65% reduction in emissions from a 2019 baseline of 40,321 tonnes. We are then seeking to minimise our emissions as far as practicably possible by 2035, at least to no more than 10% of our 2019 baseline. To achieve net zero, any residual GHG emissions will be compensated by removals. This either relies on developing technologies which capture and store carbon emissions deep underground or a range of nature-based solutions that remove and store carbon from the atmosphere. Achieving our 2040 strategic goal to become carbon negative will mean that our GHG removals from the atmosphere exceed our residual emissions.

Our strategy in the air is to deliver safe and efficient air traffic management that supports the UK government's Jet Zero strategy to achieve net zero aviation emissions by 2050, with domestic flights and airport operations net zero by 2040, alongside broader international aviation commitments. Air traffic management and operational improvements are likely to reduce CO₂ emissions from UK aviation by around 4.7% by 2050 relative to 2016, in line with independent assessments of the contribution air traffic control can make to overall aviation emissions reduction. This is embedded in the Sustainable Aviation decarbonisation road map shown in the figure below.



- Emissions with no mitigations or carbon price
 - Demand reduction impact of decarbonisation costs
 - Improved airspace and aircraft operations
 - Fleet upgrades, with known aircraft types
 - Fleet upgrades, with future aircraft types including hydrogen and electric aircraft
 - Sustainable Aviation Fuels
 - Carbon removals, including direct air capture
 - ETS and CORSIA
 - Future obligations
 - Net carbon emissions
- } Aircraft technology improvements
- } Residual Emissions



Non-financial and sustainability information statement

Our contribution is represented in the NR23 price control plan by a sustainable reduction in the 3Di score, albeit fully realising these benefits is proving to be challenging in the face of traffic growth and other factors (see page 10), alongside smaller scale airspace changes delivered by our Operational Service Enhancements Project (OSEP). Longer term larger scale airspace modernisation will be the biggest contribution we can make to reducing the carbon footprint of flying through systemising UK terminal airspace, enhancing the way we manage flows of traffic with new technology and delivering cross-border Free Route Airspace across the UK's high-level airspace sectors.

Risk management

- 5) a description of how the company identifies, assesses, and manages climate-related risks and opportunities;
- 6) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company;

Sustainability and climate change is a principal risk to our business and is fully embedded within our overall Enterprise Risk Management framework (ERM). The approach to identifying, assessing, and managing climate-related risks is described above. Risk owners have been appointed to monitor and develop mitigation plans for material risks. This process is consistent with the approach to all other risks, outlined on page 57.

Physical risks and opportunities are identified initially from location-specific UK Met Office climate projections. The risks are assessed, monitored and managed by NERL and NSL, as the group's two principal operating subsidiaries, and reported to the ESSG.

Transition risks and opportunities are identified at a group level initially with input from experts, using a scoring methodology for both likelihood and impact consistent with our internal risk management framework. These are monitored and managed at subsidiary level as appropriate. Risks are reassessed periodically for material changes in the group's operating environment, which may arise from consultation on a new price control, government sustainability policy or a science-based assessment of the rate of climate warming relative to the company's scenarios.

The Audit Committee and Board receive updates on top enterprise risks, including climate-related risks, at each of their meetings.

Climate-related risks are embedded in the directors' consideration of their duties under S172 (see page 42 and 43), our going concern and viability assessments (see page 22 and 23) and consideration of the carrying value of certain balance sheet items, such as the carrying values of our ATC infrastructure assets, NERL's goodwill and the group's equity investments.

The ERM sets out the categories of risk we face. This is a tool for business areas to identify and assess each risk based on its potential impact and likelihood of occurrence and to compare that to the risk appetite and tolerance statements agreed by the Board. Three specific categories relate to sustainability and climate change:

- a. **Physical impacts of climate change:** Risks to our assets and operations arising from global warming, including the impact of extreme weather events.
- b. **Climate transition:** Risks associated with the transition to a low carbon economy, including changes in regulation and consumer behaviour.
- c. **Achieving net zero and carbon negative:** Risks associated with our carbon negative ambitions and our ability to support decarbonisation across the sector.

Metrics and targets

- 7) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and
- 8) the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.

Our metrics and targets allow us to measure our impact on the environment and monitor our performance towards meeting our strategic objectives.

The key metrics in this respect relate to service performance, net zero and physical and transition risk monitoring. These are set out in the table on page 39 together with the disclosure of Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and energy use under the Streamlined Energy and Carbon Reporting (SECR) requirements.

Our target for this financial year was to have reduced our combined Scope 1 and 2 GHG emissions by 35% against the 2019 baseline, and to have achieved the same level of reduction across limited Scope 3 emissions (categories 1, 3, 4, 6, 7). We have achieved a 34% reduction in Scope 1 and 2 emissions (2024: target 29%, achieved 34% reduction), and a 40% reduction in limited Scope 3 emissions (2024: target 29%, achieved 35% reduction).

Initiatives undertaken in the year included the installation of roof mounted solar panels to self-generate renewable energy at our Swanwick air traffic control centre (see page 29).

Our targets validated by SBTi

To reduce absolute Scope 1, 2 and 3 GHG emissions by 41% by 31 March 2026 against a 2019 financial year baseline.

Note: Scope 3 emissions covers purchased goods and services (water and data-centre use), fuel and energy related activities, upstream transportation and distribution, business travel and employee commuting.

To commit that 50% of our suppliers by spend, covering capital goods, will have science-based targets by 31 March 2026.

Non-financial and sustainability information statement

Further detail on our decarbonisation plan and report on the year's performance is detailed within our Responsible Business report, the five-year Transition Plan and NATS Greenhouse Gas report on www.nats.aero.

As we develop our understanding of the physical and transition climate risks we will continue to develop metrics and targets that provide the information the business and our stakeholders need to effectively monitor our performance and demonstrate our progress.

We maintain a range of certified ISO (or equivalent) management systems, which are externally assessed by DNV GL, including ISO 31000 (risk management), ISO 14001 (environment management) and ISO 14064 (GHG verification). The Audit Committee oversees all verification and assurance activity.

Supporting information

The Non-financial and Sustainability Information Statement and the environment metrics reported on page 39 have been prepared in accordance with non-financial information reporting guidance from the Financial Reporting Council, the European Commission, the International Financial Reporting Standards Foundation and the Task Force on Climate-related Financial Disclosures. An operational control approach is taken to non-financial information using the same boundary as the NATS Holdings group.

Risk or opportunity	Time horizon	Potential impact	Mitigations in place or planned
Physical risks from extreme weather events (acute risks) and changing long-term climate trends (chronic risks)			
Flooding at en route centres and airports where NATS provides a service.	Medium and long-term.	Restricted access to sites and damage to equipment impacting operational service.	Ongoing analysis of flood risk for key sites. Longer-term maintenance to improve drainage capacity and flood defences.
Storms (precipitation and lightning) at remote sites.	Short, medium and long-term.	Costs of damage to communications, radar and navigation assets and disruption to operational service.	Design tolerances reflecting projected weather impacts, planned remedial action, geographical separation of assets, layers of redundancy and back-up for critical systems.
Wind speed and gusts at remote sites.	Short, medium and long-term.	Cost of damage to or loss of a radar. Simultaneous loss of multiple assets leading to reduced operational service.	
Summer extreme temperature at en route centres, airports and affecting infrastructure assets.	Short, medium and long-term.	Damage to cooling systems and equipment components leading to reduced operational service.	
Thunderstorms and clear air turbulence.	Short, medium and long-term.	Disruption to ATC service performance, air traffic delay and aircraft re-routing.	ATICCC updates to airlines and airports enabling coordinated responses to potential disruption, such as re-routings or regulations to safely manage capacity. Impact of weather on ATC delay (but not 3Di) is excluded from the CAA's service incentive.
Opportunities linked to resilience against physical climate impacts			
Supporting customers with the specification and installation of airport engineering equipment.	Medium and long-term.	Additional revenue from engineering project services or solutions mitigating climate impacts to airport infrastructure (remote/digital towers).	Ongoing assessment of physical risks to customer sites and targeted commercial activities.

Non-financial and sustainability information statement

Risk or opportunity	Time horizon	Potential impact	Mitigations in place or planned
Transition risks			
Policy and legal: measures impacting air travel demand directly (e.g. air passenger duty, frequent flyer taxes) or indirectly (e.g. SAF mandates, carbon emission trading).	Medium and long-term.	Lower air traffic volumes and revenue than assumed by the price control. Direct demand measures having medium impact in incremental scenario and high impact in disorderly scenario. Indirect measures having high impact in both incremental and disorderly scenarios.	The price control includes an uncertainty mechanism which mitigates against the loss of revenue due to unforeseen reductions in traffic volumes from the level forecast by the economic regulator. Traffic forecasts are re-set for each price control to have regard to the anticipated demand for air travel.
Reputational: public perception of the aviation sector's impact on climate change and pace of emission reduction; or regulator and customer perception of pace of NATS contribution.	Medium and long-term.	Medium impact in all transition scenarios from a loss of revenue as consumers reduce air travel or opt for lower carbon transport. Medium impact in incremental and disorderly scenarios from higher costs of employee retention and recruitment of new talent.	A coordinated industry-wide airspace modernisation that supports the sector's transition to net zero.
Market: capital market concerns at the pace of either the aviation sector's transition to net zero, or NATS own transition to net zero.	Medium and long-term.	Medium impact in incremental and disorderly scenarios from higher cost of funding.	Undertaking actions to facilitate the achievement of our net zero target and our carbon negative strategic objective, alongside coordinated industry-wide airspace modernisation.
Technology: supply-demand of renewable energy and reliance on electricity grid (power and heat).	Short, medium and long-term.	Access to clean energy alternatives drives higher cost of energy and risk of grid power outages with high impact in disorderly scenario and medium impact in incremental and orderly scenarios.	Energy avoidance and conservation measures, photovoltaic arrays at main sites reducing Scope 2 emissions and minimising exposure to electricity price fluctuations, supply prioritisation.
Technology: supply-demand of carbon sequestering and offsetting.	Medium and long-term.	High impact in disorderly scenario from potential increase in cost to achieve net zero and carbon negative strategic objectives.	Taking early actions in service of meeting decarbonisation targets. A price control which allows the recovery of the efficient costs of achieving decarbonisation.
Transition opportunities			
NATS ATC solutions offer resilience and support emission reductions.	Short, medium and long-term.	Increased revenue from solutions supporting sustainable capacity growth (Intelligent Approach), reduced airborne holding (XMAN), ground and air operations (Clarity, Green Aviation Insights).	Targeted commercial activities.

The time horizons we have used to assess climate-related risks and opportunities are short: one to two years, medium: to 2030 and long-term: from 2030 to 2050. We have rated financial impacts of transition risks, broadly indicative of a reduction in revenue or an increase in costs, as High (£10m-£100m p.a.), Medium (£1m-£10m p.a.) and Low (<£1m p.a.).

Non-financial and sustainability information statement

Environmental performance and greenhouse gas emissions

Description	FY 2024/25 (or CY 2024)	FY 2023/24 (or CY 2023)
Service performance and resilience		
3Di (calendar year)	28.57***	28.3
Environmental performance[^]		
Scope 1 emissions (location-based tonnes CO ₂ e)	2,964 [°]	2,548 [°]
Scope 1 emissions (market-based tonnes CO ₂ e)	269 [°]	97 [°]
Scope 2 emissions (location-based tonnes CO ₂ e)	10,744 [°]	11,057 [°]
Scope 2 emissions (market-based tonnes CO ₂ e)	- [°]	84 [°]
Scope 3 categories 1, 3, 4, 6 and 7 emissions (tonnes CO ₂ e)	11,887 [°]	12,792 [°]
Total Scope 1, 2 and 3 categories 1, 3, 4, 6, 7 (tonnes CO ₂ e) – location based	25,595 [°]	26,397 [°]
Scope 3 category 11 emissions (tonnes CO ₂ e)	24,553,624 [°]	24,069,952 [°] **
Scope 4 modelled enabled ATM-related CO ₂ reduction in tonnes ¹⁴	2,876 [°]	799 [°] **
Water supply and treatment (m ³)	48,031 [°]	35,800 [°]
Energy consumption (gas + electricity) MWh	63,773 [°]	64,988 [°]
Transportation: owned and leased vehicle fuel consumption (as reported within Scope 1) KWh	520,698	810,057
Transportation: business travel (Scope 3) from employee-owned vehicles and hire cars KWh	1,154,662	614,568
CO₂e intensity metrics		
Total Scope 1 + 2 emissions (location-based tonnes CO ₂ e)	13,708 [°]	13,605 [°]
Total Scope 1 + 2 emissions (market-based tonnes CO ₂ e)	269 [°]	180 [°]
Total Scope 1 + 2 intensity metric (location-based tonnes CO ₂ e per £m of revenue)	12.8	11.4
Total Scope 1 + 2 intensity metric (market-based tonnes CO ₂ e per £m of revenue)	0.3	0.2
Net zero metrics towards validated science-based target		
Percent reduction of CO ₂ e against 2018-19 baseline (Scope 1, 2 and 3 categories 1, 3, 4, 6, 7)	Target: -35% Actual: -37%	Target: -29% Actual: -35%
Percent change in CO ₂ e against 2018-19 baseline (Scope 1 and 2 emissions)*	-34%	-34%
Percent reduction of CO ₂ e against 2018-19 baseline (Scope 3 categories 1, 3, 4, 6, 7)*	-40%	-35%
Physical and transition climate risk monitoring		
Aviation Index: Percent of public that feel emission reduction should be most prioritised for improvement (calendar year)	53%	54%

[^]Verified to ISO 14064-1. Our GHG emissions data is prepared and reported in accordance with: World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Scope 2 Guidance and Corporate Value Chain (Scope 3) Accounting and Reporting Standard and supporting Technical Guidance. Certificates, GHG emission methodologies and boundaries are outlined in detail in our GHG report, available at www.nats.aero/environment/library

* Our absolute near-term science-based emission targets apply to total combined i) Scope 1 and 2 and ii) Scope 3 (categories 1, 3, 4, 6, 7) CO₂e location-based emissions by 2025/26, using a 2018-19 baseline. Scope 3 categories 1, 3, 4, 6, 7 describe GHG emissions covering purchased goods and services, fuel and energy related activities, upstream transportation and distribution, business travel and employee commuting (including homeworking).

** Restated, see further information on this in Section 4.5 of our GHG report, available at www.nats.aero/environment/library.

*** for calendar year 2024, this excludes non-revenue flights. The calculation under NERL's licence, including non-revenue flights, is 29.15.

Engaging with our stakeholders

Our stakeholders	Why are they important to us?	How we engage and have regard to their views in our decisions?
<p>Our Customers: Airspace Users, Airports and Others</p>	<p>A safe ATC service is essential for airspace users and airports to which we provide our services and expertise, and for the travelling public. Their requirements are key drivers of our business plan, defining both the demand for the ATC network and the infrastructure that enables access to airspace and integration of users. It also determines our staffing and capital investment. We operate a joint and integrated civil military operation with the MOD and support Project Marshall.</p>	<p>The CFO leads a comprehensive programme of engagement and consultation with airline customers and airport stakeholders to understand their priorities and views on our service and investment proposals, before developing our price control plan for the CAA's review. We also undertake consumer research to understand passengers' priorities. A Board sub-committee is updated on customer engagement and the development of price control plans.</p> <p>This year we ran a consultation, targeted to industry, on NATS OpenAir, a new air traffic management service enabling an integrated airspace for both existing and new types of airspace users.</p> <p>NERL's licence requires a service and investment plan to be provided to airline customers and the CAA in January, with an interim update in July, outlining our service performance and investment plans. Ahead of publication, management meets with customers enabling them to question, explore and understand performance and proposed changes to our investment plans. The quality of engagement is assessed by the CAA's independent reviewer.</p> <p>We have two customer fora, the Operational Partnership Agreement (OPA) and Airspace Flight Efficiency Partnership (AFEP), which meet twice a year. At the OPA we obtain airline feedback on our service delivery, those factors of greatest importance to them and our measures for continuous improvement. Through AFEP we engage at both a tactical and strategic level on airline flight efficiency and smaller-scale enhancements to our airspace, as well as large scale airspace change.</p> <p>Through ATICCC we discuss operational plans ahead of disruptive events (such as named storms) and provide regular updates on network performance on the day.</p> <p>We seek customer feedback annually through a satisfaction survey.</p> <p>The CEO and Director of Operations discussed preparations for summer 2025 across Europe with Eurocontrol (the network manager), airlines, airports and other stakeholders.</p>
<p>Employees</p>	<p>Our ATC service and infrastructure depends on the skill and professionalism of our employees. They make a critical difference to our success, and our investment in them protects and strengthens our safety and business culture. Most of our employees are members of trades unions.</p>	<p>The CEO, CFO, executive team and senior leaders have an open dialogue with trades unions and 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. The CEO and executive communicate regularly to employees via our intranet and to senior leaders in regular virtual meetings.</p> <p>The Board receives a monthly report from the CEO which includes employee relations, diversity and inclusion and other employee matters. The Board collectively seeks opportunities to engage with groups of employees.</p> <p>NATS operates a Just Safety culture, enabling employees to raise safety matters, and we seek feedback on a safety culture survey. We also survey employee wellbeing and maintain a whistleblowing facility. We conduct employee opinion surveys to understand how colleagues feel and where we can improve.</p> <p>Further details on the Board's regard to employees in its decision-making is provided below.</p>

Engaging with our stakeholders

Our stakeholders	Why are they important to us?	How we engage and have regard to their views in our decisions?
Regulator	<p>The CAA is NERL's economic regulator, ensuring it provides its service and develops its infrastructure in accordance with the ATC licence. The CAA also acts as safety regulator for our airspace and airport activities, ensuring international safety standards are met.</p> <p>Ensuring we fulfil our licence and safety obligations and develop the business for the long-term ensures the success of the company for all our stakeholders.</p>	<p>As economic regulator, the CAA consults stakeholders on NERL's price control plans ahead of determining the charges, safety, service performance and capital investment targets and incentives. The consultation enables NERL to discuss the balance of service targets and incentives, risk mechanisms and financial resources.</p> <p>The CAA's safety regulator oversees the safety integrity of our training, operational processes and technical systems and we receive recommendations on improvements, which we implement to ensure safety standards are met.</p> <p>The CAA approves changes to airspace design over the UK by reference to legal requirements including safety, environment, and user need. The CEO and CFO have engaged with the CAA and DfT on the UKADS to ensure that an appropriate framework is in place to ensure success, alongside appropriate returns to NERL given the extent of external dependencies and reputational and financial risks.</p>
Government	<p>The government sets UK Aviation Strategy which provides a long-term vision for the industry and a framework for future ATC provision.</p>	<p>The CEO maintains a regular dialogue with the Department for Transport.</p> <p>The government engages on aviation policy that affects NATS, including preparations for summer 2025.</p>
Shareholders	<p>We have four shareholders: the Crown, The Airline Group – owned by a number of UK airlines and pension funds (see note 34 to the accounts), Heathrow Airport and the employee share trust. They provide equity investment which finances our activities and enables us to invest in our ATC service and infrastructure, for which they expect a return. The employee share trust owns 5% of the company which enables employees to share in the company's long-term success.</p>	<p>A shareholders' meeting is usually held once a year to provide the group with an opportunity to update the shareholders on the progress of the annual business plan and long-term strategy. The Chair, CEO and CFO also meet informally with shareholders upon request. The 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.</p>
Communities and Environment	<p>Local communities around airports expect the aviation sector to pay attention to aircraft noise, fuel and CO₂ emissions and local air quality. Our ATC service can help mitigate some environmental impacts. Society expects improvements in sustainability, and we are committed to net zero greenhouse gas emissions from our estate by 2035, being carbon negative by 2040 and being an enabler to aviation's target of net zero by 2050. We are a significant employer where our UK operations are based.</p>	<p>We follow the CAA's guidance on public consultation on airspace use, aircraft movements and environmental impacts. We work with communities affected by flights below 7,000ft at an early stage of any airspace change, to ensure they have a voice in airspace design. Changes mean some communities may be subject to more overflights than previously, while others are no longer overflown. Following consultation, we appraise design options before making our recommendation to the CAA.</p> <p>The Board is kept abreast of the public's attitude to aviation and to NATS through an annual public opinion survey (Aviation Index) conducted by Ipsos.</p>
Lenders	<p>Lenders provide debt finance that we repay over time and compensate by way of a commercial return. Access to debt finance is necessary to fund our business activities efficiently.</p>	<p>The CFO meets lenders at least annually to discuss our performance, business plan and capital investment. Lenders wish to understand the company's financial strength over the long-term, the principal risks it faces and ESG matters. The importance of these relationships was demonstrated by NERL's refinancing of its £400m bank facility in the year and the debt refinancing of June 2021 which raised £1.6bn and the further £145m bond issued in March 2023.</p>
Suppliers	<p>Our suppliers provide goods and services to maintain and develop our operation. Working closely with them minimises risk and combines our expertise to develop innovative ATC solutions. We engage with them on ESG matters.</p>	<p>Our supply chain management approach involves regular and ongoing engagement with suppliers for procurement, risk management and performance measurement. We complete due diligence using industry JOSCAR methodology. We tailor engagement to critical suppliers and undertake Executive reviews, conferences and joint workshops. Our approach is an open and constructive relationship based on fair terms, good performance and high standards of conduct. We are ISO 44001 accredited and hold CIPS Platinum standard of assurance.</p>

S172 statement

Having regard to our stakeholders in Board decision-making

Section 172 (1) statement

The directors act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so the directors have 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. The directors also have 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 (see Engaging with our stakeholders). Inevitably it is not always possible to achieve outcomes which meet the desires of all stakeholders.

How our Board and its committees operate, and the way decisions are reached, including the matters discussed during the year, are set out in the Governance section on pages 45 to 79.

Set out below are explanations of how the directors have had regard to section 172(1) in respect of employee matters and in reaching their key decisions in the year.

The Board's regard to employees in its decision-making

NATS has 4,820 employees and 135 contract staff. It is fundamentally a people-based organisation which relies on highly trained professionals to deliver a safe, resilient service to customers and the public day to day. Workforce-related matters are brought to the Board's attention each month and its Safety Committee oversees occupational health and employee wellbeing. These provide the Board with sufficient time and depth of analysis to engage with, and have regard to, employee matters. More detail on employee matters is provided by the Responsible Business statement on page 27. The main topics considered by the Board and opportunities for engagement were:

Employee engagement: the Board discussed the results of the latest employee engagement survey and progress since the 2023 survey, the baseline for our strategic objective to be a Top 25 UK company to work for by 2040. The Board noted the slight improvement in engagement and that employees continued to feel most strongly about opportunities for personal growth, strength of leadership and support for local communities.

The Board discussed the approach to engaging with trades unions and noted that through the year, the CEO, CFO and wider Executive team gave regular briefings to employees on developments in service of the group's four strategic objectives, safety and operational performance, and listened to their views and responded to questions.

This feedback enables the Board and Executive to understand better employee priorities and concerns when making decisions that affect employees.

ATCO resourcing: the Board assessed progress with training the next generation of air traffic controllers given the importance of these skills for operational resilience as air traffic volumes grow and for enabling airspace modernisation and the technical transformation of our

infrastructure. The Board recognised the increased recruitment required to balance supply and demand between newly trained controllers and those expected to be retiring during NR23 and the actions underway to maximise training success rates. The Board was also updated on changes to working practices and overtime agreements in service of resilient service delivery for customers.

The Board also considered the preparations being made to meet the high demand for air travel in summer 2025 given its importance to customers, passengers and the wider European network.

Health and wellbeing: through its Safety Review Committee, the Board maintained a focus on the safety of all colleagues and employee mental health and wellbeing.

Equality, Diversity and Inclusion (ED&I): ED&I continued to be a Board focus. The Board has set a target for equal gender recruitment and discussed the actions being taken to attract women alongside those from diverse backgrounds. The Board also reviewed the Pay Gap reports published in April 2024 and April 2025, including those for ethnicity and disability which are not currently mandatory. The CEO and Mike Campbell, non-executive director, each led sessions as part of our annual National Inclusion Week which included time set aside for employees to share their thoughts and to ask questions.

The Board's regard to wider stakeholders in its decision-making

The summaries below show how, over the course of the financial year, the Board's key decisions had regard to the long-term success of the company and to S172 (1). More detailed explanations are provided elsewhere in this report.

Technical and operational resilience: the Board's Transformation Review Committee (TRC) studied the independent panel's final report into the August 2023 technical incident. It noted that the panel agreed that safety had been maintained and considered the report's conclusions and recommendations, including those for the wider industry. Alongside the recommendations made in NATS' own major incident report, the TRC was briefed on the remedial actions taken. Separately, the Board also received an update on a pan-industry resilience exercise led by NATS Director of Operations. The Board maintained its focus on delivering strong operational performance and received updates from the CEO at each meeting.

Technology transformation programme: the Board reviewed the strategic priorities for investment in the next generation of technology, such as to enable airspace modernisation, and the plan for transition from legacy systems. The group's business plan had assumed the National Airspace System Flight Data Processor (NAS FDP) would be retired in mid-NR28, with a need for its sustainment until the deployment of the strategic iTEC SkyNex FDP, being developed in collaboration with European partners. In light of the longer deployment window for the strategic FDP, and the sequencing of other critical investments, the Board approved prioritising the replacement of NAS FDP on an interim basis with the Federal Aviation Authority's En Route Automation Modernisation system (ERAM) to ensure a resilient and reliable service until the deployment of iTEC SkyNex, and potentially serving as an enduring back-up capability.

S172 statement

UK Airspace Design Service (UKADS, see page 11): the Board deliberated on the DfT and the CAA proposal to establish a UKADS body to design and sponsor future airspace changes, initially for the London area, and the extent to which the CAA's airspace change process and the proposed accountabilities and responsibilities of UKADS provided the right conditions for NERL to be successful in this role for the benefit of UK. The Board's concerns were reflected in NERL's response to the consultation and subsequent discussions with the CAA and DfT once it was established that NERL was the preferred body to provide the UKADS.

Gatwick Airport staffing: the Board continued to oversee the progress being made to address the shortfall in ATC control tower staffing NATS inherited following the transfer of the Gatwick Airport ATC contract in October 2022. The Board noted the significant reduction in staffing-related delay in year compared to the prior year and the focus on increasing staffing levels and resilience to deliver further improvements.

Revenue growth strategy (see page 7): the Board continued to further develop the strategy to 2040, focusing on the revenue growth objective. It received papers on the execution of the strategy and discussed the progress NSL had made to secure forward orders. It also considered the pricing of airport ATC contracts and discussed the tender for Birmingham's contract.

Dividends: the Board considered the group's dividend policy and resumed dividends, which had been suspended since November 2019.

Annual business plan: the Board reviewed and approved the group's budget for 2026 and the five-year business plan, aligned to the group's strategy. Prior to doing so, the Board wished to understand how the plan enabled NERL to achieve the regulatory cost of capital for NR23 and the revenue growth targets for NSL.

Traffic forecasting (see page 13): the Board reviewed and approved the updated internal long-term forecast to 2040 for business planning purposes. This reflected the macro-economic outlook and the DfT's Jet Zero sustainability strategy policies as of November 2024. Subsequently the Board has discussed the revenue impacts of shorter distances being flown in UK airspace and the factors underpinning this. In April 2025, the Board was updated on the financial and other considerations relating to trade tariffs, and the potential for a slowdown in economic growth to curtail air travel demand.

The Strategic report was approved by the Board of directors on 26 June 2025 and signed by order of the Board by:



Richard Churchill-Coleman
Secretary



Governance Report

- 45 Directors of NATS Holdings
- 50 NATS governance framework
- 54 Reports from Board Committees
- 78 Report of the directors

Annual Report and Accounts 2025

Directors of NATS Holdings



Director's biographies

Chair

Sir Warren East

Sir Warren was appointed Chair on 1 September 2024. He served as CEO of Rolls-Royce between 2015 and 2022 and prior to this, spent almost 20 years with ARM Holdings, the British microprocessor manufacturing, design and software company including 12 years as CEO.

Sir Warren is currently non-executive Chair of C-Capture and a non-executive director of Tokamak Energy Limited, ASML Holdings HV and a strategic adviser to Avina Clean Hydrogen. He has previously served as a non-executive director with Dyson, Micron, BT Group, Rolls-Royce and De La Rue.

Sir Warren chairs the Nomination Committee and also attends the Audit Committee, Remuneration Committee, Safety Review Committee and Transformation Review Committees by invitation.

Executive directors

Martin Rolfe, Chief Executive Officer

Martin took up the post of Chief Executive in May 2015, having been Managing Director, Operations since 2012, with responsibility for NATS' economically regulated UK and North Atlantic services. An engineer by training, Martin holds a Master's degree in Aerospace Systems Engineering from the University of Southampton. He has 30 years of experience in the defence and aerospace industry, and prior to joining NATS was the Managing Director of Lockheed Martin's Civil Division with responsibility for worldwide ATM programmes as well as UK Government business. Martin has also worked for the European Space Agency and Logica plc.

Alistair Borthwick, Chief Financial Officer

Alistair joined NATS as CFO in August 2019. Beyond his core finance responsibilities he is also responsible for economic regulation, data analytics, supply chain and facilities management. He also has executive responsibility for NATS (Services) Limited, NATS' commercial business which operates across the UK and internationally, as well as leading the group's strategy team. He successfully led NATS' regulated business through refinancing in 2021, raising over £2bn.

Previously, he held a number of senior roles at SSE plc, one of the largest energy companies in the UK, latterly being Group Finance Director for their Networks and Enterprise businesses, also having responsibility for the group's central reporting, tax and treasury functions.

Alistair qualified as a Chartered Accountant with Deloitte and is a graduate of INSEAD's Advanced Management Programme.

Directors of NATS Holdings



Director's biographies

Non-executive directors

Maria Antoniou

Maria is Group HR Director for Morgan Advanced Materials. She was appointed to this role in November 2020. Until April 2020, Maria was Senior Vice President HR/Executive HR based in E.ON's headquarters in Germany.

Maria joined E.ON in 2008 as the UK HR Director. During her time in the UK, the business was significantly restructured and emphasis given to becoming a customer focused organisation. Prior to joining E.ON, Maria spent two years in the public sector as Group HR Director for Transport for London and 20 years with Ford Motor Company. Whilst at Ford, Maria was global HR Director for Jaguar, Land Rover and Aston Martin. Maria is Chair of Trustees of Transport for London's Pension Fund. Maria chairs the Remuneration Committee and is a member of the Nomination Committee. She is a director and chairs the NATS Employee Sharetrust. Maria is also the designated non-executive director for employee engagement with the Board.

Greg Bagwell CB CBE

Greg served for 36 years in the Royal Air Force, retiring in 2016 as Deputy Commander with overall responsibility for all aspects of safety for all personnel and equipment and, as an independent member of four MOD Boards, helped shape policy on Safety, Information, Logistics and Infrastructure.

He began his distinguished military career as a pilot for more than 20 years, with more than 4,000 flying hours on Tornado and CF-18 Hornet aircraft, and as a Commander. He became Chief of Military Plans at UK Joint HQ, Air Officer Commanding No 1 Group RAF and Director Joint Warfare, Joint Forces Command.

For the past five years, Greg has worked in the private sector with Cobham Ltd, AirTanker Ltd and is currently an Executive Director with Cobham Ltd. Greg is President of the UK's Air & Space Power association, a Fellow of the Royal Aeronautical Society and a Distinguished Fellow of the Royal United Services Institute. He is also a chair for senior programmes at the Windsor Leadership Trust, and a trustee of "Flying for Freedom", which enables wounded, injured and sick service personnel to go solo in microlights. Greg is chair of the Safety Review Committee and a member of the Transformation Review Committee.

Ross Baker

Ross is Chief Commercial Officer of Heathrow Airport. Previously he was Heathrow's Director of Operations and before that, Director of Strategy. Prior to joining Heathrow in 2011, Ross held a mix of advisory and aviation industry roles.

At Bain & Company, he advised on a range of strategic, commercial and operational engagements. Prior to Bain, Ross spent a decade with British Airways where he held operational and commercial management roles, in the UK and overseas.

Ross has been the Executive Chair of Heathrow Express since 2017 and is a Trustee of The Air League, the UK's leading aviation and aerospace charity. Ross graduated with an MA (Hons) degree in Politics from The University of Edinburgh. Ross is a member of the NATS Audit Committee.

Directors of NATS Holdings



Director's biographies

Non-executive directors

Dr Harry Bush CB

Harry spent most of his career in HM Treasury where he focused latterly on policies towards growth, science funding and privatisation and private finance. He was UK Director at the European Investment Bank from 2001 to 2002. Harry left HM Treasury in 2002 to join the CAA Board as Group Director Economic Regulation, responsible for the economic regulation of the designated airports and NATS, as well as the CAA's economic analysis generally. He was a member of Eurocontrol's Performance Review Commission from 2005 to 2009 and of the UK's Commission for Integrated Transport from 2006 to 2010. Since leaving the CAA in 2011, Harry has been a consultant on economic regulation, undertaking assignments across a range of industries in the UK and overseas. He was vice chair of UCL Hospitals Foundation Trust for six years until August 2019. He is a Fellow of the Royal Aeronautical Society. Harry is a director of The Airline Group Limited (AG) and NATS Employee Sharetrust, and a member of the Audit Committee.

Mike Campbell

Mike joined the Board in 2017, having spent the previous 11 years at easyJet, initially as Group People Director and subsequently as Group Director Europe. During his time at easyJet, he has also been Group Director, Transformation and has led on a series of strategic projects including the integration of GB Airways and the successful development of easyJet's presence in Europe.

Mike's early career has covered a range of sectors, from high-end luxury goods to high-volume, low-margin electronics and he has direct experience across a number of disciplines. Mike has a bachelor's degree in Mathematics and a Masters in Fluid Dynamics, with a background in education and HR. He has operated in organisations across the world and has led businesses and change programmes across all of these. Mike is Chair of AG, Chair of the Transformation Review Committee and a member of the Nomination and Remuneration Committees.

Gavin Merchant

Gavin serves on a number of portfolio company Boards for Universities Superannuation Schemes (USS) where he was Head of Asset Management, Direct Equity until the end of 2024. Gavin has worked in the infrastructure sector in the UK and Australia for over 25 years. Immediately prior to joining USS, Gavin was a director at Equitix Limited having previously worked at Merrill Lynch. Gavin graduated with an honours degree in Law from the University of Edinburgh and is a member of the Institute of Chartered Accountants of Scotland. Gavin is a director of AG and a member of the Remuneration Committee.

Directors of NATS Holdings



Director's biographies

Non-executive directors

Bart Prudon

Captain Bart Prudon is easyJet's Director of Flight Operations, responsible for one of Europe's busiest and largest airline operations with 330 aircraft over 1,000 routes across 34 countries. Bart also holds the position of Nominated Person Flight-Operations, responsible for safety and compliance of easyJet's UK Air Operation Certificate (AOC) towards the Civil Aviation Authorities.

Previously Bart held the position of Chief Pilot, providing leadership to the group AOC Nominated Persons for Flight Operations and ensured consistency across three AOC's post-Brexit. Bart's role includes transforming IT within Flight Operations to deliver a true paperless cockpit and maximising the use of connectivity to deliver an even more efficient and sustainable operation.

Bart started his career in 1996, flying a range of turbo-prop aircraft before joining easyJet in 2004. He has flown over 14,000 hours and joined management as Flight-Operations Manager in Germany before joining the central leadership team. Bart is a director of AG and a member of the Safety Review Committee.

David Smith

David has nearly 40 years' blue-chip experience in the highly competitive global automotive, aerospace and defence industries, including Ford, Jaguar Land Rover and Rolls-Royce. He retired in late 2021 after four years as Group CFO and Board member at QinetiQ.

David worked for Ford for more than 25 years, in a variety of finance and treasury roles including CFO of Ford Otosan (Turkey), CFO of Land Rover and CFO and Strategy Director of JLR. In 2008, he became CEO of JLR during the transition to Tata ownership. Following two years as CEO of JLR, he took up two more CFO roles, first at Edwards Group and then at Rolls-Royce before joining QinetiQ.

David was also a Board member of Motability plc for ten years and is a Fellow of the Royal Society of Arts. David chairs the Audit Committee and is a member of the Transformation Review Committee.

Louise Street

Having completed a degree in Japanese and Business Management at Durham University, Louise joined British Airways on the graduate intake scheme in 1998. Her first eight years were in the commercial organisation, specifically in Sales and Revenue Management. She then moved to the operational side of the business and has undertaken a number of senior management roles in Customer Service and Operations. In July 2021, Louise was appointed into her current role as Head of Worldwide Airports, with responsibility for British Airways' operation and customer service at all British Airways served airports outside of London. Louise is a director of AG and a member of the Safety Review Committee.

Directors of NATS Holdings



Director's biographies

Officer

Richard Churchill-Coleman, General Counsel

Richard is General Counsel, which includes the role of Company Secretary. He joined NATS in June 2007 from TUI Northern Europe Limited where he held the position of Group Legal Counsel. Richard has more than 35 years' experience in the aviation industry, having begun his career as an undergraduate aerospace engineer with British Aerospace plc before qualifying as a solicitor with Norton Rose and subsequently as a Chartered Secretary. Richard has previously held positions at Thomsonfly, Virgin Atlantic Airways and DHL Worldwide Express and holds a private pilot's licence.

NATS governance framework

NATS was formed as a PPP in July 2001. A key element in its 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 the 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.

The Board and Directors

Ultimate responsibility for the governance of NATS rests with the Board of NATS Holdings, 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 the shareholders' investment and group assets, ensuring it delivers value to shareholders and fulfils its wider role as a provider of critical national infrastructure. The Board plays an important leadership role in promoting the desired culture of the organisation. Through governance activities in the year it monitored and input to key aspects of culture including:

- > 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 and capital investment;
- > a cost-efficient, service-oriented and commercially smart organisation, requiring best in class performance of its employees and partners; and
- > diversity and inclusion and fair treatment of its employees, valuing the contributions of all employees.

The Boards of the subsidiary companies within the group are accountable to the NATS Holdings Board for all aspects of their business activities.

As at the date of approval of the accounts, the NATS Holdings Board comprised a non-executive Chair and 11 directors, as follows:

Executive directors

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

Non-executive directors

- > a Chair, appointed by AG, subject to the prior approval of the Crown Shareholder;
- > five directors appointed by AG;
- > three Partnership directors, appointed by the Crown Shareholder; and
- > one director appointed by LHRA.

Changes to directors

From 1 April 2024 to the date of approval of the accounts, there were the following changes to directors: Paul Golby retired as Chair on 31 August 2024 and was replaced by Sir Warren East on 1 September 2024.

The roles of the Chair, Chief Executive and executive management

The Chair of the NATS group is responsible for the leadership of the Board and for its governance. He has no day-to-day involvement in the running of the group. Day-to-day management of the NATS group is the responsibility of the CEO, Martin Rolfe, supported by the NATS executive team. The NATS executive team is responsible for delivering NATS' overall strategy. The executive team is structured as follows:

- > CEO;
- > CFO;
- > Chief Operations Officer;
- > Safety and Sustainability Director;
- > Managing Director, NATS Services (role being covered temporarily by the CFO);
- > Human Resources Director;
- > Technical Services Director (role being covered temporarily by General Counsel);
- > Communications Director; and
- > General Counsel.

The responsibilities of the Board

The Board has adopted a schedule of matters reserved for its decision and has put in place arrangements for financial delegations to ensure that it retains overall control of the business. The Board also has oversight of key business drivers and risks. Matters reserved for the Board include the monitoring of NATS' safety performance, appointments to the NATS executive team and issues with political, regulatory or public relations implications. In addition to the schedule of matters reserved to the Board, specific matters are reserved for Partnership directors, AG directors and the LHRA director, as follows:

Partnership and AG directors

- > adoption of the business plan;
- > entry into significant debts, charges or contingent liabilities;
- > major agreements outside the ordinary course of business;
- > significant litigation proceedings; and
- > external investments, and acquisition and disposal of material assets.

LHRA director

- > acquisition or disposal of any asset representing more than 10% of the total assets of the business;
- > any aspects of the business plan which could adversely affect NERL's service to UK airports; and
- > disposal of NATS Services shares by NATS.

NATS governance framework

Access to legal and professional advice

All directors have access to the advice and services of the General Counsel, Richard Churchill-Coleman, who acts as Secretary to the Board. If necessary, in furtherance of their duties, directors may take independent professional advice at the group's expense.

Board meetings

The 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. This year, the Board met seven times with each member (who served as a director during the year) as set out in the table below.

The non-executive directors meet with the Chair, but without the executive directors present, after each Board meeting. 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 group's performance.

The group's performance is also reviewed monthly by the executive team. This includes reviewing performance against operational targets and financial targets.

The Board's performance

Board effectiveness review

The Board is committed to continuous improvement and a performance evaluation of the Board, its committees, and the Chair is conducted each year. This year, the Board Effectiveness Review was undertaken internally. The results were assessed by the Board at its 27 March 2025 meeting and appropriate actions agreed.

Director induction

Following their appointment, the Company Secretary consults with new directors on the scope of induction to NATS which they require and a personalised induction programme is developed. This year an induction was undertaken for Sir Warren East.



NATS governance framework

The Board's committees

The Board has established five standing committees which operate within approved terms of reference.

These are the:

- > Audit Committee;
- > Nomination Committee;
- > Remuneration Committee;
- > Safety Review Committee; and
- > Transformation Review Committee.

The number of meetings held by the principal Board committees, and attendance by executive directors and by non-executive director committee members, is provided in the table below together with attendance at Board meetings:

	Number of meetings attended / Number of eligible meetings					
	Board	Audit	Nomination	Remuneration	Safety Review	Transformation Review
Sir Warren East	5/5	3/3	-	2/2	1/3	3/3
Paul Golby	4/4	-/1	1/1	1/1	1/1	3/6
Martin Rolfe	7/7	4/4	1/1	3/3	4/4	8/9
Alistair Borthwick	7/7	4/4	-	-	-	-
Maria Antoniou	7/7	-	1/1	3/3	-	-
Greg Bagwell	7/7	-	-	-	4/4	9/9
Harry Bush	7/7	4/4	-	-	-	-
Mike Campbell	7/7	-	1/1	3/3	-	9/9
Gavin Merchant	6/7	-	-	3/3	-	-
Bart Prudon	7/7	-	-	-	2/4	-
David Smith	7/7	4/4	-	-	-	8/9
Louise Street	7/7	-	-	-	4/4	-
Ross Baker	7/7	4/4	-	-	-	-

The terms of reference for the Board and its committees are available to all employees and shareholders and can be made available externally with the agreement of the General Counsel. Reports from each of the standing committees are set out on pages 54 to 77. However, in addition to the standing committees, from time to time the Board may form committees on an ad hoc basis to deal with specific business issues.

Meetings with shareholders

A shareholders' meeting is usually held once a year to provide the group with an opportunity to update the shareholders on the progress of the annual business plan and long-term strategy. This year the meeting was held on 31 January 2025. Shareholders also meet informally with the Chair, CEO, CFO and other members of executive management upon request.

NATS governance framework

Compliance with the UK Corporate Governance Code

NATS is committed to maintaining the highest standards of corporate governance. The SPA requires the group and the 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. The company has applied the principles of the Corporate Governance Code 2018 since 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' ownership and the principal areas where NATS did not comply are summarised below.

Provision 9: Independence of the Chair

The Chair is nominated by the Airline Group, his appointment being subsequently approved by the Secretary of State for Transport. He therefore does not fully meet the independence criteria as set out in the Code and this affects NATS' compliance with a number of the Code's provisions.

Provisions 11 and 12: Independence of directors and appointment of Senior Independent Director

The arrangements for appointing non-executive directors, as set out in the SPA, are such that none of the directors meet the Code's criteria for independence. This affects NATS' ability to comply with a number of the Code's provisions, including the requirement to appoint a senior independent director. However, the Chair of the Airline Group acts as Senior Non-independent Director in the absence of the Chair.

Provisions 17 and 32: Composition of the Nomination and Remuneration Committees

Details of the work of the Nomination and Remuneration Committees are set out below. However, the manner in which directors are appointed, as noted above, means that these committees' processes do not fully comply with the Code as regards independence.

Provision 39: Notice or contract periods for non-executive directors

As noted in the Remuneration Committee report, the AG nominee directors and Partnership directors do not have service contracts with NATS. The Partnership directors are typically engaged on three-year fixed-term contracts and have letters of appointment from the DfT. Currently David Smith and Greg Bagwell have letters of appointment to 30 September 2025 and Maria Antoniou to 31 July 2025. The Chair has a service contract with NATS, details of which are set out in the Remuneration Committee report.

Provision 18: Re-election of directors

The non-executive directors are appointed by the shareholding groups and are therefore subject to the relevant shareholding groups' selection processes, rather than those included in the provisions of the Code. They are therefore not subject to annual re-election as stipulated by Provision 18, although Partnership directors are appointed by the Government on three-year fixed-term contracts.

The tenure of non-executive directors at 31 March 2025 was as follows:

Name	Date of appointment	Years of service to 31/3/25
Sir Warren East	1/9/24	7 months
Maria Antoniou	1/8/16	8 years 8 months
Greg Bagwell	1/10/22	2 years 6 months
Ross Baker	30/11/23	1 year and 4 months
Harry Bush	27/5/14	10 years 10 months
Mike Campbell	26/5/17	7 years 10 months
Gavin Merchant	20/3/14	11 years
Bart Prudon	30/3/23	2 years
David Smith	1/10/22	2 years 6 months
Louise Street	29/11/18	6 years 4 months

The group is mindful of the Code principle that the Board and its committees should have a combination of skills, experience and knowledge, with consideration of the length of service of the Board as a whole and its membership and of the provision relating to the nine-year tenure of the Chair.

Provision 3: Engagement with major shareholders

Within the PPP structure, there are no institutional or public shareholders. However, the nature of the SPA is such that the shareholders have representatives amongst the directors with whom they enjoy a close working relationship. All non-executive directors are invited to relay the views of their respective shareholders into Board discussions. The Board is therefore able to take decisions in the best interests of the group, having taken account of the views of the shareholders. The Chair also has regular discussions with shareholders in addition to formal meetings noted under the 'Meetings with shareholders' section above.

Reports from Board Committees

Audit Committee report

The role of the Audit Committee

The Audit Committee met four times during the year. It is chaired by David Smith. Harry Bush and Ross Baker are the two remaining members of the Committee. The Committee members all have wide-ranging commercial and management experience and David Smith, former CFO of QinetiQ has recent, relevant financial and audit experience. The Committee members maintain their competence in the sector and on company specific issues through targeted training and briefing at Committee meetings.

The Chair, CEO, CFO, Director Group Financial Control, Director of Assurance and Risk, Head of Business Risk, Head of Audit and Assurance, representation from NATS' co-source internal audit provider and the external auditors are invited to attend each meeting dealing with routine business by standing invitation and others by exception as appropriate.

Part of each routine business meeting is set aside as required for members of the Committee to hold discussions without executive management present, including holding separate discussions with the external and internal auditors.

The main duties of the Committee include:

- > monitoring the integrity and compliance of the group's financial statements;
- > reviewing the effectiveness of both the external and internal auditors;
- > reviewing the scope and results of internal and external audit work; and
- > reviewing NATS' risk management and the effectiveness of internal controls.

The Committee makes recommendations to the Board on matters relating to the appointment, independence and remuneration of the external auditors and, to ensure independence, monitors the extent of non-audit services provided by the external auditors (as explained below). The Committee also reviews whistleblowing arrangements under which employees and third parties dealing with NATS may confidentially report suspected wrongdoing in financial reporting, tax compliance or other matters with the objective of confirming that the arrangements in place and for the investigation and follow-up of matters raised are appropriate. The Committee reviews its Terms of Reference annually and, taking account of updates to corporate governance best practice, recommends any changes to the Board for approval.

Main activities of the Committee during the year

a. Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditors the annual financial statements of the group and its subsidiaries and NERL's regulatory accounts, having regard as appropriate to:

- > the suitability of accounting policies adopted by the group;
- > the clarity of disclosures and compliance with Companies Act legislation and financial reporting standards, including the requirements of NERL's Air Traffic Services Licence; and
- > whether significant estimates and judgements made by management are appropriate.

In addition, the Committee assists the Board in its assessment of whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

To aid its reviews the Committee considers reports from the CFO and reports from the external auditors on the outcome of the annual audit.

The Committee considered the following significant accounting judgements and sources of estimation uncertainty in the year:

Revenue recognition

The economic regulatory price control for UK en route services allows for the recovery (or reimbursement) of income entitlement where actual traffic volumes or inflation are different to the regulator's forecasts made at the start of a price control period, where actual service performance is different to the regulator's annual targets, from the unforeseen impact of financial market conditions on defined benefit pension costs and for adjustments brought forward from the previous price control period. The legal framework of the Transport Act 2000, the CAA's price control determination and NERL's licence establish the contractual rights and obligations of NERL and airspace users, who are liable to pay the charges for air traffic services. As explained in note 3, the company's accounting policy is based on IFRS 15 by analogy having regard to the specific circumstances of NERL's legal and regulatory framework. Accordingly, the group recognises variable consideration in respect of the regulatory framework to reflect its revenue entitlement for the service provided in the year.

After review, the Committee was satisfied with the basis for revenue recognition and management's assessment of the recoverability of revenue allowances. The Committee also considered the disclosure provided in note 3 to the financial statements of the company's significant judgements and the explanation of the results provided in the financial review section of this report (see page 16).

Reports from Board Committees

Aquila joint venture

The carrying value of the group's investment and the £25m shareholder loan facility it provides to Aquila had been fully impaired in the prior year's financial statements, as the unavoidable costs which the joint venture faced under its Project Marshall contract exceeded the economic benefits it was expected to receive under it. During this financial year, Aquila updated its business plan and reassessed the unavoidable costs of this contract which, while remaining very significant, indicated some improvement in the prospect of repayment of the shareholder loan albeit only at the end of the contract in 2037. After having regard to the present value of the cash flows projected by Aquila and taking account of the ongoing risks of contract execution, management concluded that there was no change in the carrying value of the group's interest in Aquila at the reporting date. The Committee challenged the basis for management's judgements in assessing fair value and agreed that no change in carrying value was appropriate, and was satisfied with the disclosure at note 35.

Retirement benefits

The pension funding position determined under international accounting standards requires a number of actuarial assumptions to be made in assessing the value of liabilities, including judgements in relation to long-term interest rates, inflation, longevity and salary growth. The Committee reviewed the basis for determining these assumptions, having regard to the Trustees prudent technical provisions valuation at 31 December 2023, which concluded in the year, and endorsed best estimate demographic assumptions for longevity and commutation.

The final calculations in respect of the defined benefit pension scheme are performed by a qualified actuary, independent of the scheme. Note 3 to the accounts summarises critical judgements and key sources of estimation uncertainty and note 33 sets out the main actuarial assumptions used, including sensitivity analysis. The Committee had regard to the assets of the pension scheme and their valuation and considered management's procedures, with a particular focus on harder to value illiquid investments at Level 3 of the fair value hierarchy which represented 19.8% of the scheme's portfolio.

The Committee also considered the adequacy of the explanations for the different basis of valuation for the Trustees funding assessment of a deficit of £142.7m at 31 December 2023 and for the balance sheet position under international accounting standards of a deficit of £32.4m at 31 March 2025. The Committee was satisfied that the approach being taken and related disclosures were appropriate, including an explanation of a new schedule of contributions.

Assets in the course of construction

The company holds material balances in assets in the course of construction which reflects the nature of its capital investment programme. Assets are held at cost during development and depreciated when in the location and condition necessary to be capable of operating as intended. The Committee received reports on the process undertaken by management to review the carrying value of these assets and the impairment charge of £20.0m recognised in the year.

Carrying value of investment in Aireon

Since its acquisition, the group's equity investment in Aireon has been accounted for at fair value through profit and loss. The Committee reviewed and challenged the valuation which used present value techniques based on the anticipated dividend and tax cash flows underlying Aireon's own long-term operating plan, with management risk adjustments to Aireon's revenue growth assumptions, and a discount rate of 15%.



Reports from Board Committees

The carrying value of goodwill

The Committee continued its focus on this recognising both the materiality of the group's carrying value of goodwill, the impact of impairment on the group's result and the inherent subjectivity of judgements made in assessing recoverable value and the associated impairment testing. Goodwill comprises the remaining balance arising from the public private partnership transaction (PPP) in 2001 and the goodwill on acquisition of the controlling interest in Searidge Technologies Inc. in December 2021, which has been impaired in previous financial years.

The key judgements in relation to the PPP balance relate to: the assumptions underlying the calculation of value in use, including the extent to which the company's Board approved business plan cash flow projections, which are based on the CAA's NR23 price control, are achievable and assessing fair value less costs of disposal, including the extent of any premium which may be realised in excess of the value of regulatory assets.

In addressing this review, the Committee had regard to the higher of the values determined on a value in use and fair value less costs of disposal basis reflecting: the cash flows implied by the group's business plan and an extended period over which the revenue shortfall for years 2020 to 2022 is to be recovered; the cost of capital assumption used to discount value in use; the costs that would likely be incurred by the company should a disposal of NERL's regulatory assets take place; and the value of NERL's regulatory assets, including the extent to which a premium was appropriate to reflect the scope for out-performance of regulatory settlements having regard to those implied by market transactions in regulated entities. The Committee evaluated management's judgement in setting a 7.5% RAB premium for fair value less costs of disposal and for the value in use terminal value. This was within the range of 5-10% of an independent professional assessment undertaken in the prior year and market precedent transactions during the financial year which the Committee had reviewed.

With respect to goodwill arising on acquisition of Searidge, the key judgements related to the calculation of value in use, including the extent to which its business plan revenue growth and cash flow projections are achievable and the appropriateness of the discount rate.

The Committee also considered appropriate sensitivities. Following its review, the Committee was satisfied with the explanations and disclosures provided in notes 2, 3 and 13 to the accounts.

Going concern and viability

The Committee also reviewed the evidence supporting the assessments of going concern and viability (see page 22), including the company's March 2025 business plan, the level of available liquidity and the net debt to RAB covenant, the company's long-term forecast for air traffic volumes, the funding position of the defined benefit pension scheme and the recovery over an extended period of the Covid income shortfall determined by the CAA, together with plausible downside scenarios and reverse stress tests. Following its review, the Committee concluded it was satisfied with the approach being taken and the reasonableness of

the judgements made together with the relevant disclosures, in particular the disclosures made in the going concern and viability statements and in note 3 to the financial statements.

Other matters

The Chair of the Committee was provided by the Financial Reporting Council (FRC) with the report of its inspection of the audit for the year ended 31 March 2024 undertaken by BDO LLP, the group's former statutory auditor. The FRC assessed BDO's audit as 'Limited Improvements required', with no key findings arising. The Committee discussed the consideration given to the FRC's findings by management in the preparation of the financial statements for the year ended 31 March 2025 and, while recognising that the findings related to BDO's prior year audit, had regard to these when assessing the audit approach taken by EY, who were appointed statutory auditor for the year ended 31 March 2025.

During the year the Committee reviewed the half year financial statements for the period to 30 September 2024 issued to shareholders under the terms of the SPA.

b. Internal audit

The group's Internal Audit department conducts a programme of work to review and examine the controls in place to mitigate NATS' business risks, which encompasses internal financial control and risk management.

The Internal Audit function operated under a fully outsourced model provided by PwC until September 2024 when the Head of Audit and Assurance was recruited to lead the function to bolster the internal capability. The Internal Audit function is now made up of a blend of internal resources and external support from co-source partner, Deloitte, which provides access to specialist skills when required. The Audit Committee approved an internal audit plan for the first half of the year from the outsourced provider. An interim plan for the second half of the year was approved by the Audit Committee which was to be delivered by the new in-house Head of Internal Audit and the co-sourced provider.

The results of internal audits and agreed actions are reported as appropriate to relevant directors, executives and managers and reported on regularly to the Committee. Internal Audit monitors the satisfactory completion of actions by management to address their findings and reports on this to the Committee to assist its oversight. The Committee oversees the performance of Internal Audit through the receipt of a report on its work presented to each Committee meeting and agrees the annual work plan in the context of the group's assurance map and key risks. The Committee also considers the ongoing independence of internal audit.

Reports from Board Committees



c. External audit

EY was appointed as the external auditor for the year ended 31 March 2025. EY attended four Audit Committee meetings, the first as an observer prior to appointment. The Committee has reviewed the performance and the continuing independence of EY during the year and at its June 2025 meeting.

d. Risk management

The Committee receives at each meeting: reports from risk management on the performance of the most significant risks, the effectiveness of internal controls, and material emerging risks. These reports include reviews of the risk framework and methodology applied for identifying, assessing and mitigating enterprise and emerging risks and assessing risk appetite.

During the last 12 months, the Committee has overseen changes to the risk appetite framework proposed by the Executive, which were subsequently approved by the Board in November 2024. The changes made the risk appetite statements clearer, better linked to the strategic objectives and more applicable to assessing aggregate levels of risk without changing how much risk the organisation is willing to take overall. Each statement now also highlights what taking too little risk might look like, in addition to the 'traditional' focus on what would represent too much risk. Each risk category is owned by an accountable executive director who is responsible for the controls, policies and standards that are required for keeping the category within risk appetite. Using the results of this review of the risk appetite framework, the Committee has recommended to the Board that management pursue an increased appetite for risk-taking in the areas related to commercial growth.

The Committee has continued its oversight of risk by conducting an annual review of the principal risks, and regular reviews of the most significant enterprise risks and detailed reviews of specific risks. Risk reports to the Executive and the Committee are clearly organised by the most significant enterprise risks, risk categories and which strategic objectives they relate to. NATS is committed to maintaining an effective and resilient Enterprise Risk Management framework across the business.

In conjunction with the review of internal controls, commented on further below, the Committee reviews the processes in place to identify, assess, mitigate and manage risk, in particular at enterprise level, in order to satisfy itself that they are appropriate and within the specified risk appetite agreed by the Board or where that is not the case, to ensure that the Board is aware and that appropriate steps are in place to manage and mitigate the exposure.

On the basis of this work, the Committee is satisfied that the directors have carried out a robust assessment of the most significant risk exposures of the company. The Committee also reviews the extent of warranties and guarantees entered into by the group, with particular focus on any unlimited liability indemnities entered into as part of commercial arrangements.

e. Internal control

The Board is responsible for the group's system of internal control and risk management and for reviewing its effectiveness.

NATS' system of internal control is designed to ensure that the significant financial, operational, safety, legal, compliance and business risks faced by the group are identified, evaluated and managed to acceptable levels. The Committee has continued to focus on how management will meet the changes to the risk management and internal control section of the UK Corporate Governance Code (Provision 29) which comes into effect in 2027. This has included reviewing the continuing work to improve the group's assurance map and identifying material control objectives, as required by the revised Code, for each of our key control frameworks. This work aims to increase the clarity around the key control frameworks in the business, the risks they mitigate and the internal and external assurances which will be used as the basis for the Board's assessment of the effectiveness of internal control.

Over the coming year, the Audit Committee will be provided with assurance plans for each material control objective and details of how management will test, monitor and conclude on the effectiveness of the controls identified. This preparation will enable a dry run to be undertaken in 2025/26 prior to the first full Board declaration planned for 31 March 2027.

Further, as explained above, the Committee receives regular reports from internal audit concerning the results of their work and agrees their annual programme of work, as well as regular reports from risk management. The Committee also reviews reports from the external auditor, reports of any attempted or actual frauds, reports from the management's Tax and Treasury Committees and considers the circumstances of whistleblowing reports. However, as with all such systems, internal controls can only provide reasonable but not absolute assurance against misstatement or loss.

f. Whistleblowing

In overseeing NATS' whistleblowing procedures, the Committee remains satisfied that the appointment of the independent provider and the associated whistleblowing procedures continue to meet best practice and are promulgated effectively throughout the company and to interested stakeholders and third parties.

The Committee is satisfied that the company's response to whistleblowing reports received during the year has been appropriate and, if necessary, appropriate actions have been taken in line with the high standards of governance which the Board requires.

David Smith

Chair of the Audit Committee

Reports from Board Committees



Nomination Committee report

The role of the Nomination Committee

The Nomination Committee is chaired by Sir Warren East who replaced Paul Golby in September 2024 and, during the year, comprised two further non-executive directors: Mike Campbell and Maria Antoniou. The Committee meets when considered necessary by its members and may invite executives and advisors to attend meetings as appropriate.

Appointments to the Board are made by the relevant sponsoring shareholder under the terms of the SPA. The Committee evaluates the balance of skills, knowledge and expertise required by the Board and makes recommendations to the shareholders with respect to Board appointments. It also reviews succession plans for executive directors and senior executives.

During the year, the DfT undertook a recruitment process for a Partnership Director to replace Maria Antoniou who will have completed her nine-year term on 31 July 2025.

Main activities of the Committee during the year

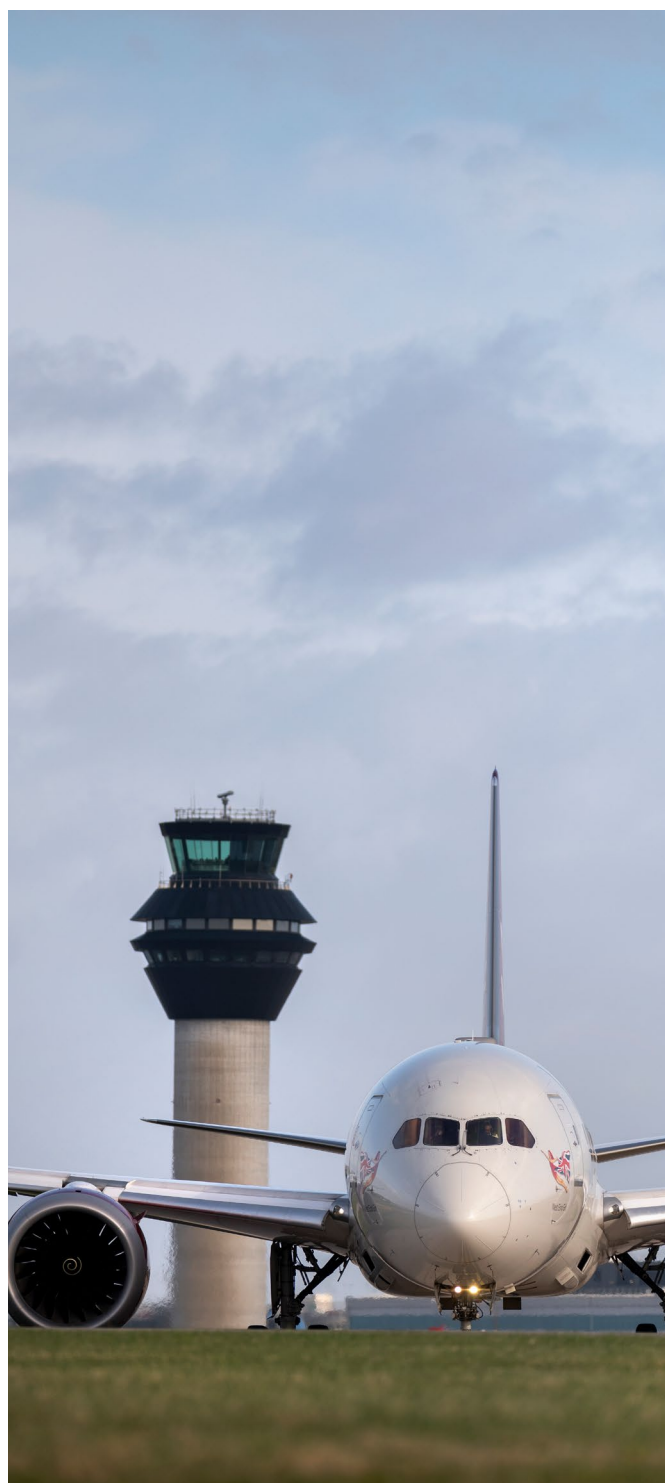
The Committee met once during the year to consider the role of the Managing Director, NATS Services, as a result of Guy Adams' retirement. The Committee considered the gap between current and future requirements of the role and supported the proposal that Alistair Borthwick take on Executive responsibility for leading the NSL business on an interim basis whilst a view of the longer-term future requirements of the role was developed. Day-to-day practical running of the business is delegated to Gary Franklin, as Interim Managing Director.

I was appointed Chair on 1 September 2024 on a three-year contract expiring on 31 August 2027 following a recruitment process undertaken by the AG. The selection of candidates was made on the basis of a role description created by Mike Campbell, the AG Chair with the additional involvement of Maria Antoniou, as a Partnership Director and the DfT. The process was thorough with first and second stage interviews and the opportunity to meet with Committee chairs, Executives as well as with Mike Campbell, Maria Antoniou and the lead AG shareholder representative, Gavin Merchant of USS and Nathan Philips at DfT. The appointment was recommended by the AG to the Secretary of State for Transport with a summary of the process and suitability of the selected candidate, as his written approval was required, as set out in clause 8.5 of the SPA.

The Committee's terms of reference require it to give due regard to the benefits of diversity, including gender, on the Board. During the year there were two female directors on the Board, representing 17%. There is one female member of the Executive, representing 11%.

Sir Warren East

Chair of the Nomination Committee



Reports from Board Committees



Remuneration Committee report

Dear Shareholders,

I am pleased to present the directors' remuneration report for the year ended 31 March 2025.

This year has largely seen a return to routine business in terms of remuneration oversight, decisions and governance. Sir Warren East joined the NATS Board as Chair in September 2024 and we welcomed him to the Remuneration Committee.

The Committee continues to monitor the wider remuneration agenda, both within NATS and externally. While determining the annual pay review budget for the broader management population, discussions covered various aspects of the internal and external pay dynamics, including management differentials in the personal contract group compared with negotiated grade staff groups, while also ensuring parity with external competitive pay movement. Additionally, the Committee is mindful of impending UK legislation around pay gap reporting, and the implications this may have for statutory reporting. This is the second year running NATS has published a combined pay gap report covering gender, ethnicity and disability, demonstrating commitment to understanding where there are areas of improvement needed in the organisation and taking the appropriate actions to address them.

The next sections highlight the key remuneration decisions made by the Committee over the course of the year.

Key remuneration decisions for 2024/25

- > As stated in last year's report, the Committee agreed increases to base salary for Martin Rolfe and Alistair Borthwick of 4% and 5% respectively, effective from 1 April 2024. Increases were agreed by the Committee taking into consideration an annual benchmarking exercise, competitive movement and individual performance; the CEO and CFO awards were below those of the wider workforce.
- > Approving salary increases for the wider Executive team which, while below those of the wider workforce, were in line with competitive movement and the benchmarking review.
- > A revised set of targets for the 2024/25 Annual Management Performance Related Pay Scheme (AMPRPS), which incorporated measures linked directly to supporting the company strategy, including targets that focus on financial performance and business growth, customer service and ESG-related areas such as improving diversity and emissions reduction. As before, safety overrides exist to ensure that no additional reward is delivered to the executives if a safe service is not delivered. Additionally, an underpin on the NERL delay measure linked to significant events was reinstated since traffic levels have returned to a more predictable level following the Covid recovery period.
- > Introduction of a revised target weighting structure for the NATS Services (NSL) leadership team 2024/25 AMPRPS in support of the ambitious NSL business strategy.

- > Reviewing the annual fee level for the incoming Board Chair to ensure it remained competitive.
- > Vesting of the first payment opportunity of the new NR23 Long-Term Incentive Plan (LTIP), payable in June 2025.

Remuneration for 2025/26

For the 2025/26 financial year, the Committee will operate the remuneration policy as set out below. The highlights include:

- > Agreeing the executive director and executive team pay awards for 1 April 2025 and overseeing the parameters of the wider management team pay review. This included review and agreement on revised remuneration arrangements for the CFO to ensure his remuneration package remained competitive with his peers at other comparable companies. As a result, the Committee approved an increase in salary above the general increase awarded to the wider workforce and aligned his AMPRPS opportunity with that of the CEO's to 70% of salary from 2025/26 (an uplift from 55% of salary). The Committee remains conscious of ensuring that any salary increase that is awarded to executive directors is typically at the same level, if not below, the wider workforce. However, this adjustment is considered important to the Committee, given the CFO's performance in role and his increasing responsibilities in relation to the strategic direction of the NSL business, following the retirement of Guy Adams (Managing Director, NSL). Increasing his AMPRPS opportunity alongside his salary ensures that his overall remuneration package remains balanced between fixed and variable remuneration and, as such, a significant proportion of the increase to his overall remuneration will only be received where strong performance is delivered.
- > A revised set of targets for the 2025/26 AMPRPS incentive plan retaining focus on financial performance, customer service and continuing progress in support of the company strategy.
- > Vesting of the second payment opportunity of the new NR23 LTIP.

Finally, this is my final remuneration report as Chair of the Committee, as I will have served the maximum term of nine years at the end of July 2025 in position. Once the appointment of my successor has been confirmed, I will ensure a successful handover during the summer, ahead of the new remuneration cycle starting in the autumn.

Maria Antoniou
Chair of Remuneration Committee

Reports from Board Committees

Purpose and responsibilities of the Committee

The Committee meets when necessary but no less than twice a year and is responsible for considering and approving:

- > the arrangements for determining the remuneration, benefits in kind and other terms of employment for the Chair and executive directors, other members of the executive team, and the company's Personal Contract Group (around 400 senior managers);
- > company incentive targets for executive directors and other members of the executive team;
- > a statement of remuneration policy;
- > details of the remuneration of each executive director for inclusion in the Annual Report and Accounts;
- > reward arrangements for executive directors and other members of the executive team;
- > exit arrangements for executive directors and other members of the executive team; and
- > the appointment of independent advisors to the Committee taking into consideration any potential conflicts with the Company.

The terms of reference for the Committee require it to ensure the company's remuneration policy complies with the current UK Corporate Governance Code, as far as practicable under the Strategic Partnership Agreement. No director is involved in decisions relating to their own remuneration.

Activities in the year

During the 2024/25 financial year, the Committee met three times and its main activities were to:

- > Review and approve the executive director and executive team salary increases effective 1 April 2025;
- > Discuss the pay allocation to apply for the wider management team pay review;
- > Review and approve the 2024/25 AMPRPS incentive arrangements (payments due in June 2025);
- > Review and approve the 2025/26 AMPRPS targets for executive directors, the executive team and Personal Contract Group;
- > Review and approve the vesting of the first payment opportunity of the NR23 LTIP in June 2025;
- > Conducting the annual review of the Committee's Terms of Reference.

Membership

The Remuneration Committee of the Board is comprised entirely of non-executive directors. It is chaired by Maria Antoniou. Other members are Gavin Merchant and Mike Campbell. Sir Warren East also attends the meeting (but is absent for discussion about his own remuneration).

Advisers and other attendees

As appropriate, the CEO and HR Director are invited to attend Committee meetings.

Wholly independent advice on executive remuneration is received from the Executive Compensation practice of PwC UK. PwC were selected by the Committee following a full tender exercise in December 2020; their performance is regularly reviewed and the Committee are satisfied with the services rendered. PwC fees for advice to the Committee in 2024/25 were £67,250.

Directors' Remuneration Policy

It is the company's policy to establish and maintain competitive pay rates that 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 our customers and in line with the NATS values and behaviours. In fulfilling this policy, the company adheres where possible to the principles and provisions of the UK Corporate Governance Code on directors' remuneration as outlined below.

The level of executive directors' remuneration takes into account competitive practice across comparator companies as agreed with the Committee (companies from which NATS might seek to recruit employees or are considered similar to NATS, for example, in having a high degree of public accountability) together with the need to attract and retain talent. Executive directors are rewarded based on responsibility, competence and contribution, and the average budgeted increase in salaries elsewhere in the group. Performance-related reward forms a substantial part of the total remuneration package and is designed to align the interests of directors with those of stakeholders and to promote the long-term success of the company.

Performance is measured against a portfolio of key business objectives and payment is determined based on performance beyond that expected of directors as part of their normal responsibilities. In implementing this strategy, the Committee adopts the principle that incentive scheme targets must be stretching and in line with the Board's agreed strategic growth and business plan objectives.

The tables on pages 67 to 69 describe the key components of each element of the remuneration arrangements for the executive directors, and the company's policy in this respect. Earnings and benefits are set out in the table of directors' remuneration on page 66.

Reports from Board Committees

Discretions retained by the Committee in operating the variable pay schemes

The Committee operates the group's various incentive plans according to their respective rules and, where applicable, in accordance with relevant legislation and HMRC guidance. In order to ensure efficient administration of these plans, certain discretions are reserved to the Committee, these include:

- > determining who may participate in the plan;
- > determining the timing of grants of awards and/or payments under the plans;
- > determining the quantum of awards and/or payments (within the limits set out in the remuneration policy table);
- > determining the performance measures and targets applicable to an award (in accordance with the remuneration policy table);
- > where a participant ceases to be employed by the company, determining whether 'good leaver' status applies;
- > determining the extent of vesting of an award based on assessment of the performance conditions, including discretion as to the basis on which performance is to be measured if an award vests in advance of the normal timetable (on cessation of employment as a 'good leaver' or on the occurrence of corporate events);
- > whether recovery and/or withholding shall be applied to any award and, if so, the extent to which they shall apply; and
- > making appropriate adjustments to awards on account of certain events, such as major changes to the constitution of the company.

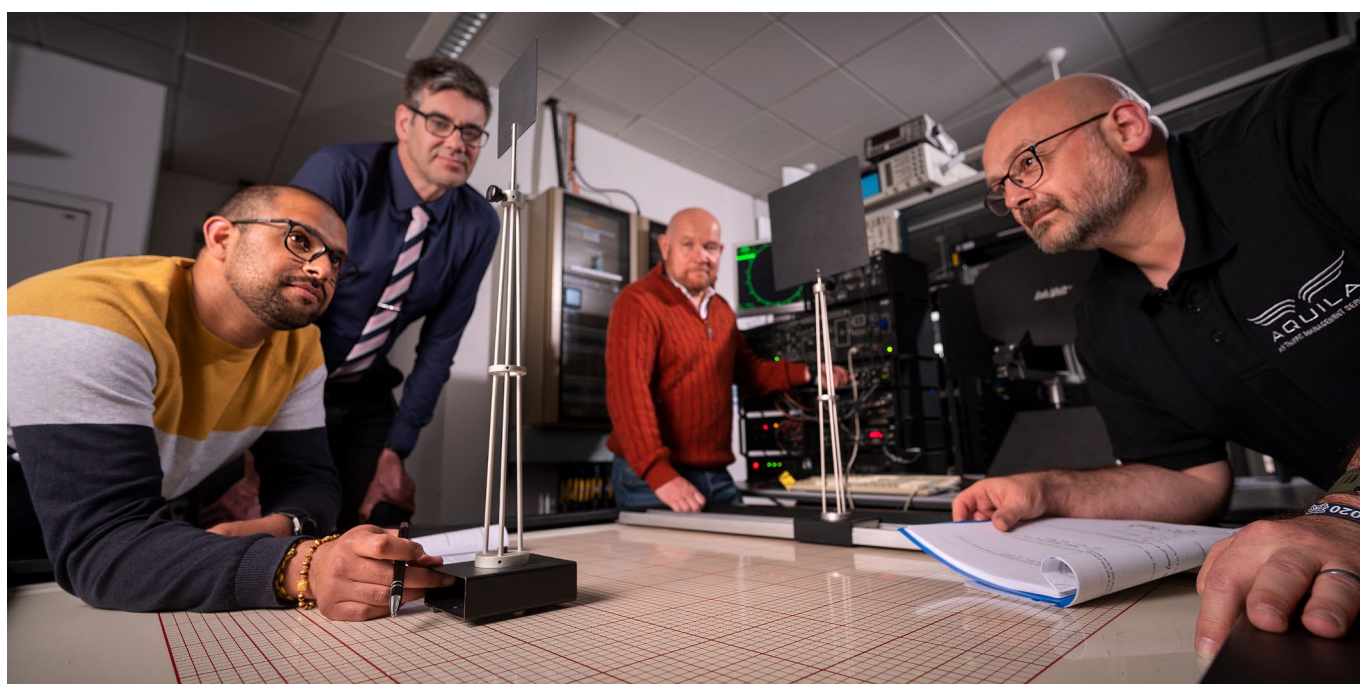
Approach to recruitment remuneration

In the event that the company recruits a new executive director (either from within the organisation or externally), when determining appropriate remuneration arrangements, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests for the company and its shareholders. This will include the application of the policy described in the policy table. In exceptional circumstances for externally recruited directors, the Committee may offer additional cash awards to compensate an individual for remuneration forfeited on leaving a previous employer.

The awards would not exceed what is felt to be a fair estimate of the remuneration forfeited and would reflect (as far as possible) the nature and time horizons attached to that remuneration and the impact of any performance conditions.

For an internal appointment, any remuneration terms awarded in respect of the previous role may either continue on its original terms or be adjusted to reflect the new appointment.

When recruiting non-executive directors, the remuneration arrangements offered would normally be in line with those paid to existing non-executive directors, details of which are set out in the Annual Report on Remuneration below.



Reports from Board Committees

Remuneration policy table

Component	Link to strategy	Operation	Maximum opportunity	Framework to assess performance	Recovery and withholding
Base salary	To provide fixed remuneration for each role which reflects the size and scope of executive directors' responsibilities and their individual skills and experience.	<p>Executive directors' salaries are normally reviewed annually and fixed for the 12 months commencing on 1 April.</p> <p>The Committee takes into consideration:</p> <ul style="list-style-type: none"> > role, experience and performance of the individual; > internal and external relative positioning for total reward; and > the average budgeted increase in base salaries elsewhere in the group. 		Not applicable	Not applicable
Benefits	To provide flexible, market aligned benefits on a cost-effective basis.	<p>May include private health cover for the executive and their family, life insurance cover of up to eight times annual base salary, income protection and a car allowance. Relocation support and any associated costs or benefits may also be provided if considered by the Committee to be appropriate and reasonable to meet the requirements of the business. Other benefits may be offered from time to time broadly in line with market practice.</p> <p>Executive directors may participate in any all-employee share plan which may be operated by the company on the same terms as other employees.</p>	<p>The overall value of benefits will depend on the individual's circumstances and therefore there is no formal maximum.</p> <p>Participation in the all-employee share plan will be subject to the scheme's rules and in line with any relevant statutory limits.</p>	Not applicable	Not applicable
Pensions	To provide cost-effective and competitive post-retirement benefits.	<p>Executive directors' pensions and life assurance are based on salary only, with performance-related incentive payments and other discretionary benefits excluded. The principal method of securing pensions for executive directors is via the NATS Limited Section of the Mercer Master Trust, a defined contribution (DC) pension arrangement. NATS also offers a company-wide pension cash alternative in lieu of employer pension contributions for those with total pension savings close to the most recent Lifetime Allowance, which is also available to eligible executive directors.</p>	<p>Maximum employer contributions are:</p> <ul style="list-style-type: none"> > 18% for members of the DC scheme; or > 15% of base salary as a pension cash alternative in lieu of employer contributions to the DC scheme; or > for legacy members of the defined benefit pension scheme (DB) who have transferred out of that scheme, 25% of base salary as a pension cash alternative in lieu of employer contributions to the DB. <p>The contribution levels offered to Executives are consistent with those for other NATS employees.</p>	Not applicable	Not applicable

Reports from Board Committees

Component	Link to strategy	Operation	Maximum opportunity	Framework to assess performance	Recovery and withholding
Annual incentive	To reward and incentivise the achievement of annual financial and strategic goals which are selected to align to the strategy of the business.	An Annual Management Performance Related Pay Scheme (AMPRPS) is in place for the executive team and all employees in the Personal Contract Group. The AMPRPS is paid entirely in cash. As per the rules of the scheme, the Committee may determine that vesting should not be applied for any participant(s) should the Committee consider that individual performance or other circumstances makes this an appropriate outcome. This power would only be exercised in circumstances when the Committee decides that there has been or could be significant damage to the reputation of the company either during the performance years or as a result of the award. In these cases, the decision would be referred to the non-executive directors of the Board for ratification.	<p>The AMPRPS starts accruing from threshold levels of performance as follows:</p> <p>Threshold: 20% or 40% (target dependant)</p> <p>Target: 50% or 75% (target dependant)</p> <p>Stretch: 100%</p> <p>The current maximum potential for each executive director is set out in the annual report on remuneration and will achieve a maximum of 70% of base salary for the CEO and 55% of base salary for the CFO (this will increase to 70% for the CFO from 2025/26).</p>	<p>Targets are set annually and are a mix of corporate and personal performance. They are determined by the Remuneration Committee each year taking into account the group's key strategic priorities and the approved budget for the year and are set out in the annual report on remuneration.</p> <p>The Committee may apply discretion as appropriate.</p>	The rules of the annual incentive include a recovery provision whereby individuals are liable to repay or forfeit some or all of their AMPRPS if there is a material misstatement of the results.



Reports from Board Committees

Component	Link to strategy	Operation	Maximum opportunity	Framework to assess performance	Recovery and withholding
<p>Long-term incentive (Transitional LTIP and the NR23 LTIP)</p>	<p>To incentivise executives to achieve the company's long-term strategy and enhance shareholder value.</p>	<p>Cash awards based on the achievement of long-term, financial and strategic targets over the relevant regulatory price control period.</p> <p>The Transitional LTIP was implemented to replace the previously agreed RP3 plan, with a reduced performance period of two years. The plan was based on five strategic priorities which focused on the ongoing recovery of NATS for the period 1 April 2021 to 31 March 2023. The first tranche of the award vested in June 2023, and the second (and final) tranche vested in June 2024.</p> <p>The NR23 LTIP award covers the new five-year regulatory period from 1 January 2023 to 31 December 2027. The performance conditions have been approved by the Committee and are based 85% on financial measures and 15% on the Company's ESG climate goals.</p>	<p>The current maximum potential for each executive director is set out in the annual report on remuneration and will achieve a maximum of 110% of base salary per annum.</p>	<p>Awards vest based on performance measuring the return against a set of agreed targets as approved by the Committee for each respective plan.</p> <p>LTIP awards granted prior to 2020 also contained a link to the Company's independent share valuation and awards vest based on the share valuation at the time of vesting. Current in-flight and future LTIP awards are no longer linked to this share valuation.</p>	<p>The rules of the current LTIP include provisions for recovery and withholding to apply if the Committee concludes that:</p> <ul style="list-style-type: none"> > the performance on variable pay awards, that have been made or vested, was materially misstated or should have been assessed materially differently; > the assessment of any performance condition was based on an error, or inaccurate or mis-leading information or assumptions; > the relevant individual has committed serious misconduct; and the employment of the relevant individual could have been or was terminated as a result thereof; > the Company is censured by a regulatory body or suffers a significant detrimental impact on its reputation and the relevant individual was responsible for, or had management oversight over, the actions, omissions or behaviour that gave rise to that censure or detrimental impact; > the Company or entities representing a material proportion of the group becomes insolvent or otherwise suffers a corporate failure that the relevant individual should be held responsible (in whole or in part) for that insolvency or failure; or > there is a major safety or operational incident resulting in serious consequences for the organisation, its customers or air passengers. <p>Recovery and withholding may be applied for up to the third anniversary of the end of the LTIP award's performance period. The provisions of this clause have not been used in the last financial year nor the last five years.</p>

Reports from Board Committees

Service contracts

Executive directors

The employment contracts of the CEO and CFO provide for 12 months' notice in the event of termination by the company or six months' notice from the executive director.

Exit payment policy

The Committee is committed to ensuring that it does not pay more than is necessary when executives leave NATS. The table below sets out the key provisions for executive directors under their service contracts and the Incentive Plan rules.

For all leavers, the Committee may also determine to make a payment in reimbursement of a reasonable level of outplacement and legal fees in connection with a settlement agreement.

Non-executive directors

Charges for the services of non-executive directors are determined in agreement with the relevant sponsoring body: the DfT in the case of the Partnership directors and the Airline Group (AG) in the case of AG appointed directors.

Partnership directors are normally engaged on three-year fixed-term contracts and have letters of appointment from the DfT.

When setting the policy for directors' remuneration, the Committee considers the pay and employment conditions elsewhere in the group. The Committee is informed of salary increases for the general employee population and is kept informed of pay negotiations. It takes these into account when determining salary increases for executive directors.

Where relevant and appropriate, the Committee seeks to align the remuneration policy for executive directors with that of other senior managers, or exercise upward or downward discretion where appropriate. Selected employees are able to share in the success of the group through participation in the annual incentive. Executive directors and other members of the executive team are eligible for participation in the LTIP.

Consideration of the views of stakeholders in setting the Remuneration Policy

The Committee is mindful of the views of the DfT and the AG and the regulator in determining the appropriate levels of remuneration and ensuring that shareholder, regulator and director interests are aligned.

Exit payment policy table

Element	Termination policy
Base salary, benefits and pension	Payment will be made up to the termination date in line with relevant contractual notice periods and will not exceed contractual entitlements.
Annual incentive (AMPRPS)	Unless otherwise provided in the service contract, executives are not entitled to accrued annual incentive payments unless the individual is determined by the Committee to be a good leaver. A good leaver is any individual who leaves due to death, agreed retirement or for any other reason if the Committee so decides.
Long-term incentive	The default position is for unvested tranches to lapse at the time of exit. Vested tranches will remain exercisable for a period of one month following the date of cessation. For individuals determined by the Committee to be a good leaver (defined above), unvested tranches shall continue under the plan on existing terms save that the Committee may adjust down the size and/or life of such tranches on such basis as it determines appropriate (for example, on account of assessment of performance conditions over curtailed periods and by reference to time elapsed into performance periods) and retains discretion for early vesting.

Reports from Board Committees

Annual Report on Remuneration

Directors' remuneration for the year ended 31 March 2025

This part of the directors' remuneration report summarises the emoluments of executive and non-executive directors for the 2024/25 financial year.

Remuneration earned by directors for the year ended 31 March 2025 (audited)

The table sets out the emoluments of the Chair and the directors. It shows all of the remuneration earned by an individual during the year and reports a single total remuneration figure.

Audited information - Directors' remuneration

Emoluments of the Chair and directors were as follows:

	Notes	Salary or fees*		Benefits*		Pension Cash Alternative*		Total fixed pay*		Annual incentive*		Other awards*		Long-term incentive plan*		Total variable pay*		Total remuneration*	
		2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chair																			
Sir Warren East		110	-	1	-	-	-	111	-	-	-	-	-	-	-	-	-	111	-
Dr Paul Golby CBE	1	75	181	5	14	-	-	80	195	-	-	-	-	-	-	-	-	80	195
Executive directors																			
Martin Rolfe	2, 3, 4, 5	529	508	14	14	79	76	622	598	310	106	-	-	561	459	871	565	1,493	1,163
Alistair Borthwick	2, 4, 5	391	373	40	37	59	56	490	466	183	69	-	150	297	243	480	462	970	928
Non-executive directors																			
Maria Antoniou	1	51	49	1	-	-	-	52	49	-	-	-	-	-	-	-	-	52	49
Greg Bagwell	1	51	49	1	2	-	-	52	51	-	-	-	-	-	-	-	-	52	51
David Smith	1	51	49	3	4	-	-	54	53	-	-	-	-	-	-	-	-	54	53
Michael Campbell	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr Harry Bush CB	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gavin Merchant	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bart Prudon	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Louise Street	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ross Baker	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		1,258	1,209	65	71	138	132	1,461	1,412	493	175	-	150	858	702	1,351	1,027	2,812	2,439

*For year, or from date of appointment or up to date of resignation.

Notes to the table of directors' emoluments:

- Benefits paid to Paul Golby, Maria Antoniou, Greg Bagwell and David Smith represent the reimbursement of travel costs.
- Martin Rolfe and Alistair Borthwick's benefits include a car allowance, medical and dental benefits. Alistair's benefits also include £27,521 (2024: £25,640) for the reimbursement of costs for travelling from Prestwick to the Hampshire head office and to London for business purposes, which are required to be reported as taxable income.
- Martin Rolfe is a member of the defined contribution pension scheme in order to make employee contributions only and in 2025 sacrificed £33,000 of his salary under the company's salary sacrifice arrangements (2024: £10,000). These contributions are reported in his salary above. The company did not make any employer contributions.
- Martin Rolfe and Alistair Borthwick were eligible for the pension cash alternative payment scheme in lieu of employer pension contributions. Under the pension cash alternative payment scheme, Martin Rolfe received £79,316 for the year (2024: £76,265), Alistair Borthwick received £58,708 for the year (2024: £55,913).
- Martin Rolfe and Alistair Borthwick received a final payment in June 2024 for fulfilling the performance conditions of the transitional long-term incentive plan (LTIP) for the period 1 April 2021 to 31 March 2023.
- These directors are appointed by the Airline Group (AG) which charged NATS a total of £243,205 (2024: £233,596) for the services of the directors.
- Ross Baker is the LHRA appointed non-executive director. LHRA does not charge NATS for his services as a director.

Reports from Board Committees

Base salaries of executive and non-executive directors and AG fee for AG appointed directors

	Annual base salary		
	Year ended 31 March 2024	Year ended 31 March 2025	% change
Martin Rolfe	£508,436	£528,774	4%
Alistair Borthwick	£372,750	£391,388	5%
Partnership directors:			
Base fee	£40,363	£41,980	4%
Fee for chairs of Board sub-committees	£8,970	£9,330	4%
Chair:			
Paul Golby (until 31 August 2024)	£180,618	n/a	n/a
Sir Warren East (from 1 September 2024)	n/a	£188,240	n/a

The Committee agreed increases to base salary for Martin Rolfe and Alistair Borthwick of 4% and 5% respectively, effective from 1 April 2024. These increases took into consideration an annual benchmarking exercise, competitive movement and individual performance; the CEO and CFO awards were below those of the wider workforce (the pay award for the wider workforce was 7.5%). The Committee also agreed an increase of 4% to the base fees for non-executives. This 4% increase was also applied to the starting salary for the incoming Chair.

Airline Group (AG) appointed directors

AG directors receive no remuneration for their services to the NATS Board. However, the AG charged £243,205 for the services of its directors in the year (£233,596 for 2023/24). This charge is used to fund the activities of the AG.

LHR Airports (LHRA) appointed director

The LHRA director is employed and remunerated by LHRA. LHRA does not charge NATS for the services of its director.

Annual Management Performance Related Pay Scheme (AMPRPS) incentive for the year ended 31 March 2025 (audited)

The maximum potential award under the AMPRPS for 2024/25 for the CEO was up to 70% of salary and 55% of salary for the CFO. AMPRPS awards are determined based on company performance and personal performance. The table below summarises the outturn across the various company performance targets this year, which resulted in an overall outturn of 83.4%, which corresponds to 62.6% out of an available 75.0% of the award for executive directors.



Reports from Board Committees

Annual Management Performance Related Pay Scheme

Financial measures	Weighting %	Threshold (40%)	Target (75%)	Stretch (100%)	Outcome £m	Payable %
NERL EBITDA (£m)	24%	285.0	300.0	315.0	328.7	24.0%
NSL EBITDA (£m)	6%	19.3	20.4	24.8	20.6	4.6%
By 2040 - Every airspace user relies on our services	Weighting %	Threshold (20%)	Target (50%)	Stretch (100%)	Outcome (seconds)	Payable %
NERL average seconds of delay per flight (en route).	10%	n/a	10.29	8.95	4.44	10.0%
Note: the CAA's measure of capacity performance includes a metric for NERL attributable delay which is based on weighted delays exceeding pre-determined thresholds on a daily basis. It is intended to capture the impact of major service outages. In the event this metric scores above 250 points no incentive will be payable for delay performance.						
NSL average seconds of staffing and engineering delay per arrival (UK airports).	5%	11.1	10.5	9.9	2.0	5.0%
Total no. of ATCO validations achieved across Operations by end March 2025 (incorporates all validation levels).	10%	105	110	122	136	10.0%
By 2040 - We will be carbon negative	Weighting %	Threshold (20%)	Target (50%)	Stretch (100%)	Outcome (Score)	Payable %
3Di score achieved by end December 2024	7%	n/a	28.34	26.99	28.57*	0.0%
By 2040 - We will be a Top 25 UK Company to work for	Weighting %	Threshold (20%)	Target (50%)	Stretch (100%)	Outcome (%)	Payable %
Achieve a 50:50 gender diversity for new recruits to the business	5%	35% female		50% female	35%	1.0%
By 2040 - We will be delivering an additional £500m in revenue per year	Weighting %	Threshold (20%)	Target (50%)	Stretch (100%)	Outcome (£m)	Payable %
NSL Order Intake - the total value of new orders won by NSL during the financial year (£m)	8%	55.0	64.0	70.0	267.0	8.0%

*excluding non-revenue flights - see explanatory note on page 185.

NERL EBITDA targets are neutral to traffic volumes, pension rates, exceptional items (redundancy, relocation and share scheme costs), costs of changes in financing/ownership, FX gains/losses, profit/loss on asset disposal, provision movements on property reinstatements, bad debts, bonus scheme costs, above the line tax credits, net ADS-B income/cost, net variance in ACOG costs, and Integrated Traffic Management costs.

NSL EBITDA includes its share of joint venture profits. The figures are neutral to pension rates, exceptional items (redundancy, relocation, restructuring costs and share scheme costs), costs arising out of any change in capital structure or ownership, FX gains/losses, profit/loss on asset disposal, provision movements on property reinstatements, bad debt, bonus scheme costs and, above the line tax credits, and changes directly resulting from finalisation of the accounting position for Aquila for the FY23/24.

Reports from Board Committees

Personal performance (weighted at 25% of the maximum opportunity) was assessed against objectives that covered areas including, but not limited to, delivering a safe and resilient operation, including improving staffing resilience at Gatwick, delivering on business growth ambitions in the UK and overseas, and establishing reprioritisation of the capital investment programme. Measurement is based on the NATS Personal Performance Rating System.

An overall summary table is provided below:

Director	Opportunity (% of salary)	Company performance element % payable	Personal performance element % payable	Total AMPRPS payable June 2025 (£)
Martin Rolfe	70%	62.57% out of 75%	21.25% out of 25%	£310,324
Alistair Borthwick	55%	62.57% out of 75%	22.50% out of 25%	£183,114

Long-term incentive payments (LTIP)

LTIP arrangements are standard components of executive remuneration practice and are established for executive directors and other members of the executive team to incentivise long-term performance, align performance with shareholders' interests and reward exceptional performance. Performance conditions are generally established for LTIPs for periods of three years; however, awards may also mirror any five-year period aligned to regulatory periods in future, the latter was applied for the NR23 LTIP described on page 64. Payments under LTIP arrangements are made according to a predetermined vesting schedule; vesting will typically occur in tranches over at least a three-year period. Payments are subject to eligibility criteria under scheme rules. These require participants to be employed at the vesting date or to be good leavers under the scheme rules.

Transitional LTIP (audited)

In June 2024, the second (final) tranche of the Transitional LTIP award vested following the Committee's assessment of performance which was measured over the period 1 April 2021 to 31 March 2023. The vesting amount can be seen in the single figure table on page 66. As disclosed previously, performance under the Transitional LTIP award was assessed against five strategic priorities as shown in the table below. No increase was made to the maximum annual grant values for participants (110% per annum for the CEO and 90% per annum for the CFO). The performance conditions were:

Target	Weighting (%)	Performance outcome	Payable (%)
Successfully conclude phases 1 and 2 of the refinancing (March 23) and extend the duration of the bridge arrangements by June 2022 in an efficient manner with a clear path to sustainable solution identified	35%	Complete	35%
Negotiate and agree a triennial valuation outcome	15%	Complete	15%
Successfully agree an NR23 plan that balances the needs of our key stakeholders, customers and the company	20%	Complete ¹	20%
Gain a NERL licence extension from 10 - 15 years	15%	Complete	15%
Successful Gatwick transition by October 2022, with five months of successful operation	15%	Complete	15%

¹An interim assessment was reported in the 2022/23 report. Following conclusion of the NR23 settlement, the Committee agreed the final performance assessment of 100%. This was applied to the vesting amounts in June 2024 and meant an adjustment was required to top-up the previous vesting amount in June 2023.

Payments to past directors

As disclosed in the Remuneration Committee's report for the 2020/21 annual report and accounts, Nigel Fotherby (former Finance Director) was granted awards of 90% of salary under the legacy LTIP Cycles 6 and 7 during his period of service. Upon his retirement, Nigel was deemed a good leaver and eligible to receive payments based on a final vesting outturn of 46.4% and 71.7% for Cycles 6 and 7 respectively, noting that Nigel's Cycle 7 award was pro-rated to reflect the proportion of the performance period he was in role.

During the year, Nigel exercised his right to these two remaining awards, amounting to a total payment of £128,775 paid in July 2024, and therefore has no awards outstanding.

Reports from Board Committees

Payments for loss of office

There were no payments made for loss of office during the financial year.

Ratio of the Chief Executive's pay to UK employees

Although the requirement to disclose the pay ratio is not a statutory requirement for NATS, the Committee considered it appropriate to include the relevant disclosures on an entirely voluntary basis as it helps to demonstrate the link between the Chief Executive's pay and the remuneration of the wider workforce. The table below shows the pay ratios over the past seven years.

Date	Method of calculation adopted	25th percentile pay ratio (Chief Executive: UK employees)	Median - pay ratio (Chief Executive: UK employees)	75th percentile pay ratio (Chief Executive: UK employees)
April 2019	Option B	18:1	13:1	10:1
April 2020	Option A	35:1	23:1	17:1
April 2021	Option A	9:1	6:1	4:1
April 2022	Option A	10:1	8:1	5:1
April 2023	Option A	19:1	14:1	9:1
April 2024	Option A	15:1	11:1	7:1
April 2025	Option A	19:1	14:1	9:1

The remuneration data reference periods to which the calculations were completed were in line with the financial year 1 April to 31 March. All required components were included and the single figure methodology was applied. To determine the full-time equivalent remuneration for each employee, each employee's working percentage as at 31 March is used to calculate their full-time equivalent (FTE) remuneration. This FTE remuneration is then ordered from lowest to highest to determine the 25th, 50th and 75th percentiles in relation to the CEO.

Percentile	Base salary (£'000)	Total Remuneration (£'000)	Ratio of CEO total remuneration to percentile
25th	71	79	19
50th	69	110	14
75th	102	162	9
CEO	529	1,493	1

The median, 25th percentile and 75th percentile figures used to determine the ratio in 2019 were calculated by reference to Option B, which used the most recent pay information available from the NATS gender pay report data to allow us to make best estimates on the 25/50/75th centile pay data for comparison. From 2020, the Committee changed the calculation methodology to Option A, as it was considered more statistically accurate, and data became available to use this method. The Committee considers that the median pay ratio disclosed above is consistent with the pay, reward and progression policies for the company's UK employees taken as a whole. The employees used in the calculations are considered to be reasonably representative of the 25th, 50th and 75th percentiles of the company's remuneration for the relevant financial year.

Five-year history of Chief Executive remuneration

The following table sets out a five-year history of the remuneration of the Chief Executive.

Financial years ended 31 March	2021 ¹	2022 ¹	2023	2024	2025
Earned for the year (£'000s)	535	713	1,399	1,163	1,493
AMPRPS (% of maximum entitlement)	0.0%	50.0%	83.6%	29.8%	83.8%
LTIP (% of maximum entitlement)	n/a	n/a	100.0%	100.0%	n/a ²

¹ Remuneration in 2021 and 2022 was significantly impacted by the Covid pandemic.

² As explained on page 72, NATS will disclose LTIP payments for the NR23 scheme in line with Schedule 5 of SI 2008/410 of the 2006 Companies Act, and therefore the outcome in respect of the 2025 performance year will be disclosed in next year's report.

Reports from Board Committees

Statement of directors' interest in shares

Aggregate emoluments disclosed above do not include any amounts for the value of shares awarded under the company's all-employee share ownership plan. NATS' all-employee share ownership plan is designed to give every employee (including executive directors but not non-executive directors) an equal opportunity to acquire a stake in the future success of the company.

The share plan holds 5% of the shares in NATS and is administered by a special trustee company with three directors – one each appointed by HM Government, the AG and the Trades Unions (collectively known as the Trustee). Maria Antoniou chairs the Trustee meetings.

The price of an employee share is currently valued by HMRC at £6.05 per share which applies for the period 1 January 2025 to 30 June 2025. Details of the shares held by directors during the year are set out below.

Director	Fully Vested		Exercisable on 31 August 2029		Total holding (no. of shares)	Value at 31 March 2025 (£6.05 per share)	Value at 31 March 2024 (£5.45 per share)
	Brought Forward	Granted in year	Brought Forward	Granted in year			
Martin Rolfe	1,024	406	-	250	1,680	£10,164	£7,794

As stated in last year's report, in March 2024, employees including executive directors were offered the option to participate in an award of 250 partnership shares at fair value (being the lower of the share price at the start of the accumulation period of £5.45 and the end of the accumulation period) by deductions from gross salary over a six-month accumulation period ending August 2024. Participants received one free matching share for every partnership share purchased. The CEO participated in this offer and consequently 250 partnership shares and 250 matching shares were awarded on 1 September 2024.

A further opportunity to participate in a similar award of 250 partnership shares was offered in March 2025 based on a plan value of £6.05. The six-month accumulation period ends August 2025. The CEO is also participating in this offer.

In November 2024, the company paid a dividend of 61.17 pence per share to all shareholders, including the employee share trust. Employee shareholders were given the choice of receiving a cash payment or dividend shares to the equivalent value. The CEO elected the dividend shares option and was subsequently awarded a total of 156 shares in December 2024. A further dividend of 61.17 pence per share was paid in March 2025. The CEO elected to receive this dividend in shares and was granted a further 169 shares on 23 April 2025. These additional shares will be included in the reporting table within the 2025/26 report.

Implementation of the remuneration policy for the year ending 31 March 2026

This part of the directors' remuneration report sets out how the remuneration policy will be applied for the financial year ending 31 March 2026.

Executive directors

Base salaries

Director	Annual base salary (effective from 1 April)		
	2024	2025	% change
Martin Rolfe, CEO	£528,774	£552,569	4.5%
Alistair Borthwick, CFO	£391,388	£426,612	9.0%

For Martin Rolfe, the Committee agreed a 4.5% pay increase recognising both his performance over the year and position in range against the agreed comparator group. For Alistair Borthwick, a pay increase was agreed which is above the general increase awarded to the wider workforce to ensure his remuneration package remained competitive with his peers within the agreed comparator group. The Committee remains conscious of ensuring that any salary increase that is awarded to executive directors is typically at the same level, if not below, the wider workforce. However, this adjustment is considered important to the Committee, given the CFO's performance in role and his increasing responsibilities in relation to the strategic direction of the NSL business.

Reports from Board Committees

Pension and benefits

Martin Rolfe and Alistair Borthwick both receive a pension cash alternative of 15% of base salary in lieu of employer contributions to the defined contribution scheme (DC). The cash percentage is applicable group-wide and equates to a maximum of 15% for members opting out of the DC pension and 25% for those opting out of the defined benefit pension scheme.

Annual incentive scheme

An AMPRPS award will be in place for 2025/26, with the following opportunity levels:

- > CEO – 70% of base salary.
- > CFO – 70% of base salary (an uplift from 55% in 2024/25).

Performance measures will continue to be aligned to the company strategy and include financial, service performance and ESG related measures (combined weighting of 75%), as well as personal performance measures (25% weighting). The 2025/26 scheme also retains the underpin in relation to NERL delay performance (described in the table above on page 68).

Long-term incentive plan (LTIP)

A new LTIP award (the NR23 LTIP) was approved by the Remuneration Committee aligned to the new five-year regulatory period beginning 1 January 2023. The final performance conditions were approved in March 2024 which enabled the plan to be formally granted in April 2024.

No increase was made to the maximum annual grant values for participants. As such, the opportunity levels for the NR23 LTIP are as follows:

- > CEO – 550% of salary (110% of base salary per annum).
- > CFO – 450% of salary (90% of base salary per annum).

The performance conditions incorporate financial and ESG related metrics as shown in the table below, and the award will vest based on the performance outcome with five equal payment opportunities starting in 2025 through to 2029.

Financial Performance Conditions	Threshold (20% Vesting of Payment Opportunity)	Target (60% Vesting of Payment Opportunity)	Stretch (100% Vesting of Payment Opportunity)	Weighting (% of maximum of Payment Opportunity)
NERL Regulatory Return ¹	2.55%	3.19%	3.83%	60%
NSL Profitable Revenue Growth ²	£257 million		£303 million	25%
Environmental, Social and Governance (ESG) Performance Conditions	Threshold (40% Vesting of Payment Opportunity)	Target (75% Vesting of Payment Opportunity)	Stretch (100% Vesting of Payment Opportunity)	Weighting (% of maximum of Payment Opportunity)
SBTi Validated Estate CO ₂ reductions ³ (Scope 1 and 2)	Reduction of 41% - 46.9%	Reduction of 47% - 52.9%	Reduction of 53% or more	10%
CDP Score – Climate Change ⁴	To achieve and maintain an A- rating throughout the Performance Period			5%

¹ The target values have been updated since the 2022/23 report to reflect the final NR23 regulatory settlement.

² With straight-line vesting between Threshold and Stretch.

³ With straight-line vesting between Threshold and Target and straight-line vesting between Target and Stretch.

⁴ This Performance Condition is binary; either the CDP rating has been achieved and maintained (100% vesting) or not been achieved (0% vesting).

As outlined in last year's report, NATS will disclose LTIP payments for the NR23 scheme in line with Schedule 5 of SI 2008/410 of the 2006 Companies Act. In this way, the disclosure of earnings under this plan will reflect the point in time at which the participant becomes unconditionally entitled to receive a payment (i.e. at the vesting date) rather than the date when performance is tested. This disclosure approach is considered appropriate given that the listed company regulations (Schedule 8) are more appropriate for a share-based incentive plan, which the new LTIP is not, it is a cash-based incentive. In most other regards, however, NATS will continue to follow the disclosure requirements for listed companies set out in Schedule 8 in the spirit of adherence to best-practice governance and disclosure.

Reports from Board Committees



Non-executive directors

The company's approach to setting the fees for non-executive directors is by reference to those paid by similar companies. Fees are reviewed annually by the NATS CEO and HR Director.

Chair

The new Chair was appointed from 1 September 2024 on a three-year contract. The Remuneration Committee approved an annual salary of £188,240, which is fixed for the duration of the appointment.

Partnership directors

As shown below, the base fee for partnership directors has been increased by 4% in line with market movement. The sub-committee chair fee has been increased to £10,000 to align more closely with market rates.

Fees with effect from 1 April 2025	2024	2025	% change
Base fee	£41,980	£43,660	4.0%
Fee for chairs of Board sub-committees *	£9,330	£10,000	7.2%

*Remuneration Committee, Audit Committee and Safety Review Committee.

Airline Group (AG) appointed directors

AG appointed directors receive no remuneration for their services to the NATS Board. However, a fee is paid to the AG in lieu of remuneration for these directors. This fee is reviewed on an annual basis by the NATS CEO and HR Director. It was agreed that the annual fee from 1 April 2025 would increase to £258,795.

LHR Airports (LHRA) appointed director

The LHRA director is employed and remunerated by LHRA. LHRA does not charge NATS for the services of its director.

Maria Antoniou

Chair of the Remuneration Committee

Reports from Board Committees

Safety Review Committee report

The role of the Safety Review Committee

The Safety Review Committee (SRC) supports the Board in discharging its accountabilities for the safe provision of air traffic services and for security arrangements across NATS. It meets quarterly as a formal Committee and receives separate in-depth briefings as required. Its remit includes the requirements to:

- > monitor and review the effectiveness of the safety and security arrangements in place in the group;
- > review the delivery of the group's safety objectives through its operations, structures and processes;
- > review the group's safety performance;
- > consider future risks and review company plans for addressing these;
- > monitor the implementation of safety enhancement programmes; and
- > make recommendations to the Board for improving the group's safety and security management systems.

The Committee is chaired by Greg Bagwell with two other non-executive director members Louise Street and Bart Prudon. In addition, the NATS Board Chair attends the Committee.

During the year, the Committee took advice from the following special advisors, who attended meetings by standing invitation:

- > Captain John Monks, Director of Safety and Security, British Airways.
- > Professor George Bearfield, Director of Health, Safety and Cyber Security, Rock Rail.

At least two of the following four members of NATS Executive team are required to attend routine meetings: the CEO, Safety and Sustainability Director, Chief Operations Officer and Technical Services Director.

The Chief Security Officer formally reports to the Committee on the security arrangements in NATS twice per annum. Aquila provide an update on their safety performance once per annum.

The CAA's Head of Airspace, ATM and Aerodromes has an annual invitation to meet and brief the Committee. This year's discussion focused on resilience, both the technical and resource aspects of this. Additional discussions were held on approaches to reducing controlled airspace infringements, level busts and mitigating the risk from increased drone activity.

> Safety Performance

The SRC carefully monitors the group's safety performance and progress towards its targets. Safety targets for the NR23 reporting period (2023 to 2027) were approved by the SRC in 2022. Despite a continuing rise in traffic in the year, with more than 2.48 million flights being handled, NATS has again exceeded all safety performance targets and reported one of the strongest annual NATS RAT scores since the RAT scheme was adopted in 2015. NATS introduced a new platform for safety event reporting in 2024, which supports the strong reporting culture already evident in the business.

> Safety Risk Management

The Committee was updated on the development of Risk Based Oversight across the business, driving a more holistic approach to risk management. This included the introduction of a fatigue management manual documenting how fatigue is managed in the operational environment. The Committee regularly reviewed information on safety occurrences along with recommendations and updates on serious events.

As traffic levels continue to rise, the Committee was seeking assurance that NATS continues to effectively manage its risks. Topics in depth discussion have included infringements of controlled airspace, air traffic controller training for unusual or emergency events and the rise in events related to GPS jamming and spoofing reported globally. Current progress with the issues and plans for improvements were studied and challenged for each topic.



Reports from Board Committees



The role of the Safety Review Committee

> Safety Culture

The NATS Safety Culture Survey was last conducted in March 2023, with another planned for November 2025. A focus for this year has been introducing the concept of psychological safety, with several events being run where this has been presented. In addition, a Safety Behaviours campaign was run across all areas of the business focusing on the key behaviours of Communicate, Challenge, Support and Report.

> Physical and Personnel Security

External Threat:

Penetration testing in 2024 showed a significant improvement in the challenge culture, including showing the right behaviours when being challenged, and the visible wearing of access passes. The threat of protestors, environmental and political, has not diminished but NATS continues to provide assurance that contingency plans are in place to minimise disruption.

Insider Threat Activities:

NATS is a member of the Civil Aviation Information Exchange (CAIE) Insider Threat Sub-Group which allows the company to receive information from other areas of the industry on potential issues such as CV fraud and bogus referencing. Work has been undertaken to ensure that NATS takes all reasonable steps to mitigate the risk from potential insider threat activities.

Greg Bagwell, CB CBE

Chair of the Safety Review Committee

Reports from Board Committees

Transformation Review Committee report

The role of the Committee

The Committee's objective is to provide the Board with oversight of NATS' transformation programmes and assurance on the quality of the strategy, planning and delivery of those programmes.

This includes the development and delivery of cost-effective long-term investment plans, operational transformation programmes, wider company transformation programmes and additional items, such as cyber security, as well as the people and procedure changes required to realise the operational and commercial benefits.

The Committee is chaired by Mike Campbell with two other non-executive directors as members: Greg Bagwell and David Smith. The NATS Chair, Sir Warren East, also attends. The CEO is invited to attend the TRC by standing invitation and the following executive directors are invited to attend as appropriate:

- > Technical Services Director;
- > Chief Operations Officer;
- > Managing Director, NATS Services;
- > Safety and Sustainability Director; and
- > Human Resources Director.

During the year, the Committee took advice from Paul Taylor, special adviser to the Committee who attended meetings by standing invitation.

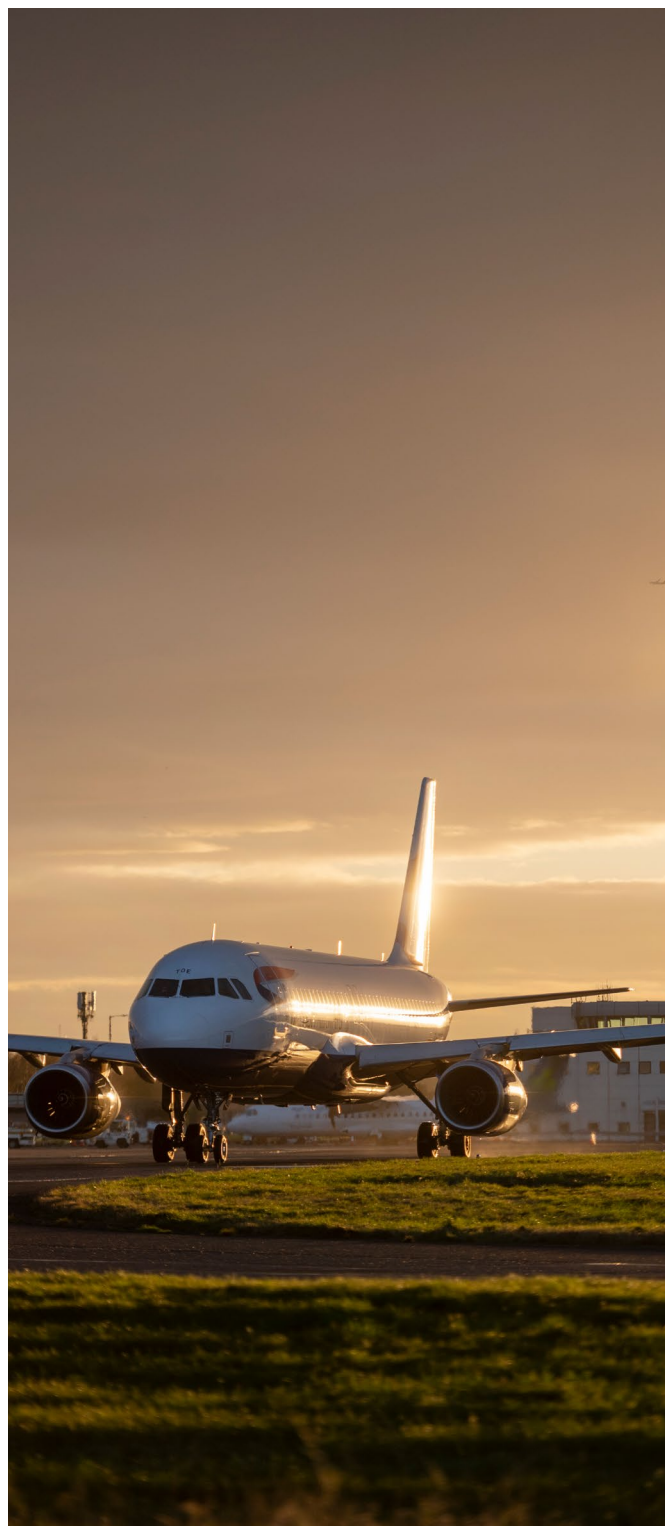
Main activities of the Committee during the year

As part of its governance and oversight, the Committee receives regular in-depth reports and briefings on the existing and planned transformation agenda and organisational risk profiles. During the financial year, the following have been the key areas of focus by the Committee:

System Resilience

Following the technical incident that occurred in August 2023, NERL assisted the CAA Independent Panel Review, with the report and findings being published in November 2024. The recommendations from the internal investigation and the independent review findings were monitored and actioned throughout the year, with areas of focus including critical system review, incident management and industry-wide exercising.

The TRC provided oversight during all phases of the review and subsequent activities supporting the recommendations. All recommendations and actions have been completed with evidence provided to the CAA in support. The Committee monitored the progress of these activities and increased its focus on system resilience, extending beyond the system affected by the incident.



Reports from Board Committees



Portfolio Schedule Review

The status of the long-term investment plan (LTIP) portfolio was reviewed during the year following a change in portfolio prioritisation to increase focus on the sustainment of existing systems. This change came in response to the increased focus on system resilience until the replacement and modernisation of our systems is completed and following the 2023 technical incident.

Progress has been made to strengthen programme and project controls, base planning assumptions on existing resource rather than anticipated future technical resource and implement organisational changes to improve delivery confidence. Focused improvement areas were identified and are being progressed to relieve constrained phases of the programme cycle.

The deliverability of the LTIP portfolio continues to be a topic that is regularly reviewed by the TRC, with the Committee providing guidance and expertise to ensure it is a success.

DP En Route (DPER)

The DPER programme has experienced some schedule challenges related to a combination of technical complexity and honing user requirements. Previous plans for the delivery of DPER had been overly optimistic and therefore further work was conducted to better understand user and technical requirements to ensure realistic plans going forward.

Organisational changes, including introduction of external expertise had been implemented to enhance oversight of the programme and improve delivery.

The TRC has continued to review the DPER programme progress at each meeting over the last year to provide Board level oversight.

Airspace Change

Progress with planned airspace changes has also been monitored by the Committee, with particular focus on the Scottish, Manchester and London terminal manoeuvring areas.

The Committee has also remained abreast of the work relating to the government's consultation on the creation of a UK Airspace Design Service (UKADS) for which NATS has been identified as the most appropriate provider. Airspace modernisation forms part of the government's growth agenda and UKADS is to coordinate future airspace changes to deliver the holistic, modernised airspace design.

Individual airspace change initiatives are reviewed by the Committee on a continuing basis, in order to provide the necessary levels of assurance to the Board.

Intelligent Approach (IA)

The Committee oversaw the further developments made in the year to the IA tool, which is being developed jointly with technology company Leidos. The capability of IA was enhanced in the year and deployed at both Heathrow and Gatwick airports (see page 11). It dynamically adjusts the spacing between aircraft on final approach based on time rather than distance, taking account of different aircraft types and wake vortices, thereby improving landing rates, enhancing operational resilience and reducing carbon emissions. The deployment at Gatwick Airport in March 2025 was the first at a single runway 'mixed mode' airport, where arrivals and departures use the same runway.

Cyber Security

The TRC continues to play a key role in providing Board oversight of cyber security and receives updates from the Chief Security Officer on all aspects of cyber security assurance, including technical compliance, monitoring and reporting on events. Changes in the external threat environment continue to be monitored and the effectiveness of key controls within the organisation are assessed, considering the highest risks to operational and corporate systems.

Mike Campbell

Chair of the Transformation Review Committee

Report of the directors

The directors present their annual report on the affairs of the group, together with the financial statements and the auditor's report for the year ended 31 March 2025.

The Governance report set out on pages 45 to 79 forms part of this report. A review of the group's key business developments in the year and an indication of likely future developments, as well as information regarding greenhouse gas emissions, energy consumption and actions to increase energy efficiency, are included within the Strategic report.

Information about the use of financial instruments by the group is given in note 22 to the financial statements.

Dividends

The company has paid dividends of £171m in the year (2024: nil). The Board recommends a final dividend for the year of nil (2024: nil).

Directors and their interests

The directors of the company at the date of this report are set out on pages 45 to 49. Changes in the Board during the year and to the date of this report as explained on page 50.

The interests of the directors in the share capital of the parent company, through their participation in the All-Employee Share Ownership Plan, are set out on page 71.

None of the directors have, or have had, a material interest in any contract of significance in relation to the group'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 through a designated non-executive director. 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 them, 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.

The directors have regard to the safety, health and wellbeing of employees (and contract staff). 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. The NATS CEO hosts a quarterly executive open session for the whole organisation which regularly attracts 1,000 attendees and a separate quarterly update for the wider management team. The CEO also joins a monthly call with his senior leadership team. His weekly written update on the company's intranet has a 75% readership. Such actions enable employees to achieve a common awareness of those factors affecting the performance of the company. An employee engagement survey was conducted in February 2025 and its feedback is shaping improvement plans. 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.

The Group Pay policy is explained in the Remuneration Committee's report. The group 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 group is also committed to improving employment opportunities for disabled people. The group 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 group 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 and Sustainability Director.

Business relationships

We explain on pages 40 to 43 how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and other stakeholders, and the effect of that regard, including on principal decisions taken during the financial year.

Going concern and viability statements

The directors' assessment of going concern and their viability statement are set out on pages 22 to 23.

Report of the directors



Directors' responsibilities

The directors are responsible for preparing the annual report and 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 UK-adopted 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 group and of the parent company, and of the profit or loss of the group and the parent company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- > properly select and apply accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- > 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 group'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 group's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group 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 group'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 group'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.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors.

We confirm that to the best of our knowledge:

- > the financial statements, prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- > the Strategic Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces; and
- > the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Auditor

EY LLP was appointed as statutory auditor for the financial year ended 31 March 2025, following a mandatory re-tender of the audit undertaken in the prior year.

At the meeting to approve this year's financial statements, the Board resolved to re-appoint EY LLP as statutory auditor.

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

Richard Churchill-Coleman

Secretary
26 June 2025

Registered office

4000 Parkway, Whiteley, Fareham, Hampshire PO15 7FL

Registered in England and Wales
Company No. 04138218



Financial Statements

- 81 Independent auditor's report to the members of NATS Holdings Limited
- 90 Consolidated income statement
- 91 Consolidated statement of comprehensive income
- 92 Consolidated balance sheet
- 93 Consolidated statement of changes in equity
- 94 Consolidated cash flow statement
- 95 Notes forming part of the consolidated accounts
- 177 Company balance sheet
- 178 Company statement of changes in equity
- 179 Notes forming part of the company accounts
- 181 Abbreviations and definitions
- 182 Alternative performance measures and explanatory notes

Annual Report and Accounts 2025



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

Opinion

In our opinion:

- > NATS Holdings' group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of the group's profit for the year then ended;
- > the group financial statements have been properly prepared in accordance with UK adopted international accounting standards and with IFRSs issued by the International Accounting Standards Board (IASB);
- > the parent company financial statements been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of NATS Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2025 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2025	Balance sheet as at 31 March 2025
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 8 to the company financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated cash flow statement for the year then ended	
Related notes 1 to 36 to the consolidated financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards and IFRSs issued by the International Accounting Standards Board (IASB). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006.

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 are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- > Obtaining management's assessment of going concern, being for a period to 30 June 2026, including the underlying forecast models used in the assessment.
- > Confirming that the forecasts for the period to 30 June 2026 used were consistent with those for the same period within the longer-term forecasts used in the goodwill impairment assessment. We also assessed the base case assumptions for reasonableness by (i) testing the clerical accuracy of the model, (ii) by reference to external forecasts on key assumptions such as flight volumes and (iii) by taking into account our knowledge of customer contract terms and other legal agreements and regulator communications to determine the impact on cash flow in the going concern period of various scenarios such as a reduction in flight numbers or the failure of a major customer.
- > Verifying the liquidity position (cash held plus unused banking facilities) as at 31 March 2025 and 31 May 2025 by agreeing the year-end position to bank confirmations and the 31 May 2025 position to the general ledger and our subsequent event enquiries. We also ensured that we understood the covenants associated with the listed debt within NATS En Route plc (NERL), which along with liquidity itself formed the basis of the stress tests performed below.
- > Challenging the appropriateness of management's downside sensitivities ensuring that they appropriately modelled the principal risks of the business. We also considered the remoteness of the reverse stress test performed.
- > We considered the mitigating actions available to the group such as the suspension of dividend payments.
- > Reviewing the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern until 30 June 2026.

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

Given NERLs (which makes up more than 80% of group revenue and holds the debt with associated covenants) status as the UK's only en route air traffic control provider and a critical infrastructure asset for the UK, the protection afforded by (i) the rolling license to provide these services, (ii) the price control period which runs until 31 December 2027 and sets the determined cost (or revenue allowance) for that period and (iii) the financeability duty of the CAA, the long-term nature of the debt, the amount of cash held both at the balance sheet date and as at 31 May 2025, combined with the absence of any other events or conditions which would cause us to question the going concern assumption, we consider management's approach to be reasonable. We believe that appropriate scenarios were evaluated and considered and concur with the conclusion that the reverse stress test position is sufficiently remote.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period until 30 June 2026.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further four components. We completed central procedures on cash, impairment of goodwill and intangible asset balances and parent company investments, investments in associates and joint ventures, equity, and intercompany eliminations.
Key audit matters	<ul style="list-style-type: none"> > Overstatement of revenue recognition as a result of management override > Valuation of Hard to value pension scheme assets > Impairment of assets under construction
Materiality	> Overall group materiality of £11.9m which represents 5% of profit before income tax.

An overview of the scope of the parent and group audits

a. Scoping

Tailoring the scope

This is a first year audit for EY and our audit scoping reflects the requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the group financial statements, we considered our understanding of the group and its business environment, the potential impact of climate change, the applicable financial framework, the group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that centralised audit procedures can be performed on components in the following audit areas:

Key audit area on which procedures were performed centrally	Component subject to central procedures
Cash	All components of the group
Investments in associates and joint ventures	Relevant holding companies
Parent company investments	NATS Holdings Limited (Parent entity)
Intercompany eliminations	All components of the group
Impairment of goodwill and other intangible asset balances	All components of the group that held this balance
Equity	All components of the group

We identified four components as individually relevant to the group due to materiality or financial size of the component relative to the group.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the group significant financial statement account balance.

We then considered whether the remaining group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements. We selected four components of the group to include in our audit scope to address these risks.

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

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the eight components selected, we designed and performed audit procedures on the entire financial information of four components ('full scope components'). For four components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ('specific scope components').

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report.

Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by the group audit engagement team, or by component auditors operating under our instruction if applicable.

The group audit team based in the UK conducted audits of all Full Scope components and Specific Scope components identified above. All audit work performed for the purposes of the audit was undertaken by the group audit team.

This gave the group audit team the appropriate evidence for our opinion on the group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact NATS Holdings Limited. The group has determined that the most significant future impacts from climate change on its operations will be from severe and more frequent weather events, adapting their business model to changes in policy, marketplaces, consumer behaviour and technology and reputational risk from failure to meet stakeholder expectations regarding ESG obligations. These are explained on pages 29 to 39 in the Climate-related Financial Disclosures and on page 25 in the principal risks and uncertainties. Management have also explained their climate commitments on pages 27 to 29. All of these disclosures form part of the 'Other information,' rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on 'Other information'.

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

The directors have explained in the strategic report how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. There are no significant judgements or estimates relating to climate change in the notes to the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 29 to 39 and whether these have been appropriately reflected in future cash flows used to assess the carrying value and where relevant useful economic lives of goodwill, intangible assets and property, plant and equipment.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

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

Risk	Our response to the risk
<p>Overstatement of revenue recognition as a result of management override (FY25 Consolidated Revenue: £1,071.6m, FY24 Consolidated Revenue: £1,189.0m)</p> <p><i>Refer to the Audit Committee Report (page 54); Accounting policies (page 96); and Note 4 of the Consolidated Financial Statements (page 107)</i></p> <p>Given the fixed price nature of Airport contracts in NATS Services Limited (NSL) and the application of the determined cost (or revenue allowance) from the agreed price control publication to determine NERL revenue, the risk we identified was that fictitious revenue could be recorded through topside (manual) journal entries. This was applicable to both NERL and NSL as the main trading entities of the group.</p>	<p>For all significant revenue balances which we deemed to be in scope, we:</p> <ul style="list-style-type: none">> Performed walkthroughs for each significant revenue stream to understand the key systems, processes and controls in place.> Checked that the methodology applied in recognising revenue is consistent with the group's accounting policy and accounting framework. In doing so we paid particular attention to the critical accounting judgement in NERL, that IFRS 15 by analogy applies and that the amounts recoverable under NERL's license would be recoverable in a future period, despite NERL not controlling future flight volumes. We completed a technical consultation in this area, concurring with the judgements reached by management.> Took a data-led approach to correlate the activity in revenue through to trade receivables and cash, identifying any anomalies from the processed transactions revenue to our expectations.> Completed detailed testing of any topside revenue postings made at consolidation level (within the consolidation entries or the Extended Trial Balance) as well as any journals identified as higher risk in the general ledger population. <p>We have also used data analytics to support our procedures as detailed below:</p> <ul style="list-style-type: none">> Applying a matching algorithm comparing journal entries recorded by the group with actual or suspected fraud scheme characteristics (from our global database) to identify if any fraud matches were identified between NATS data and patterns of journals seen to perpetrate and conceal existing fraud schemes.> Analysing complete populations of general ledger data to identify journal entries that exhibit unique characteristics which can be indicators of management override. Our forensics specialists have supported us in identifying the higher risk journal entries to investigate.

Key observations communicated to the Audit Committee

Revenue for the year ended 31 March 2025 has been recognised appropriately in accordance with IFRS 15 Revenue from Contracts with Customers for the group (and using IFRS 15 by analogy for NERL's economically regulated airspace business). The disclosures relating to revenue including the critical accounting estimates and judgements and the naming convention in the financial statements is appropriate.

As part of our procedures, we noted no indication of deliberate or other manipulation of revenue or management override.

How we scoped our audit to respond to the risk

For two of the four full scope entities (those with external revenue), we performed the revenue correlation procedures outlined above. The other data analytics tool that we applied took into account the whole general ledger population for the NATS Holdings group.

All audit work performed to address this risk was undertaken by the group audit team.

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

Risk	Our response to the risk
<p>Valuation of Hard to Value pension scheme assets (FY25 Consolidated hard to value assets: £606.7m, FY24 Consolidated hard to value assets: £595.1m)</p> <p><i>Refer to the Audit Committee Report (page 55); Accounting policies (page 102); and Note 33 of the Consolidated Financial Statements (page 164)</i></p> <p>Determining the fair value of hard to value assets within the pension portfolio involves significant judgement, as these assets lack readily available market data for comparison. This absence of market data necessitates the use of complex valuation techniques and assumptions, further heightening the risk associated with the audit of these assets. The inherent uncertainties and the potential for estimation errors underscore the importance of rigorous audit procedures to ensure the accuracy and reliability of the reported pension asset values.</p> <p>Based on this, we have considered as a significant risk the inappropriate valuation on Level 3 assets (hard to value).</p>	<p>For the hard to value pension scheme assets in the group, we:</p> <ul style="list-style-type: none">> Obtained an understanding of the process around pension assets and relevant controls. This included obtaining and reviewing management's defined benefit pension scheme assets paper.> We also assessed the competence of the investment fund managers and, where different, the valuers, by obtaining and reviewing relevant controls reports to understand the controls they have in place over valuation and to identify any control findings which impacted the reliability of the valuations. We obtained SOC 1 reports where applicable and asset confirmations from the asset managers and reconciled the totals to the pension asset values.> Compared the values of investments held at the balance sheet date to external investment manager asset confirmations and statements to confirm the accuracy of the underlying valuation.> We also inspected the most recent audited accounts of the relevant funds held by the group and where these were drawn up to 31 March 2025 compared the group's share of the net assets in these financial statements to the balances recorded in the general ledger. Where the most recent audited accounts were drawn up to a period before 31 March 2025, we performed a roll-forward to allow us to compare our 'expected' balance with the general ledger, taking into account known movements in the intervening dates and our expectations of movements based on indices relevant to the funds.> Involved EY valuation specialists to assist the audit team on our audit of the valuation of complex portfolio such as hedge funds, private equity funds, real estate portfolio and derivatives.
<p>Key observations communicated to the Audit Committee</p> <p>Based on our procedures performed, we are satisfied that the hard to value assets are appropriately stated and concluded that the disclosure in the Consolidated Financial Statements in relation to the hard to value assets is appropriate.</p>	
<p>How we scoped our audit to respond to the risk</p> <p>All audit work performed to address this risk was undertaken by the group audit team.</p>	

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

Risk	Our response to the risk
<p>Impairment of assets under construction (FY25 Consolidated carrying value of AUC within other intangible assets and PP&E: £548.0m, FY24 Consolidated carrying value of AUC within other intangible assets and PP&E: £532.2m)</p> <p><i>Refer to the Audit Committee Report (page 55); Accounting policies (page 100); and Notes 14 and 15 of the Consolidated Financial Statements (page 126 to 127)</i></p> <p>The group invests significant sums in the sustainment and development of air traffic control infrastructure, including both tangible and intangible assets. A substantial proportion of the costs incurred are the amounts charged by staff employed by the group that are capitalised to specific projects.</p> <p>Management makes judgements in assessing indicators of impairment and considering the feasibility of completing individual projects after they have started.</p> <p>Due to the judgements noted above, the carrying value of assets in the course of construction and the related disclosures are an area of significant risk to our audit.</p>	<p>For the impairment of assets under constructions procedures in the group, we obtained management's qualitative paper and performed the following procedures:</p> <ul style="list-style-type: none">> Reviewed management's assessment of any indicators of impairment on a project by project basis, challenging both the finance team and individual project managers where the assessment included any items with particular judgement involved.> Independently selected our own sample of projects from the whole population of AUC, covering assets fully impaired, assets partially impaired and assets without impairment. For this sample we re-performed the assessment of impairment indicators by interviewing the relevant project manager, asking probing questions about the capital projects, ensuring those not impaired were viable, feasible and if any work has been obsolete or needs impairment.> Performed a separate review of 'dormant assets' (those without activity in the year, cross-checking management's analysis of this category of assets.> Performed a 'stand back' analysis of the position over the last five years to validate the commercial rationale for movements in underlying AUC and the impairment provisioning, interviewing senior management officials responsible for the significant capital expenditure programme, attended by the Partner in charge.> Confirmed that the financial statement disclosures are appropriate.
<p>Key observations communicated to the Audit Committee</p> <p>Based on our procedures performed, we are satisfied that assets under constructions are appropriately stated and concluded that the disclosure in the Consolidated Financial Statements in relation to these assets is appropriate.</p>	
<p>How we scoped our audit to respond to the risk</p> <p>All audit work performed to address this risk was undertaken by the group audit team.</p>	

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

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £11.9 million, which is 5% of profit before income tax. We believe that this provides us with the most appropriate materiality basis based on the expectations of the users of the financial statements.

We determined materiality for the Parent Company to be £7.3 million, which is 5% of equity. The parent company's operations are that of a holding company, holding the investments in subsidiaries. The parent company is not profit focused and therefore an earnings-based measure is not considered appropriate. We consider the parent company's investment in subsidiaries to be the most significant balance, and we have therefore identified equity as the most appropriate benchmark on which to base materiality.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £5.9m. We have set performance materiality at this percentage on the basis that this is our first year as auditors of the group.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.2m to £4.7m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.6m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- > the information given in the 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 directors' report have been prepared in accordance with applicable legal requirements.

Opinions on other matters in accordance with the terms of our engagement letter

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

- > the part of the directors' remuneration report to be audited has been properly prepared in accordance with the principles and provisions of the UK Corporate Governance Code as disclosed on page 60.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Corporate Governance Statement

ISAs (UK) require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

- > Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 22;
- > Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 22;
- > Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 23;
- > Directors' statement on fair, balanced and understandable set out on page 79;
- > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;
- > The section of the annual report and accounts that describes the review of effectiveness of risk management and internal control systems set out on page 57; and
- > The section describing the work of the Audit Committee set out on page 57.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 79, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management. Our procedures included:

- > We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the framework (namely UK-adopted IAS, IFRS, the Companies Act 2006, the Pensions Act, the NERL Licence, the Transport Act 2000) and the relevant tax compliance regulations in the jurisdictions in which NATS Holdings Limited operates.

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

- > We understood how NATS Holdings Limited is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, internal audit reports and papers provided to the Audit and Risk Committee.
- > We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management, internal audit and those charged with governance to understand where it considered there was a susceptibility to fraud. We also considered performance targets and the propensity to influence efforts made by management to manage earnings. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing higher risk journal entries including specific revenue journals in response to our fraud risk, to source documentation or independent confirmation, ensuring appropriate authorisation of transactions.
- > Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reviewing Board minutes to identify non-compliance with such laws and regulations, reviewing reports issued to the Audit Committee on compliance with regulations, enquiries with legal counsel, group management and internal audit, as well as performing journal entry testing, with a focus on consolidation journals and journal entries indicating large or unusual transactions based on our understanding of the business. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018. We also engaged EY forensics specialists to assist with the performance of our risk assessment procedures and journal entry testing.

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

Other matters we are required to address

- > Following the recommendation from the Audit Committee we were appointed by the company on 25 July 2024 to audit the financial statements for the year ending 31 March 2025 and subsequent financial periods.
- > The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- > The audit opinion is consistent with the additional report to the Audit Committee.

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.

Ryan Squires (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

26 June 2025

Consolidated income statement

For the year ended 31 March

	Notes	2025 £m	2024 £m
Revenue	4	1,071.6	1,189.0
Staff costs	7	(543.4)	(495.5)
Services and materials		(92.3)	(86.2)
Repairs and maintenance		(62.0)	(53.8)
External research and development		-	(0.8)
Depreciation, amortisation and impairment of property, plant, equipment, intangible and right-of-use assets	6	(134.1)	(124.2)
Goodwill impairment	6, 13	(1.0)	-
Other operating charges		(52.1)	(51.8)
Other operating income		10.5	7.7
Profit/(loss) on disposal of non-current assets		3.0	(0.2)
Deferred grants released	6	0.1	0.4
Net operating costs		(871.3)	(804.4)
Operating profit	6	200.3	384.6
Share of results of associate and joint venture	35	0.8	(9.5)
Impairment of loan to joint venture	35	-	(18.8)
Investment income	8	65.9	54.4
Fair value movement on financial instruments	9	(7.3)	(13.7)
Finance costs	10	(25.4)	(25.5)
Profit before tax		234.3	371.5
Tax	11	(59.7)	(94.0)
Profit for the year attributable to equity shareholders		174.6	277.5

Consolidated statement of comprehensive income

For the year ended 31 March

	Notes	2025 £m	2024 £m
Profit for the year after tax		174.6	277.5
Items that will not be reclassified subsequently to profit and loss:			
Actuarial loss on defined benefit pension scheme	33	(114.2)	(146.7)
Deferred tax relating to actuarial loss on defined benefit pension scheme	25	11.4	11.4
Current tax relating to actuarial loss on defined benefit pension scheme	11	17.1	25.3
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of hedging derivatives		(1.8)	(1.7)
Transfer to income statement on cash flow hedges		1.0	0.2
Exchange differences arising on translation of foreign operations		(0.9)	(0.2)
Currency translation differences arising on consolidation of equity accounted foreign operations	35	(0.1)	(0.1)
Deferred tax relating to items that may be reclassified subsequently	25	0.1	0.4
Other comprehensive loss for the year, net of tax		(87.4)	(111.4)
Total comprehensive income for the year attributable to equity shareholders		87.2	166.1

Consolidated balance sheet

At 31 March

	Notes	2025 £m	2024 £m
Assets			
Non-current assets			
Goodwill	13	41.3	42.6
Other intangible assets	14	717.3	706.5
Property, plant and equipment	15	385.5	403.1
Right-of-use assets	16	32.3	36.4
Investment	17	24.7	24.3
Interests in associate and joint venture	35	3.7	3.5
Retirement benefit asset	33	-	13.5
Deferred tax asset	25	1.5	-
Trade and other receivables	18	15.6	15.3
Amounts recoverable under NERL's licence	18	617.8	575.3
Derivative financial instruments	21	2.1	0.1
		1,841.8	1,820.6
Current assets			
Trade and other receivables	18	183.9	210.5
Amounts recoverable under NERL's licence	18	163.4	223.7
Current tax assets		-	14.4
Cash and cash equivalents	22	164.7	166.2
Derivative financial instruments	21	0.6	2.0
		512.6	616.8
Total assets		2,354.4	2,437.4
Current liabilities			
Trade and other payables	23	(155.7)	(163.5)
Amounts payable under NERL's licence	23	(12.5)	(9.3)
Borrowings	19	(45.0)	(104.0)
Lease liabilities	20	(7.5)	(6.8)
Current tax liabilities		(1.2)	-
Provisions	24	(4.6)	(4.4)
Derivative financial instruments	21	(80.4)	(13.9)
		(306.9)	(301.9)
Net current assets		205.7	314.9
Non-current liabilities			
Trade and other payables	23	(86.9)	(82.7)
Amounts payable under NERL's licence	23	(54.9)	(45.5)
Borrowings	19	(790.8)	(760.9)
Lease liabilities	20	(32.1)	(39.9)
Retirement benefit obligations	33	(32.4)	-
Deferred tax liability	25	(204.8)	(205.5)
Provisions	24	(14.0)	(18.0)
Derivative financial instruments	21	(0.6)	(68.2)
		(1,216.5)	(1,220.7)
Total liabilities		(1,523.4)	(1,522.6)
Net assets		831.0	914.8
Equity			
Called up share capital	26	140.6	140.6
Share premium account	27	0.4	0.4
Other reserves	28	(34.3)	(32.6)
Retained earnings		724.2	806.3
Equity attributable to the shareholders		830.9	914.7
Non-controlling interest	29	0.1	0.1
Total equity		831.0	914.8

The financial statements (Company No. 04138218) were approved by the Board of directors and authorised for issue on 26 June 2025 and signed on its behalf by:

Warren East

Sir Warren East
Chair

Alistair Borthwick

Alistair Borthwick
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 March

	Equity attributable to equity holders of the group						Total equity £m
	Share capital £m	Share premium account £m	Other reserves (note 28) £m	Retained earnings £m	Sub-total £m	Non-controlling interest £m	
At 1 April 2023	140.6	0.4	(31.2)	638.8	748.6	0.1	748.7
Profit for the year	-	-	-	277.5	277.5	-	277.5
Other comprehensive loss for the year	-	-	(1.4)	(110.0)	(111.4)	-	(111.4)
Total comprehensive (loss)/income for the year	-	-	(1.4)	167.5	166.1	-	166.1
At 31 March 2024	140.6	0.4	(32.6)	806.3	914.7	0.1	914.8
At 1 April 2024	140.6	0.4	(32.6)	806.3	914.7	0.1	914.8
Profit for the year	-	-	-	174.6	174.6	-	174.6
Other comprehensive loss for the year	-	-	(1.7)	(85.7)	(87.4)	-	(87.4)
Total comprehensive (loss)/income for the year	-	-	(1.7)	88.9	87.2	-	87.2
Dividends paid	-	-	-	(171.0)	(171.0)	-	(171.0)
At 31 March 2025	140.6	0.4	(34.3)	724.2	830.9	0.1	831.0

Consolidated cash flow statement

For the year ended 31 March

	Notes	2025 £m	2024 £m
Cash flows from operating activities			
Cash generated from operations	30	357.0	255.5
Tax paid		(11.3)	(55.4)
Net cash generated from operating activities		345.7	200.1
Cash flows from investing activities			
Interest received on short-term investments		10.0	8.4
Purchase of property, plant and equipment and other intangible assets		(125.3)	(111.8)
Proceeds on disposal of property, plant and equipment		2.5	-
Dividends received from joint venture and associate		0.6	0.5
Loans to joint venture	35	(2.5)	(12.4)
Repayments of loans to joint venture	35	-	3.0
Net cash outflow from investing activities		(114.7)	(112.3)
Cash flows from financing activities			
Interest paid		(28.7)	(2.8)
Interest received on derivative financial instruments		8.8	8.5
Repayment of £450m 1.375% Bonds due 2031		(90.0)	-
Drawdown of bank loan under the £400m revolving facility		70.0	-
Repayment of bank loan under the £400m revolving facility		-	(65.0)
Principal paid on lease liabilities		(6.9)	(10.1)
Interest paid on lease liabilities		(1.2)	(1.1)
Index-linked swaps payments		(11.7)	(10.8)
Bank facility fees		(1.6)	(0.4)
Dividends paid		(171.0)	-
Net cash outflow from financing activities		(232.3)	(81.7)
(Decrease)/increase in cash and cash equivalents during the year			
Cash and cash equivalents at 1 April		166.2	160.2
Exchange losses on cash and cash equivalents		(0.2)	(0.1)
Cash and cash equivalents at 31 March		164.7	166.2
Net debt (representing borrowings and lease liabilities, net of cash and cash equivalents (see notes 22 and 30))			
		(710.7)	(745.4)

Notes forming part of the consolidated accounts

1. General information

NATS Holdings Limited is a private limited company incorporated in England and Wales and domiciled in the United Kingdom and acting under the Companies Act 2006. The address of the registered office is on page 79. The nature of the group's operations and its principal activities are set out in the Report of the directors and in the Strategic report.

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

2. Basis of preparation and accounting policies

Going concern

The group's business activities, together with the factors likely to affect its performance and financial position, its cash flows, liquidity position and borrowings are set out in the Strategic report above. In addition, note 3 to the financial statements describes critical judgements and key sources of estimation uncertainties and note 22 the group's objectives, policies and processes for managing its capital and its financial risks and details its financial instruments and hedging activities.

At 31 March 2025, the group had access to liquidity of £495m comprising cash of £164.7m and undrawn committed bank facilities of £330.0m. At 26 June 2025, the group had access to cash and undrawn bank facilities of around £502m.

When considering the appropriateness of the going concern basis of preparation of the financial statements, the directors have reviewed the cash flow forecasts prepared by management covering a period to 30 June 2026, which is the formal going concern period modelled by the directors and at least 12 months from the date of approval of these financial statements. The directors have had regard to reasonably plausible changes in trading performance as well as severe traffic volume scenarios individually and in combination with other factors and the principal risks discussed on pages 24 to 26.

The principal scenarios modelled were: a severe traffic downside scenario represented by a sudden 12% reduction in air traffic volumes lasting for a 12-month period, as a proxy for a traffic shock such as a major geopolitical incident and subsequent recession, being the most severe traffic scenario; a low case internal traffic forecast of 8.8% fewer flights than the NR23 decision assumed; a 20% loss of airport contract income from smaller airports in our portfolio, in the event of the financial collapse of an airport; an unplanned increase in operating costs; an increase in the financial support provided to our investments; and a failure to secure new planned business revenue in spite of the investment made to support such growth activities. Finally, a combination scenario was also performed of lower air traffic volumes, higher operating costs and loss of airport revenues. Under the most severe scenario the group maintains adequate liquidity (of £200m) and headroom (NERL gearing at 48%) to meet its debt covenant (NERL gearing at 85%), prior to mitigating actions (such as other cost saving measures and deferring capital investment).

The directors have also considered, through a reverse stress test which assumes no dividends, the point at which NERL's liquidity would be utilised or the financial covenant would be breached before both mitigating action and regard to the financeability duties of the CAA and Secretary of State for Transport. The reverse stress test considered NERL as it represents 81% of the group's activities and is the only subsidiary with a debt covenant. The reverse stress tests considered, before mitigation, severe reductions in traffic volumes to 44% of expected levels and significant unplanned expenditure, which in this event would be broadly equivalent to the annual staff cost. The directors consider these scenarios to be remote. Taking all this into account, the group's cash flow forecasts, reflecting reasonably plausible downside scenarios, show that the group and company should be able to operate within the level of its available bank facilities and within its financial covenant for the foreseeable future.

Accordingly, the directors have formed the judgement that, taking into account the financial resources available, the range of reasonably plausible future traffic volume scenarios and potential mitigating actions that could be taken, together with the duties of the CAA and Secretary of State for Transport referred to in the Viability statement, the group and company have adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial statements, and have therefore adopted the going concern basis in the preparation of the financial statements.

Accounting standards

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

Accounting standards adopted in the year

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

- > IAS 1 (amendments): *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants*, effective 1 January 2024 clarifies the criteria that must be met to show a liability as non-current on the balance sheet.
- > IFRS 16 (amendments): *Lease Liability in a Sale and Leaseback*, effective 1 January 2024 details how to account for sale and leaseback transactions that include variable lease payments.
- > IAS 7 and IFRS 7 (amendments): *Supplier Finance Arrangements*, effective 1 January 2024 requires company's to provide enhanced disclosures for such arrangements.

Notes forming part of the consolidated accounts

Future accounting developments

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

- > IAS 21 (amendments): *Lack of exchangeability* (effective on or after 1 January 2025)
- > IFRS 9 and IFRS 7 (amendments): *Amendments to the Classification and Measurement of Financial Instruments* (effective on or after 1 January 2026)
- > IFRS 18: *Presentation and Disclosures in Financial Statements* (effective on or after 1 January 2027)

This new accounting standard will replace IAS 1 *Presentation of Financial Statements* and aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It carries over many requirements from IAS 1 unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information. While IFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement. We are currently assessing the impacts of IFRS 18 before developing a more detailed implementation plan.

Basis of preparation of the financial statements

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

Basis of consolidation

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

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

Revenue recognition

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

Airspace

NATS (En Route) plc is the sole provider of the UK's en route air traffic control services. It operates under a licence granted under the Transport Act 2000 (TA00) and is economically regulated by the CAA. NERL has a duty under the TA00 and its licence to provide safe air traffic control services capable of meeting on a continuing basis any reasonable level of demand from airspace users. The revenue which NERL is entitled to generate for making available regulated services is governed by its licence conditions and is established by periodic regulatory reviews (this process is explained in the section on Our business model within the Strategic report).

In setting the licenced price control conditions for NERL's services, the CAA establishes ex ante revenue allowances for a five-year price control which meet its financeability duties under TA00 to ensure that NERL does not find it unduly difficult to finance its operations. The legal framework of the TA00, the CAA's price control determination and NERL's licence establish the contractual rights and obligations of NERL and airspace users, who are liable to pay the charges for air traffic services. As explained in note 3, the company has had regard to the specific circumstances of NERL's legal and regulatory framework to develop an accounting policy based on IFRS 15 by analogy.

NERL's performance obligations are to provide en route ATC services in UK airspace and the eastern part of the North Atlantic, approach services for London airports and an advisory service for helicopters operating in the North Sea. Each of these services has the same pattern of transfer to the customer. Revenue from each service is recognised over time, as the customer simultaneously receives and consumes all of the benefits provided by the group as the group performs.

NERL's revenue entitlement, or transaction price, for the services it provides reflects the price control revenue allowance including, if any, an estimate of the variable consideration for amounts recoverable or payable under NERL's licence. The amounts recoverable or payable under NERL's licence is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with any variable consideration is subsequently resolved.

UK en route and London Approach revenue allowances are set ex ante based on the regulator's forecasts of air traffic volumes and inflation. Revenue allowances are recovered by charging airspace users for each chargeable service unit (a billing unit that reflects an aircraft's weight and distance flown) at the rate specified by the licence.

In order that NERL is able to finance its licensed activities, the licence defines the basis for recovering or rebating to airspace users differences between the CAA's ex ante assumptions and actual conditions during the year of service provided. When actual traffic volumes or inflation differ from the regulator's assumption, any excess or shortfall in amounts recovered against NERL's licence entitlement for the service provided is recognised in the period of service and adjusted through future chargeable service unit rates. The regulator also sets annual service performance targets and incentives, and an amount is recognised in the period which reflects the outcome of the service provided.

Notes forming part of the consolidated accounts

A pass-through mechanism for defined benefit pension contributions applies if financial market conditions during the price control lead to higher or lower costs than the regulator's ex ante allowance. This is assessed by the regulator at the end of a price control period.

North Atlantic en route revenue is recognised based on the amount charged for the flights handled at the rate specified by the licence.

NERL's revenue for the service to North Sea helicopters is set each year by agreement with operators through an annual consultation. The rate to be charged per flight is calculated ex ante based on operator flight volume forecasts. Where the aggregate amount charged for flights handled in the year is greater or less than the revenue agreed for the service provided, an amount of variable consideration is recognised to align with the consultation revenue amount. This is subsequently recovered or reimbursed through an adjustment to flight charges in the following year.

Also within Airspace, the group provides ATC services to the MOD, including training services. Revenue is recognised over time, as the service is provided. The MOD contract includes variable consideration relating to a gain share term which enables the MOD to share in cost efficiencies relative to the original contract assumption.

Amounts due to the MOD for gain share are recognised over time as the service is provided and settled at future contractual payment dates. Amounts payable are reported as contract liabilities and discounted at NERL's regulatory cost of capital to reflect the financing component.

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

Airport and Other UK Services

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

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

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

Defence services

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

New Airspace Users

The group provides services and development of technological solutions for new airspace users, including beyond visual line of sight (BVLOS) and electric vertical take-off and landing (eVTOL) vehicles. These contracts can contain multiple deliverables that are considered distinct. The transaction price is allocated to each performance obligation based on stand-alone selling prices. Where the transaction price is not directly observable, the prices are estimated based on a cost-plus margin. Revenue is recognised in line with costs incurred or labour hours expended for work performed to date, as a proportion of the estimated total contract costs, reflecting the pattern of control transferring to the customer, through the creation of an asset with no alternative use and an enforceable right to payment for work performed.

International

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

Income from other sources

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

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

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

Notes forming part of the consolidated accounts

Amounts recoverable or payable under NERL's licence

As explained under Revenue recognition – Airspace, the unit rate for en route services to be charged to airspace users each year is set in nominal prices based on the regulator's ex ante revenue allowance and forecast of air traffic volumes. Actual air traffic volumes or inflation in the reporting period of service may be higher or lower than the CAA's forecast. In order to ensure that NERL is able to finance its operations, the licence includes a risk sharing mechanism which mitigates the risk of significant under or over-recovery by NERL of its annual revenue entitlement due to variations in air traffic volumes or inflation. The licence requires NERL to adjust the unit rate on a year n+2 basis to recover from or reimburse to airspace users amounts under or over-recovered.

The regulator also sets allowances and incentives for service performance. Where the group's service performance results in a bonus or penalty, for the service provided, an amount is recognised within Amounts recoverable or payable under NERL's licence and is reflected in the unit rate in year n+2.

Differences which arise between the regulator's ex ante pension cost assumptions and actual outcomes due to unforeseen financial market conditions are passed through to airspace users by the regulator by way of an adjustment to the regulatory asset base and in subsequent price control periods through charges over a 15-year period.

Amounts recoverable under NERL's licence also include the outstanding shortfall in NERL's income entitlement that arose in the period from 1 January 2020 to 31 December 2022 due to the Covid pandemic. NERL's income entitlement for the service provided in this period was determined by the CAA following a retrospective reconciliation of NERL's flight income and costs. The amount in this respect is being recovered through UK en route and London Approach charges to airspace users over 10 calendar years from 1 January 2023.

NERL recognises its entitlement to amounts under-recovered and its liability for amounts over-recovered in its statement of financial position as Amounts recoverable or payable under NERL's licence, classified as current or non-current according to the period in which it is expected to be settled. Assets or liabilities are recognised separately for each component of variable consideration, in line with the charge control conditions of the licence which determines the period of recovery or repayment.

Amounts recoverable or payable under NERL's licence meet the definitions, recognition criteria, and measurement concepts in the IASB's Framework for the Preparation and Presentation of Financial Statements (2001). Amounts recoverable or payable under NERL's licence reflecting the recoverability of projected future cash flows, are constrained under IFRS 15 at an amount for which it is highly probable that a significant reversal will not subsequently occur. Amounts are discounted at inception at the incremental cost of borrowing at the balance sheet date, together with an allowance for credit risk. Amounts under or over-recovered from charges for services provided during the year are reported on the face of the income statement within Revenue, with any amounts recoverable or payable under NERL's licence for the service provided being disclosed in note 4.

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

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the group's Executive team, which is considered to be the chief operating decision maker. An operating segment represents a service line organised by customers who receive common services or products. Operating segment results are reviewed regularly by the Executive team to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment performance is assessed by service line revenue and contribution. Further information is provided in notes 4 and 5.

Operating profit

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

Goodwill

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. For goodwill held by NERL, which was recognised following the public private partnership transaction, fair value less costs of disposal is assessed by reference to the regulatory asset base (RAB) of the economically regulated activities and costs of disposal. For goodwill acquired in a business combination, fair value reflects market transactions for similar assets. In assessing value in use, the estimated future cash flows (with a terminal value, as a proxy for future cash flows, which for NERL represents the RAB) are discounted to their present value using a market pre-tax discount rate (which for NERL is the pre-tax nominal regulated rate of return) or an appropriate surrogate. For NERL's assessment, a premium is applied to the RAB, as market precedent transactions indicate economically regulated businesses attract valuations in excess of RAB. A premium of 7.5% was determined for 2025 (2024: 7.5%), reflecting market precedent transactions and an independent assessment undertaken in 2024 - see note 13.

Notes forming part of the consolidated accounts

Internally-generated intangible assets – research and development expenditure

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

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

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

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives, typically over 3 to 20 years. Assets in the course of construction are not amortised until ready for use. When no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Property, plant and equipment

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

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

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

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

Borrowing costs

IAS 23: *Borrowing Costs* requires costs of borrowings directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of the asset. Qualifying assets are those which take a substantial time to get ready for intended use. These do not include assets which are ready for use when acquired.

For NATS, qualifying assets relate to any additions to new projects that began from 1 April 2009, included in assets under construction.

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

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

Government grants and other grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement by equal annual instalments over the expected useful economic lives of the related assets. Grants of a revenue nature are credited to the income statement in the period to which they relate.

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

Leases

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

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

Notes forming part of the consolidated accounts

Measurement at inception

At the lease commencement date the lessee will recognise:

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

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

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

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

Ongoing measurement

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

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

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

- > if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

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

Short-term and low-value leases

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

Impairment of tangible, intangible and right-of-use assets, excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible, intangible and right-of-use assets, including those in the course of construction, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax nominal regulated rate of return for NERL (with a RAB terminal value with a premium as a proxy for future cash flows) and for NATS Services the weighted average cost of capital.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Notes forming part of the consolidated accounts

Investments in associates and joint ventures

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

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

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

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

Share-based payments

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

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

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

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

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Foreign currency translation

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

Notes forming part of the consolidated accounts

In preparing the financial statements of the individual companies, transactions in currencies other than the currency of the primary economic environment in which they operate (their 'functional currency'), are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period.

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

Retirement benefit costs

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories, which are reported in aggregate (see note 33):

- > 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 33. 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 group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Financial instruments

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

The group has financial assets in the categories of fair value through the profit or loss and at amortised cost. The group does not have financial assets at fair value through other comprehensive income. Detailed disclosures are set out in notes 17 to 23.

Financial assets:

Fair value through profit or loss

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

Amortised cost

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

Impairment of financial assets

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

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

Notes forming part of the consolidated accounts

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

Fair value through the profit or loss

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

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

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

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

Effective interest method

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

Equity

Equity instruments are also classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

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

Reserves

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

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

Derivative financial instruments and hedging activities

The group's activities expose it primarily to the financial risks of changes in interest rates, inflation and foreign currency exchange rates. The group uses interest rate and index-linked swap contracts and forward foreign exchange contracts to hedge these exposures. These are disclosed in notes 21 and 22 to the accounts.

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

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

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

Notes forming part of the consolidated accounts

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

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

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

3. Critical judgements and key sources of estimation uncertainty

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

Judgements

In the process of applying the group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Recognition of amounts recoverable and payable under NERL's licence (notes 18 and 23)

a. IFRS 15 by analogy

The company applies IFRS 15: *Revenue from Contracts with Customers* by analogy when recognising NERL's revenue entitlement from UK en route, North Atlantic en route and London Approach services.

There is no IFRS currently that specifically applies to the recognition of assets and liabilities that arise under NERL's licence agreement, though the IASB is developing such a standard (see below). Accordingly, the

company has made significant judgements in developing and applying an accounting policy for the recognition of amounts recoverable and payable under NERL's licence which provides information that is relevant to the decision-making needs of users of the financial statements and is reliable in representing faithfully the financial position, financial performance and cash flows of the company and reflects the economic substance of NERL's specific regulatory framework.

In developing an appropriate accounting policy the company referred to, and considered the applicability of, first the requirements in IFRSs dealing with similar and related issues and second, as the company does not apply IFRS 14: *Regulatory Deferral Accounts*, the definitions, recognition criteria and measurement concepts in the 2001 Framework for the Preparation and Presentation of Financial Statements. The company considered that the definitions of assets and liabilities in the 2001 Framework were met, and therefore developed an accounting policy based on IFRS 15: *Revenue from Contracts with Customers* by analogy. Unlike other economically regulated sectors, such as water and power, air travel is a discretionary consumer expense and thus it is susceptible to a greater volatility of demand. The consumer demand for air travel has a direct bearing on the volume of flights in UK airspace and therefore the amounts collected by NERL in the year from the flights that it handles. As the UK's sole provider of en route ATC services NERL is obliged to make its service available continuously to meet any reasonable level of demand. When establishing a price control, the economic regulator makes a forecast of the volume of flights and sets a charge for NERL's ATC service accordingly - legislation obliges airspace users to settle the charges for services received. In order to provide protection against the volatility in flight volumes relative to the price control forecast, NERL's licence includes a traffic risk sharing mechanism based on actual flights handled which limits its exposure to flight volume volatility, and its associated impact on NERL's recoverable income entitlement. In exceptional circumstances, as was the case with the Covid pandemic or following the US terror attacks in 2001, in order to ensure that NERL is able to finance its licensed activities the price control may be reopened to ensure NERL is able to recover its licence entitlement for the service it has provided. Other risk mechanisms also apply to inflation and the impact of unforeseen financial market conditions on defined benefit pension contributions, with service performance also incentivised.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework which requires an entity to:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes forming part of the consolidated accounts

The analogy arises under step one of the five step model of IFRS 15 whereby the contractual rights and obligations of NERL and airspace users as customers are established by the legal framework of the Transport Act 2000, the CAA's price control determination and NERL's licence, rather than by way of direct customer contracts. The remaining steps of the model apply directly to NERL's circumstances.

In determining the transaction price for the service provided, any amount recoverable or payable under NERL's licence for the service provided is constrained at an amount for which it is highly probable that a significant reversal will not subsequently occur. At the end of each calendar year the outcomes for traffic volumes, inflation, service performance are known. A judgement is made in relation to pension costs, which is generally not known until the end of the price control following the regulator's review. The range of outcomes in this respect is estimated to be 0% to 5% of revenue in the year the pension pass through is determined.

NERL's revenue allowance is set on a calendar year basis. A judgement is made at the 31 March reporting date to determine the revenue entitlement forecast for the prevailing calendar year, based on published sources and the company's business plan projections. An assessment is made of the progress at 31 March in delivering the calendar year performance obligations, using an input method based on incurred operating costs attributable to delivering the performance obligation relative to those forecast for the calendar year. The company considers that an input based method better reflects the pattern of delivery of the performance obligation than an output based method based on flight volumes. At 31 March 2025, the company's revenue entitlement to UK en route and London Approach revenue was assessed to be 25% of the prevailing calendar year's entitlement. As a sensitivity, an output based method would result in 21% of the revenue entitlement being recognised, or £28m lower.

The impact on revenue recognised in the first calendar quarter to 31 March 2025 from a 1% change in the prevailing calendar year forecast for the following variables, considered independently, is as follows:

- i. Chargeable service units (a measure of air traffic volumes): £1m;
- ii. Calendar year CPI inflation: £2m;
- iii. Operating costs: £2m.

b. Recoverability of amounts recognised under NERL's licence

When considering whether the definitions of assets and liabilities under the 2001 Framework are met, it is the judgement of the directors that the company specific traffic risk sharing mechanism, alongside the wider economic regulatory and legal framework and its specific characteristics, are important features that provide it with control of the future economic benefits arising from amounts recoverable, and obligations for amounts payable, under NERL's licence, without controlling the volume of flights in future. These mechanisms are reinforced by the duties on the CAA and the Secretary of State under the Transport Act 2000 to ensure that

it is not unduly difficult for NERL to finance its licensed activities, the regulatory commitment to the RAB as a store of future value and, in particular, commitments made by the CAA in the NR23 price control review on the recovery of the Covid income shortfall, with amounts to be recovered in this respect being specified in the licence and the rules governing the RAB. The company also considers that, in light of NERL's specific regulatory framework, there are no significant risks and uncertainties in relation to the recovery of such amounts in future. The company is aware of the IASB's Exposure Draft: Regulatory Assets and Regulatory Liabilities, which may have a significant impact on the accounting by economically regulated entities when it is implemented as an IFRS, in which event, the company will consider its applicability to its specific circumstances.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur.

Retirement benefits (see note 33)

The group accounts for its defined benefit pension scheme such that the net pension scheme position is reported on the balance sheet with actuarial gains and losses being recognised directly in equity through the statement of comprehensive income. At 31 March 2025 the funding position of the scheme reported in the financial statements was a deficit of £32.4m (2024: £13.5m surplus) on liabilities of £3,082.9m (2024: £3,371.1m).

A number of key assumptions have been made in calculating the fair value of the group's defined benefit pension scheme which affect the balance sheet position and the group's reserves and income statement. A summary of the main assumptions and sensitivities are set out in note 33 to the consolidated accounts. Actual outcomes may differ materially from the assumptions used and may result in volatility in the net pension scheme position.

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

Notes forming part of the consolidated accounts

Net investment in Aquila joint venture (see note 35)

The Aquila joint venture is projecting losses in its forecast to deliver its Project Marshall contract, which completes in 2037. In the year ended 31 March 2024, the group recognised its share of the losses up to the carrying value of the investment brought forward at 1 April 2023 of £4.5m, impaired the outstanding shareholder loan of £18.8m and recognised a liability of £6.2m for the company's legal obligation arising under the £25.0m shareholder loan facility agreement. At the reporting date, the group has reviewed and assessed Aquila's latest business plan and long-term cash flow forecasts to re-assess the carrying value of its investment and the recoverability of the outstanding and undrawn shareholder loan. The group concluded that the carrying values of its investment and the outstanding shareholder loan remained at £nil and that it remained appropriate to provide in full for its obligation to provide funding for the unutilised value of the loan facility.

Long-term contract accounting for the Project Marshall contract represents a significant accounting estimate for Aquila, and therefore for the NATS group, in relation to the costs to complete the contract, alongside management judgement and assumptions as to the future operating environment.

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

The final contract outcome may differ materially to management's estimate depending on the actions taken by the joint venture and contract re-pricing in the future. The group assesses progress in respect of these matters annually to determine whether it is appropriate to reverse some or all of the full impairment of the investment and shareholder loan commitment.

Investment in Aireon LLC (see note 17)

The group holds a minority interest in convertible redeemable preference shares in Aireon LLC, which carry voting rights and a right of conversion to equity interests up to 2027. NATS interest in Aireon represents a financial asset which is required to be measured at fair value through profit or loss. The group valued its interest at £24.7m as at 31 March 2025 (2024: £24.3m). Aireon is a privately owned entity with few historic transactions and is therefore an illiquid unquoted investment with no readily available market price.

In valuing its interest in Aireon, the group uses an income approach which discounts to present value future dividend projections based on Aireon's most recent long-term operating plan and NATS assessment of that plan at a discount rate of 15.3% (2024: 15.0%). The group also has regard to any recent transactions between the interest holders.

Aireon's dividend projections depend on its business performance, including delivery of new sales contracts not yet secured. A 10% change in revenue from new sales assumed but not yet secured would result in a c.£3m change in fair value. The valuation is also sensitive to the discount rate. A 1% change in discount rate would result in a change in fair value of between c.£2m to c.£3m.

Impairment of intangible, tangible and right-of-use assets (see notes 14 to 16)

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

In carrying out impairment reviews of intangible and tangible (including assets in the course of construction), a detailed review is undertaken, which assesses the potential impact of factors such as: technical obsolescence, deployment plans for related or dependent systems and the recoverability of investments under the economic regulatory framework.

Notes forming part of the consolidated accounts

4. Revenue

The group has recognised the following revenue in the income statement:

	2025 £m	2024 £m
Revenue from contracts with customers	1,061.7	1,178.3
Other revenue: EU funding passed to UK en route customers (see note 4a)	7.2	7.7
Other revenue: rental and sub-lease income	2.7	3.0
Revenue (see operating segments)	1,071.6	1,189.0

a) Revenue disaggregated by operating segment

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

Principal activities

The following table describes the activities of each operating segment:

Airspace	This includes all of the group's economically regulated activities and encompasses services to en route, oceanic and London Approach customers provided from our Prestwick and Swanwick centres, together with all the supporting communications, navigation and surveillance infrastructure and facilities. Airspace includes air traffic services for helicopters operating in the North Sea, approach services for London airports, infrastructure services to the Ministry of Defence (MOD) for their en route operations and European projects in conjunction with other air traffic organisations.
Airport and Other UK Services	The provision of air traffic control, engineering support and airport optimisation services to UK airport customers; engineering solutions to renewables customers and consultancy, offering airspace development, capacity improvement and training; and information, providing data to enable future efficiency and flight optimisation.
Defence Services	The provision of air traffic control, engineering support and other services to the UK MOD and to our joint venture for the UK MOD's Marshall contract.
New Airspace Users	The provision of services and development of technological solutions for new airspace users, including beyond visual line of sight (BVLOS) and electric vertical take-off and landing (eVTOL) vehicles.
International	The provision of air traffic control and related services (including consultancy, engineering, training and information services) and the development and delivery of digital and remote tower solutions to overseas customers.

Notes forming part of the consolidated accounts

4. Revenue (continued)

Segment information about these activities is presented below:

	2025			2024		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
Revenue from contracts with customers						
UK air traffic services:						
Services to UK en route customers	706.8	-	706.8	858.6	-	858.6
London Approach services	14.5	-	14.5	18.7	-	18.7
Infrastructure services to the MOD	52.9	-	52.9	44.2	-	44.2
Services for North Sea helicopters	10.1	-	10.1	9.3	-	9.3
Other income	1.9	-	1.9	2.7	-	2.7
	786.2	-	786.2	933.5	-	933.5
North Atlantic air traffic services:						
Services to oceanic en route customers	67.7	-	67.7	54.2	-	54.2
Intercompany revenue	26.5	(26.5)	-	25.1	(25.1)	-
Airspace	880.4	(26.5)	853.9	1,012.8	(25.1)	987.7
Airport and Other UK Services	199.0	(17.2)	181.8	187.0	(17.6)	169.4
Defence Services	11.9	(0.8)	11.1	12.1	(1.0)	11.1
New Airspace Users	2.3	-	2.3	2.0	-	2.0
International	14.7	(2.1)	12.6	10.0	(1.9)	8.1
Revenue from contracts with customers	1,108.3	(46.6)	1,061.7	1,223.9	(45.6)	1,178.3
Other revenue: EU funding passed to UK en route customers						
Airspace	7.2	-	7.2	7.7	-	7.7
Other revenue: rental and sub-lease income						
Airspace	2.0	(0.9)	1.1	4.1	(1.1)	3.0
Airport and Other UK Services	0.1	-	0.1	-	-	-
Defence Services	1.5	-	1.5	-	-	-
Revenue from other sources	3.6	(0.9)	2.7	4.1	(1.1)	3.0
Revenue	1,119.1	(47.5)	1,071.6	1,235.7	(46.7)	1,189.0

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

EC Regulations require that European funding for SESAR deployment received by ANSPs should ultimately be passed on to airspace users through a discount in the unit rate charge for UK en route services. In the financial year ended 31 March 2025, £7.2m (2024: £7.7m) of European funding was passed to airspace users. Accordingly, an equivalent amount was released from contract liabilities to offset the cost of the discount.

Notes forming part of the consolidated accounts

4. Revenue (continued)

Revenue includes Revenue from contracts with customers, including billed revenue and variable consideration under NERL's licence, and Other revenue as follows:

	2025			2024		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
Revenue from contracts with customers, before variable consideration	1,084.4	(46.6)	1,037.8	1,092.9	(45.6)	1,047.3
Variable consideration	23.9	-	23.9	131.0	-	131.0
Revenue from contracts with customers	1,108.3	(46.6)	1,061.7	1,223.9	(45.6)	1,178.3
Other revenue: EU funding passed to UK en route customers	7.2	-	7.2	7.7	-	7.7
Other revenue: rental and sub-lease income	3.6	(0.9)	2.7	4.1	(1.1)	3.0
Revenue	1,119.1	(47.5)	1,071.6	1,235.7	(46.7)	1,189.0

Amounts recoverable under NERL's licence, being variable consideration, in the prior year includes £123.2m following confirmation by the CAA of the Covid income shortfall, recognised at 31 March 2024.

Notes forming part of the consolidated accounts

4. Revenue (continued)

b) Revenue disaggregated based on economic regulation

	2025			2024		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
Economically regulated income						
Airspace						
Services to UK en route customers	706.8	-	706.8	858.6	-	858.6
London Approach services	14.5	-	14.5	18.7	-	18.7
Services to oceanic en route customers	67.7	-	67.7	54.2	-	54.2
Revenue from contracts with customers	789.0	-	789.0	931.5	-	931.5
Other revenue: EU funding passed to UK en route customers	7.2	-	7.2	7.7	-	7.7
Total economically regulated income	796.2	-	796.2	939.2	-	939.2
Non-regulated income						
Airspace						
Infrastructure services to the MOD	52.9	-	52.9	44.2	-	44.2
Services for North Sea helicopters	10.1	-	10.1	9.3	-	9.3
Other income	1.9	-	1.9	2.7	-	2.7
Intercompany revenue	26.5	(26.5)	-	25.1	(25.1)	-
Airport and Other UK Services	199.0	(17.2)	181.8	187.0	(17.6)	169.4
Defence Services	11.9	(0.8)	11.1	12.1	(1.0)	11.1
New Airspace Users	2.3	-	2.3	2.0	-	2.0
International	14.7	(2.1)	12.6	10.0	(1.9)	8.1
Revenue from contracts with customers	319.3	(46.6)	272.7	292.4	(45.6)	246.8
Revenue from other sources	3.6	(0.9)	2.7	4.1	(1.1)	3.0
Total non-regulated income	322.9	(47.5)	275.4	296.5	(46.7)	249.8
	1,119.1	(47.5)	1,071.6	1,235.7	(46.7)	1,189.0

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

Notes forming part of the consolidated accounts

4. Revenue (continued)

c) Revenue disaggregated by timing of recognition

	2025			2024		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
Over time						
Revenue from contracts with customers	1,108.2	(46.6)	1,061.6	1,222.8	(45.6)	1,177.2
Other revenue: EU funding passed to UK en route customers	7.2	-	7.2	7.7	-	7.7
Revenue from other sources	3.6	(0.9)	2.7	4.1	(1.1)	3.0
	1,119.0	(47.5)	1,071.5	1,234.6	(46.7)	1,187.9
At a point in time						
Revenue from contracts with customers	0.1	-	0.1	1.1	-	1.1
	0.1	-	0.1	1.1	-	1.1
	1,119.1	(47.5)	1,071.6	1,235.7	(46.7)	1,189.0

Notes forming part of the consolidated accounts

4. Revenue (continued)

d) Revenue disaggregated by geographical area

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

	2025			2024		
	Total intra-group and external £m	Intra-group £m	External £m	Total intra-group and external £m	Intra-group £m	External £m
Revenue, including Other revenue: EU funding passed to UK en route customers						
United Kingdom	544.5	(44.4)	500.1	563.2	(44.2)	519.0
United States of America	125.5	-	125.5	153.3	-	153.3
Other European countries	130.6	-	130.6	151.1	-	151.1
Republic of Ireland	102.0	-	102.0	122.4	-	122.4
Countries in Asia	85.1	(1.7)	83.4	90.8	(1.2)	89.6
Germany	53.5	-	53.5	63.6	-	63.6
Countries in Africa	42.5	-	42.5	51.0	-	51.0
Other North American countries	29.0	(0.5)	28.5	32.9	(0.2)	32.7
Countries in South America	1.4	-	1.4	1.7	-	1.7
Countries in Oceania	1.4	-	1.4	1.6	-	1.6
	1,115.5	(46.6)	1,068.9	1,231.6	(45.6)	1,186.0
Other revenue: rental and sub-lease income						
United Kingdom	3.6	(0.9)	2.7	4.1	(1.1)	3.0
	3.6	(0.9)	2.7	4.1	(1.1)	3.0
	1,119.1	(47.5)	1,071.6	1,235.7	(46.7)	1,189.0

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

Notes forming part of the consolidated accounts

4. Revenue (continued)

e) Contract balances

Contract assets and contract liabilities from contracts with customers are disclosed in notes 18 and 23. Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Contract assets		Contract liabilities	
	2025 £m	2024 £m	2025 £m	2024 £m
At 1 April	26.5	31.2	(69.1)	(77.1)
Opening contract assets transferred to trade and other receivables	(12.8)	(11.2)	-	-
Additional contract asset balances recognised at the balance sheet date	11.9	6.9	-	-
Impairment of contract assets	(0.2)	(0.4)	-	-
Opening contract liabilities which have now been recognised as revenue	-	-	20.0	18.4
Increases due to cash received, excluding amounts recognised as revenue during the year	-	-	(11.8)	(10.4)
At 31 March	25.4	26.5	(60.9)	(69.1)

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

f) Revenue from performance obligations satisfied in previous periods

For the year ended 31 March 2025, there have been no amounts recognised for performance obligations satisfied in previous periods (2024: £nil).

Notes forming part of the consolidated accounts

4. Revenue (continued)

g) Remaining performance obligations

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

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

	2025				Total £m
	Due within one year or less £m	Between one and two years £m	Due between two and five years £m	Due in more than five years £m	
Airport and Other UK Services	17.6	6.6	-	-	24.2
Defence Services	0.9	0.5	1.3	-	2.7
New Airspace Users	1.0	-	-	-	1.0
International	5.8	0.7	-	-	6.5
	25.3	7.8	1.3	-	34.4

	2024				Total £m
	Due within one year or less £m	Between one and two years £m	Due between two and five years £m	Due in more than five years £m	
Airport and Other UK Services	19.3	8.5	0.3	-	28.1
Defence Services	5.0	-	-	-	5.0
New Airspace Users	0.3	-	-	-	0.3
International	4.4	1.1	-	-	5.5
	29.0	9.6	0.3	-	38.9

h) Cash flow hedged revenue from contracts with customers

A portion of the group's revenue from the provision of services denominated in foreign currencies is cash flow hedged. Included in revenue is the recycling of the effective amount of foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a £1.0m loss (2024: £0.2m loss).

Notes forming part of the consolidated accounts

5. Operating segments

The performance of operating segments is assessed based on service line revenue and contribution. Service line contribution represents the revenue and costs which are directly attributed to a service line. Costs which are not directly attributed to a service line include: costs managed outside of service lines, depreciation and amortisation (net of deferred grants released), goodwill impairment, profit/(loss) on disposal of non-current assets, employee share scheme costs, redundancy costs, investment income, fair value movements on financial instruments and finance costs.

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

	2025						Total £m
	Airspace £m	Airport and Other UK Services £m	Defence Services £m	New Airspace Users £m	International £m	Costs not directly attributed to service lines £m	
External revenue	862.2	181.9	12.6	2.3	12.6	-	1,071.6
Intra-group revenue	27.4	17.2	0.8	-	2.1	-	47.5
Total external and intra-group revenue	889.6	199.1	13.4	2.3	14.7	-	1,119.1
Staff costs (excluding employee share plan and redundancy costs)	(361.0)	(114.8)	(6.5)	(1.2)	(13.1)	(42.1)	(538.7)
Non-staff costs (includes intercompany charges)	(144.4)	(41.9)	(3.2)	(1.3)	(5.6)	(47.0)	(243.4)
Share of joint venture and associate	0.8	-	-	-	-	-	0.8
Service line contribution	385.0	42.4	3.7	(0.2)	(4.0)	(89.1)	337.8
Depreciation and amortisation (net of deferred grants released)							(134.0)
Impairment of goodwill							(1.0)
Profit on disposal of non-current assets							3.0
Employee share scheme costs							(2.8)
Redundancy costs							(1.9)
Investment income							65.9
Fair value movement on derivative contracts							(7.3)
Finance costs							(25.4)
Profit before tax							234.3

Notes forming part of the consolidated accounts

5. Operating segments (continued)

	2024						Total £m
	Airspace £m	Airport and Other UK Services £m	Defence Services £m	New Airspace Users £m	International £m	Costs not directly attributed to service lines £m	
External revenue	998.4	169.4	11.1	2.0	8.1	-	1,189.0
Intra-group revenue	26.2	17.6	1.0	-	1.9	-	46.7
Total external and intra-group revenue	1,024.6	187.0	12.1	2.0	10.0	-	1,235.7
Staff costs (excluding employee share plan and redundancy costs)	(325.4)	(104.9)	(8.6)	(0.7)	(10.6)	(38.0)	(488.2)
Non-staff costs (includes intercompany charges)	(144.4)	(37.0)	(13.8)	(0.9)	(6.7)	(28.8)	(231.6)
Share of joint venture and associate	1.2	-	(10.7)	-	-	-	(9.5)
Impairment of loan to joint venture	-	-	(18.8)	-	-	-	(18.8)
Service line contribution	556.0	45.1	(39.8)	0.4	(7.3)	(66.8)	487.6
Depreciation and amortisation (net of deferred grants released)							(123.8)
Loss on disposal of non-current assets							(0.2)
Employee share scheme costs							(5.4)
Redundancy costs							(1.9)
Investment income							54.4
Fair value movement on derivative contracts							(13.7)
Finance costs							(25.5)
Profit before tax							371.5

Notes forming part of the consolidated accounts

5. Operating segments (continued)

Non-staff costs includes intercompany charges allocated across the Service lines above of £47.5m (2024: £46.7m).

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

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

Non-current assets additions

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

	2025 £m	2024 £m
Airspace	119.6	109.0
Airport and Other UK Services	3.9	6.7
Defence Services	-	0.6
New Airspace Users	1.9	0.3
International	0.5	0.2
	125.9	116.8

Geographical segments

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

	Non-current assets	
	2025 £m	2024 £m
United Kingdom	1,173.6	1,182.9
United States of America	24.7	24.5
Canada	6.5	8.0
Other European countries	4.6	4.2
Countries in Asia	0.3	0.3
	1,209.7	1,219.9

Included within the United States of America geographical segment is the group's equity investment in Aireon LLC, see note 17. Included within the Canada geographical segment is the group's goodwill that arose on acquisition of Searidge, see note 13.

Information about major customers

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

Notes forming part of the consolidated accounts

6. Operating profit for the year

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

	2025 £m	2024 £m
The CAA regulatory charges in respect of NERL's licence	5.4	4.9
The CAA regulatory charges for safety regulation at airports	0.3	0.2
Impairment of goodwill (note 13)	1.0	-
Amortisation of intangible assets (note 14)	57.6	51.0
Impairment of intangible assets (note 14)	20.5	16.3
Depreciation of property, plant and equipment (note 15)	49.8	48.4
Impairment of property, plant and equipment (note 15)	1.8	3.1
Depreciation of right-of-use assets (note 16)	6.7	5.4
Impairment reversal of right-of-use assets (note 16)	(2.3)	-
Deferred grants released	(0.1)	(0.4)
Redundancy costs	1.9	2.0
Research and development costs	13.7	8.1
R&D expenditure above the line tax credits	(4.5)	(4.5)
Foreign exchange gains/(losses)	2.0	(1.8)
Auditor's remuneration for audit services (see below)	0.9	0.5

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

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

The analysis of auditor's remuneration is as follows:

	2025 £m	2024 £m
Fees payable to the company's auditor for the audit of the company's annual accounts	0.8	0.4
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries	0.1	0.1
Total audit fees	0.9	0.5

Total non-audit fees of £17,000 (2024: £9,000) were incurred for agreed upon procedures.

Fees in 2025 were payable to EY LLP, following their appointment in the year. Fees in 2024 were payable to BDO LLP.

Notes forming part of the consolidated accounts

7. Staff costs

a. Staff costs

	2025 £m	2024 £m
Salaries and staff costs, including directors' remuneration, were as follows:		
Wages and salaries	437.2	402.5
Employee share scheme costs (note 32)	2.8	5.4
Social security costs	51.6	47.4
Pension costs (note 7b)	94.6	80.1
	<u>586.2</u>	<u>535.4</u>
Less: amounts capitalised	(42.8)	(39.9)
	<u>543.4</u>	<u>495.5</u>

Wages and salaries include other allowances and holiday pay.

b. Pension costs (note 33)

	2025 £m	2024 £m
Defined benefit scheme	43.8	39.6
Defined contribution scheme	50.8	40.5
	<u>94.6</u>	<u>80.1</u>

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

Notes forming part of the consolidated accounts

7. Staff costs (continued)

c. Staff numbers

	2025 No.	2024 No.
The monthly average number of employees (including executive directors) was:		
Air traffic controllers (incl. trainees)	1,779	1,728
Air traffic service assistants	695	647
Engineers	922	854
Others	1,319	1,223
	4,715	4,452
The number of employees (including executive directors) in post at 31 March was:		
	4,820	4,606

8. Investment income

	2025 £m	2024 £m
Interest on bank deposits	9.6	8.4
Other loans and receivables	56.3	46.0
	65.9	54.4

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

Other loans and receivables includes £25.2m (2024: £23.6m) being an allowance included in the unit charge for financing the Covid income shortfall over its extended recovery period, £18.1m (2024: £8.8m) in relation to the effect of unwinding the discount on amounts receivable after more than one year and £8.8m (2024: £8.5m) of RPI swap interest.

9. Fair value movement on financial instruments

	2025 £m	2024 £m
Charge arising from change in the fair value of derivatives not qualifying for hedge accounting	(8.2)	(9.0)
Change in the fair value of equity investment in Aireon designated as fair value through profit or loss (see note 17)	0.9	(4.7)
	(7.3)	(13.7)

Notes forming part of the consolidated accounts

10. Finance costs

	2025 £m	2024 £m
Interest on bank loans and hedging instruments	2.0	1.3
Bond and related costs including financing expenses	18.4	19.7
Interest on lease liabilities (see note 20)	1.2	1.1
Other finance costs	3.8	3.4
	25.4	25.5

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

11. Tax

	2025 £m	2024 £m
Corporation tax		
Current tax	49.3	79.3
Adjustments in respect of prior year	1.1	(4.7)
	50.4	74.6
Deferred tax (see note 25)		
Origination and reversal of temporary timing differences	9.0	16.6
Adjustments in respect of prior year	0.3	2.8
	9.3	19.4
	59.7	94.0

Corporation tax is calculated at 25% (2024: 25%) of the estimated assessable profit for the year.

Notes forming part of the consolidated accounts

11. Tax (continued)

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

	2025		2024	
	£m	%	£m	%
Profit on ordinary activities before tax	234.3		371.5	
Tax on profit on ordinary activities at standard rate in the UK of 25% (2024: 25%)	58.6	25.0%	92.9	25.0%
Tax effect of prior year adjustments: current tax	1.1	0.5%	(4.7)	(1.3%)
Tax effect of prior year adjustments: deferred tax	0.3	0.1%	2.8	0.8%
Patent box ¹	(0.8)	(0.3%)	(1.4)	(0.4%)
Employee share scheme costs: impact of changes in the share price ²	0.7	0.3%	1.3	0.3%
Employee share scheme costs: impact of new shares issued	(0.3)	(0.1%)	-	-
R&D expenditure credits	0.3	0.1%	(0.4)	(0.1%)
Goodwill impairment	0.3	0.1%	-	-
Profit on disposal of ineligible PPE assets	(0.6)	(0.3%)	-	-
Tax on income from investment in Aireon LLC ³	0.9	0.4%	-	-
Change in fair value of equity investment	-	-	1.2	0.3%
Joint venture and associate	(0.2)	(0.1%)	0.8	0.2%
Losses not recognised for deferred tax	0.3	0.1%	2.4	0.7%
Foreign permanent establishment exemption ⁴	-	-	(0.8)	(0.2%)
Income taxed at a lower rate of corporation tax	(0.1)	-	-	-
Other temporary timing differences - index-linked swaps	(0.5)	(0.2%)	-	-
Other permanent differences	(0.3)	(0.1%)	(0.1)	-
Tax charge for year at an effective tax rate of 25.5% (2024: 25.3%)	59.7	25.5%	94.0	25.3%
Deferred tax credit taken directly to equity (see note 25)	(11.5)		(11.8)	

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

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

³ The NSL shareholding in Aireon LLC is taxed as a partnership holding in the US.

⁴ Under UK HMRC regulations, NSL has elected that income relating to overseas branches is taxed in the local jurisdiction.

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

The group does not have any material uncertain tax positions.

Notes forming part of the consolidated accounts

11. Tax (continued)

Detailed reconciliation of the current tax charge

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

	2025		2024	
	£m	%	£m	%
Profit on ordinary activities before tax	234.3		371.5	
Tax on profit on ordinary activities at standard rate in the UK of 25% (2024: 25%)	58.6	25.0%	92.9	25.0%
Expenses not deductible for tax purposes				
R&D expenditure tax credit	1.3	0.6%	(0.1)	-
Foreign permanent establishment exemption	-	-	(0.8)	(0.2%)
Profit on disposal of ineligible PPE assets	(0.6)	(0.3%)	-	-
Capital allowances in excess of depreciation				
Capital allowances	(35.0)	(14.9%)	(33.1)	(8.9%)
Depreciation and amortisation on eligible assets	32.4	13.8%	29.7	8.0%
Other temporary differences - fixed assets				
Capitalised revenue expenditure	(5.1)	(2.2%)	(6.3)	(1.7%)
Amortisation of capital grants	(0.7)	(0.3%)	(1.0)	(0.3%)
Other temporary timing differences				
Provisions	0.1	-	(1.0)	(0.3%)
Index-linked swaps	(1.4)	(0.6%)	(2.1)	(0.5%)
Other deductions for tax purposes				
Employee share scheme costs: impact of changes in the share price	0.7	0.3%	1.3	0.3%
Employee share scheme costs: impact of new shares issued	(1.3)	(0.6%)	-	-
Patent box	(0.8)	(0.3%)	(1.4)	(0.4%)
Consolidation adjustments				
Change in fair value of equity investment	-	-	1.2	0.3%
Tax on income from investment in Aireon LLC	0.9	0.4%	-	-
Joint venture and associate	(0.2)	(0.1%)	0.8	0.2%
Losses not recognised for deferred tax	0.3	0.2%	2.4	0.7%
Goodwill impairment	0.3	0.1%	-	-
Other consolidation adjustments	-	-	0.8	0.3%
Pension contributions paid in excess of charge to income statement	(17.1)	(7.3%)	(25.3)	(6.8%)
Losses brought forward	-	-	(3.6)	(1.0%)
Other permanent differences	(0.2)	(0.1%)	(0.4)	(0.1%)
Adjustments to tax charge in respect of previous periods	1.1	0.5%	(4.7)	(1.3%)
Current tax charge for year at an effective tax rate of 14.2% (2024: 13.3%)	33.3	14.2%	49.3	13.3%

Notes forming part of the consolidated accounts

11. Tax (continued)

The total current tax charge comprises a £50.4m charge to the Income statement (2024: £74.6m) and a £17.1m credit to the Statement of comprehensive income (2024: £25.3m) in relation to contributions to the Defined benefit pension scheme.

Pillar Two legislation has been implemented for accounting periods commencing on or after 31 December 2023. We have undertaken a high-level assessment and believe that the effective UK rate will be above the minimum tax rate of 15%, so no UK top up tax is expected given the present statutory rate of corporation tax. No assessment has been undertaken in respect of the overseas jurisdictions on the basis that any additional top up tax arising in respect of these jurisdictions is expected to be immaterial and/or the transitional country by country safe harbour rules will apply.

12. Dividends

	2025 £m	2024 £m
Amounts recognised as dividends to equity shareholders in the year:		
First interim dividend of 61.17 pence per share (2024: £nil per share)	85.5	-
Second interim dividend of 61.17 pence per share (2024: £nil per share)	85.5	-
	171.0	-

On 28 November 2024, the Board approved an interim dividend of 61.17 pence per share, totalling £87.5m. The NATS Employee Sharetrust Limited (NESL), that holds 5% of the share capital on trust for employees, waived its right to receiving a dividend in relation to shares that currently are not allocated to employees, equating to £2.0m.

On 27 March 2025, the Board approved an interim dividend of 61.17 pence per share, totalling £87.5m. The amount waived by NATS Employee Sharetrust Limited, equated to £2.0m.

Notes forming part of the consolidated accounts

13. Goodwill

	£m
Cost	
At 1 April 2023	358.2
Exchange on International goodwill	(0.2)
At 31 March 2024	358.0
Exchange on International goodwill	(0.5)
At 31 March 2025	357.5
Accumulated impairment losses	
At 1 April 2023	315.5
Exchange on International goodwill	(0.1)
At 31 March 2024	315.4
Impairment on subsidiary goodwill	1.0
Exchange on International goodwill	(0.2)
At 31 March 2025	316.2
Carrying amount	
At 31 March 2025	41.3
At 31 March 2024	42.6
At 1 April 2023	42.7

The amounts disclosed above relate to the following service lines: Airspace £38.3m (2024: £38.3m) and International £3.0m (2024: £4.3m). The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Its recoverable amount is determined by reference to the higher of its fair value less costs of disposal and its value in use. The valuation methodology is consistent with the IFRS 13 level 3 hierarchy.

Goodwill held in the Airspace service line arose from the NATS public private partnership transaction in 2001. Its fair value less costs of disposal is determined by reference to the value of the regulatory asset bases (RABs) of the relevant cash generating units of UK Air Traffic Services and North Atlantic Air Traffic Services (in aggregate £2,074.0m; 2024: £2,139.2m), opportunities for out-performance of regulatory settlements and market premia for economically regulated businesses, as well as estimated costs of disposal of £1.0m. A market premium is applied to the value of the RABs. It is assessed annually by reference to market precedent transactions and an independent assessment completed in 2024. The RAB premium at 31 March 2025 was determined to be 7.5% (2024: 7.5%).

The carrying value of goodwill at 31 March 2025 was not impaired (2024: not impaired) as the book value of the net assets of the Airspace service line of £1,787m (2024: £1,827m) was below the fair value less costs of disposal of £2,229m (2024: £2,299m). Fair value less costs of disposal was higher than value in use at 31 March 2025. Goodwill would be impaired if the RAB premium was assessed to be a discount of 14% (2024: 15%).

Goodwill held in the International service line arose on acquisition of Searidge. Its carrying value has been assessed based on the expected recoverable amount on a value in use basis, based on cash flow projections over a five year period assuming compound annual sales growth of 14% (2024: 20%), reflecting historic experience and using a 25% (2024: 24%) pre-tax discount rate. Goodwill at 31 March 2025 was impaired by £1.0m (2024: not impaired), when comparing the value in use of £8.2m to the carrying value. Goodwill will not be deductible for tax purposes. As a sensitivity a 1% increase in the discount rate would increase the goodwill impairment of £1.4m.

Notes forming part of the consolidated accounts

14. Other intangible assets

	Operational software £m	Non-operational software £m	Airspace and resectorisation £m	Assets in course of construction £m	Total £m
Cost					
At 1 April 2023	511.6	130.7	141.2	441.3	1,224.8
Additions internally generated	4.7	0.1	1.0	24.9	30.7
Additions externally acquired	3.0	0.6	1.3	31.4	36.3
Disposals during the year	-	-	(2.2)	-	(2.2)
Other transfers during the year	36.7	6.7	55.8	(82.8)	16.4
At 31 March 2024	556.0	138.1	197.1	414.8	1,306.0
Additions internally generated	4.9	0.2	2.7	23.6	31.4
Additions externally acquired	2.9	0.4	1.6	28.6	33.5
Disposals during the year	(1.0)	-	(1.9)	-	(2.9)
Other transfers during the year	37.2	1.9	11.3	(24.5)	25.9
Net exchange differences	-	(0.3)	-	-	(0.3)
At 31 March 2025	600.0	140.3	210.8	442.5	1,393.6
Accumulated amortisation and impairment					
At 1 April 2023	341.7	111.2	59.4	20.7	533.0
Charge for the year	25.9	9.5	15.6	-	51.0
Impairment provision recognised in income statement	-	-	-	16.3	16.3
Transfer of impairment provision	1.4	0.1	6.0	(6.1)	1.4
Disposals during the year	-	-	(2.2)	-	(2.2)
At 31 March 2024	369.0	120.8	78.8	30.9	599.5
Charge for the year	28.5	6.7	22.4	-	57.6
Impairment provision recognised in income statement	-	-	-	20.5	20.5
Transfer of impairment provision	0.2	0.1	5.3	(5.0)	0.6
Disposals during the year	(1.0)	-	(0.7)	-	(1.7)
Net exchange differences	-	(0.2)	-	-	(0.2)
At 31 March 2025	396.7	127.4	105.8	46.4	676.3
Carrying amount					
At 31 March 2025	203.3	12.9	105.0	396.1	717.3
At 31 March 2024	187.0	17.3	118.3	383.9	706.5
At 1 April 2023	169.9	19.5	81.8	420.6	691.8

An annual review is performed to assess the carrying value of other intangible assets, including operating assets and assets in the course of construction. The accumulated amortisation of assets in the course of construction represents impairment provisions. During the year, impairment charges of £20.5m (2024: £16.3m) were made in respect of surveillance, flight data storage and data integration assets under construction, which are no longer considered technically feasible.

Other transfers during the year represents the transfer on delivery of assets under construction to the appropriate operating asset classification. This assessment is made at asset completion and includes transfers between other intangible assets and property, plant and equipment.

Included in Other intangible assets are operational air traffic control software systems with a carrying amount of £99.2m, which are operated at the Prestwick Centre, which have a remaining amortisation period of 11.25 years.

Notes forming part of the consolidated accounts

15. Property, plant and equipment

	Freehold land and buildings £m	Improvements to leasehold land and buildings £m	Air traffic control systems, plant and equipment £m	Vehicles, furniture and fittings £m	Assets in course of construction and installation £m	Total £m
Cost						
At 1 April 2023	247.0	46.2	1,481.0	27.4	184.1	1,985.7
Additions during the year	0.7	-	9.7	2.5	34.2	47.1
Disposals during the year	-	-	(4.6)	(0.3)	-	(4.9)
Other transfers during the year	3.3	0.2	45.8	3.4	(69.1)	(16.4)
At 31 March 2024	251.0	46.4	1,531.9	33.0	149.2	2,011.5
Additions during the year	1.1	0.3	10.0	1.5	46.7	59.6
Disposals during the year	-	-	(1.4)	-	-	(1.4)
Other transfers during the year	2.8	0.4	12.3	0.8	(42.2)	(25.9)
Net exchange differences	-	-	(0.1)	-	-	(0.1)
At 31 March 2025	254.9	47.1	1,552.7	35.3	153.7	2,043.7
Accumulated depreciation and impairment						
At 1 April 2023	175.9	43.5	1,317.1	24.2	2.3	1,563.0
Provided during the year	7.7	0.9	38.6	1.2	-	48.4
Impairment provision recognised in income statement	-	-	3.1	-	-	3.1
Transfer of impairment provision	-	-	-	-	(1.4)	(1.4)
Disposals during the year	-	-	(4.4)	(0.3)	-	(4.7)
At 31 March 2024	183.6	44.4	1,354.4	25.1	0.9	1,608.4
Provided during the year	7.0	0.5	40.7	1.6	-	49.8
Impairment provision recognised in income statement	-	-	0.3	-	1.5	1.8
Transfer of impairment provision	-	-	-	-	(0.6)	(0.6)
Disposals during the year	-	-	(1.1)	-	-	(1.1)
Net exchange differences	-	-	(0.1)	-	-	(0.1)
At 31 March 2025	190.6	44.9	1,394.2	26.7	1.8	1,658.2
Carrying amount						
At 31 March 2025	64.3	2.2	158.5	8.6	151.9	385.5
At 31 March 2024	67.4	2.0	177.5	7.9	148.3	403.1
At 1 April 2023	71.1	2.7	163.9	3.2	181.8	422.7

The group conducts annual reviews of the carrying values of its property, plant and equipment including operating assets and assets in the course of construction, where there is an indicator of impairment. The accumulated depreciation of assets in the course of construction represents impairment provisions. During the year, impairment charges of £1.8m (2024: £3.1m net) were made, which included controller workstation display devices which are to be replaced with a more effective solution.

Other transfers during the year reflects the transfer on completed assets under construction to the appropriate operating asset classification. This assessment is made at asset completion and includes transfers between other intangible assets and property, plant and equipment.

During the year the group capitalised £0.8m (2024: £0.7m) of general borrowing costs at a capitalisation rate of 1.51% (2024: 1.51%), in accordance with IAS 23: *Borrowing Costs*, relating to both property, plant and equipment and other intangible assets.

Notes forming part of the consolidated accounts

16. Right-of-use assets

	Leasehold land and buildings £m	Air traffic control systems, plant and equipment £m	Vehicles, furniture and fittings £m	Total £m
Cost				
At 1 April 2023	65.4	3.9	0.6	69.9
Additions during the year	1.3	0.3	1.1	2.7
Effect of modification to lease terms	1.1	1.1	-	2.2
Terminations during the year	(1.9)	0.2	(0.1)	(1.8)
At 31 March 2024	65.9	5.5	1.6	73.0
Additions during the year	0.8	-	0.6	1.4
Effect of modification to lease terms	(0.1)	1.0	-	0.9
Terminations during the year	(2.4)	(1.0)	(0.1)	(3.5)
At 31 March 2025	64.2	5.5	2.1	71.8
Accumulated depreciation and impairment				
At 1 April 2023	29.7	2.3	0.2	32.2
Charge during the year	4.4	0.7	0.3	5.4
Depreciation effect of modification to lease terms	-	0.8	-	0.8
Terminations during the year	(1.9)	0.2	(0.1)	(1.8)
At 31 March 2024	32.2	4.0	0.4	36.6
Charge during the year	5.6	0.6	0.5	6.7
Depreciation effect of modification to lease terms	-	0.9	-	0.9
Impairment provision reversal recognised in income statement	(2.3)	-	-	(2.3)
Terminations during the year	(1.2)	(1.0)	(0.1)	(2.3)
Net exchange differences	(0.1)	-	-	(0.1)
At 31 March 2025	34.2	4.5	0.8	39.5
Carrying amount				
At 31 March 2025	30.0	1.0	1.3	32.3
At 31 March 2024	33.7	1.5	1.2	36.4
At 1 April 2023	35.7	1.6	0.4	37.7

The group conducts annual reviews of the carrying values of its right-of-use assets where there is an indicator of impairment. During the year, the company reversed an impairment charge of £2.3m (31 March 2024: £nil), in respect of a leasehold, land and buildings asset, as a result of a revised estimate of occupancy of the available space within this property, over the remainder of the lease term.

Notes forming part of the consolidated accounts

17. Investment in Aireon LLC

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

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

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

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

The valuation technique used to determine fair value is the income approach. The fair value of the investment reflects the present value of dividend projections based on Aireon's most recent long-term operating plan (January 2025), and NATS' assessment of underlying plan assumptions. The cost of equity discount rate assumed for this purpose is 15.3% (2024: 15.0%). The fixed cost nature of Aireon's business makes its plan sensitive to the achievement of management's revenue growth assumptions, which is reflected in the discount rate assumption. A 1% increase in the discount rate would result in a c£2.0m decrease in fair value and a 1% reduction in the discount rate would result in a c£3.2m increase in fair value. A 10% increase in revenue assumed from unsigned sales contracts would result in an increase in fair value of c£3.3m and a 10% reduction in revenue assumed from unsigned sales contracts would result in a decrease in fair value of £3.2m. The investment is classified within Level 3 of the fair value hierarchy.

	£m
Fair value at 1 April 2024	24.3
Change in fair value in the period, reported in 'Fair value movement on financial instruments' (see note 9)	0.9
Effect of foreign exchange, reported in Consolidated statement of comprehensive income	(0.5)
Fair value at 31 March 2025	24.7

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

Notes forming part of the consolidated accounts

18. Financial and other assets

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

Trade and other receivables

	2025 £m	2024 £m
Non-current		
Receivable from customers gross	0.2	0.2
Other debtors	0.8	0.6
Prepayments	4.9	3.5
Contract assets	9.7	11.0
	<u>15.6</u>	<u>15.3</u>
Current		
Receivable from customers gross	159.1	181.6
Less: expected credit loss provision	(10.0)	(10.0)
	<u>149.1</u>	<u>171.6</u>
Contract assets	15.7	15.5
Other debtors	3.1	5.6
Prepayments	16.0	17.8
	<u>183.9</u>	<u>210.5</u>

The average credit period on sales of services was 32 days (2024: 31 days). Interest is charged by Eurocontrol to UK en route customers at 13.79% (2024: 13.26%) on balances outstanding after more than 30 days.

Receivables from customers which are current include unbilled revenue for services provided in March 2025. Prior year receivables from customers included unbilled revenue for services provided in March 2024.

Amounts recoverable under NERL's licence

	2025 £m	2024 £m
Non-current		
Amounts recoverable under NERL's licence	<u>617.8</u>	<u>575.3</u>
Current		
Amounts recoverable under NERL's licence	<u>163.4</u>	<u>223.7</u>

Notes forming part of the consolidated accounts

18. Financial and other assets (continued)

Movement in Amounts recoverable under NERL's licence

	2025 £m	2024 £m
Balance at the beginning of the year	799.0	731.2
Adjustments in respect of variable consideration for services provided in prior years, net of associated discounting	-	123.2
Amounts recognised during the year (discounted to present value)	166.0	109.1
Net discounting for new amounts recognised and impact of unwind of discount for the passage of time	4.0	2.1
Amounts recovered from charges levied in the year	(187.8)	(166.6)
Balance at the end of the year	781.2	799.0

Amounts recoverable under NERL's licence which are non-current represents the net present value of variable consideration, which will be recovered after 31 March 2026. The amount relating to the Covid income shortfall of £506.0m will be recovered across the ten years of the NR23 and NR28 price controls. An amount of £24.0m relating to pension pass through (2024: £28.7m) includes £4.6m arising in Reference Period 1 to be recovered by 31 December 2030 and £19.4m arising in Reference Period 2 that will be recovered by 31 December 2035. The legal basis for recovering these amounts is provided by the economic regulatory framework and the Transport Act 2000. An assessment of credit risk has been included within the discount rate used to determine the net present value. Given this, and the recovery of the amount over the wider aviation network, we do not consider a further expected credit loss provision to be necessary.

Amounts recoverable under NERL's licence which are current relate to: Reference Period 1, the recovery of the relevant portion of the Covid income shortfall, revenue allowances relating to 2024 and 2025 which have been deferred by the regulator's price profiling and differences between actual and assumed NR23 inflation and traffic volumes in respect of 2023 and 2024. The amounts will be included in the unit rates to be charged in the financial year ending 31 March 2026.

Notes forming part of the consolidated accounts

18. Financial and other assets (continued)

Movement in the expected credit loss provision

	2025 £m	2024 £m
Balance at the beginning of the year	10.0	10.8
Increase in allowance recognised in the income statement	0.5	-
Foreign exchange movement in the year	(0.1)	(0.3)
Amounts recovered during the year	0.1	-
Amounts written off as irrecoverable	(0.5)	(0.5)
Balance at the end of the year	10.0	10.0

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. In order to measure the expected credit losses, the credit risk characteristics of trade receivables and contract assets have been considered. Based on this, trade receivables and contract assets have been grouped into sub-groups as they are considered to have different credit risk characteristics and for each of these sub-groups separate provisions matrices based on the days past due are used to summarise historic loss patterns. The historical loss rates calculated reflect the economic conditions in place during the period to which the historical data relates. Consideration needs to be made as to whether these historical loss rates were incurred in economic conditions that are representative of those expected to exist during the exposure period at the balance sheet date. We have assessed lifetime expected credit losses at 31 March 2025 by using available airline credit ratings to derive a customer default risk profile. The historic loss rates have been adjusted accordingly, to reflect these revised expected credit losses.

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

Notes forming part of the consolidated accounts

18. Financial and other assets (continued)

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

	2025								
	Unbilled income	Receivables - months past due						In administration	Total £m
		Current	1 month	2-3 months	4-6 months	7-12 months	>12 months		
NERL expected credit loss rate (%)	0.7%	0.7%	21.8%	51.3%	78.9%	72.5%	93.7%	100.0%	
NERL gross carrying amount (£m)	65.8	63.3	1.1	0.6	0.4	0.5	0.8	6.7	139.2
NERL lifetime expected credit loss (£m)	0.5	0.4	0.2	0.3	0.3	0.4	0.7	6.7	9.5
Other subsidiaries expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.9%	100.0%	
Other subsidiaries gross carrying amount (£m)	27.4	14.5	0.8	0.3	0.2	0.3	2.0	-	45.5
Other subsidiaries expected credit losses (£m)	-	-	-	-	-	-	0.5	-	0.5
Total expected credit losses (£m)	0.5	0.4	0.2	0.3	0.3	0.4	1.2	6.7	10.0

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

Notes forming part of the consolidated accounts

18. Financial and other assets (continued)

Non-current trade and other receivables include £9.7m (2024: £11.0m) of performance obligations delivered in advance of invoicing to UK Airport customers that will be released against billed revenue over the remaining life of the airport ATC contracts. Of these amounts £2.4m will be released by 31 March 2027, £4.8m by 31 March 2029 and £2.5m by 31 March 2031 (2024: £4.7m will be released by 31 March 2027, £4.3m by 31 March 2029 and £2.0m by 31 March 2030). None of those receivables has been subject to a significant increase in credit risk since initial recognition.

As at 31 March 2025, trade receivables of £6.7m (2024: £7.4m) had lifetime expected credit losses of the full value of the receivables. These receivables are in administration, receivership or liquidation.

At 31 March 2025, the joint venture loan to Aquila (including interest) outstanding was £22.1m (2024: £18.8m). The group assessed the carrying value of the loan at the balance sheet date and concluded that the balance should be written down in full, based on its assessment of its onerous contract explained in note 35 (2024: £18.8m).

Cash and cash equivalents

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

Overall, the maximum credit risk relating to cash and cash equivalents, loan to joint venture and trade and other receivables, excluding amounts recoverable under NERL's licence, contract assets, prepayments and VAT receivable, would be £317.2m (2024: £342.7m).

19. Borrowings

	2025 £m	2024 £m
Unsecured at amortised cost		
Bank loans	70.0	-
£450m 1.375% Bonds due 2031	357.7	453.1
£445m 1.750% Bonds due 2033	409.6	412.9
Gross borrowings	837.3	866.0
Unamortised bank facility fees	(1.5)	(1.1)
	835.8	864.9
Amounts due for settlement within 12 months	45.0	104.0
Amounts due for settlement after 12 months	790.8	760.9

Notes forming part of the consolidated accounts

19. Borrowings (continued)

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

In December 2024 NERL completed a refinancing of its £400m revolving facility agreement. The new three-year £400m facility agreement expiring in December 2027 includes options, subject to bank agreement, to extend the loan by up to a further two years expiring December 2029.

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

The average effective interest rate on the bank loans in the year was 5.4% (2024: 5.1%) and was determined based on the Sterling Overnight Index Average (SONIA) rates plus a margin of 0.45% up to December 2024 and 0.39% after December 2024.

Undrawn committed facilities

	2025 £m	2024 £m
Undrawn committed facilities expire as follows:		
Expiring in more than two years	330.0	400.0
	330.0	400.0

At 31 March 2025, NERL had outstanding drawings of £70.0m (2024: £nil) against its revolving bank facility.

NATS Services has an uncommitted overdraft facility of £1.0m that was undrawn as at 31 March 2025 and 31 March 2024 and is not included in the table above.

Notes forming part of the consolidated accounts

20. Leases

Details of the carrying values of right-of-use assets under lease agreements, and the depreciation charge for right-of-use assets included in the income statement are reported in note 16.

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

	2025 £m	2024 £m
Due within one year or less	8.5	8.0
Due between one and two years	7.7	8.9
Due between two and five years	20.0	21.1
Due in more than five years	6.9	13.0
	43.1	51.0
Less: future finance charges	(3.5)	(4.3)
	39.6	46.7
Analysed as:		
Current	7.5	6.8
Non-current	32.1	39.9
	39.6	46.7

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

	2025 £m	2024 £m
Interest on lease liabilities (see note 10)	1.2	1.1
Short-term lease expense	0.1	0.2

Nature of leasing activities

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

Notes forming part of the consolidated accounts

20. Leases (continued)

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

	Lease contracts No.	Fixed payments % ⁽ⁱ⁾	Variable payments % ⁽ⁱ⁾	Sensitivity £m
Year ended 31 March 2025				
Property leases with payments linked to inflation	51	n/a	19.1%	0.4
Property leases with periodic uplifts to market rentals	49	n/a	71.7%	1.4
Property leases with fixed payments	7	3.8%	n/a	n/a
Leases of plant and equipment	30	2.1%	n/a	n/a
Vehicle leases	99	3.3%	n/a	n/a
	236	9.2%	90.8%	1.8
Year ended 31 March 2024				
Property leases with payments linked to inflation	52	n/a	19.8%	0.5
Property leases with periodic uplifts to market rentals	45	n/a	69.9%	1.6
Property leases with fixed payments	9	4.9%	n/a	n/a
Leases of plant and equipment	34	2.8%	n/a	n/a
Vehicle leases	84	2.6%	n/a	n/a
	224	10.3%	89.7%	2.1

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

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

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

At 31 March 2025, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses where it was considered reasonably certain that the group would not exercise its right to exercise any right to break the lease. In addition, the carrying amounts of some leases include the period to which the group is reasonably certain that options to extend the leases will be exercised. The remaining lease payments on all these leases is £13.8m (2024: £15.8m), of which £6.5m (2024: £7.5m) is potentially avoidable if the leases were not extended and a further £5.0m (2024: £5.4m) is potentially avoidable were the group to exercise break clauses at the earliest opportunity.

The group builds certain airport engineering assets used to satisfy its obligations under its Airport ATC contracts. Dependent on the agreement with individual airports those assets are either sold directly to the airports or the group enters into a sale and leaseback arrangement and recharges the monthly lease cost to the airport on a cost plus administrative fee basis. The leases have primary lease periods of between 5 and 7 years and are extendable to secondary and tertiary periods. In the event that an Airport ATC contract is not renewed the assets will be sold by the lease company directly to the Airport and the leases disposed of in the group financial statements. The outstanding discounted liability for these leases at 31 March 2025 was £0.4m (2024: £0.7m).

The group did not enter into any new sale and leaseback arrangements in the year to 31 March 2025 (2024: nil). The amount for leases not yet commenced to which the group is committed at 31 March 2025 is £nil (2024: £nil).

Notes forming part of the consolidated accounts

21. Derivative financial instruments

Fair value of derivative financial instruments

	2025 £m	2024 £m
Non-current assets		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	-	0.1
Derivative financial instruments classified as held for trading		
Index-linked swaps	2.1	-
	2.1	0.1
Current assets		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	0.6	2.0
Current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	(2.0)	(1.5)
Derivative financial instruments classified as held for trading		
Index-linked swaps	(78.4)	(12.4)
	(80.4)	(13.9)
Non-current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	(0.6)	(0.8)
Derivative financial instruments classified as held for trading		
Index-linked swaps	-	(67.4)
	(0.6)	(68.2)

Further details on derivative financial instruments are provided in note 22. The index-linked swaps are classified under international accounting standards as held for trading as they do not qualify for hedge accounting.

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

Notes forming part of the consolidated accounts

22. Financial instruments

Capital risk management

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

The capital structure of the group consists of borrowings as disclosed in note 19, cash and cash equivalents, as shown in this note, and equity attributable to shareholders as disclosed in the consolidated statement of changes in equity.

External capital requirements

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

As at 31 March 2025, NERL had a credit rating of A+ (stable outlook) from Standard & Poor's (2024: A+ (stable outlook)) and A2 (stable outlook) from Moody's (2024: A2 (stable outlook)).

Gearing ratio

The group does not seek to maintain a target gearing ratio at group level. Instead it monitors and reports on the gearing ratio of NERL, the economically regulated subsidiary, based on a ratio of net debt (as defined by its air traffic services licence) to its regulatory asset base (RAB), ensuring that gearing remains below its financial covenant level of 85%. In addition, the CAA has set NERL a monitoring threshold for gearing of 60% and a gearing cap of 65% of net debt to RAB, with a requirement for NERL to remedy the position if this cap is exceeded. NERL's gearing ratio at 31 March 2025 was 42.5% (2024: 41.9%).

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Categories of financial instrument

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

	2025 £m	2024 £m
Financial assets		
Financial assets at fair value through profit or loss		
Equity investment (see note 17)	24.7	24.3
Financial assets at amortised cost		
Trade and other receivables	152.5	176.5
Cash and cash equivalents	164.7	166.2
	<u>317.2</u>	<u>342.7</u>
Derivative financial instruments		
In designated hedge accounting relationships	0.6	2.1
At fair value through profit or loss	2.1	-
	<u>344.6</u>	<u>369.1</u>
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	(137.7)	(136.3)
Borrowings	(835.8)	(864.9)
Lease liabilities	(39.6)	(46.7)
	<u>(1,013.1)</u>	<u>(1,047.9)</u>
Derivative financial instruments		
In designated hedge accounting relationships	(2.6)	(2.3)
At fair value through profit or loss	(78.4)	(79.8)
	<u>(81.0)</u>	<u>(82.1)</u>
	<u>(1,094.1)</u>	<u>(1,130.0)</u>

Financial assets at amortised cost includes balances for trade and other receivables (excluding prepayments of £20.9m (2024: £21.3m), contract assets of £25.4m (2024: £26.5m) and VAT of £0.7m (2024: £1.5m)), loan to joint venture and cash and cash equivalents.

Financial liabilities at amortised cost includes balances for trade and other payables (excluding contract liabilities of £60.9m (2024: £69.1m), deferred income of £28.5m (2024: £26.6m) and taxes and social security liabilities of £15.5m (2024: £14.2m)), bond and bank borrowings and lease liabilities.

The index-linked swaps are categorised as held for trading. During the year £11.7m of amortisation payments (2024: £10.8m) were made in relation to the index-linked swaps. Taking into account the index-linked swap amortisation payments, a charge arising from the change in fair value of £8.2m has been recorded in the income statement in the year (2024: £9.0m charge) for the market value movement in the RPI swap liability. This decrease in the charge for the year largely relates to the impact that actual inflation and future inflation expectations have had on the fair value changes for the £200m (notional) of 10 year index-linked swaps that were entered into in June 2021.

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Financial risk management objectives

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

Market risk

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

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

Foreign currency risk management

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

The group's international activities account for 1.2% of external revenue (2024: 0.7%). The group trades with and provides finance to its overseas subsidiaries. Where appropriate the transactions are conducted in sterling. The group benefits from natural hedges of its exposure to fluctuations on the translation of its foreign operations into sterling as a result of holding cash reserves in foreign currencies.

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

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Foreign currency risk management (continued)

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

Currency	Assets		Liabilities	
	2025 £m	2024 £m	2025 £m	2024 £m
Euro	69.7	65.9	(5.9)	(10.9)
US dollar	26.2	26.8	(0.9)	(2.3)
Canadian dollar	6.5	5.4	(5.4)	(4.3)
Hong Kong dollar	6.3	5.1	(0.5)	(0.3)
Singapore dollar	0.8	0.8	(0.5)	(0.5)
Thai baht	-	0.6	-	-
Indian rupee	0.5	0.6	-	-
Qatari riyal	0.5	0.5	-	(0.4)
UAE dirham	0.5	0.5	(0.9)	(0.6)
Omani rial	0.3	0.4	-	-
Norwegian krone	0.4	0.1	-	(0.1)
Swedish krona	0.1	-	-	-
	111.8	106.7	(14.1)	(19.4)

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Foreign currency sensitivity analysis

The group has assets and liabilities denominated in foreign currencies including the equity investment in Aireon and cash balances of £18.9m at 31 March 2025 (2024: £12.3m) in euro, Hong Kong dollars, US dollars, Canadian dollars, Singapore dollars, Indian rupee, Norwegian krone, Omani rial, Qatari riyal, Swedish krona and UAE dirham. Trade and other receivables and trade and other payables includes balances of £67.7m (2024: £68.7m) and £10.8m (2024: £15.2m) respectively, denominated in euro, Hong Kong dollars, US dollars, Canadian dollars, Singapore dollars, Indian rupee, Norwegian krone, Qatari riyal, UAE dirham and Swedish krona. Furthermore, the group has entered into forward foreign currency contracts to hedge exchange risk relating to customer receipts and supplier costs which will arise in future periods.

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

The table below shows the effect of a 10% strengthening of sterling against the relevant currency (to the nearest £0.1m). A positive number below indicates an increase in profit and equity and a negative number a reduction in profit and equity. There would be an equal and opposite impact on profit and equity if sterling devalues by 10% against the relevant currency.

Currency	2025 Impact £m	2024 Impact £m
Euro	8.4	10.0
US dollar	(8.1)	(4.3)
Hong Kong dollar	(0.6)	(0.5)
Canadian dollar	(0.9)	(0.4)
Thai baht	-	(0.1)
Qatari riyal	(0.1)	-
Indian rupee	(0.1)	(0.1)
Norwegian krone	(0.2)	(0.1)
	(1.6)	4.5

There was an overall increase in currency exposure reflecting a rise in forward contract sales of US dollars (due to hedging of future years' satellite data charges). The group believes that this sensitivity analysis accurately reflects its inherent foreign exchange risk.

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

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

	2025			2024		
	£m	€m	Average exchange rate	£m	€m	Average exchange rate
Euro sold	£m	€m		£m	€m	
0-90 days	192.3	229.2	0.8391	203.8	237.5	0.8584
91-365 days	9.0	10.3	0.8667	0.2	0.2	0.8953
> 365 days	9.2	10.7	0.8656	10.1	11.4	0.8868
	210.5	250.2	0.8413	214.1	249.1	0.8597
Euro bought	€m	£m		€m	£m	
0-90 days	18.6	15.8	0.8503	13.5	11.7	0.8674
91-365 days	27.5	24.2	0.8807	17.5	15.7	0.8935
> 365 days	26.0	23.0	0.8861	35.2	31.9	0.9054
	72.1	63.0	0.8748	66.2	59.3	0.8945
US dollar sold	£m	US\$m		£m	US\$m	
0-90 days	-	-	-	5.7	6.9	1.2116
91-365 days	2.0	2.6	1.3045	11.1	13.5	1.2133
	2.0	2.6	1.3045	16.8	20.4	1.2127
US dollar bought	US\$m	£m		US\$m	£m	
0-90 days	7.0	5.5	1.2672	15.0	11.8	1.2670
91-365 days	41.1	32.1	1.2807	29.1	23.0	1.2627
> 365 days	25.6	19.9	1.2836	0.5	0.4	1.2247
	73.7	57.5	1.2804	44.6	35.2	1.2637

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

	2025			2024		
	£m	C\$m	Average exchange rate	£m	C\$m	Average exchange rate
Canadian dollar sold						
0-90 days	-	-	-	0.4	0.8	1.7079
	-	-	-	0.4	0.8	1.7079
Canadian dollar bought						
0-90 days	4.1	2.2	1.8333	4.0	2.3	1.7055
91-365 days	2.3	1.3	1.7594	1.2	0.7	1.6807
> 365 days	8.3	4.8	1.7203	0.2	0.1	1.6980
	14.7	8.3	1.7566	5.4	3.1	1.6997
Norwegian krone sold						
0-90 days	-	-	-	0.4	5.0	13.5814
	-	-	-	0.4	5.0	13.5814
Norwegian krone bought						
0-90 days	9.6	0.7	13.7448	10.5	0.8	13.0527
91-365 days	7.0	0.5	13.8388	9.9	0.7	13.4849
> 365 days	7.4	0.5	13.8115	1.0	0.1	13.5305
	24.0	1.7	13.7925	21.4	1.6	13.2721

At 31 March 2025, the aggregate amount of the unrealised loss under forward foreign exchange contracts deferred in the hedge reserve relating to the exposure on these future transactions was £1.6m (2024: £0.8m unrealised loss). The majority of these contracts will mature within the next financial year at which stage the amount deferred in equity will be realised in the income statement.

In addition to the above, on 28 March 2024 NERL entered into an average rate forward agreement with a fixing date after 31 March 2025 to sell euro anticipated to be received in July 2025 in respect of UK en route revenues, for this reason it is not included in the table above. The value of these cash flows is £77.4m (2024: £78.4m).

Interest rate risk management

The group is exposed to interest rate risk to the extent that it holds borrowings at fixed, floating and index-linked interest rates. Its interest rate risk management policies, which are kept under continuous review, are specific to NERL. Except for NERL, other than shareholder loans, no other entity within the NATS group had borrowings at 31 March 2025 (2024: none).

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

The group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note. The group held no interest rate swaps at 31 March 2025 (2024: none).

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Economic interest rate exposure

The group's cash balances were as follows:

Currency	2025			2024		
	Amount £m	Economic interest rate %	Average maturity days	Amount £m	Economic interest rate %	Average maturity days
Sterling	145.8	4.6	12	153.9	5.1	18
Euro	9.7	-	1	4.8	-	2
Hong Kong dollar	4.7	-	1	3.9	-	2
US dollar	1.2	-	1	1.0	-	2
Canadian dollar	1.0	-	1	0.8	-	2
Singapore dollar	0.9	-	1	0.1	-	2
Indian rupee	0.4	-	1	0.6	-	2
Norwegian krone	0.4	-	1	0.1	-	2
Omani rial	0.3	-	1	0.3	-	2
Qatari riyal	0.1	-	1	0.1	-	2
Swedish krona	0.1	-	1	-	-	-
UAE dirham	0.1	-	1	-	-	-
Thai baht	-	-	-	0.6	-	2
	164.7			166.2		

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

	Total £m	Variable rate £m	Fixed rate £m	Economic interest rate %	Weighted average time rate is fixed years
At 31 March 2025					
Sterling:					
£450m 1.375% Bonds due 2031	357.7	-	357.7	1.38%	3.8
£445m 1.750% Bonds due 2033	409.6	-	409.6	1.90%	8.5
Bank loans	70.0	70.0	-	4.85%	-
Lease liabilities	39.6	-	39.6	2.74%	6.2
Total	876.9	70.0	806.9		
At 31 March 2024					
Sterling:					
£450m 1.375% Bonds due 2031	453.1	-	453.1	1.38%	4.3
£445m 1.750% Bonds due 2033	412.9	-	412.9	1.91%	9.5
Lease liabilities	46.7	-	46.7	2.69%	6.8
Total	912.7	-	912.7		

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

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

	2025		2024	
	£m	%	£m	%
Fixed (net of bond discount and issue costs)	596.7	84.0	692.3	92.9
Index-linked (effected via inflation swaps)	210.2	29.6	220.4	29.6
Floating (net of cash and facility costs)	(96.2)	(13.6)	(167.3)	(22.5)
Net debt	710.7	100.0	745.4	100.0

At 31 March 2025, NERL is the only entity in the group with borrowings and had net debt of £801.0m (2024: £817.0m). NATS Services had cash of £75.3m (2024: £65.1m), NATS Limited had cash of £7.6m (2024: £2.6m) and other entities in the group had cash of £10.0m (2024: £7.4m). Net debt includes lease liabilities of £37.0m (2024: £43.2m) in NERL and £2.6m (2024: £3.5m) in other group entities.

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

	2025		2024	
	£m	%	£m	%
Fixed (net of bond discount and issue costs)	594.1	74.2	688.8	84.3
Index-linked (effected via inflation swaps)	210.2	26.2	220.4	27.0
Floating (net of cash and facility costs)	(3.3)	(0.4)	(92.2)	(11.3)
Net debt	801.0	100.0	817.0	100.0

Interest rate sensitivity analysis

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

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

	2025 Impact £m	2024 Impact £m
Cash at bank (2025: £164.7m, 2024: £166.2m)	1.6	1.7
Borrowings (2025: £70.0m, 2024: £nil)	(0.7)	-
	0.9	1.7

At 31 March 2025 the group was more exposed to an increase in interest rates, reflecting an increase in floating rate liabilities since 31 March 2024.

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Inflation rate risk

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

	Notional index-linked swaps (by amortisation or termination date)				Marked to market £m	Interest rate % (weighted average)	
	Within one year £m	Between one and five years £m	Between five and 15 years £m	Total £m		Payable %	Receivable %
At 31 March 2025							
Inflation swaps							
Amortising swap fixed to RPI, maturing in 2026	10.2	-	-	10.2	12.4	4.05%	5.25%
Bullet repayment swap fixed to RPI, maturing in 2031	-	-	200.0	200.0	63.9	(2.14%)	1.53%
	10.2	-	200.0	210.2	76.3		
At 31 March 2024							
Inflation swaps							
Amortising swap fixed to RPI, maturing in 2026	10.2	10.2	-	20.4	23.5	4.05%	5.25%
Bullet repayment swap fixed to RPI, maturing in 2031	-	-	200.0	200.0	56.3	(2.14%)	1.53%
	10.2	10.2	200.0	220.4	79.8		

Inflation rate sensitivity analysis

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

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

	2025 Impact £m	2024 Impact £m
Change in mark to market value	(14.9)	(17.7)

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

The mark to market value of the index-linked swaps is also sensitive to the discount rates that are used to determine the net present value of the cash flows under the swap agreements. The discount rate is determined by reference to market yields on interest rate swaps. The effect of a 1% increase in the discount rate would be to increase profit and equity by £1.6m (2024: £2.6m). There would be a fairly equal and opposite impact on profit and equity if discount rates decreased by 1%.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's exposure to credit risk arises from the risk of default by customers on settlement of trade receivables and contract assets and from the risk of a failure of a financial institution in which funds are invested for return or held for trading purposes or with whom derivative contracts are entered into. The risk of loss from default by customers and the mitigations against this risk are explained in note 18. With regard to funds or contracts held with financial institutions, the group's policy is to transact with counterparties that hold a minimum credit rating as supplied by independent rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

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

The group's cash and cash equivalents take the form of cash at bank of £16.1m (2024: £14.3m), bank term deposits of £40.0m (2024: £47.0m) and money market fund investments of £108.6m (2024: £104.9m). Bank term deposits with maturities up to 3 months and between 3 and 6 months are only entered into with institutions holding a long-term minimum credit rating of A- and A+ respectively from Standard & Poor's or Fitch Ratings and A3 and A1 respectively from Moody's. Money market fund investments are restricted to AAA rated liquidity funds and must have same-day access.

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

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

Rating (Standard & Poor's)	2025			2024		
	Number of institutions	£m	By credit rating %	Number of institutions	£m	By credit rating %
AAAm	5	108.6	65.9	5	104.9	63.1
AA-	2	16.0	9.7	2	10.4	6.3
A+	4	30.1	18.3	4	31.9	19.2
A	1	10.0	6.1	1	19.0	11.4
		164.7	100.0		166.2	100.0

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Liquidity risk management

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

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

- > maintain free cash at a level equivalent to between one and two months' of UK en route services revenues (see below) and at any time not less than £50m. Free cash is defined as cash and cash equivalents and short-term investments;
- > ensure access to committed bank facilities sufficient to withstand a credible range of downside scenarios relative to the prevailing price control business plan. At 31 March 2025 NERL had access to undrawn bank facilities totalling £330m;
- > ensure access to long-term funding to finance its long-term assets;
- > ensure that the ratio of bank funding to total gross borrowings does not exceed 75%; and
- > maintain a portfolio of debt diversified by source and maturity.

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

	2025 £m	2024 £m
Average monthly UK en route services income	59.5	72.1
Free cash at 31 March	71.8	91.1
Ratio of free cash to UK en route services income	1.2	1.3

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

	2025 £m	2024 £m
Bank borrowings	70.0	-
Gross borrowings (including lease liabilities)	876.9	912.7
Bank borrowings as a percentage of gross borrowings	8%	0%

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

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Maturity of borrowings

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

	2025				2024			
	Unsecured lease liabilities £m	Unsecured loans £m	Other liabilities £m	Total £m	Unsecured lease liabilities £m	Unsecured loans £m	Other liabilities £m	Total £m
Due within one year or less	8.5	61.5	119.3	189.3	8.0	103.6	125.9	237.5
Between one and two years	7.7	60.2	3.1	71.0	8.9	57.7	3.2	69.8
Due between two and five years	20.0	328.8	0.3	349.1	21.1	214.5	0.4	236.0
Due in more than five years	6.9	517.9	15.0	539.8	13.0	617.5	6.8	637.3
	43.1	968.4	137.7	1,149.2	51.0	993.3	136.3	1,180.6
Effect of interest, discount and unamortised bond issue and bank facility fees	(3.5)	(132.6)	-	(136.1)	(4.3)	(128.4)	-	(132.7)
	39.6	835.8	137.7	1,013.1	46.7	864.9	136.3	1,047.9

Other liabilities above include trade and other payables (excluding deferred income of £28.5m (2024: £26.6m), contract liabilities of £60.9m (2024: £69.1m) and taxes and social security liabilities of £15.5m (2024: £14.2m)).

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

	Due within one year or less £m	Due between one and two years £m	Due between two and five years £m	Due in more than five years £m	Total £m
2025					
Index-linked swaps receivable	4.4	9.1	28.7	5.1	47.3
Index-linked swaps payable	(84.3)	-	-	(47.5)	(131.8)
	(79.9)	9.1	28.7	(42.4)	(84.5)
Foreign exchange forward contract receivables	283.7	50.3	5.6	-	339.6
Foreign exchange forward contract payables	(284.9)	(51.2)	(6.0)	-	(342.1)
	(1.2)	(0.9)	(0.4)	-	(2.5)
	(81.1)	8.2	28.3	(42.4)	(87.0)
2024					
Index-linked swaps receivable	8.8	4.4	28.2	15.1	56.5
Index-linked swaps payable	(12.4)	(85.8)	-	(53.4)	(151.6)
	(3.6)	(81.4)	28.2	(38.3)	(95.1)
Foreign exchange forward contract receivables	287.6	24.4	16.4	-	328.4
Foreign exchange forward contract payables	(287.0)	(25.1)	(17.1)	-	(329.2)
	0.6	(0.7)	(0.7)	-	(0.8)
	(3.0)	(82.1)	27.5	(38.3)	(95.9)

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Fair value measurements

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

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

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

Fair value measurements recognised on the balance sheet

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets								
Equity investment	-	-	24.7	24.7	-	-	24.3	24.3
Derivative financial instruments in designated hedge accounting relationships	-	0.6	-	0.6	-	2.1	-	2.1
Derivative financial instruments at fair value through profit or loss	-	2.1	-	2.1	-	-	-	-
	-	2.7	24.7	27.4	-	2.1	24.3	26.4
Financial liabilities								
Derivative financial instruments in designated hedge accounting relationships	-	(2.6)	-	(2.6)	-	(2.3)	-	(2.3)
Derivative financial instruments classified as held for trading	-	(78.4)	-	(78.4)	-	(79.8)	-	(79.8)
	-	(81.0)	-	(81.0)	-	(82.1)	-	(82.1)

There were no transfers between individual levels in the year.

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Valuation techniques and key inputs

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

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

- > the fair values of forward foreign exchange contracts are calculated with reference to well recognised proprietary financial models used by bank counterparties, and verified using discounted cash flow modelling;
- > the fair value of the index-linked swaps reflect valuations provided by bank counterparties using proprietary financial models and debt value adjustments that are based on market parameters. This is validated using discounted cash flow modelling based on the latest published inflation index, observable forecasts of inflation and discount rates taken from the observable interest rate swap curve at the reporting date, as well as observable sources of credit risk values;
- > the valuation technique used to determine the fair value of the equity investment in Level 3 of the hierarchy is explained in note 17; and
- > the fair value of the fixed rate bond has been derived from its externally quoted price.

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

	Carrying amount		Fair value	
	2025 £m	2024 £m	2025 £m	2024 £m
Financial liabilities				
£450m 1.375% Bonds due 2031	(357.7)	(453.1)	(318.9)	(390.5)
£445m 1.750% Bonds due 2033	(409.6)	(412.9)	(340.2)	(348.4)
	(767.3)	(866.0)	(659.1)	(738.9)

Notes forming part of the consolidated accounts

23. Financial and other liabilities

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

Trade and other payables

	2025 £m	2024 £m
Current		
Trade payables	21.6	29.1
Other payables	9.2	9.8
Tax and social security	15.5	14.2
Contract liabilities	19.4	21.3
Accruals and deferred income	90.0	89.1
	<u>155.7</u>	<u>163.5</u>
Non-current		
Trade payables	8.8	6.0
Other payables	0.3	0.1
Contract liabilities	41.5	47.8
Accruals and deferred income	36.3	28.8
	<u>86.9</u>	<u>82.7</u>

Amounts payable under NERL's licence

	2025 £m	2024 £m
Current		
Amounts payable under NERL's licence	<u>12.5</u>	<u>9.3</u>
Non-current		
Amounts payable under NERL's licence	<u>54.9</u>	<u>45.5</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 22 days (2024: 23 days). The directors consider that the carrying amount of the trade payables approximates to their fair value.

Notes forming part of the consolidated accounts

23. Financial and other liabilities (continued)

Movements in Amounts payable under NERL's licence

	2025 £m	2024 £m
Balance at the beginning of the year	54.8	141.6
Amounts recognised during the year (discounted to present value)	21.3	26.1
Net discounting for new amounts recognised and impact of unwind of discount from the passage of time	0.4	3.3
Amounts repaid from charges levied in the year	(9.1)	(116.2)
Balance at the end of the year	67.4	54.8

Amounts payable under NERL's licence that are non-current include variable consideration from previous regulatory control periods and over recoveries in respect of the current regulatory period, which will be repaid after 31 March 2026 through future charges. Amounts payable under NERL's licence that are current include variable consideration over recovered for previous regulatory control periods, which will be repaid by 31 March 2026 through 2025 and 2026 charges.

24. Provisions

	Property £m	Redundancy £m	Other £m	Total £m
At 1 April 2024	9.5	1.0	11.9	22.4
Additional provision in the year	1.5	2.4	1.2	5.1
Release of provision in the year	(0.3)	(0.1)	(1.3)	(1.7)
Utilisation of provision	-	(2.7)	(4.5)	(7.2)
At 31 March 2025	10.7	0.6	7.3	18.6

	2025 £m	2024 £m
Amounts due for settlement within 12 months	4.6	4.4
Amounts due for settlement after 12 months	14.0	18.0
	18.6	22.4

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

The redundancy provision represents the best estimate of the future cost of redundancy payments to employees that have committed to the redundancy terms at 31 March 2025. The ageing of the provision reflects the expected timing of employees leaving the group.

The other provisions represent the best estimate of other liabilities, including the cost of fulfilling onerous contracts. The latter includes a liability of £2.9m (2024: £6.2m) for the constructive obligation to continue to finance the Aquila joint venture based on the undrawn balance of its £25m shareholder loan facility (see note 35). The ageing of the provision reflects the best estimate of when these potential liabilities will fall due.

Notes forming part of the consolidated accounts

25. Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefits £m	Financial instruments £m	Tax credits and unutilised tax losses £m	Other £m	Total £m
At 1 April 2023	196.8	14.7	(0.4)	(1.3)	(11.9)	197.9
Charge/(credit) to income	19.5	-	(0.1)	(1.2)	1.2	19.4
Credit to equity	-	(11.4)	(0.4)	-	-	(11.8)
At 31 March 2024	216.3	3.3	(0.9)	(2.5)	(10.7)	205.5
At 1 April 2024	216.3	3.3	(0.9)	(2.5)	(10.7)	205.5
Charge/(credit) to income	8.5	-	1.6	1.0	(1.8)	9.3
Credit to equity	-	(11.4)	(0.1)	-	-	(11.5)
At 31 March 2025	224.8	(8.1)	0.6	(1.5)	(12.5)	203.3

The total deferred tax balance comprises an asset on the balance sheet of £1.5m (2024: £nil) and liability of £204.8m (2024: £205.5m).

The accelerated tax depreciation deferred tax liability arises as a result of timing differences between the accounting under IFRS for the depreciation of other intangible assets and property, plant and equipment and UK tax law.

The deferred tax asset in respect of retirement benefits is a result of the defined benefit deficit at 31 March 2025, under IAS 19: *Employee benefits*.

The timing of reversal of timing differences relating to the defined benefit scheme is dependent on the scheme's funding position, which is sensitive to financial market conditions and which can be volatile, and the company's contributions to the scheme. Please see note 33 for details of the schedule of contributions, including measures to repair the funding deficit by 31 December 2029.

The tax credits and unutilised losses deferred tax liability is expected to reverse during the year ending 31 March 2026.

Other deferred tax assets arise from property reinstatement provisions and above the line tax credits. Of the balance, £0.4m (2024: £0.6m) is expected to reverse in less than one year. Property reinstatement conditions provide for the cost of reinstating a leased property back to its original condition at the point of lease expiry.

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

	2025 £m	2024 £m
Deferred tax liabilities	225.4	219.6
Deferred tax assets	(20.6)	(14.1)
	204.8	205.5

Notes forming part of the consolidated accounts

26. 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 2025 and 31 March 2024	144,100,007	144.1	131,000,007	131.0
Ordinary A shares of 80 pence each				
At 31 March 2025 and 31 March 2024	54,272,594	43.4	12,048,193	9.6
		187.5		140.6

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

Special share

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

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

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

27. Share premium account

	£m
Balance as at 31 March 2025 and 31 March 2024	0.4

Notes forming part of the consolidated accounts

28. Other reserves

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

	AESOP reserve £m	Hedge reserve £m	Translation reserve £m	Other reserves ¹ £m	Total £m
At 1 April 2023	(0.3)	0.6	3.2	(34.7)	(31.2)
Other comprehensive loss for the year	-	(1.1)	(0.3)	-	(1.4)
At 31 March 2024	(0.3)	(0.5)	2.9	(34.7)	(32.6)
At 1 April 2024	(0.3)	(0.5)	2.9	(34.7)	(32.6)
Other comprehensive loss for the year	-	(0.7)	(1.0)	-	(1.7)
At 31 March 2025	(0.3)	(1.2)	1.9	(34.7)	(34.3)

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

29. Non-controlling interest

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

As at 31 March 2025, a loan to the non-controlling interest amounted to £0.1m (Omani rial 0.1m) and is included in other debtors (see note 18).

Notes forming part of the consolidated accounts

30. Notes to the cash flow statement

	2025 £m	2024 £m
Operating profit from continuing operations	200.3	384.6
Adjustments for:		
Impairment of goodwill	1.0	-
Depreciation of property, plant and equipment	49.8	48.4
Amortisation of intangible assets	57.6	51.0
Depreciation of right-of-use assets	6.7	5.4
Impairment losses	20.0	19.4
Deferred grants released	(0.1)	(0.4)
(Profit)/loss on disposal of property, plant and equipment	(3.0)	0.2
R&D expenditure above the line tax credits	(4.5)	(4.5)
Adjustment for pension funding	(68.3)	(101.5)
Operating cash flows before movements in working capital	259.5	402.6
Decrease/(increase) trade, other receivables and amounts recoverable under NERL's licence	43.0	(56.0)
Increase/(decrease) in trade, other payables, provisions and amounts payable under NERL's licence	54.5	(91.1)
Cash generated from operations	357.0	255.5

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

Decrease/(increase) in trade and other receivables, and amounts recoverable under NERL's licence represents the movement on the balance sheet adjusted for non-cash items such as discounting and pension pass through accruals, and for capital prepayments.

Increase/(decrease) in trade and other payables, amounts payable under NERL's licence and provisions represents the movement on the balance sheet adjusted for interest and capital accruals.

Reconciliation of net financial liabilities

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

	2025 £m	2024 £m
Cash and cash equivalents	164.7	166.2
Borrowings	(835.8)	(864.9)
Lease liabilities	(39.6)	(46.7)
Net debt	(710.7)	(745.4)
Index-linked swaps (net)	(76.3)	(79.8)
Net financial liabilities	(787.0)	(825.2)
Cash and liquid investments	164.7	166.2
Gross debt - fixed interest rates (net of unamortised bond issue costs)	(806.9)	(912.7)
Gross debt - variable interest rates (net of unamortised bank facility fees)	(68.5)	1.1
Net debt	(710.7)	(745.4)
Index-linked swaps (net)	(76.3)	(79.8)
Net financial liabilities	(787.0)	(825.2)

Amounts shown in the table above under "Gross debt - variable interest rates" for 2024 relate to unamortised bank facility fees. No drawings on the bank facility had been made at 31 March 2024.

Notes forming part of the consolidated accounts

30. Notes to the cash flow statement (continued)

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

	Assets	Liabilities from financing activities (excluding derivatives)			Net debt	Derivatives	Net financial liabilities
	Cash and cash equivalents £m	Lease liabilities £m	Bonds (i) £m	Bank loans (ii) £m	Sub-total £m	Index-linked swaps £m	Total £m
Net financial liabilities as at 1 April 2023	160.2	(52.4)	(847.7)	(63.7)	(803.6)	(81.6)	(885.2)
Cash flows	6.1	10.1	-	65.4	81.6	10.8	92.4
New leases in the year	-	(2.7)	-	-	(2.7)	-	(2.7)
Effect of modification to lease terms	-	(1.7)	-	-	(1.7)	-	(1.7)
Fair value movements on index-linked swaps	-	-	-	-	-	(9.0)	(9.0)
Foreign exchange adjustments	(0.1)	-	-	-	(0.1)	-	(0.1)
Other changes:							
Interest expense	-	(1.1)	(14.0)	(2.0)	(17.1)	(0.8)	(17.9)
Interest payments (presented as financing cash flows)	-	1.1	-	2.0	3.1	0.9	4.0
Interest income	-	-	-	-	-	8.4	8.4
Interest receipts (presented as financing cash flows)	-	-	-	-	-	(8.5)	(8.5)
Other non-cash movements (iii)	-	-	(4.3)	(0.6)	(4.9)	-	(4.9)
Net financial liabilities as at 31 March 2024	166.2	(46.7)	(866.0)	1.1	(745.4)	(79.8)	(825.2)

Notes forming part of the consolidated accounts

30. Notes to the cash flow statement (continued)

	Assets	Liabilities from financing activities (excluding derivatives)			Net debt	Derivatives	Net financial liabilities
	Cash and cash equivalents £m	Lease liabilities £m	Bonds (i) £m	Bank loans (ii) £m	Sub-total £m	Index-linked swaps £m	Total £m
Cash flows	(1.3)	6.9	90.0	(68.4)	27.2	11.7	38.9
New leases in the year	-	(1.4)	-	-	(1.4)	-	(1.4)
Effect of modification to lease terms	-	0.3	-	-	0.3	-	0.3
Lease terminations	-	1.3	-	-	1.3	-	1.3
Fair value movements on index-linked swaps	-	-	-	-	-	(8.2)	(8.2)
Foreign exchange adjustments	(0.2)	-	-	-	(0.2)	-	(0.2)
Other changes:							
Interest expense	-	(1.2)	(13.4)	(0.7)	(15.3)	(0.7)	(16.0)
Interest payments (presented as financing cash flows)	-	1.2	27.3	0.8	29.3	0.6	29.9
Interest income	-	-	-	-	-	8.8	8.8
Interest receipts (presented as financing cash flows)	-	-	-	-	-	(8.8)	(8.8)
Other non-cash movements (iii)	-	-	(5.2)	(1.3)	(6.5)	0.1	(6.4)
Net financial liabilities as at 31 March 2025	164.7	(39.6)	(767.3)	(68.5)	(710.7)	(76.3)	(787.0)

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

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

(iii) Other non-cash flow movements include amortisation of bond issue costs of £5.2m (2024: £4.3m) and amortisation of bank facility fees net of accrual movements of £1.3m (2024: £0.6m).

Notes forming part of the consolidated accounts

31. Financial commitments

	2025 £m	2024 £m
Amounts contracted but not provided for in the accounts	139.2	60.1

Guarantees

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

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

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

As part of the tendering process for new contracts, the NATS group may be required to put in place a tender or bid guarantee which expires once the contract is awarded. Where tenders are successful, contractual terms may also require performance or advance payment guarantees. These guarantees vary in length depending on the life of the contract and may run until the expiry of the contract. The total guarantees provided in these respects at 31 March 2025 was £3.4m (2024: £4.9m).

Notes forming part of the consolidated accounts

32. Share based payments

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

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

Date of share awards	No. shares awarded to employees	No. employee shares outstanding at 31 March 2025	No. employee shares outstanding at 31 March 2024
Free share awards			
21 September 2001	3,353,742	99,819	120,691
20 October 2003	2,459,000	96,952	114,258
10 September 2004	1,966,000	142,720	168,720
11 January 2008	1,071,840	110,954	130,740
18 September 2009	963,200	124,106	146,506
Partnership shares			
1 March 2011	694,783	107,274	129,100
26 September 2012	714,959	136,191	156,563
30 May 2014	496,738	116,114	135,817
31 October 2016	530,303	155,870	183,643
31 October 2018	635,048	243,001	287,959
1 September 2024	786,124	771,229	-
Matching shares			
1 March 2011	694,783	111,109	129,707
26 September 2012	714,959	138,225	158,154
30 May 2014	496,738	117,286	136,410
31 October 2016	530,303	157,351	184,436
31 October 2018	635,048	249,747	293,670
1 September 2024	786,124	772,035	-
		3,649,983	2,476,374
Dividend shares issued on 28 June 2005	247,017	12,521	14,964
Dividend shares issued on 24 December 2024	202,284	201,496	-
Total employee shares in issue at 31 March		3,864,000	2,491,338

Notes forming part of the consolidated accounts

32. Share based payments (continued)

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

	Movement in the no. of shares during the year ended 31 March 2025	Movement in the no. of shares during the year ended 31 March 2024
Balance at 1 April	2,491,338	3,577,016
Granted during the year	1,774,532	-
Forfeited during the year	(4,779)	-
Exercised during the year	(397,091)	(1,085,678)
Balance at 31 March	3,864,000	2,491,338

These shares are valued every six months by independent valuers using discounted cash flow and income multiple methods of valuation. Valuations are approved by HMRC for a period of six months unless a significant event arises which has a material impact on the share value. As at 31 March 2025 the price of an employee share was valued at £6.05 (2024: £5.45). The liability for the employee shares at 31 March 2025 was £19.6m (2024: £13.6m) and is included in other accruals and deferred income. The income statement includes a cost of £2.8m (2024: £5.4m cost). Payments made to leavers and current employees for the shares they exercised during the year was £2.3m (2024: £4.8m).

33. Retirement benefit schemes

Defined contribution scheme

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

The group operates a salary sacrifice arrangement whereby employees sacrifice an element of their salary in favour of contributions to the pension scheme. NATS operates a number of contribution structures. In general, NATS matches employee contributions to the scheme in a ratio of 2:1, up to a maximum employer contribution of 18%. For the year ended 31 March 2025 employer contributions of £31.6m (2024: £25.5m), excluding employee salary sacrifice contributions of £19.2m (2024: £15.0m), represented 16.1% of pensionable pay (2024: 15.9%).

The defined contribution scheme had 2,633 members at 31 March 2025 (2024: 2,336).

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

Defined benefit scheme

NATS Limited (formerly National Air Traffic Services Limited), the company's wholly-owned subsidiary, entered into a deed of adherence with the CAA and the Trustees of the Civil Aviation Authority Pension Scheme (CAAPS) whereby the company was admitted to participate in CAAPS from 1 April 1996. CAAPS is a fully funded defined benefit scheme providing benefits based on final pensionable salaries. At 31 March 2001, the business of NATS was separated from the CAA. As a consequence, NATS became a 'non associated employer' which requires the assets relating to the liabilities of NATS active employees at 31 March 2001 to be separately identified within the CAAPS. CAAPS was divided into two sections to accommodate this, namely the CAA section and the NATS section, and a series of common investment funds was established in which both sections participate for investment purposes. The assets and membership of the scheme prior to transfer were allocated between these sections in accordance with Statutory Instrument 2001 Number 853, Transport Act 2000 (Civil Aviation Authority Pension Scheme) Order 2001. The assets of the scheme are held in a separate trustee administered fund. CAAPS is governed by a Board of Trustees which is responsible for implementing the funding and investment strategy. The Board comprises six employer (NATS and CAA) and six member-nominated trustees, as well as an independent chair.

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

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

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

	2025 No.	2024 No.
Active members	1,408	1,456
Deferred members	901	957
Pensioners	3,227	3,118
	5,536	5,531

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

Trustees' funding assessment

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

The last Trustees' funding assessment of the NATS' section was carried out at 31 December 2023 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 2023 was £3,423.8m. 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 £142.7m, corresponding to a funding ratio of 96.0%.

The 2023 valuation showed that, based on long-term financial assumptions, the contribution rate required to meet future benefit accrual and expenses was 35.6% of pensionable pay (29.9% employers and 5.7% employees). The employer contribution includes an allowance to cover administration costs, including the Pension Protection Fund (PPF) levy.

Contributions to the pension scheme

Following the 2023 valuation, NATS and the Trustees agreed a recovery plan which would see the funding deficit repaid by 31 December 2029. Under the schedule of contributions, normal contributions were paid at 66.2% of pensionable pay until 31 December 2024 and 29.9% thereafter.

The NATS group paid deficit recovery contributions of £27.8m in the 2024 calendar year. From 1 January 2025 to 31 December 2029, deficit recovery contributions have been agreed at £14.2m p.a. increasing annually by 2.37% for each calendar year from 2026 to 2029. However, these contributions were subject to a funding test at 31 December 2024. As the Scheme was estimated to be in surplus at that date, the deficit contributions payable from 1 January 2025 to 31 December 2027 have been deferred until 31 January 2028. Should the Scheme be in surplus at the next actuarial valuation (on a consistent basis) then these deferred contributions will not be payable.

During the year the group paid cash contributions to the scheme of £112.1m (2024: £141.1m). This amount included £8.2m (2024: £8.7m) of wages and salaries sacrificed by employees in return for pension contributions. Excluding the effect of salary sacrifice and past service costs, employer cash contributions were paid at a rate of 71.3% (2024: 85.3%) of pensionable pay.

The estimated contributions expected to be paid to the scheme during the financial year ending 31 March 2026 is £52.0m, including salary sacrifice contributions estimated at £8.2m.

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

Company's accounting valuation under international accounting standards

For the purpose of accounting for the scheme in these financial statements, the company obtains an updated valuation from a qualified independent actuary that is prepared in accordance with IAS 19: *Employee Benefits*.

This valuation differs from the Trustees' funding assessment explained above in a number of critical respects, including for example, differences in timing and frequency as well as in valuation assumptions. The Trustees' last funding assessment was prepared as at 31 December 2023, whereas the company's accounting valuation is prepared annually at 31 March. As a result, at each valuation date, the market conditions on which the assumptions are based will be different. Also, the assumptions adopted for the Trustees' funding assessment are set by the Trustees and include appropriate margins for prudence, whereas those adopted for the company's accounting valuation are prescribed by international accounting standards and reflect best estimates.

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

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

An actuarial valuation for IAS 19 purposes was carried out at 31 March 2025 (based on 31 December 2024 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:

	2025	2024	2023
RPI inflation	2.90%	2.95%	3.05%
CPI inflation	2.65%	2.60%	2.65%
Increase in:			
- salaries	2.65%	2.60%	2.65%
- deferred pensions	2.90%	2.95%	3.05%
- pensions in payment	2.90%	2.95%	3.05%
Discount rate for net interest expense	5.90%	4.90%	4.80%

The mortality assumptions have been drawn from actuarial tables 100% S4PMA light and 98% S4PFA light (2024: 105% S3PMA light and 103% S3PFA light) with future improvements in line with CMI 2023 (2024: CMI 2022) projections for male/female members, subject to a long-term improvement of 1.25% p.a. (2024: 1.5% p.a.). These tables assume that the life expectancy, from age 60, for a male pensioner is 27.7 years (2024: 27.9 years) and a female pensioner is 29.6 years (2024: 29.9 years). Allowance is made for future improvements in longevity, such that based on the average age of the current active membership (49), when these members reach retirement, life expectancy from age 60 will have increased for males to 28.5 years (2024: 28.9 years) and for females to 30.4 years (2024: 30.9 years).

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

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

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate (bond yields)	Increase/decrease by 0.5%	Decrease by 7.4%/increase by 7.0%
Rate of inflation	Increase/decrease by 0.5%	Increase by 7.3%/decrease by 7.0%
Rate of pensionable salary growth	Increase/decrease by 0.5%	Increase by 1.4%/decrease by 1.3%
Rate of mortality	1 year increase in life expectancy	Increase by 2.7%

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

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

	2025 £m	2024 £m
Current service cost	(44.8)	(43.6)
Net interest credit	3.8	6.2
Administrative expenses	(2.8)	(2.2)
Components of defined benefit costs recognised within operating profit	(43.8)	(39.6)

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

	2025 £m	2024 £m
Return on plan assets (excluding amounts included in net interest expense)	(467.4)	(315.0)
Actuarial gains and losses arising from changes in financial assumptions	487.5	83.8
Actuarial gains and losses arising from changes in demographic assumptions	(37.2)	56.9
Actuarial gains and losses arising from experience adjustments	(97.1)	27.6
	(114.2)	(146.7)

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

	2025 £m	2024 £m
Present value of defined benefit obligations	(3,082.9)	(3,371.1)
Fair value of scheme assets	3,050.5	3,384.6
(Deficit)/surplus in scheme	(32.4)	13.5

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

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

	2025 £m	2024 £m
At 1 April	(3,371.1)	(3,486.0)
Current service cost	(44.8)	(43.6)
Interest expense on defined benefit scheme obligations	(161.7)	(163.6)
Actuarial gains and losses arising from changes in financial assumptions	487.5	83.8
Actuarial gains and losses arising from changes in demographic assumptions	(37.2)	56.9
Actuarial gains and losses arising from experience adjustments	(97.1)	27.6
Benefits paid	141.5	153.8
At 31 March	(3,082.9)	(3,371.1)

The average duration of the scheme's liabilities at the end of the year is 15.4 years (2024: 16.9 years). The present value of the defined benefit obligation can be analysed by member group as follows:

	2025 £m	2024 £m
Active members	(993.4)	(1,137.7)
Deferred members	(252.6)	(305.7)
Pensioners	(1,836.9)	(1,927.7)
	(3,082.9)	(3,371.1)

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

	2025 £m	2024 £m
At 1 April	3,384.6	3,544.7
Interest income on scheme assets	165.5	169.8
Return on plan assets (excluding amounts included in net interest expense)	(467.4)	(315.0)
Contributions from sponsoring company	112.1	141.1
Benefits paid	(141.5)	(153.8)
Administrative expenses	(2.8)	(2.2)
At 31 March	3,050.5	3,384.6

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

The major categories of scheme assets were as follows:

	2025 £m	2024 £m
Cash and cash equivalents	235.0	85.3
Equity instruments		
- Emerging markets	75.7	172.7
- Global	692.0	639.7
	767.7	812.4
Bonds		
- Fixed income	488.6	664.8
- Index-linked gilts over 5 years	951.6	1,225.0
	1,440.2	1,889.8
Other investments		
- Property	100.2	123.0
- Hedge funds	263.3	239.4
- Private equity funds	120.7	130.7
- Other	122.5	102.1
	606.7	595.2
Derivatives		
- Futures contracts	0.9	1.9
	3,050.5	3,384.6

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

Scheme assets of £3,050.5m (2024: £3,384.6) include equity and debt instruments of £147.2m (2024: £138.8m) with quoted prices in active markets. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the assets consist of equities, bonds and cash, although the scheme also invests in property and investment (private equity and hedge) funds which are generally illiquid, unquoted assets and trade on a less regular basis. Investments that do not have a quoted market price in an active market, totalling £2,903.3m (2024: £3,245.8m), are measured using their most recent net asset valuations adjusted for cash movements between the latest valuation date and 31 March 2025. Where appropriate, management also take into account movements in external quoted benchmarks in order to determine whether a risk adjustment is required in determining fair value as at 31 March 2025.

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

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

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

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

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 2025 was a loss of £301.9m (2024: £145.2m loss).

34. Related party transactions

The NATS group has four shareholders - the Crown, The Airline Group Limited (AG), LHR Airports Limited and the NATS Employee Sharetrust Limited. During the year transactions with the Crown have taken place with the Meteorological Office, the Department for Transport (DfT) and the Ministry of Defence (MOD). In addition there have been transactions with LHR Airports Limited and AG. Transactions occur on an arm's length basis.

AG is a consortium of British Airways plc, Deutsche Lufthansa AG, easyJet Airline Company Limited, the Pension Protection Fund, TUI Airways Limited, Virgin Atlantic Airways Limited and USS Sherwood Limited. AG has a 42% stake in NATS Holdings Limited. The directors of NATS Holdings Limited are satisfied that the seven members of AG have not exercised undue influence on the group either acting individually or in concert and therefore the individual transactions with each member of AG have not been disclosed in this set of accounts.

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

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

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

Transactions between the company and its joint venture and associate, which are related parties, are disclosed below and in note 35.

Notes forming part of the consolidated accounts

34. Related party transactions (continued)

Trading transactions

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

	Sales		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31 March 2025	Year ended 31 March 2024	Year ended 31 March 2025	Year ended 31 March 2024	Year ended 31 March 2025	Year ended 31 March 2024	Year ended 31 March 2025	Year ended 31 March 2024
	£m	£m	£m	£m	£m	£m	£m	£m
LHR Airports Limited	55.1	52.3	1.0	1.1	4.6	5.6	-	0.1
Ministry of Defence (MOD)	47.0	46.6	2.4	2.0	0.3	5.2	14.0	19.2
The Airline Group Limited	-	-	0.2	0.4	0.2	-	-	-
Department for Transport (DfT)	1.3	0.9	-	-	0.3	0.2	-	-
Meteorological Office	0.3	0.3	0.8	0.8	-	-	0.2	-
European Satellite Services Provider SAS	0.1	0.1	-	-	-	-	-	-
Aquila Air Traffic Management Services Limited	14.2	14.1	0.9	0.5	1.2	2.5	-	0.4

Sales are made to related parties at the group's usual rates and purchases at market prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. Amounts owed by our joint venture do not include the loan and accumulated interest of £22.1m (2024: £18.8m). No expected credit loss provisions (2024: £nil) have been made in respect of amounts owed by related parties above, however an impairment of our net joint venture investment in Aquila was recognised in the year ended 31 March 2024, see note 35.

Remuneration of key management personnel

The remuneration of key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24: *Related Party Disclosures*. Key management includes the Board of directors of the company and the group's principal subsidiaries. Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Committee report.

	2025 £m	2024 £m
Short-term employee benefits	11.9	11.1
Post-employment benefits	0.7	0.5
Termination benefits	0.9	0.1
	13.5	11.7

Notes forming part of the consolidated accounts

35. Subsidiaries, joint ventures and associates

The group's subsidiaries at 31 March 2025, all of which have been consolidated in these accounts were:

Name of company or partnership	Principal activity	Proportion of ordinary shares and voting rights held	Country of registration	Country of operation
Direct holding:				
NATS Limited*	Corporate services	100%	England and Wales	United Kingdom
Indirect 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
NATS Solutions Limited*	Airport and airfield air traffic services	100%	England and Wales	United Kingdom
NATSNV Limited*	Satellite-based navigation	100%	England and Wales	United Kingdom
NATS Employee Sharetrust Limited*	Corporate trustee of employee share plan	100%	England and Wales	United Kingdom
National Air Traffic Services Limited*	Dormant	100%	England and Wales	United Kingdom
NATS Services DMCC <i>Suite 2206, Mazaya AA1 Building, Mazaya Business Avenue, Jumeirah Lakes Tower, PO Box 392497, Dubai, United Arab Emirates</i>	ATM consultancy	100%	UAE	UAE
NATS Services LLC (in liquidation) <i>PO Box 533, Ruwi, PC 112, Muscat, Sultanate of Oman</i>	ATM consultancy	70%	Oman	Oman
NATS Services (Asia Pacific) Pte. Limited <i>51 Changi Business Park, Central 2, #04-06, The Signature, Singapore 486066</i>	Airport and ATM consultancy	100%	Singapore	Singapore
NATS Services (Hong Kong) Limited <i>31F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong</i>	Airport and ATM consultancy	100%	Hong Kong	Hong Kong
NATS (USA) Inc <i>The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware, United States</i>	Engineering and ATM consultancy	100%	USA	USA
NATS (Services) Canada Inc <i>100 King Street West, Suite 6200, 1 First Canadian Place, Toronto, Ontario, M5X 1B8, Canada</i>	Digital airport air traffic services	100%	Canada	Canada
Searidge Technologies Inc <i>19 Camelot Drive, Nepean, Ontario, K2G 5W6, Canada</i>	Digital airport air traffic services	100%	Canada	Canada
NATS Services (India) LLP <i>501 & 502, 5th Floor, Eros Corporate Tower, Nehru Place, New Delhi 110019, India</i>	Airport and ATM consultancy	100%	India	India

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

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

Notes forming part of the consolidated accounts

35. Subsidiaries, joint ventures and associates (continued)

The group had one associate and one joint venture as at 31 March 2025, details are as follows:

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

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

Summarised financial information relating to the associate and joint venture

European Satellite Services Provider SAS (ESSP)

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

The associate is accounted for using the equity method. Pursuant to the shareholder agreement, the group has the right to cast 16.67% of the votes at shareholder meetings. The financial year end is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ESSP for the year ended 31 December 2024 have been used.

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

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

Aquila Air Traffic Management Services Limited

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

The group and its joint venture partner provide Aquila with a shareholder loan facility of up to £50m, with each party providing an equal share of the facility of £25m. At 31 March 2025, the group's share of outstanding loan to Aquila was £22.1m (2024: £18.8m). Aquila had drawn down £2.5m (net) in the year (2024: £9.4m draw down (net)).

Aquila is projecting an onerous obligation reflecting the costs to complete its Project Marshall contract. The group considers that the prospects for the recovery of its investment and shareholder loan at the end of the contract to be very low. As a result, the group is showing the carrying value of the investment at 31 March 2025 as £nil (31 March 2024: £nil); the outstanding balance of the shareholder loan to Aquila of £22.1m (31 March 2024: £18.8m) as fully impaired; and holds a provision for a liability of £2.9m (31 March 2024: £6.2m) for the legal obligation to enable Aquila to draw on the shareholder loan facility up to its limit of £25m.

In addition, since contract inception, NATS Services has provided a parent company guarantee to the MOD to secure Aquila's performance under its contract (see note 30). The effect of this guarantee is to compensate the MOD for the costs of a retender exercise in the event of contract termination by Aquila, which is not contemplated. The cost to NATS Services in that event is estimated at £27m until completion of an operational service deployment contract milestone, expected in October 2026, and then £25m until contract completion in 2037.

Notes forming part of the consolidated accounts

35. Subsidiaries, joint ventures and associates (continued)

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

	2025		2024	
	Associate ESSP £m	Joint venture Aquila £m	Associate ESSP £m	Joint venture Aquila £m
Non-current assets	2.6	6.2	2.4	10.3
Current assets ⁽ⁱ⁾	45.5	41.7	47.7	35.1
Current liabilities ⁽ⁱⁱ⁾	(26.1)	(60.9)	(28.9)	(59.7)
Non-current liabilities	(0.2)	(6.3)	(0.1)	(6.7)
Net assets/(liabilities) of associate/joint venture	21.8	(19.3)	21.1	(21.0)
Group share	3.7	(9.7)	3.5	(10.5)
Carrying amount of the group's interest in associate/joint venture⁽ⁱⁱⁱ⁾	3.7	-	3.5	-
Revenue	50.8	89.7	53.1	88.9
Cost of sales	(29.8)	(76.9)	(30.8)	(95.0)
Administrative expenses, other operating costs and depreciation, amortisation and impairment ^(iv)	(15.6)	(8.5)	(13.6)	(25.3)
Finance income ^(v)	0.7	-	0.5	0.1
Finance costs ^(vi)	-	(2.6)	-	(1.8)
Profit/(loss) before tax for the year	6.1	1.7	9.2	(33.1)
Tax	(1.4)	-	(2.2)	0.3
Profit/(loss) after tax for the year	4.7	1.7	7.0	(32.8)
Group share of profit/(loss) after tax	0.8	0.8	1.2	(16.4)
Unrecognised group share of profit/(loss) after tax ⁽ⁱⁱⁱ⁾	-	0.8	-	(11.9)
Recognised group share of profit/(loss) after tax	0.8	-	1.2	(4.5)
Dividends received	(0.5)	-	(0.5)	-
Other comprehensive loss	(0.1)	-	(0.1)	-

(i) Includes cash and cash equivalents within ESSP of £24.0m (2024: £38.1m) and within Aquila of £0.4m (2024: £0.4m).

(ii) Includes borrowings within ESSP of £nil (2024: £nil) and within Aquila of £44.2m (2024: £37.6m).

(iii) For the year end 31 March 2024, the group's share of Aquila losses exceeded the carrying value of the investment brought forward at 1 April 2023 of £4.5m. Accordingly, after writing down the carrying amount to nil, the group discontinued recognising its share of further profits or losses.

(iv) Includes depreciation, amortisation of property, plant, equipment, intangible and right-of-use assets within ESSP of £0.5m (2024: £0.5m) and within Aquila of £2.1m (2024: £2.4m) and contract asset impairments within Aquila of £nil (2024: £17.6m).

(v) Includes interest income within ESSP of £0.6m (2024: £0.5m) and within Aquila of £nil (2024: £nil).

(vi) Includes interest expense within ESSP of £nil (2024: £nil) and within Aquila of £2.4m (2024: £1.7m).

Notes forming part of the consolidated accounts

36. Ultimate controlling party

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

Company balance sheet

At 31 March

	Notes	2025 £m	2024 £m
Assets			
Non-current assets			
Investments	4	141.0	141.0
Current assets			
Intercompany receivable	5	4.0	-
Net assets		145.0	141.0
Equity			
Share capital	6	140.6	140.6
Share premium account	6	0.4	0.4
Retained earnings		4.0	-
Total equity		145.0	141.0

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own income statement for the year. For the year ended 31 March 2025 the company recognised a profit of £175.0m (2024: £nil).

The financial statements (Company No. 04138218) were approved by the Board of directors and authorised for issue on 26 June 2025 and signed on its behalf by:



Sir Warren East
Chair



Alistair Borthwick
Chief Financial Officer

Company statement of changes in equity

For the year ended 31 March

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 April 2023	140.6	0.4	-	141.0
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Dividends paid	-	-	-	-
At 31 March 2024	140.6	0.4	-	141.0
At 1 April 2024	140.6	0.4	-	141.0
Profit for the year	-	-	175.0	175.0
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	175.0	175.0
Dividends paid	-	-	(171.0)	(171.0)
At 31 March 2025	140.6	0.4	4.0	145.0

Notes forming part of the company accounts

1. Cash flow statement

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

2. Significant accounting policies

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

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

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

3. Profit for the year

Profit for the year has been arrived at after charging:

	2025 £m	2024 £m
Staff costs	-	-
Auditor's remuneration	-	-

Auditor's remuneration for the group is paid by NATS Limited and is disclosed in note 6 of the consolidated financial statements.

	2025 No.	2024 No.
Executive directors	2	2
Non-executive directors	10	10
	12	12

Detailed disclosure of the remuneration of the directors is provided in the Remuneration Committee's report on pages 59 to 73.

The company incurred no charge to current or deferred taxes in the year (2024: £nil).

	2025 £m	2024 £m
Dividends		
Amounts recognised as distributions to equity holders in the period:		
First interim dividend of 61.17 pence per share (2024: £nil per share)	85.5	-
Second interim dividend of 61.17 pence per share (2024: £nil per share)	85.5	-
	171.0	-

On 28 November 2024, the Board approved an interim dividend of 61.17 pence per share, totalling £87.5m. The NATS Employee Sharetrust Limited (NESL), that holds 5% of the share capital on trust for employees, waived its right to receiving a dividend in relation to shares that currently are not allocated to employees, equating to £2.0m.

On 27 March 2025, the Board approved an interim dividend of 61.17 pence per share totalling £87.5m. The amount waived by NATS Employee Sharetrust Limited, equated to £2.0m.

Notes forming part of the company accounts

4. Investments

	Investments in subsidiary undertakings £m
Investments at 31 March 2025 and 31 March 2024	141.0

The company's investments in subsidiary undertakings are as set out in note 35 to the consolidated financial statements.

5. Intercompany receivable

	2025 £m	2024 £m
Amounts due from subsidiary company - NATS Limited	4.0	-

6. Share capital and share premium accounts

These items are disclosed in the consolidated statement of changes in equity and notes 26 and 27 of the consolidated financial statements.

7. Financial instruments

The company held no financial instruments at 31 March 2025 (2024: none).

8. Ultimate controlling party

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

Abbreviations and definitions

2024	Financial year ended 31 March 2024	IA	Intelligent Approach
2025	Financial year ended 31 March 2025	IAS	International Accounting Standard
3Di	3 Dimensional Flight Inefficiency Metric	IASB	International Accounting Standards Board
ACOG	Airspace Change Organising Group	IFRIC	International Financial Reporting Interpretations Committee
ADS-B	Automatic Dependent Surveillance-Broadcast	IFRS	International Financial Reporting Standards
AESOP	All-Employee Share Ownership Plan	ISO	International Organisation for Standardisation
AG	The Airline Group Limited	LHRA	LHR Airports Limited
AIREON	Aireon LLC, subsequently Aireon Holdings LLC	LTIP	Long-Term Incentive Plan
AMPRPS	Management Performance Related Pay Scheme	MOD	Ministry of Defence
ANSP	Air Navigation Service Provider	NAS	National Airspace System
APM	Alternative Performance Measures	NATS	NATS Holdings Limited and its subsidiaries, together the NATS group
AQUILA	Aquila Air Traffic Management Services Limited	NATS Services	NATS (Services) Limited
ATC	Air Traffic Control	NERL	NATS (En Route) plc
ATM	Air Traffic Management	NESL	NATS Employee Sharetrust Limited
BVLOS	Beyond visual line of sight	NHL	NATS Holdings Limited
CAA	Civil Aviation Authority	NR23	Price control from 1 January 2023
CAAPS	Civil Aviation Authority Pension Scheme	NR28	Price control from 1 January 2028
CANSO	Civil Air Navigation Services Organization	PBT	Profit before tax
CDP	Climate Disclosure Project	PPP	Public Private Partnership
CEO	Chief Executive Officer	R&D	Research and Development
CFO	Chief Financial Officer	RAB	Regulatory Asset Base
CPI	Consumer Prices Index	RAT	Risk Analysis Tool
CSU	Chargeable service units	RP3	Reference Period 3 (2020-2024)
DACF	Debt-Adjusted Cash Flows	RPI	Retail Prices Index
DB	Defined Benefit Pension Scheme	SAF	Sustainable Aviation Fuel
DC	Defined Contribution Pension Scheme	SBTi	Science Based Targets initiative
DFT	Department for Transport	SEARIDGE	Searidge Technologies Inc
DNV GL	DNV GL is a quality assurance and risk management company	SESAR	SES ATM Research
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	SPA	Strategic Partnership Agreement
EC	European Commission	SMS	Safety Management System
EDI	Equality, Diversity and Inclusion	TBS	Time-Based Separation
ERM	Enterprise Risk Management framework	TRC	Transformation Review Committee
ESSG	Environmental Strategy Steering Group	UKADS	UK Airspace Design Service
ESSP	European Satellite Services Provider SAS	USS	Universities Superannuation Schemes
EU	European Union		
FDP	Flight Data Processor		
FRC	Financial Reporting Council		
GAAP	Generally Accepted Accounting Principles		
GHG	Greenhouse gas		
HMRC	His Majesty's Revenue & Customs		

Alternative performance measures and explanatory notes

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

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

The Regulatory Asset Base (RAB) represents the capital employed in the economically regulated businesses operated by NERL, and is reported annually in regulatory accounts prepared on a calendar year basis. The regulatory accounts are published at www.nats.aero. The CAA's economic regulatory framework determines the basis for measuring regulatory assets. The RAB is uplifted annually by RPI inflation and increases by capital expenditure and reduces by regulatory depreciation. The RAB excludes balances relating to tax, financing and the IAS 19 pension position. The CAA sets a net debt to RAB target and bank covenants are set on a net debt to RAB basis. At 31 December 2024 the value of NERL's RAB was £2,076.8m.

	2025 £m	2024 £m
Net debt (per note 30)	(710.7)	(745.4)
Inclusion of items as defined in financial covenants:		
Unamortised bond discount	(33.6)	(37.9)
Unamortised bond issue cost and bank facility fees	(5.7)	(6.2)
RPI swaps stated on a bank covenant valuation basis	(77.4)	(79.0)
Exclusion of items as defined in financial covenants:		
Lease liabilities recognised on adoption of IFRS 16	39.4	46.3
Non-NERL cash balances	(92.9)	(75.1)
Net debt (as defined in NERL's finance documents)	(880.9)	(897.3)
Regulatory Asset Base at 31 March 2025	2,074.0	2,139.2
Gearing	42.5%	41.9%

Alternative performance measures and explanatory notes

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

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Net cash generated from operating activities	345.7	200.1	183.5	(172.5)	(264.5)
Net cash outflow from investing activities	(114.7)	(112.3)	(112.2)	(120.0)	(15.0)
Net cash outflow from financing activities	(232.3)	(81.7)	(59.3)	168.2	13.8
(Decrease)/increase in cash and cash equivalents during the year	(1.3)	6.1	12.0	(124.3)	(265.7)
Net bonds repaid/(issued)	90.0	-	(105.5)	(456.9)	41.6
Advances of en route charges	-	-	-	67.4	(67.4)
Bond and bank arrangement fees	1.6	0.4	1.7	9.4	1.2
Repayment of obligations under finance leases	6.9	10.1	6.9	7.0	7.1
Net (drawdown) on/repayment of bank facilities	(70.0)	65.0	135.0	195.0	-
Dividends paid	171.0	-	-	-	-
Index-linked swap repayment	11.7	10.8	8.0	61.3	14.1
Total debt adjustments	211.2	86.3	46.1	(116.8)	(3.4)
Debt-adjusted cash flow	209.9	92.4	58.1	(241.1)	(269.1)

3 Adjusted revenue and profit before tax: Excludes income recognised at the reporting date that relates to a service provided in a prior year for which variable consideration had been estimated previously. NERL was required to provide a continuous ATC service during Covid, in spite of air travel restrictions in place. The CAA undertook a retrospective reconciliation subsequently of the flight income and costs during the Covid period (2020 to 2022) to determine the income shortfall due to NERL. The CAA confirmed the outcome of its retrospective reconciliation and the value of the Covid income shortfall alongside its decision on the NR23 price control in November 2023. In 2024 NERL recognised the difference between the CAA's value and previously recognised variable consideration. There is no equivalent adjustment in 2025.

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Revenue - IFRS	1,071.6	1,189.0
Adjustment for the assessment of variable consideration recognised in the period (see note 18)	-	(123.2)
Adjusted revenue	1,071.6	1,065.8
Profit before tax - IFRS	234.3	371.5
Adjustment for the assessment of variable consideration recognised in the period (see note 18)	-	(123.2)
Adjusted profit before tax	234.3	248.3

Alternative performance measures and explanatory notes

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

Regulatory profit represents NERL's calendar year regulatory income less costs, as prepared under the Regulatory Accounting Guidelines (RAGs), specified in NERL's licence; rather than on an IFRS accounting basis. Regulatory profit divided by the Calendar year average RAB determines regulatory return. These values are derivable from NERL's 31 December 2024 regulatory accounts.

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

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Regulatory return	73.0	223.0
Adjustment for the assessment of variable consideration recognised in the period (regulatory basis)	-	(125.6)
Adjusted regulatory return	73.0	97.4
Average Regulatory Asset Base (RAB)	2,044.2	1,989.2
Adjusted Regulated rate of return	3.6%	4.9%

Alternative performance measures and explanatory notes

- 5** An Airprox is a situation in which, in the opinion of a pilot or controller, the distance between aircraft as well as their relative positions and speeds have been such that the safety of the aircraft involved was or may have been compromised. The severity of these incidents is assessed periodically by the UK Airprox Board, an independent body, in the interests of enhancing flight safety. Airprox events are classified A to D on the basis only of actual risk, not potential risk. An event classified as category B - safety not assured, is an aircraft proximity in which the safety of the aircraft may have been compromised.
- 6** The three-dimensional inefficiency score (3Di) measures the environmental efficiency of a flight by comparing its actual radar track to an optimal profile. A lower score represents better flight efficiency. NATS has made the 3Di environmental insight tool freely available to aviation stakeholders to use to track their carbon efficiency. The 2024 calendar year score of 28.57 excludes flights which are not subject to an ATC charge and for which fuel efficiency is not an objective, such as survey flights (so called non-revenue flights). NERL is engaging with the CAA to provide evidence to support an adjustment which excludes flights, by making a proxy adjustment of 0.6 to reduce the impact of such flights on the metric score. This would ensure that 3Di more closely reflects NERL's actions to enable fuel efficiency. The licence score including non-revenue flights is 29.15.
- 7** Best Companies are employee engagement specialists, whose methodology formerly underpinned the Times Top 100 best companies to work for.
- 8** Project Marshall is a 22 year contract awarded to the Aquila joint venture to transform the military's terminal Air Traffic Control technical services. It was initiated by the MOD to modernise ATM for over 100 MOD locations, of which over 60 are airfields or ranges, including overseas. It provides the foundation to deliver efficient and cost effective terminal ATM services and ensures that this capability keeps pace with modern regulatory demands and Single European Sky standards. NATS provides services to Aquila to enable it to deliver Project Marshall.
- 9** The severity of ground and airborne incidents is scored against six criteria: minimum separation achieved; rate of closure; detection of potential conflict; plan to achieve required separation; execution of the plan; and recovery when separation is lost.
- 10** Aireon LLC provides a space-based air traffic surveillance system with global coverage capable of tracking and monitoring aircraft in real-time. This improves ATC and surveillance over regions with limited or no radar coverage and backup surveillance for regions with full radar coverage. Aireon is a private company whose investors are Iridium Communications, NAV CANADA, ENAV, IAA, Naviar and NATS.
- 11** Link to Pay Gap Report: https://www.nats.aero/wp-content/uploads/2025/04/NATSPayGapReport_2024-25.pdf
- 12** Link to NATS Slavery and Human Trafficking statement 2024: https://www.nats.aero/wp-content/uploads/2024/07/ModernSlaveryAnnualStatement-April_2024.pdf
- 13** Link to Responsible Business policy: <https://www.nats.aero/wp-content/uploads/2025/06/Responsible-Business-Policy-2025.pdf>
- 14** Modelled enabled ATM-related CO₂ reductions represent the saving in CO₂ emissions from improvements to the ATM network, such as technical changes which enable us to provide more fuel-efficient flight profiles, based on projections of the volume of flights likely to take advantage of the improvements. The enabled reduction in emissions is reported in full in the year in which the improvement is made.

Alternative performance measures and explanatory notes

Taxation

Country-by-Country reporting (CbCr)

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

2025	Unrelated party revenue £m	Related party revenue £m	Total revenue £m	Profit/(loss) before income tax £m	Income tax paid (on a cash basis) £m	Current tax £m	Deferred tax £m	Monthly average number of employees No.	Tangible and intangible assets other than Cash and cash equivalents £m	Net assets £m
United Kingdom ¹	1,061.0	631.9	1,692.9	586.2	10.6	49.5	9.7	4,597	1,133.9	1,219.0
Canada	5.8	1.8	7.6	(2.8)	-	(0.1)	(0.4)	75	2.0	8.4
Hong Kong	4.1	-	4.1	(0.1)	(0.2)	0.1	-	18	0.1	4.2
UAE	0.3	2.5	2.8	(0.9)	-	-	-	18	0.1	(0.7)
Singapore	1.4	0.3	1.7	(0.1)	-	-	-	6	0.1	(13.1)
USA ²	-	-	-	0.9	0.9	0.9	-	-	-	23.7
Other	-	0.2	0.2	-	-	-	-	1	-	1.0
Consolidation adjustments	(1.0)	(636.7)	(637.7)	(348.9)	-	-	-	-	(1.1)	(411.5)
Total	1,071.6	-	1,071.6	234.3	11.3	50.4	9.3	4,715	1,135.1	831.0

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

² NATS (USA) Inc is a holding company and profit before tax is write-back of impairment.

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Customer website

Our dedicated customers website www.customer.nats.co.uk provides the latest news, operational information, meeting details, contacts and links to other resources.

Customer Forums

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

Help.CUSTOMERHelp@nats.co.uk