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NATS (En Route) plc
Annual Report and Accounts
Year ended 31 March 2026

Company Number: 04129273

Docusign Envelope ID: BBA99409-C695-8649-8283-A5F74F0FEE62

Financial results (year ended 31 March)

£m (unless specified)	2026	2025
Revenue	877.8	895.7
Profit before tax	185.9	222.3
Debt-adjusted cash inflow[b]	152.4	195.0
Capital expenditure	208.8	120.2
Net debt[c]	791.0	801.0
Gearing[d] (%)	39.4%	42.5%
Regulatory Asset Base[a]	2,072.4	2,074.0
Regulatory return[a]	2.7%	3.6%
Dividends	70.0	175.0

Notes: [a] Alternative performance measure (APM), see explanatory notes; [b] APM, representing cash flows excluding repayments/drawings on borrowings; [c] see note 21 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 assets[1].

- The statutory profit before tax of £185.9m (2025: £222.3m) is £36.4m lower than last year's result. This mainly reflects the continuing investment in our workforce to support the increase in air traffic volumes, this last year and in future, to maintain technical system resilience and for developing our infrastructure.
- NERL invested £208.8m in the air traffic control infrastructure, including to accelerate the replacement of the National Airspace System Flight Data Processor, and acquiring the site of its head office, training and engineering facilities from the lessor to secure long-term operational resilience.
- In November 2025, NERL issued £250m of unsecured 10-year bonds to enhance its liquidity, alongside extending the term of its £400m bank facility by one year to December 2028.
- The Board paid one interim dividend during the year and subsequently paid a dividend of £70m in May 2026.
- NERL has started consulting the CAA, airline customers and other stakeholders on our proposed service outcomes, costs and charges for the NR28 price control (the five calendar years 2028 to 2032) to achieve our goal of continuing to be safe, resilient and secure in the face of growing air travel demand and emerging challenges.

Operational headlines

- Our safety performance remained very good while handling traffic which grew this year by 2.4% to 2.54 million flights (2025: 2.48 million). There were no risk-bearing airprox[4] attributed to our operation. Our Safety Plan 2035 reaffirms our commitment to aviation safety and our biennial survey highlighted the strong safety culture across our workforce.
- Average delay per en route flight at 7.8 seconds was within the CAA's target of 9.0 seconds but slightly up on the prior year following a brief technical incident (2025: 4.4 secs/flight against a target of 8.3). Our 3Di score[5], after an adjustment to exclude non-revenue flights, was 27.4 for calendar year 2025 against the regulator's challenging target range, including non-revenue flights, of 25.1 to 27.8 (CY 2024: 28.6, excluding non-revenue flights, against a target range of 25.6 to 28.3).
- The CAA and DfT appointed NERL as the UK Airspace Design Service (UKADS) provider to oversee the design of airspace in London and the Southeast. In addition, we deployed free route airspace across the entirety of Scottish Upper Airspace and, following stakeholder consultation, we set out our OpenAir service proposal for enabling the safe integration of new airspace users, such as drones, and a charging mechanism to fund this activity to the CAA.
- We narrowly missed our science-based emissions target achieving reductions of 40% to March 2026 (against a 2018 baseline), compared to a target of 41%. We received an A rating from CDP, recognising our management of our climate impacts and support for a sustainable future for aviation.

[1] A number of alternative performance measures and explanatory notes are provided on page 104 of this report. Abbreviations used in this report are provided on page 103.

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Our business model

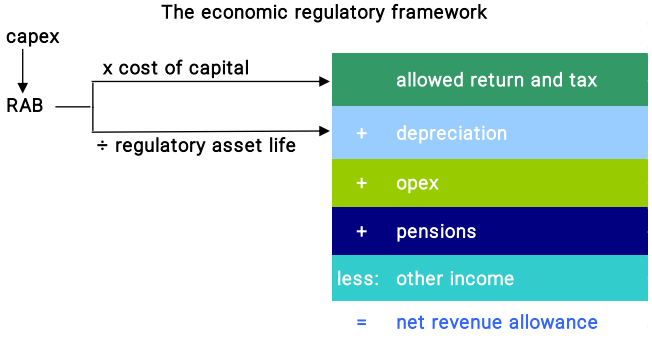
We generate income from Air Traffic Control (ATC) services for aircraft flying en route in UK airspace and the eastern part of the North Atlantic as well as other ATC related services.

We have a broad range of stakeholders and understanding their needs today and in the future shapes our strategic objectives (see page 3). We also have an important role in supporting aviation to meet its decarbonisation objectives.

The company 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 economic regulatory framework



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.

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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 **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 **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 **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 24

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.



Airspace users, airports and other customers



Employees



Regulators



Government



Investors: shareholders and lenders



Communities and environment



Suppliers

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Our strategic objectives

NERL is the core business of the NATS group of companies whose ultimate parent is NATS Holdings Limited (NHL). As such NERL is a core contributor to the strategy of the NATS group, and its purpose and values are aligned with those of the NATS group.

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.

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.

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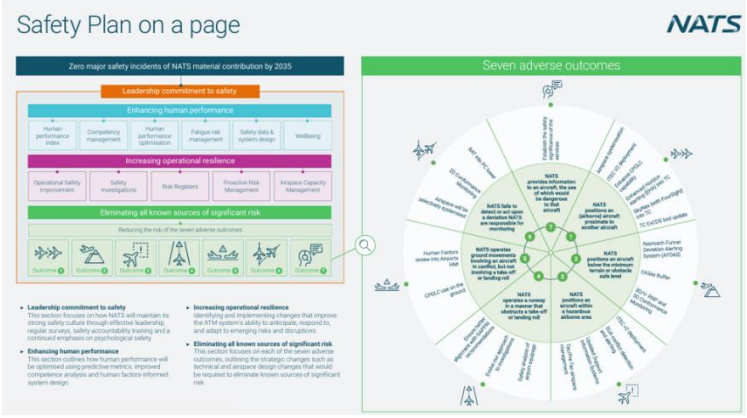
Chief Executive's review

Our purpose is very clear: ensuring the skies are a safe and efficient environment for aviation. This year we continued to make progress against this purpose and each of our four strategic objectives.

A safe, efficient and sustainable service

The safety of our customers and the flying public has always been, and will continue to be, our number one priority. Millions of people place their trust in our service and we will not tolerate any event which compromises the safe provision of our air traffic control services, whether from an external or internal factor, even if we have to reduce the capacity of our service to maintain safety. This year we safely handled 2.54 million flights (2025: 2.48 million), which is an increase in volumes of 2.4% year on year. Our safety performance has been consistently strong in recent years, and we have often been recognised as a benchmark among air navigation service providers. This is a direct result of the professionalism, skill, and dedication of our people across all business areas, whose commitment to safety is the foundation of our success.

The aviation landscape is evolving rapidly and our approach to safety must evolve with it if we are to maintain our strong safety performance. This thinking underpins our Safety Plan for 2035 which we published in the year. It has been developed to help us deliver our long-term commitment that there will be no major safety incidents to which NATS was a material contributor. The plan builds on our success, anticipates future challenges and continues setting the benchmark for safety as the industry evolves. It represents another stage in the continuous evolution of our safety approach, taking a broader, more forward-looking view that embraces complexity, anticipates change and places human performance, resilience and innovation at its core. At its heart is a framework built around avoiding seven adverse outcomes, rather than the traditional focus on a defined set of metrics. Each outcome represents a pathway through which we could contribute to an aircraft accident. As such it enables a deeper understanding of risk. The plan reinforces our leadership commitment to safety and also aligns our safety objectives with our long-term investment planning, including the investments in technology to support controllers in delivering a safe, efficient service.



Average delay per flight attributable to our en route operation at 7.8 seconds (2025: 4.4 seconds) was within the regulator's target of 9.0 seconds. Included within this performance airborne holding reduced, punctuality improved and first-wave performance strengthened. This was achieved through initiatives to improve network routing: working with airlines to optimise flight planning and routing around capacity constrained airspace. The deployments at the end of the 2025 financial year of our Time-Based Separation (TBS) Intelligent Approach (IA) suite of controller tools (Pairwise at Heathrow and Advanced Mixed Mode (AMM) at Gatwick), which safely optimise arrival spacing to maximise runway capacity, contributed to this outcome. This performance reflects our effectiveness in balancing three operational imperatives: providing a safe service 24/7, delivering air traffic controller training and supporting capital projects which will modernise our technology and the airspace. These activities are essential for a safe, secure, resilient and efficient air traffic service now and in future.

Our service performance was only materially impacted once in the year by a radar-related technical incident in July

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2025 which required us to regulate the flow of air traffic temporarily while the issue was investigated and resolved. Our response, which prioritised safety, was rapid and professional, and drew on the learning of past incidents. Our engineers restored our operational capacity within 42 minutes by switching to a back-up system while our incident management team ensured that key senior stakeholders such as the DfT, the CAA, airlines and airports were fully informed during the incident. Overall, we estimate the incident led to 26,134 minutes of delay and approximately 150 cancellations. While some proportion of flights were badly affected, overall the impact was equivalent to flights on that day experiencing an average of 3.5 minutes of delay.

Modernising UK airspace infrastructure

UK airspace is an invisible but vital piece of national infrastructure whose basic design has not kept pace with advances in aircraft and air traffic control technologies or the increase in flight volumes reflecting the demand for air travel. Its modernisation is now essential to meet the demands upon it – enabling more efficient, resilient and cleaner journeys that safely integrate the full potential of new aviation technology.

Airspace change has been a focus for government policymakers and the regulator in the year, with NERL appointed to provide the UK Airspace Design Service (UKADS) following a joint consultation by the DfT and the CAA. Our role is to redesign the London airspace in its entirety in the next decade as well as support future airspace changes regionally to deliver a holistic design in line with the CAA's Airspace Modernisation Strategy. The UKADS team has been in a mobilisation phase since the start of the year and is now up and running. The top priority set by the Government and the CAA as co-sponsors of strategic airspace change, is the terminal manoeuvring area (TMA) airspace around London and the south. This will require significant coordination with the 11 airports in and around London, alongside the airspace changes required to enable runway expansion plans. While these expansion plans will take many years to realise, confirmation of the Government's support for these now provides more certainty to move ahead with future airspace design which will be a vital step in realising the benefits of extra runway capacity. We also 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 for the industry as swiftly as possible in the coming years. The cost of UKADS, which the CAA has initially estimated at c£32m across 2026 and 2027 or broadly equivalent to £6 per flight, will be met by a new user charge to airlines for en route flights, under a pass-through arrangement which manages our financial risk.

Delivering Free Route Airspace (FRA) within UK airspace is another key element of airspace modernisation aligned with CAA's Airspace Modernisation Strategy. In March this year we deployed FRA across the entirety of Scottish Upper Airspace. We successfully deployed FRA for the first time in the northern part of Scottish Upper Airspace only in 2021, with a second deployment in 2023 across the Southwest of England. FRA is welcomed by our customers, allowing an aircraft at over 25,500 feet to fly its preferred route that takes into account the variables that are important to them, rather than having to fly a fixed route. This can help to reduce flight time, fuel burn and carbon emissions. FRA also increases the capacity of the airspace which is required to accommodate the growth in demand.

Supporting sustainable aviation

We are committed to playing our part in the aviation industry's roadmap to delivering net zero emissions by 2050. Our objective of enabling fuel-efficient flight profiles, measured as a three-dimensional inefficiency (3Di) metric, reported on a calendar year basis, improved this year to a score of 27.4 (2024: 28.6), including an adjustment to exclude non-revenue flights. With the inclusion of non-revenue flights, this was just outside the CAA's target of

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27.8, which is very challenging given the growth in traffic volumes and other external factors such as weather conditions, the military use of airspace for training and ad hoc flights, such as for aerial surveys, flight trials, calibration or research that cannot maximise flight efficiency while conducting their missions. A few factors contributed to our improved performance, including the reduction in airborne holding from TBS deployments of Pairwise at Heathrow and AMM at Gatwick, together accounting for a reduction in score of 0.7, alongside tactical measures by our air traffic controllers such as enhanced use of demand capacity balancing tools, airspace sector splits and regard to flight profile efficiency, all implemented whilst surpassing internal safety performance targets.

We have also rolled out a new tool across our en route operation, which is facilitating airspace efficiency improvement. Developed by a team at Maastricht Upper Area Control in Brussels, the tool facilitates real time information sharing between our flow management position and airline customers with the aim of offering more efficient flight paths and improved handling of an airline's priority flights. One of the most powerful features of the portal is the ability to co-ordinate cross-border proposals with peer ANSPs. In the short time it has been in use, we have already seen the benefits that improved collaboration can bring, for both airspace efficiency and the day-to-day management of our operation. Working with our customers and the CAA we have been developing a suite of complementary fuel burn metrics for consultation through the NR28 price control review, potentially replacing 3Di.

We are progressing with other initiatives too. We undertook a project to demonstrate the benefit of wake energy retrieval from formation flying, to determine whether fuel efficiency and lower emissions can be enhanced, and we partnered with Aer Lingus to explore whether fuel and CO_2 savings could be achieved when aircraft operate on routes outside of the traditional organised track structure (OTS) used for North Atlantic crossings. That latter trial delivered savings of 500 tonnes of fuel, saving around 1,600 tonnes of CO_2, and we are exploring how the learning from this could be applied as a standard procedure.

We are continuing to make investments to reduce our own emissions in service of our strategic objective to be carbon negative across our estate by 2040. We have now installed solar panels across the roof of the Prestwick air traffic control centre, which we expect will meet 10% of its electricity demand. This follows the installation last financial year of the array at Swanwick. A second ground-mounted installation is now being constructed on an adjacent site to Swanwick which will meet a further 8% of its demand. Ultimately solar will provide 18% of the energy consumption for these centres.

For the third year running we have achieved an A rating in our latest assessment by CDP, formerly known as the Carbon Disclosure Project. This puts us in the top 4% of over 22,000 companies assessed across 130 countries. It is a significant achievement, which demonstrates that we are taking the right action to manage our climate impacts and help to achieve a sustainable future for our industry.

We narrowly missed our near-term SBTi target of reducing limited Scope three emissions by 41% (compared to 2018) by March 2026, achieving a 40% reduction. This still represents an important step towards our net zero target. We are now proposing a new set of near-term SBTi targets, which requires re-baselining emissions embedded in our upstream supply chain, updating our engagement strategy and expanding the scope of verified Scope three emissions.

You can read more about our carbon negative strategy and our approach to mitigating climate-related risks in the Non-financial and sustainability information statement section of the NATS Holdings Limited Annual Report and Accounts.

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Regulatory developments

Besides UKADS, we are now engaged with our customers and the CAA as economic regulator on NERL's next price control (NR28: the five calendar years 2028 to 2032). NERL is our core business and the price control, which is our most valuable 'contract', is a key focus of ours in the year ahead. Our priorities for NR28 are to continue to deliver a safe, secure and resilient service, to improve flight efficiency through airspace modernisation and to continue to invest in the capacity of our infrastructure and our resources to meet future growth in airspace demand. The consultation enables us to discuss safety, service outcomes, costs and charges for our services in NR28 with airlines and the CAA, while seeking to ensure the right balance of incentives, risk and shareholder return. Following this summer's consultations, we will be submitting our plan to the CAA in November 2026. The CAA then anticipates a period of scrutiny and consultation on our plan, to inform its initial proposals in summer 2027 and then leading to a final decision in August 2028.

Last June, following industry consultation, we submitted our formal proposal to the CAA to develop OpenAir, a digital data infrastructure to underpin the safe integration of new airspace users (i.e. drones, urban air mobility, etc) into UK airspace. Our proposal is that OpenAir would act as a common information service provider, enabling the exchange of information between unmanned traffic management (UTM) service providers, supplementary data service providers and existing air traffic management systems. Our submission detailed OpenAir's initial services and digital infrastructure, and proposed a charging model designed to ensure fair, non-discriminatory airspace access for all stakeholders, underpinned by transparent regulatory governance principles. In May and June 2025, the first set of pilot services was validated by two prospective customers and, while the CAA reviews our proposal, we continue to develop the service and to release additional pilot services for external testing and validation.

Middle East conflict

With the Middle East being an important international hub for aviation, the closure of airspace by Gulf states did result in a small 1% initial reduction in flights in UK airspace due to cancellations. This soon stabilised as airlines re-routed to avoid the region and the conflict has not had a material financial impact for our operation in this financial year. However, we do expect the economic repercussions to have a more lasting impact. The demand for air travel is generally linked to the strength of the economy with factors such as higher energy costs impacting the cost of living and the public's propensity to fly. Accordingly, if oil prices remain elevated for an extended period, travel demand is likely to soften. Alongside this, while most European airlines are shielded in the short term from the increasing cost of jet fuel by hedges, those contracts will expire in the coming months with cost increases likely to be passed on through higher ticket prices with implications for demand.

NERL's licence provides some mitigation from traffic variances relative to the price control with its overall exposure capped at 4.4% of its revenue allowance. Prior to the conflict, our forecasts implied a revenue shortfall across the control period of c£80m against the NR23 price control assumption. However, our latest view sees this increase to c£85m. The CAA will adopt a new traffic forecast when setting NERL's charges for the NR28 price control, which will reflect the prevailing economic conditions at the time of its decision. NERL's revenue in NR28 would then be determined by the traffic it actually handles relative to that new forecast.

Focusing on our people

We have continued to focus on improving the process of selecting and training trainee air traffic controllers (TATC), to give every learner the best chance of success. This is key to ensuring we maintain operational resilience and as an enabler to airspace modernisation and the technical transformation of our infrastructure, as well as offsetting

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those retiring from NATS. As trainees can take around three years to obtain a full licence, we do not expect to reach the peak annual validations we need until early in NR28. For these reasons, training continued at pace in the year, with initial training and an increased number of unit endorsement courses running across the centres. This included training through the busy summer, which we believe is essential if we are to meet these challenges.

Across NERL we saw 27 initial validations this financial year and 40 extensions. We now have over 220 trainees and student ATCOs in the pipeline and expect over 70 validations over the next year.

Recognising the work we have been doing on equality, diversity and inclusion (EDI) we made the Inclusive Top 50 UK Employers List and we were accredited for supporting women's wellbeing at work, notably through our menopause policy and our work with the CAA which resulted in updates to the licensing guidance on beginning hormone treatment.

Organising ourselves for success

This year has been one of transformation for our organisation too. In response to changes in the executive team which I reported last year, the evolving market conditions, shifting customer expectations, and our own growth ambitions, I have restructured our management organisation and strengthened my executive team.

Caroline Sheridan joined us in March as Capital Programmes and Transformation Director to deliver the capital investment in our infrastructure required to meet future demand and Alex Bristol, former CEO of Swiss ANSP Skyguide, is to succeed Dave Curtis as Safety and Sustainability Director. Dave is retiring in September after 34 years of service during which time he played a pivotal role in many transformational programmes, and I wish him well. Separately, Gary Franklin was appointed as CFO to succeed Alistair Borthwick. In addition to the Board's gratitude I would like to add my thanks and appreciation to Alistair for his support during his six-year tenure, and I wish him every success in the future.

Looking ahead

After another year of strong performance, we have a very solid platform to continue to build on. We remain squarely focused on delivering for our customers and engaging with them and the regulator on the NR28 price control. Through UKADS, we are also very well placed now to play a key role in driving forward the UK's airspace modernisation strategy.

This last year has highlighted the extraordinary flexibility, professionalism, and commitment of our people. I am constantly impressed by the way teams across the operation have stepped up, working together, adapting to new pressures while never losing sight of our shared goals. Thank you to everyone for your hard work and dedication. While we should be proud of what we have achieved, I also recognise that challenges remain. It will take all of us, pulling together, to make the progress we need. I have every confidence that we can do just that and together we will continue to uphold the high standards our customers recognise and expect from us.

Martin Rolfe, FRAeS
Chief Executive

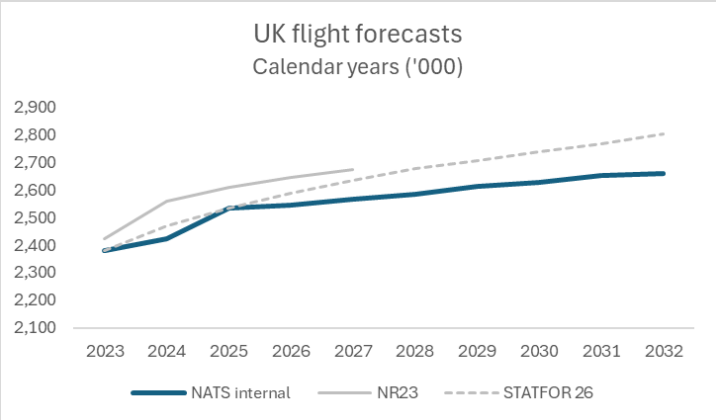
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Business environment

Air traffic volumes

The volume of flights that we handled this year grew by 2.4% to 2.54 million (2025: 2.48 million). However, while our operation has been very busy our income has been falling short of our price control allowance, as flight volumes continued to remain below the level forecast for NR23. Flight volumes grew in the first 11 months of the financial year reflecting wider European network constraints, with capacity limitations and delays, particularly in France, Germany and Luxembourg, which drove more traffic into UK airspace. Alongside this, some airline operators re-routed into UK airspace to avoid increases in the charges levied by neighbouring European ANSPs. Some sectors of airspace experienced much higher volumes than others, particularly across the North Atlantic and London upper airspace sectors.

We have been monitoring the impact on UK air traffic volumes of the outbreak of hostilities in the Middle East on 28 February. The impact of the reduction in flight volumes during March 2026, of c150 daily flights to and from the region, amounted to a c£1m revenue loss this financial year. Our latest modelling suggests that the direct and indirect impacts of the conflict could result in a further c£3m deterioration in revenue. The conflict adds to the shortfall in flight volumes and chargeable service units (CSU), the basis by which we recover our revenue allowance, relative to the forecast assumed by the regulator for the NR23 price control. For the 2026 financial year, NERL's UK en route income was c2.6% or £17.9m less than its anticipated NR23 revenue allowance and for NR23 as a whole NERL faces a revenue shortfall of c£85m, after the mitigation of traffic variances provided by NERL's licence. Accordingly, traffic forecasting will be a key issue in our discussions with the CAA on NR28.



The chart above shows our latest internal long-term forecast, which reflects prevailing economic growth projections alongside continuing geopolitical uncertainty, and the potential dampening effect on demand of UK and European mandates for the use of more expensive sustainable aviation fuel (SAF) alongside the elimination of free carbon credits. The chart also plots the latest independent forecast from Eurocontrol (STATFOR). Overall, we expect the volume of flights and chargeable service units to grow at an average of c1% per annum for the next six years.

Safety performance

Safety is our primary duty and highest priority. Protecting airspace users and their passengers underpins everything we do, from the delivery of our operational services to staff training, equipment maintenance and investment decisions.

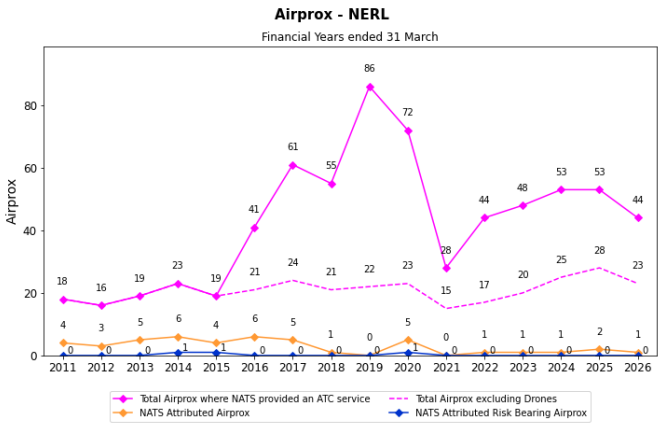
This commitment is supported by a robust set of safety metrics and targets that enable us to monitor performance and drive continuous improvement. This year, while handling more flights, we maintained our strong safety record and met all of our performance targets.

a. Operational safety

A key safety target is to achieve zero NATS-attributable risk-bearing airprox (Category A or B) arising from NERL's en route ATC services. Airprox is defined by the International Civil Aviation Organisation (ICAO) as a situation in which, in the opinion of a pilot or a controller, the distance between aircraft, as well as their relative positions

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and speed, was such that the safety of the aircraft involved was, or may have been, compromised. Airprox is an important indicator of risk in the aviation sector, with each report independently assessed by the UK Airprox Board, comprising experienced civil and military pilots and controllers, who agree the causal factors and level of collision risk. There were zero NERL-attributable Category A or B airprox during the financial year (2025: nil).



In addition to airprox incidents, we assess the severity of safety events using Eurocontrol's Risk Analysis Tool (RAT[7]), as a proxy measure of safety risk. RAT scoring is carried out by specialist investigators. Despite flight volumes returning to near pre-pandemic levels, the RAT score performance remained better than target performance, with one severity A and no severity B events recorded against a target of fewer than ten such events per year (2025: four).

All occurrences are investigated, with the most serious events receiving additional scrutiny through the NATS Board-level Safety Review Committee. This provides assurance that recommendations and resulting mitigations are robust, proportionate, and effective in preventing recurrence.

Strong safety performance was supported by several contributing factors. Safety reporting continued to underpin our safety culture, providing the evidence needed to deliver effective improvement initiatives. Within our en route operation, the focus of lesson learning is starting to shift highlighting also what went well and how mitigations prevented events from becoming more serious. The Safety Improvement Team reinforced positive lessons and effective collaboration, supporting our safety behaviours. We also drew on learning from outside the aviation sector to further strengthen our safety culture. This proactive work, undertaken ahead of summer 2025, reinforced positive safety behaviours, teamwork, and enhanced support mechanisms to effectively manage workload and risk.

Finally, to safeguard the future of UK airspace, NATS is developing the services and capabilities needed to integrate emerging airspace users, including drones, advanced air mobility vehicles such as air taxis, and high-altitude or space-based operations. Successfully accommodating these new users alongside existing crewed aircraft will require increased digitisation and automation, supported by close collaboration with other air navigation service providers pursuing the same objectives.

b. Employee health and safety

The health and wellbeing of our employees is central to our safety culture. Our injury rate remains well below industry averages, reflecting our commitment to safe workplaces for staff and visitors. Throughout the year, we maintained a structured approach focused on safe people, safe places, safe processes and safe plant, supported by targeted health and safety improvement programmes.

Alongside this, we provide a programme delivered by trained peer supporters across the business, providing support for mental health and first aid, available to all NATS employees. In addition, NATS offers an employee assistance programme (EAP) through Health Assured, the UK's largest provider, which is available to colleagues and their immediate families. During 2025, 5% of employees' family members accessed the EAP. Data also indicates that employees are continuing to work while using the service, suggesting a positive impact on overall sickness absence.

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c. Safety management

NATS operates within a comprehensive safety regulatory framework overseen by the CAA, alongside retained EU regulations under the European Union Aviation Safety Agency (EASA). This framework is underpinned by our safety management approach, which encompasses our systems, procedures, and people.

To ensure safety performance is understood, maintained, and improved in a consistent and effective way, we operate a formal Safety Management System (SMS). Our SMS maturity continues to progress well, with the completion of the CANSO Standard of Excellence (SoE) SMS questionnaire reaffirming our Level C (Managed) maturity and moving us closer to our ambition of achieving the higher Level D (Resilient) maturity by 2028.

A major milestone this year was the publication of our Safety Plan for 2035, which supports our strategic ambition of achieving zero major safety incidents with a material contribution by NATS by 2035. The Plan sets out how we will build on strong current performance, anticipate future challenges, and continue to set the benchmark for aviation safety as the industry evolves. It formalises seven adverse outcomes that describe all the ways our services could contribute to an aircraft accident, providing a common safety language and a consolidated framework for managing operational safety risk across the organisation.

Over the coming year, our focus will be on embedding the Safety Plan through clear governance, reporting, and assurance arrangements, and by integrating the seven adverse outcomes into how we prioritise, assess, and assure risk. In parallel, we will strengthen our approach to fatigue management through enhanced biomathematical roster modelling, targeted data collection (including Human Performance surveys), and the implementation of practical mitigations informed by our rest facilities study. Alongside these operational priorities, we will continue to mature our occupational health and safety management system, supported by trained process owners and ongoing improvement activity to ensure a consistently applied and effective system.

Long term capital investment

The priorities of our capital investment programme are maintaining safety and service delivery alongside delivering the future technical foundation our infrastructure requires to meet future sustainability targets and medium to long-term forecast traffic growth. This year we invested £208.8m (2025: £120.2m), with £206.3m of this being for NERL's regulated infrastructure.

We made the decision in the prior financial year to invest £120m to replace 10 and decommission two of our network of 12 primary and secondary long-range radars to provide enhanced coverage of en route air traffic. This project is making good progress and will improve resilience while extending the lifespan of our radar network.

Separately, we are replacing the National Airspace System (NAS) flight data processor (FDP) with a modern interim solution until the deployment of iTEC SkyNex, which will ultimately provide the foundation for our airspace development needs. iTEC SkyNex is being developed through the EC's SESAR programme and will enable us to safely handle more aircraft with more fuel-efficient trajectories within the same airspace. The interim solution we are investing in will potentially serve as an enduring fallback capability.

We also took the decision to purchase the Whiteley head office from the lessor to mitigate risks to our training, simulation and other facilities in the event of lease termination by a potential new owner.

Other notable investments this year included voice communications, one of our most safety-critical systems which is being implemented with high resilience and redundancy to ensure operational continuity, an upgrade to our corporate enterprise resource planning system and the installation of a solar panel array at Prestwick.

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Financial review

Alternative performance measures

In order to provide better insight for managing and reporting our financial performance, we present a number of non-IFRS measures: debt-adjusted cash flows (DACF), net debt, the regulatory asset base (RAB), regulatory return 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 104.

Results overview

£m (unless specified)	2026	2025	Change
Revenue	**877.8**	895.7	(17.9)
Profit before tax	**185.9**	222.3	*(36.4)*
Debt-adjusted cash flows	**152.4**	195.0	*(42.6)*
Capital expenditure	**208.8**	120.2	*88.6*
Net debt (statutory basis)	**(791.0)**	(801.0)	*10.0*
Gearing (%)	**39.4%**	42.5%	*(3.1%)*
Regulatory Asset Base (RAB)	**2,072.4**	2,074.0	*(1.6)*
NERL's regulatory return (%)	**2.7%**	3.6%	*(0.9%)*
Dividends	**70.0**	175.0	*(105.0)*

The company reported a profit before tax of £185.9m, which was £36.4m lower than the prior year (2025: £222.3m). This largely reflects operating cost increases as we continue our investment in recruiting trainee air traffic controllers to meet higher than anticipated future demand. We have also recruited engineers to support resilience and our transformation programme.

Overall, our performance has stabilised as we enter the second half of the current NR23 regulatory period. The relative comparability to the prior year's profit and operating cash flows emphasises this consistency, following a period of volatility during the Covid pandemic and the subsequent regulatory reset.

Global economic headwinds

The demand for air travel is closely correlated to gross domestic product. In our report last year, we highlighted the potential impact on our business from trade tariff uncertainty. The potential impact of tariffs has not transpired as expected, meaning the subsequent influence on traffic volumes has not materialised. However, as highlighted previously the conflict in the Middle East has the potential to pose a greater risk to aviation both in terms of its direct impact on the cost of flying, from an increase in the price of jet fuel and its global availability, and from cost of living pressures, impacting the public's propensity to fly. The small reduction in flight volumes seen in March 2026 did not have a material impact on our revenue for the financial year. Our estimated impact on the upcoming financial year is a c£3m reduction in revenue, however, the extent of this will depend on how long the conflict persists and the severity of any economic repercussions

In the event that economic factors do lead to a reduction in flight volumes, the risk sharing mechanism within NERL's licence, which limits the loss of revenue to 4.4% of its annual revenue allowance and the process for resetting traffic forecasts through the NR28 determination provide resilient protections for future performance.

NERL's regulatory return

NERL's regulatory return for calendar year 2025 was 2.7% (2024 calendar year: 3.6%) compared with the CAA's NR23 cost of capital assumption of 3.2%.
This reduction relative to the CAA's NR23 assumption was mainly a result of lower revenue, £37m below the price control assumption due to lower flight volumes. NERL's regulatory return is expressed as regulatory profit, divided by its RAB. A larger than anticipated RAB, due to higher than assumed inflation, also contributed to the lower return relative to the CAA's assumption.

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Revenue

	2026	2025
	£m	£m
Airspace	872.6	890.1
Other Service lines	5.2	5.6
Revenue	877.8	895.7

Overall, revenue of £877.8m (2025: £895.7m) was £17.9 lower than the prior year. By service line the significant factors contributing to this increase were:

Airspace: revenue, generated from our economically regulated UK and North Atlantic en route services, was £17.5m lower. In its NR23 determination the CAA reduced NERL's underlying revenue allowance for the 2025 calendar year. A key driver for this reduction was the CAA's assumption with regards to the expected 2023 triennial valuation of the defined benefit pension scheme to show a funding surplus, thereby alleviating the need for revenue for deficit repair payments (see pensions). The economic regulatory framework remunerates cash contributions rather than accounting pension costs.

Revenue for the North Atlantic en route ATC service decreased by £14.0m to £53.7m (2025: £67.7m) as the prior year included the impact of recognising entitlements for higher than assumed inflation and updating for a temporary unit rate initially set at the start of NR23. Underlying flight volumes grew by 4.2% to 567,503 (2025: 544,397 flights).

Operating costs

Operating costs increased by £21.0m or 3.0%, mainly reflecting our investment in the workforce and to support our infrastructure, alongside inflationary increases in our cost base.

	2026	2025
	£m	£m
Staff costs	(421.0)	(393.1)
Non-staff costs (net)	(182.8)	(182.8)
	(603.8)	(575.9)
Depreciation and amortisation (net)	(108.1)	(105.5)
Asset impairment charges	(10.6)	(20.0)
Operating costs	(722.5)	(701.4)

Staff costs were £27.9m higher at £421.0m (2025: £393.1m), largely reflecting the investment we have been making in the workforce. In a process which started in the last financial year, 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. For this reason, our headcount at 31 March 2026 of 3,708 was 147 higher than at the prior year end (2025: 3,561). Other staff cost increases have arisen from the higher rate of employer national insurance since April 2025, staff overtime and allowances to support operational and technical system resilience, and a CPI-linked pay award.

Non-staff costs remained the same at £182.8m. This largely reflected continued modernisation of our data infrastructure, associated increases in hosting fees and cyber security-related costs. This was offset by the release of a provision of £9.5m. In the year we completed the purchase of the site of the Whiteley head office, which had been leased since 2003. Accordingly, the provision for the cost of reinstating the fabric of the building in 2031 has been released and is reported within Other operating income in the income statement.

Asset depreciation and impairment charges at £118.7m were £6.8m lower than the prior year (2025: £125.5m). This is mainly a result of lower asset impairment, due to a prior year charge for software-related projects paused during the Covid pandemic which have subsequently been superseded by more cost-effective technical solutions from software providers.

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Net finance income and fair value movements on financial instruments

	2026	2025
	£m	£m
Investment income	72.5	61.4
Finance costs	(26.5)	(25.2)
Net finance income	46.0	36.2
Fair value movement on derivative contracts	(15.4)	(8.2)
Net financing income and fair value movements	30.6	28.0

Investment income increased in the year by £11.1m. 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 broadly in line with the prior year.

Fair value movement on derivative contracts relates to a charge of £15.4m (2025: £8.2m) arising from revaluing NERL's index-linked swap. The swap provides an economic hedge in periods of low inflation, between finance costs and NERL's regulatory allowance, which is uplifted for inflation annually. The increase in forecast inflation over the swap term, largely as a result of the Middle East conflict, has led to an increase in the fair value of the swap liability.

Taxation

The tax charge of £46.2m (2025: £55.2m) represents an effective rate of tax of 24.8%. This is slightly lower than the headline rate of 25%.

The tax charge consists of a current tax of £20.6m and net deferred tax of £25.6m, 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.

The company also pays other taxes such as employer's national insurance contributions (£47.4m), business rates (£5.8m) and the apprenticeship levy (£1.6m), which are significant operating costs. The group's tax strategy can be viewed at www.nats.aero.

Balance sheet

	2026	2025
	£m	£m
Goodwill	38.3	38.3
Tangible and intangible fixed assets	1,172.7	1,079.5
Right-of-use assets	11.3	28.9
Pension scheme surplus/(deficit)	73.2	(24.3)
Amounts recoverable under NERL's licence	734.1	781.2
Amounts payable under NERL's licence	(95.2)	(67.4)
Cash and cash equivalents	193.3	71.8
Derivatives (net)	(3.5)	(78.1)
Borrowings	(972.7)	(835.8)
Lease liabilities	(11.6)	(37.0)
Deferred tax liability	(252.9)	(204.9)
Other net balances	(50.3)	(52.5)
Net assets	836.7	699.7

The company's net assets are £137.0m higher than at the start of the financial year. This reflects the result for the year and the improvement in the defined benefit pension position, partly offset by the dividend paid in the year.

Capital investment

	2026	2025
	£m	£m
Sustainment	52.0	40.9
DP En Route deployment	34.5	25.0
Acquisition of Whiteley site	31.6	-
Other programmes	28.8	30.7
Flight data processor replacement	27.5	-
Surveillance	19.2	7.8
Airspace & Operations service enhancements	12.7	13.2
Regulatory capex	206.3	117.6
Other non-regulatory capex	2.5	2.6
Capital investment	208.8	120.2

Investment in our en route infrastructure, shown as regulatory capex in the table above, increased by 75.4% on the previous year.

This growth in investment reflects the purchase of our Whiteley head office, as explained above, and our continued focus on developing the next generation of tools, infrastructure and systems, enabling our transition to a single platform which will provide

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standardised operations, being critical to future service quality and airspace modernisation.

In the year we made progress on various programmes in development, notably our radar replacement programme and work to replace our flight data processor. A number of key asset deployments were delivered in the year, which included the roll-out of the next phase of free-route airspace across the whole of Scotland, the installation of a solar array at our Prestwick centre and an upgrade to our corporate enterprise resource planning system.

Pensions

NERL bears an economic share of the parent company's final salary defined benefit pension scheme. The scheme was closed to new entrants in 2009 and a defined contribution scheme was put in place. The defined contribution scheme now has 2,324 members (2025: 2,065). The costs of this scheme increased by £6.4m, in line with the growth in members and a CPI-linked pay award. More information on our pension arrangements is provided in note 29 to the financial statements.

a. IAS 19 charge and funding position

IAS 19 pension surplus	£m
At 1 April 2025	(24.3)
Charge to income statement*	(32.1)
Actuarial gains/(losses):	
- on scheme assets	42.0
- on scheme liabilities	47.6
Employer contributions*	40.0
At 31 March 2026	73.2
Represented by:	
Scheme assets	2,371.3
Scheme liabilities	(2,298.1)
Surplus	73.2

* including salary sacrifice

The cost of defined benefit pensions at £32.1m (2025: £33.7m) reflected a decrease in the accrual rate to 22.8% (2025: 24.3%) of pensionable pay. This is based on the funding position of the scheme and the discount rate environment at the start of this financial year, relative to the start of the prior year.

At 31 March 2026, the scheme's funding position was in surplus with assets exceeding liabilities, using best estimate assumptions required by International Accounting Standards (IAS 19), by £73.2m (2025: £24.3m deficit). The increase in the fair value of the scheme's assets reflected actuarial gains, employer contributions, benefits paid to members and scheme interest and administrative expenses. Pension liabilities reduced as the real yield on AA corporate bonds used to value RPI-linked pension obligations increased by 15 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.

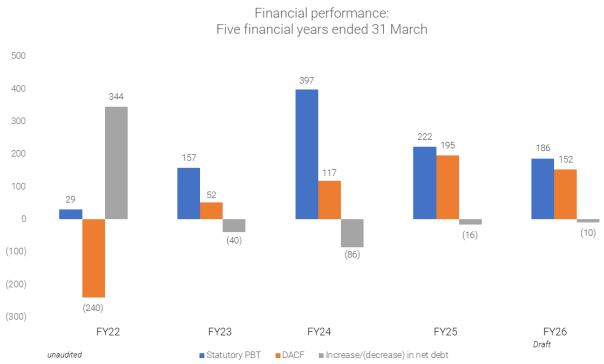
The Trustees' most recent formal valuation, as at 31 December 2023, reported a funding deficit of £142.7m (equivalent to a funding level of 96%). This represented a £29.2m improvement from the 2020 valuation. The scheme actuary determined that the cost of employee benefits accruing in future was 29.9% of pensionable pay. The group continued to pay deficit contributions during 2024 in line with the schedule of contributions. Accordingly, alongside a small funding surplus at 31 December 2024 based on the Trustees' annual update, the Trustees agreed to defer deficit repair contributions of £44.8m until 2028, subject to the funding position at the next formal valuation. NERL's share of deficit recovery contributions is c.75%.

A formal valuation as at 31 December 2025 is being undertaken to ensure that NERL's NR28 business plan includes robust pension projections which reflect recent financial market conditions.

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Debt adjusted cash flows (DACF)

During and subsequent to 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, 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.

The trend of the past two years shows a greater degree of stability in operating cashflows and profitability. The closer relationship between cash flows and profit has enabled the greater capital investment seen in this financial year, whilst ensuring sufficient financial resilience remains.

Net debt, liquidity and cash flows

	Cash and cash equivalents	Borrowings (including lease liabilities)	Net debt
	£m	£m	£m
Balance at 31 March 2025	71.8	(872.8)	(801.0)
Cash flow	121.5	(128.3)	(6.8)
Non-cash movements	-	16.8	16.8
Balance at 31 March 2026	**193.3**	**(984.3)**	**(791.0)**

In November 2025, NERL issued £250m of unsecured fixed rate bonds with a coupon of 5.25%. The bonds were issued at a price of £99.572, reflective of the prevailing market conditions, raising net proceeds of £249m which will be used for general corporate purposes. The bonds further enhance NERL's liquidity and ensure an efficient long-term financing structure.

Alongside bond finance, the company operates a bank revolving credit facility (RCF). The term of the RCF was extended by 12 months during the year and now matures in December 2028, with options to extend until December 2029. The RCF includes a covenant requiring NERL's net debt to be maintained at below 85% of its regulatory asset base. This gearing ratio was 39.6% at 31 March 2026 (2025: 42.5%).

At that date, the company's net debt was £791.0m (2025: £801.0m). This included £974.0m in outstanding borrowings which mature in and beyond 2031 and £11.6m of lease liabilities recognised under IFRS 16. These were partly offset by £193.3m 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 a dividend to shareholders.

At 25 June 2026 the company had available liquidity of around £550m. Our cash flow forecasts show that the company 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.

Gary Franklin

Chief Financial Officer

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Going concern

The company'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 21 the company's objectives, policies and processes for managing its capital and its financial risks and details its financial instruments and hedging activities.

At 31 March 2026, the company had access to liquidity of £593.3m comprising cash of £193.3m and undrawn committed bank facilities of £400.0m. At 25 June 2026, the company had access to cash and undrawn bank facilities of around £550m.

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 2027, 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 20 to 23.

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 and an unplanned increase in operating costs. Finally, a combination scenario was also performed that assumed lower air traffic volumes and higher operating costs. Under the most severe scenario the company maintains adequate liquidity (of £390m) and headroom (NERL gearing at 49%) 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 liquidity would be utilised or the financial covenant would be breached before both mitigating action and regard to the financeability duties of the CAA and Secretary of State for Transport. The reverse stress tests considered, before mitigation, severe reductions in traffic volumes to 9% 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 company's cash flow forecasts, reflecting reasonably plausible downside scenarios, show that the 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 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.

Viability statement

The directors have assessed the viability of the company based on its current position and future prospects, its business strategy (page 3 to 4) and available financial resources (on page 18). 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 20 to 23, and the effectiveness of currently available mitigating actions.

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NERL 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.

The Board considers that there is greater certainty around forecasting assumptions over a three-year period than a longer period, recognising the remaining duration of the current NR23 price control and the emerging view on NR28.

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 company's en route income of a contraction in the demand for air travel, noting the reasonably possible mitigating actions available to the company to manage its financial resources;
- 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, as well as additional contributions being required. 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 extended by 12 months during the year, now ending in 2028, with an option to further extend to 2029.

On the basis of this assessment, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities falling due over the three-year period to June 2029.

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Principal risks and uncertainties

Enterprise risk framework

The system for the identification, evaluation and management of emerging and principal risks is embedded within the company'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 company 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 18 to 19.

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 company maintains an explicit Safety Management System, 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.

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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. Increasing geopolitical tensions and variable economic conditions have led to greater uncertainty within demand forecasting, including factors such as global trade tariffs, the impacts of conflict in the Middle East and Ukraine on energy prices and economic growth and cost of living pressures.
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 a proportion of 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 real term prices for a contract term. The financial strength of airlines and 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 determined 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. The price control is underpinned by an independent traffic forecast, which has proven to be optimistic and for which NERL bears a degree of risk. The settlement was based on a traffic forecast which was regarded at the time (and has turned out) to be overoptimistic as well as challenging service targets. Nevertheless, NERL deemed the settlement to be acceptable in the round. NERL is preparing for early engagement with airspace users in autumn 2026 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.

Strategy: sustainable aviation

NATS is committed to becoming carbon negative by 2040, and to 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 company from climate change, and these are outlined, along with how we manage these risks in our risk management system, within our Climate-related Financial Disclosures section of the NATS Holdings Annual Report and Accounts.

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.

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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.

Operational: systems security

The threat of disruptive cyber-attacks (such as denial of service) or drone incursion 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 or drone incursion.

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 also recruited engineers to support our investment programme. While we have sufficient resources today to meet our regulatory commitments, there is a risk that during the remainder of NR23 and into NR28 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.

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.

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 a two year pay deal for grades negotiated by Prospect which runs to December 2027. Negotiations with PCS remain ongoing. 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

Delivery of complex new air traffic technologies is challenging due to the nature of the technology and our safety critical environment and therefore carries inherent cost and schedule risks. Further, deploying those technologies and retiring legacy systems could affect our ability to maintain service levels during transition, as it has a number of international counterparts, 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

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expenditure under the regulatory regime. We maintain programme governance and risk management processes overseen by the Executive, the Transformation Review Committee and the Board.
Our capital programme is developed following extensive customer consultation and we engage with our customers bi-annually on the progress of and prospects for our capital investment programme.

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 Consumer Prices Index. 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 company'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 company to meet the contributions required.

Financial: availability of funding and other risks

The main financial risk to the company 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 21 to the financial statements.

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Our stakeholders	Why are they important to us?	How we engage and have regard to their views in our decisions?
OUR CUSTOMERS: AIRSPACE USERS, AIRPORTS AND OTHERS	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, integration of users and the resilience required by airlines and passengers. It also determines our staffing and capital investment. We operate a joint and integrated civil military operation with the MOD and support Project Marshall.	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.In the prior year we consulted the industry on NATS OpenAir, a new air traffic management service enabling an integrated airspace for both existing and new types of airspace users. 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. 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. Through the Air Traffic Incident Communication and Coordination Cell (ATICCC) we discuss operational plans ahead of disruptive events (such as named storms) and provide regular updates on network performance on the day. We seek customer feedback annually through a satisfaction survey. The CEO and Chief Operations Officer discussed preparations for summer 2026 across Europe with Eurocontrol (the network manager), airlines, airports and other stakeholders.
EMPLOYEES	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.	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. 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. 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. Further details on the Board's regard to employees in its decision-making is provided below.
REGULATOR	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. 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.	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. The CAA also consults the industry on new services, such as UKADS which NERL will undertake, and updates NERL's licence terms accordingly. 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. 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.
GOVERNMENT	The Government sets UK Aviation Strategy which provides a long-term vision for the industry and a framework for future ATC provision.	The CEO maintains a regular dialogue with the Department for Transport. The Government engages on aviation policy that affects NATS, including preparations for summer 2026.
SHAREHOLDERS	The NATS Group has four shareholders: the Crown, The Airline Group – owned by a number of UK airlines and pension funds (see note 30 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.	The company's parent, NATS Holdings (NHL), meets shareholders usually held once a year to provide the group and company 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 NHL and NERL Boards. Shareholders wish to see remuneration policies which drive executive management to deliver strong sustainable performance aligned with the interests of key stakeholders.
COMMUNITIES AND ENVIRONMENT	Local communities around airports expect the aviation sector to pay attention to aircraft noise, fuel and CO_2 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.	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. The Board is kept abreast of the public's attitude to aviation and to NATS through an annual public opinion survey conducted by Ipsos.
LENDERS	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.	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 the appetite for NERL's £250m bond issue in the year, the refinancing of its £400m bank facility in the prior year and the debt refinancing of June 2021 which raised £1.6bn and the further £145m bond issued in March 2023.
SUPPLIERS	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.	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.

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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 27 to 29.

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

NERL has 3,708 employees and 128 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. The main topics considered by the Board and opportunities for engagement were:

Employee engagement: the Board was briefed on the outcome of the safety culture survey, the foundation of our safety performance, and what it says about the level of understanding on safety as a priority, the recognition by individuals of their contributions to a safe operation and whether everyone feels comfortable reporting safety concerns.

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.

The CFO and other members of the Executive team engaged with trades unions on a two-year pay settlement which recognised the contribution employees make to the company's performance.

CFO succession and Executive appointments: the Board's nomination committee oversaw a number of key leadership appointments, ensuring the relevant skills and experience required for these positions.

ATCO resourcing and training (see page 9): the Board continued to support the investment in the workforce and 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, including the benefit of expanding the use of simulators.

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.

Diversity and Inclusion (D&I): D&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 report, including that for ethnicity and disability which are not currently mandatory. The CEO 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.

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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.

Focus on a safe and resilient operational service: the Board and its Safety Review Committee reviewed the Safety Plan 2035. The Board received monthly updates on safety and service performance, relative to NR23 and internal targets. The CEO and COO also briefed the Board on the feedback from a customer forum hosted by the company at Heathrow on the theme of getting ready for summer 2026.

Technology transformation programme: the Board reviewed the strategic priorities for investment in the next generation of technology and the plan for transition from legacy systems. In the prior year the Board had approved prioritising the replacement of the National Airspace System Flight Data Processor (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 the strategic iTEC SkyNex FDP. The Board approved the initial funding of the ERAM solution.

UK Airspace Design Service (UKADS, see page 6): the Board approved the proposal by the DfT and the CAA to appoint NERL as provider of the UKADS service to design and sponsor future airspace changes. This followed an assessment of whether 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, while balancing risks to shareholders.

NR28: the Board sub-committee reviewed and challenged NERL's proposed safety and service outcomes for NR28, the CAA's proposed approach to the price control and the outcome of initial customer engagement in service of understanding priorities ahead of a second round of customer consultations in summer 2026.

Dividends: the Board considered the company's dividend policy and agreed to pay one interim dividend in the year.

Annual business plan: the Board reviewed and approved the company's budget for 2027 and the five-year business plan, aligned to the group's strategy and spanning the NR28 price control period. The Board also considered the performance relative to the NR23 price control and progress with NSL's growth strategy.

Bond issue (see page 17): the Board approved the issue of a £250m bond that further enhances NERL's liquidity and ensures an efficient long-term financing structure for the benefit of all stakeholders.

Traffic forecasting (see page 10): 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 2025. In March 2026 the Board considered the short-term revenue impacts of airspace closures and reduced flight volumes arising from the Middle East conflict as well as its potential longer-term economic implications for the demand for air travel.

The Strategic report was approved by the Board of directors on 25 June 2026 and signed by order of the Board by:



Richard Churchill-Coleman,

Secretary

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Governance framework

NERL was formed as part of the NATS group's Public Private Partnership in December 2000. A key element of the NATS group's governance structure is the Strategic Partnership Agreement (SPA) between its main shareholders: the Secretary of State for Transport; The Airline Group Limited (AG); and LHR Airports Limited (LHRA).

The SPA sets out the relative responsibilities of the signatories and, in particular, requires the company 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 NERL rests with the Board of NATS Holdings, which provides strategic direction and leadership and is responsible for ensuring that the company is run safely, efficiently, effectively and legally, with appropriate internal controls to safeguard the shareholders' investment and company assets, ensuring it delivers value to shareholders and fulfils its wider role as a provider of critical national infrastructure.

NERL's 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.

As at the date of approval of the accounts, the NERL Board comprised a non-executive Chair and 12 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;
- six directors appointed by AG;
- three Partnership directors, appointed by the Crown Shareholder; and
- one director appointed by LHRA.

Changes to the Directors

From 1 April 2025 to the date of approval of the accounts, there were the following changes to directors: Maria Antoniou retired as non-executive director on 31 July 2025 and was replaced by Maria da Cunha on 1 August 2025. Alistair Borthwick resigned as an executive director on 31 December 2025 and was replaced by Gary Franklin on 1 January 2026. Georgina Dellacha was appointed as non-executive director on 26 March 2026.

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 company'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

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meetings with additional meetings as business priorities require. This year, the Board met eight times.

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

Compliance with the UK Corporate Governance Code

NERL is committed to maintaining the highest standards of corporate governance. The SPA requires the company 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 2024 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 AG, 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.

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 2028 and Maria da Cunha to 31 July 2028. 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 2026 was as follows:

Name	Date of appointment	Years of service to 31/03/2026
Sir Warren East	01/09/2024	1 year 7 months
Greg Bagwell	01/10/2022	3 years 6 months
Ross Baker	30/11/2023	2 years and 4 months
Harry Bush	27/05/2014	11 years 10 months

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Name	Date of appointment	Years of service to 31/03/2026
Mike Campbell	26/05/2017	8 years 10 months
Maria Da Cunha	01/08/2025	8 months
Georgina Dellacha	26/03/2026	1 month
Gavin Merchant	20/03/2014	12 years
Bart Prudon	30/03/2023	3 years
David Smith	01/10/2022	3 years 6 months
Louise Street	29/11/2018	7 years 4 months

The company 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.

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 company, having taken account of the views of the shareholders. The Chair also has regular discussions with shareholders in addition to formal meetings.

Provision 24: Establishment of an Audit Committee

Matters pertaining to the integrity of the company's financial statements, its financial performance and significant judgements contained in them are routinely considered by the NATS Holdings Limited Audit Committee, the parent company of the NATS group of companies. The NATS Holdings Audit Committee also considers the internal financial controls and internal control and risk management systems in place across the company, and matters relating to the external audit of the company. For these reasons the company does not have a separate Audit Committee.

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Report of the directors

The directors present their annual report on the affairs of the company, together with the financial statements and the auditor's report for the year ended 31 March 2026.

The Governance report set out on pages 27 to 29 forms part of this report. A review of the company's key business developments in the year and an indication of likely future developments are included within the Strategic report.

Information about the use of financial instruments by the company is given in note 21 to the financial statements.

Dividends

The company has paid dividends of £70.0m in the year (2025: £175.0m). The Board recommends a final dividend for the year of £nil (2025: £nil).

On 21 May 2026 the Board approved and on 28 May 2026 the company paid an interim dividend for the year ending 31 March 2027 of £7.00 per share (totalling £70.0m).

Directors and their interests

The directors of the company at the date of this report, and details of changes made to the Board during the year and to the date of this report are set out below:

Maria Antoniou (resigned 31 July 2025)

Greg Bagwell

Ross Baker

Alistair Borthwick (resigned 31 December 2025)

Dr Harry Bush CB

Michael Campbell

Maria da Cunha (appointed 1 August 2025)

Georgina Dellacha (appointed 26 March 2026)

Sir Warren East

Gary Franklin (appointed 1 January 2026)

Gavin Merchant

Bart Prudon

Martin Rolfe

David Smith

Louise Street

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

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

Directors' indemnities

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

Employees

Contracts of employment with employees are held by the company's parent company, NATS Limited.

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

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employees in the company's performance through the All-Employee Share Ownership Plan.

The directors have regard to the safety, health and well-being 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 700-800 attendees and a separate quarterly update for the wider management team. The CEO also meets with his senior leadership team on a quarterly basis. 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 company's pay policy is explained in the Remuneration Committee's report of NATS Holdings' Annual Report and Accounts.

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

The company is also committed to improving employment opportunities for disabled people. The company will continue to promote policies and practices which provide suitable training and retraining, and development opportunities for disabled employees, including any individuals who become disabled, bearing in mind their particular aptitudes and abilities and the need to maintain a safe working environment.

The company strives to maintain the health, safety and wellbeing of employees through an appropriate culture, well-defined processes and regular monitoring. Line managers are accountable for ensuring health and safety is maintained and responsibility for ensuring compliance with both legal requirements and company policy rests with the Safety and Sustainability Director.

Business relationships

We explain on pages 24 to 26 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 18 to 19.

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

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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 the company, and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies 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 company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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 company;
- the Strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the 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 company's position and performance, business model and strategy.

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Auditor

EY LLP was appointed as statutory auditor for the financial year ended 31 March 2026, 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
25 June 2026

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

Registered in England and Wales
Company No. 04138218

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Opinion

We have audited the financial statements of NATS (En Route) plc for the year ended 31 March 2026 which comprise the Income Statement, the Balance Sheet, Cash flow statement, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 32, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and with IFRSs issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards with IFRSs issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements 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 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 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 2027, including the underlying forecast models used in the assessment.
- Confirming that the forecasts for the period to 30 June 2027 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.
- Verifying the liquidity position (cash held plus unused banking facilities) as at 31 March 2026 and 31 May 2026 by agreeing the year-end position to bank confirmations and the 31 May 2026 position to the general ledger and our subsequent event enquiries. We also ensured that we understood the covenants

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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 company 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 2027.

Given NERL's 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 licence 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 finance ability 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 2026, 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 company's ability to continue as a going concern for a period until 30 June 2027.

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 company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• 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 materiality of £9.3m (2025: £11.2m) which represents 5% of profit before income tax.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential

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impact of climate change and changes in the business environment when assessing the level of work to be performed.

Climate change

Stakeholders are increasingly interested in how climate change will impact NATS (En Route) plc. The company has determined that the most significant future impacts from climate change on its operations will be physical and transitional impacts to the company from climate change. These are explained on page 21 within the principal risks and uncertainties.

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 company'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. 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 as disclosed within principal risks and uncertainties 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.

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Risk	Our response to the risk
Overstatement of revenue recognition as a result of management override (FY26 External Revenue: £846.5m, FY25 External Revenue: £868.1m) *Accounting policies (page 51); and Note 4 of the Financial Statements (page 66)* Given 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	For all significant revenue balances (external revenue) which we deemed to be in scope, we: • 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 company's accounting policy and accounting framework. • 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 within the Extended Trial Balance as well as any journals identified as higher risk in the general ledger population. We have also used data analytics to support our procedures as detailed below: • 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 2026 has been recognised appropriately in accordance with 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.

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Risk	Our response to the risk
Valuation of Hard to Value pension scheme assets (FY26 hard to value assets: £446m, FY25 hard to value assets: £455m) *Refer to the Accounting policies (page 59); and Note 29 of the Financial Statements (page 97)* Determining the fair value of hard to value assets within the pension portfolio involves significant judgment, 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. Based on this, we have considered as a significant risk the inappropriate valuation on Level 3 assets (hard to value).	For the hard to value pension scheme assets in the company, we: • 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 fund 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 Company and where these were drawn up to 31 March 2026 compared the Company'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 2026, 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.

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Risk	Our response to the risk
	• 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.
Key observations communicated to the Audit Committee Based on our procedures performed, we are satisfied that the hard to value assets are appropriately stated and concluded that the disclosure in the Financial Statements in relation to the hard to value assets is appropriate.	

Impairment of assets under construction (FY26 carrying value of AUC within other intangible assets and PP&E: £610.1m, FY25 carrying value of AUC within other intangible assets and PP&E: £540.3m) *Refer to the Accounting policies (page 57); and Note 14 and 15 of the Financial Statements (page 75 to 76)* The Company 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 company that are capitalised to specific projects. Management makes judgements in assessing indicators of impairment and considering the feasibility of completing individual projects after they have started. 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.	For the impairment of assets under constructions procedures in the Company, we obtained management's qualitative paper and performed the following procedures: • 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-

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Risk	Our response to the risk
	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.
Key observations communicated to the Audit Committee Based on our procedures performed, we are satisfied that assets under constructions are appropriately stated and concluded that the disclosure in the Financial Statements in relation to these assets is appropriate.	

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 Company to be £9.3m (2025: £11.2m), 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.

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.

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On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £6.9m (2025: £5.6m). In the prior year, performance materiality was set at 50% of planning materiality, as it was the first year of our audit engagement.

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 £0.5m (2025: £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, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

Matters on which we are required to report by exception

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

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

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 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 18;
- 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 18;
- Directors' statement on whether it has a reasonable expectation that the company will be able to continue in operation and meets its liabilities set out on pages 18 to 19;
- Directors' statement on fair, balanced and understandable set out on page 32;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 20;
- 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 20; and
- The section describing the work of the Audit Committee set out on page 29.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company 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 the Company operates
- We understood how NATS (En Route) plc 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 Committee.
- We assessed the susceptibility of the company'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, management and internal audit, as well as performing journal entry testing, with a focus on 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

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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 journal entries testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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 company and we remain independent of the 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.

Signed by:
Ryan M Squires
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Ryan Squires (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Southampton

25 June 2026

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Income statement

for the year ended 31 March

	Notes	2026 £m	2025 £m
Revenue	4	877.8	895.7
Staff costs	7	(421.0)	(393.1)
Services and materials		(68.1)	(75.4)
Repairs and maintenance		(68.2)	(57.3)
External research and development		(0.4)	-
Depreciation, amortisation and impairment of property, plant, equipment, intangible and right-of-use assets	6	(118.4)	(128.6)
Other operating charges		(65.6)	(60.0)
Other operating income		19.5	9.9
Loss/(profit) on disposal of non-current assets		(0.4)	3.0
Deferred grants released	6	0.1	0.1
Net operating costs		(722.5)	(701.4)
Operating profit	6	155.3	194.3
Investment income	8	72.5	61.4
Fair value movement on derivative contracts	9	(15.4)	(8.2)
Finance costs	10	(26.5)	(25.2)
Profit before tax		185.9	222.3
Tax	11	(46.2)	(55.2)
Profit for the year attributable to equity shareholders		139.7	167.1

Statement of comprehensive income

for the year ended 31 March

	Notes	2026 £m	2025 £m
Profit for the year after tax		139.7	167.1
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain/(loss) on defined benefit pension scheme	29	89.6	(87.3)
Deferred tax relating to actuarial gain/(loss) on defined benefit pension scheme	24	(22.4)	8.6
Currrent tax relating to actuarial loss on defined benefit pension scheme	11	-	13.2
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of hedging derivatives		0.8	(1.7)
Transfer to income statement on cash flow hedges		(0.7)	0.9
Deferred tax relating to items that may be reclassified subsequently	24	-	0.1
Other comprehensive income/(loss) for the year, net of tax		67.3	(66.2)
Total comprehensive income for the year attributable to equity shareholders		207.0	100.9

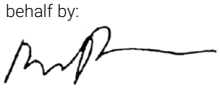
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Balance sheet

at 31 March

	Notes	2026 £m	2025 £m
Non-current assets			
Goodwill	13	38.3	38.3
Other intangible assets	14	720.1	706.1
Property, plant and equipment	15	452.6	373.4
Right-of-use assets	16	11.3	28.9
Retirement benefit asset	29	73.2	-
Trade and other receivables	17	5.1	6.6
Amounts recoverable under NERL's licence	17	561.3	617.8
Derivative financial instruments	20	-	2.1
		1,861.9	1,773.2
Current assets			
Trade and other receivables	17	162.8	143.4
Amounts recoverable under NERL's licence	17	172.8	163.4
Cash and cash equivalents	21	193.3	71.8
Derivative financial instruments	20	9.8	0.5
		538.7	379.1
Total assets		2,400.6	2,152.3
Current liabilities			
Trade and other payables	22	(135.4)	(110.6)
Amounts payable under NERL's licence	22	(11.0)	(12.5)
Current tax liabilities		(2.6)	(3.3)
Borrowings	18	(45.0)	(45.0)
Lease liabilities	19	(2.2)	(6.1)
Provisions	23	(6.1)	(2.8)
Derivative financial instruments	20	(1.6)	(80.2)
		(203.9)	(260.5)
Net current assets		334.8	118.6
Non-current liabilities			
Trade and other payables	22	(73.4)	(75.6)
Amounts payable under NERL's licence	22	(84.2)	(54.9)
Borrowings	18	(927.7)	(790.8)
Lease liabilities	19	(9.4)	(30.9)
Retirement benefit obligations	29	-	(24.3)
Deferred tax liability	24	(252.9)	(204.9)
Provisions	23	(0.7)	(10.2)
Derivative financial instruments	20	(11.7)	(0.5)
		(1,360.0)	(1,192.1)
Total liabilities		(1,563.9)	(1,452.6)
Net assets		836.7	699.7
Equity			
Called up share capital	25	10.0	10.0
Hedge reserve		(1.0)	(1.1)
Special reserve		-	34.9
Other reserves		3.8	3.8
Retained earnings		823.9	652.1
Total equity		836.7	699.7

The financial statements (Company No. 04129273) were approved by the Board of directors and authorised for issue on 25 June 2026 and signed on its behalf by:



Martin Rolfe
Chief Executive



Gary Franklin
Chief Financial Officer

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Statement of changes in equity
for the year ended 31 March

	Equity attributable to equity holders of the company					
	Share capital £m	Hedge reserve £m	Special reserve[1] £m	Other reserves[2] £m	Retained earnings £m	Total £m
At 1 April 2024	10.0	(0.4)	34.9	4.7	724.6	773.8
Profit for the year	-	-	-	-	167.1	167.1
Other comprehensive loss for the year	-	(0.7)	-	(0.9)	(64.6)	(66.2)
Total comprehensive (loss)/income for the year	-	(0.7)	-	(0.9)	102.5	100.9
Dividends paid	-	-	-	-	(175.0)	(175.0)
At 31 March 2025	10.0	(1.1)	34.9	3.8	652.1	699.7
At 1 April 2025	10.0	(1.1)	34.9	3.8	652.1	699.7
Profit for the year	-	-	-	-	139.7	139.7
Release of special reserve[1]	-	-	(34.9)	-	34.9	-
Other comprehensive income/(loss) for the year	-	0.1	-	-	67.2	67.3
Total comprehensive income/(loss) for the year	-	0.1	(34.9)	-	241.8	207.0
Dividends paid	-	-	-	-	(70.0)	(70.0)
At 31 March 2026	10.0	(1.0)	-	3.8	823.9	836.7

[1] The special reserve arose from a capital reduction in May 2003 and was released in December 2025. The special reserve release was approved by written court order on 10 December 2025.

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

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Cash flow statement
for the year ended 31 March

	Notes	2026 £m	2025 £m
Cash flows from operating activities			
Cash generated from operations	26	376.8	337.6
Tax paid		(17.4)	(10.6)
Net cash generated from operating activities		359.4	327.0
Cash flows from investing activities			
Interest received on short term investments		7.8	6.3
Purchase of property, plant and equipment		(125.7)	(56.2)
Purchase of intangible assets		(77.3)	(63.8)
Proceeds of disposal of property, plant and equipment		-	2.5
Net cash outflow from investing activities		(195.2)	(111.2)
Cash flows from financing activities			
Interest paid		(20.1)	(28.6)
Interest received on derivative financial instruments		8.9	8.8
Issue of £250m 5.250% bonds due 2036		248.9	-
Bond arrangement fees		(2.0)	-
Repayment of £450m 1.375% bonds due 2031		(45.0)	(90.0)
Drawdown of bank loan under the £400m revolving facility		85.0	70.0
Repayment of bank loan under the £400m revolving facility		(155.0)	-
Principal paid on lease liabilities		(3.2)	(6.0)
Interest paid on lease liabilities		(0.6)	(1.0)
Index-linked swaps payments		(89.2)	(11.7)
Bank facility fees		(0.4)	(1.6)
Dividends paid		(70.0)	(175.0)
Net cash outflow from financing activities		(42.7)	(235.1)
Increase/(decrease) in cash and cash equivalents during the year		121.5	(19.3)
Cash and cash equivalents at 1 April		71.8	91.1
Cash and cash equivalents at 31 March		193.3	71.8
Net debt (representing borrowings and lease liabilities, net of cash and cash equivalents (see notes 21 and 26))		(791.0)	(801.0)

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1. General information

NATS (En Route) plc (NERL) is a 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 33. The nature of the company'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 company operates.

2. Basis of preparation and accounting policies

Going concern

The company'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 21 the company's objectives, policies and processes for managing its capital and its financial risks and details its financial instruments and hedging activities.

At 31 March 2026, the company had access to liquidity of £593.3m comprising cash of £193.3m and undrawn committed bank facilities of £400.0m. At 25 June 2026, the company had access to cash and undrawn bank facilities of around £550m.

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 2027, 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 20 to 23.

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 8.4% fewer flights than the NR23 decision assumed; and an unplanned increase in operating costs. Finally, a combination scenario was also performed of lower air traffic volumes and higher operating costs. Under the most severe scenario the company maintains adequate liquidity (of £390m) and headroom (NERL gearing at 49%) 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 liquidity would be utilised or the financial covenant would be breached before both mitigating action and regard to the financeability duties of the CAA and Secretary of State for Transport. The reverse stress tests considered, before mitigation, severe reductions in traffic volumes to 9% 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 company's cash flow forecasts, reflecting reasonably plausible downside scenarios, show that the 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 company have adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial

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

- IAS 21 (amendments): *Lack of exchangeability* (effective on or after 1 January 2025) adds requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use where it is not. The company does not undertake transactions in jurisdictions affected by this amendment.

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:

- IFRS 9 and IFRS 7 (amendments): *Amendments to the Classification and Measurement of Financial Instruments* (effective on or after 1 January 2026).
- IFRS 9 and IFRS 7 (amendments): *Contracts Referencing Nature-dependent Electricity* (effective on or after 1 January 2026).
- IFRS 18: *Presentation and Disclosures in Financial Statements* (effective on or after 1 January 2027).
- IFRS 20: *Regulatory Assets and Regulatory Liabilities* (effective on or after 1 January 2029).

IFRS 18 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 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 will have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement.

The company has prepared a transition plan and is on track to report its first IFRS 18 compliant annual financial statements. This plan has considered:

- The company currently presents an operating profit subtotal in the income statement. The company is performing a detailed assessment to determine the appropriate classification of items to ensure that the operating profit subtotal will comply with the requirements of IFRS 18. The company expects changes in this regard, especially as a result of reclassifying some foreign exchange gains and losses from operating to a new investing category; reclassification of returns in relation to NERL's licence from investment income to operating; and gains or losses on some derivatives to operating. Furthermore, the new aggregation and disaggregation requirements will lead into changes to our non-staff expense headings, ensuring a useful structured summary is presented.
- The company has performed an assessment of other measures that are currently being reported outside the financial information, to determine whether or not these meet the definition of a management-defined performance measure. Currently none of the reported alternative performance measures (see page 104) fall within scope of IFRS 18.

IFRS 20 introduces a requirement for companies to report qualifying regulatory assets and regulatory liabilities in their statement of financial position, and

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related regulatory income and regulatory expense in their statement of financial performance. The UK's en route and North Atlantic air traffic control services activities are economically regulated by the CAA. These activities will fall within scope of IFRS 20. The company's current accounting policy is set out below. A detailed impact assessment is underway.

Company background

At completion of the Public Private Partnership (PPP) transaction on 26 July 2001, a transfer scheme hived down certain of the operating assets and liabilities of National Air Traffic Services Limited (now NATS Limited) to this company.

The company entered into a Management Services Agreement with NATS Limited on 25 July 2001. On 1 October 2009, this agreement was amended so that all relevant secondment obligations are now set out in an Inter-company Secondment Agreement (ISA). This agreement is the basis for the provision by NATS Limited of personnel to the company. In addition, an Inter-company Trading Agreement is the basis for the provision of central services by NATS Limited to NERL. The cost of central services is recharged based on a fair allocation of costs taking into account the most important drivers for the services provided. The company is responsible for paying to NATS Limited an amount equal to the aggregate of all costs incurred by NATS Limited in connection with the employment of the personnel together with appropriate staff related costs and expenses and disbursements.

NERL also entered into an Inter-company Trading Agreement on 25 July 2001 (amended 16 December 2014) with NATS (Services) Limited (NATS Services). Under this agreement the company provides NATS Services with the following services:

- training services;
- radar data services at NATS Services airports;
- engineering and software support services;
- research and development for NATS Services airports division and business development division; and
- other services to NATS Services business development division (for example - consultancy and engineering services).

The range of services provided by NATS Services to NERL under the agreement includes:

- North Sea helicopter advisory services;
- air traffic services in certain sectors;
- services to the London Approach service (engineering services and use of communications facilities); and
- miscellaneous other services.

The company commenced trading from 26 July 2001.

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.

In preparing the financial statements management has considered the impact of climate change, including disclosures made by NATS Holdings Limited in its annual report in accordance with the requirements for Climate-related Financial Disclosures. Climate-related risks are embedded in the directors' consideration of their duties under S172, the directors' assessment of going concern and viability and consideration of the carrying values of certain balance sheet items, such as the carrying values of the company's ATC infrastructure assets and balance sheet goodwill.

Revenue recognition

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

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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

NERL 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 company as the company 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. 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

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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 company 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.

Income from other sources

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

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

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

Amounts recoverable or payable under 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 company'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

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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 comprise accumulated realised profits less accumulated realised and unrealised losses.

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 after charging restructuring costs but before 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 the company 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. 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. In assessing value in use, the estimated future cash flows (with a RAB terminal value, as a proxy for future cash flows) are discounted to their present value using the pre-tax nominal regulated rate of return. 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 2026 (2025: 7.5%), reflecting market precedent transactions and an independent assessment undertaken in 2024 - see note 13.

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 company's development activities is recognised only if all of the following conditions are met:

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- 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 25 years
- Air traffic control systems: 5-35 years
- Plant and other equipment: 2-30 years
- Furniture, fixtures and fittings: 5-25 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 NERL, 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 NERL, 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

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

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

Leases

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

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

Measurement at inception

At the lease commencement date the lessee will recognise:

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

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

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

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a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

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

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

Short term and low-value leases

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

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

At each balance sheet date, the company 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 company 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 (with a RAB terminal value with a premium as a proxy for future cash flows).

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

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

Share-based payments

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

In 2001, the company established an All-Employee Share Ownership Plan (AESOP) for the benefit of its employees to hold 5% of the share capital of NATS Holdings Limited.

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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 and loss for the year, within wages and salaries.

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

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

Taxation

The tax 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 company intends to settle its current tax assets and liabilities on a net basis.

Foreign currency translation

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

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

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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 29):

- 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 company'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 NATS group and Trustees have introduced a number of pension reforms, as explained in note 29. These include: closing the defined benefit scheme to new entrants with effect from 1 April 2009, and establishing a defined contribution scheme for new entrants from 1 April 2009, limiting the rate of increase in pensionable pay and changing the indexation reference rate for future service.

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

Provisions

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

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets are classified as either fair value through profit and loss, fair value through other comprehensive income, or amortised cost. Classification and subsequent re-measurement depends on the company's business model for managing the financial asset and its cash flow characteristics.

The company has financial assets at amortised cost. The company does not have financial assets at fair value through profit and loss or at fair value through other comprehensive income. Detailed disclosures are set out in notes 17 to 22.

Financial assets:

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.

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Impairment of financial assets

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, such provisions are recorded in a separate provision account with the loss being recognised in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those financial assets where the credit risk has not increased significantly since initial recognition, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

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

Financial liabilities

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

Fair value through profit and loss

Financial liabilities at fair value through profit and 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

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into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

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

Reserves

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

- The special reserve which arose from a capital reduction in May 2003 and was released in December 2025, by written court order.
- Other reserves which arose on the completion of the PPP transaction in July 2001 under a statutory transfer scheme.

Derivative financial instruments and hedging activities

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

As permitted under IFRS 9, the company 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 company's policies approved by the Board of directors, which provides written principles on the use of financial derivatives. The company 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 company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

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

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

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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 company's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

Recognition of amounts recoverable and payable under NERL's licence (notes 17 and 22)

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.

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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.

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, and service performance are known. A judgement is made in relation to pension costs and the recovery of national insurance rate changes. The outcome of these judgements will generally not be 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 2026, 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 £33m lower.

The impact on revenue recognised in the first calendar quarter to 31 March 2026 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): £0.4m;
ii. Calendar year CPI inflation: £1.3m;
iii. Operating costs: £1.9m.

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

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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 publication of IFRS 20: *Regulatory Assets and Regulatory Liabilities*, which will have a significant impact on the accounting by economically regulated entities. The company is assessing the adoption requirements of this new standard.

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 company based its assumptions and estimates on parameters available when the 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 company. Such changes are reflected in the assumptions when they occur.

Retirement benefits (see note 29)

The company accounts for its defined benefit pension scheme such that the net pension scheme position is reported on the balance sheet with actuarial gains and losses being recognised directly in equity through the statement of comprehensive income. At 31 March 2026 the funding position of the scheme reported in the financial statements was a surplus of £73.2m (2025: £24.3m deficit) on liabilities of £2,298.1m (2025: £2,309.3m).

A number of key assumptions have been made in calculating the fair value of the company's defined benefit pension scheme which affect the balance sheet position and the company's reserves and income statement. A summary of the main assumptions and sensitivities are set out in note 29 to the accounts. Actual outcomes may differ materially from the assumptions used and may result in volatility in the net pension scheme position.

The company 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 company 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.

Impairment of intangible, tangible and right-of-use assets (see notes 14 to 16)

The company is undertaking a significant capital investment programme to upgrade existing ATC infrastructure. This programme requires the company 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 company 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.

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In carrying out impairment reviews of intangible and tangible assets (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.

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4. Revenue

The company has recognised the following revenue in the income statement:	2026 £m	2025 £m
Revenue from contracts with customers	867.3	884.8
Other revenue: EU funding passed to UK en route customers (see note 4a)	6.4	7.2
Other revenue: rental and sub-lease income	4.1	3.7
Revenue (see operating segments)	877.8	895.7

a) Revenue disaggregated by operating segment

The NATS 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, Defence and Other UK Business, 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 company'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 for their en route operations and European projects in conjunction with other air traffic organisations.
Other Service lines	Other services provided to UK customers including: Defence, providing air traffic control, engineering support and other services to the Ministry of Defence and support to the Aquila joint venture for its Marshall contract; and Other UK Business providing consultancy, offering airspace development, capacity improvement and training and Information, providing data to enable future efficiency and flight optimisation.

Segment information about these activities is presented below.

	2026			2025		
	External £m	Intercompany £m	Total £m	External £m	Intercompany £m	Total £m
Revenue from contracts with customers						
Airspace						
UK air traffic services:						
Services to UK en route customers	697.1	-	697.1	706.8	-	706.8
London Approach services	16.7	-	16.7	14.5	-	14.5
Infrastructure services to the MOD	52.1	-	52.1	52.9	-	52.9
Services for North Sea helicopters	10.3	-	10.3	10.1	-	10.1
Other income	3.9	-	3.9	2.1	-	2.1
	780.1	-	780.1	786.4	-	786.4
North Atlantic air traffic services:						
Services to oceanic en route customers	53.7	-	53.7	67.7	-	67.7
Intercompany revenue	-	30.3	30.3	-	26.7	26.7
	833.8	30.3	864.1	854.1	26.7	880.8
Other Service lines	3.2	-	3.2	4.0	-	4.0
Revenue from contracts with customers	837.0	30.3	867.3	858.1	26.7	884.8
Other revenue: EU funding passed to UK en route customers						
Airspace	6.4	-	6.4	7.2	-	7.2
Other revenue: rental and sub-lease income						
Airspace	1.1	1.0	2.1	1.2	0.9	2.1
Other Service lines	2.0	-	2.0	1.6	-	1.6
Revenue from other sources	3.1	1.0	4.1	2.8	0.9	3.7
Revenue	846.5	31.3	877.8	868.1	27.6	895.7

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4. Revenue (continued)

a) Revenue disaggregated by operating segment (continued)

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 2026 £6.4m (2025: £7.2m) of European funding was passed to airspace users. Accordingly, an equivalent amount was released from contract liabilities to offset the cost of the discount.

Intercompany revenue includes revenue for services to NATS (Services) Limited of £31.2m (2025: £27.5m) and to NATSNav Limited of £0.1m (2025: £0.1m).

Revenue includes Revenue from contracts with customers, including billed revenue and variable consideration under NERL's licence, and Other revenue as follows:

	2026			2025		
	External £m	Intercompany £m	Total £m	External £m	Intercompany £m	Total £m
Revenue from contract with customers, before variable consideration	795.7	30.3	826.0	834.2	26.7	860.9
Variable consideration	41.3	-	41.3	23.9	-	23.9
Revenue from contracts with customers	837.0	30.3	867.3	858.1	26.7	884.8
Other revenue: EU funding passed to UK en route customers	6.4	-	6.4	7.2	-	7.2
Other revenue: rental and sub-lease income	3.1	1.0	4.1	2.8	0.9	3.7
Revenue	846.5	31.3	877.8	868.1	27.6	895.7

b) Revenue disaggregated based on economic regulation

	2026			2025		
	External £m	Intercompany £m	Total £m	External £m	Intercompany £m	Total £m
Economically regulated income						
Airspace						
Services to UK en route customers	697.1	-	697.1	706.8	-	706.8
London Approach services	16.7	-	16.7	14.5	-	14.5
Services to oceanic en route customers	53.7	-	53.7	67.7	-	67.7
Revenue from contracts with customers	767.5	-	767.5	789.0	-	789.0
Other revenue: EU funding passed to UK en route customers	6.4	-	6.4	7.2	-	7.2
Total economically regulated income	773.9	-	773.9	796.2	-	796.2
Non-regulated income						
Airspace						
Infrastructure services to the MOD	52.1	-	52.1	52.9	-	52.9
Services for North Sea helicopters	10.3	-	10.3	10.1	-	10.1
Other income	3.9	-	3.9	2.1	-	2.1
Intercompany revenue	-	30.3	30.3	-	26.7	26.7
Other Service lines	3.2	-	3.2	4.0	-	4.0
Revenue from contracts with customers	69.5	30.3	99.8	69.1	26.7	95.8
Other revenue: rental and sub-lease income	3.1	1.0	4.1	2.8	0.9	3.7
Total non-regulated income	72.6	31.3	103.9	71.9	27.6	99.5
	846.5	31.3	877.8	868.1	27.6	895.7

Airspace services are economically regulated activities governed by the company's air traffic services licence. The revenue which the company is allowed to generate from these services is governed by the price control conditions of this licence.

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4. Revenue (continued)

c) Revenue disaggregated by timing of recognition

	2026			2025		
	External £m	Intercompany £m	Total £m	External £m	Intercompany £m	Total £m
Over time						
Revenue from contracts with customers	836.8	30.3	867.1	858.1	26.7	884.8
Other revenue: EU funding passed to UK en route customers	6.4	-	6.4	7.2	-	7.2
Other revenue: rental and sub-lease income	3.1	1.0	4.1	2.8	0.9	3.7
	846.3	31.3	877.6	868.1	27.6	895.7
At a point in time						
Revenue from contracts with customers	0.2	-	0.2	-	-	-
	846.5	31.3	877.8	868.1	27.6	895.7

d) Revenue disaggregated by geographical area

The following table provides an analysis of the company's revenue by geographical area based on the location of its customers:

	2026 £m	2025 £m
Revenue, including Other revenue: EU funding passed to UK en route customers		
United Kingdom	329.5	337.2
Other European countries	163.8	167.9
United States of America	118.1	123.4
Republic of Ireland	100.2	101.8
Countries in Asia	76.4	72.6
Germany	51.7	53.5
Other North American countries	27.1	28.6
Countries in Africa	4.5	4.3
Countries in South America	1.3	1.4
Countries in Oceania	1.1	1.3
	873.7	892.0
Other revenue: rental and sub-lease income		
United Kingdom	4.1	3.7
	877.8	895.7

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.

e) Contract balances

Contract liabilities from contracts with customers are disclosed in note 21. There were no contract assets at 31 March 2026 or 31 March 2025. Significant changes in the contract liabilities balances during the year are as follows.

	Contract liabilities	
	2026 £m	2025 £m
At 1 April	(50.5)	(57.7)
Opening contract liabilities which have now been recognised as revenue	10.4	12.1
Increases due to cash received, excluding amounts recognised as revenue during the year	(4.2)	(4.9)
At 31 March	(44.3)	(50.5)

Contract liabilities are included within "Trade and other payables" on the face of the balance sheet. The majority of contracts in the Airspace service line 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.

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4. Revenue (continued)

f) Revenue recognised from performance obligations satisfied in previous periods

For the year ended 31 March 2026, there have been no amounts recognised for performance obligations satisfied in previous periods (2025: £nil).

g) Remaining performance obligations

For the vast majority of contracts, the company has a right to consideration from the customer in an amount that corresponds directly to the value to the customer of the company'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 2026 is £nil (2025: £nil).

h) Cash flow hedged revenue from contracts with customers

A portion of the company's revenue from the provision of services denominated in foreign currencies is cash flow hedged. Included in revenue is the recycling of the effective amount of foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a £0.7m gain (2025: £0.9m loss).

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 government grants), profit/(loss) on disposal of non-current assets, employee share scheme (costs)/credits, redundancy costs, investment income, fair value movement on derivative contracts and finance costs.

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

	2026				2025			
	Airspace £m	Other Service lines £m	Costs not directly attributed to service lines £m	Total £m	Airspace £m	Other Service lines £m	Costs not directly attributed to service lines £m	Total £m
Revenue	872.6	5.2	-	877.8	890.1	5.6	-	895.7
Staff costs (excluding employee share scheme and redundancy costs)	(385.7)	(0.3)	(32.6)	(418.6)	(361.5)	(0.5)	(27.6)	(389.6)
Non-staff costs	(139.5)	(0.3)	(43.0)	(182.8)	(144.4)	(0.1)	(38.3)	(182.8)
Service line contribution	347.4	4.6	(75.6)	276.4	384.2	5.0	(65.9)	323.3
Depreciation and amortisation (net of deferred grants released)				(118.3)				(128.5)
(Loss)/profit on disposal of non-current assets				(0.4)				3.0
Employee share scheme costs				(2.3)				(2.2)
Redundancy costs				(0.1)				(1.3)
Investment income				72.5				61.4
Fair value movement on derivative contracts				(15.4)				(8.2)
Finance costs				(26.5)				(25.2)
Profit before tax				185.9				222.3

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.

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5. Operating segments (continued)

Supplementary information

EC Regulations require air navigation service providers to present income and costs, prepared under international accounting standards, for each of their air navigation services. The following disclosure is provided in this respect:

	2026			2025		
	UK air traffic services £m	North Atlantic air traffic services £m	Total £m	UK air traffic services £m	North Atlantic air traffic services £m	Total £m
Revenue	824.1	53.7	877.8	828.0	67.7	895.7
Operating costs	(676.1)	(46.4)	(722.5)	(659.3)	(42.1)	(701.4)
Operating profit	148.0	7.3	155.3	168.7	25.6	194.3

Under 'single till' principles, UK air traffic services revenue includes amounts chargeable for NERL's licence, intercompany revenue and rental and sub-lease income.

Non-current asset additions

Additions to non-current assets (including additions to right-of-use assets) presented by service line are: Airspace £208.1m (2025: £119.5m) and Other Service lines £0.7m (2025: £0.7m).

Geographical segments

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

	Non-current assets	
	2026 £m	2025 £m
United Kingdom	1,226.0	1,152.0
Other European Countries	1.2	1.0
	1,227.2	1,153.0

Information about major customers

No customer accounted for more than 10% of the company's revenue in the current year.

6. Operating profit for the year

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

	2026 £m	2025 £m
The CAA regulatory charges	5.9	5.4
Amortisation of intangible assets (note 14)	55.0	56.1
Impairment of intangible assets (note 14)	10.1	20.5
Depreciation of property, plant and equipment (note 15)	49.2	47.6
Impairment of property, plant and equipment (note 15)	0.5	1.8
Depreciation of right-of-use assets (note 16)	3.6	4.9
Reversal of impairment of right-of-use assets (note 16)	-	(2.3)
Deferred grants released	(0.1)	(0.1)
Research and development costs	10.4	11.4
Redundancy costs	0.1	1.3
R&D expenditure above the line tax credits	(4.2)	(4.3)
Foreign exchange gains	(7.1)	(2.4)
Auditors remuneration for audit services (see below)	0.6	0.6

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6. Operating profit for the year (continued)

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

Government grants relating to the purchase of property, plant and equipment 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.

Fees payable to the company's auditor for audit services to the company are disclosed above. Total non statutory audit fees are £20,000 (2025: £34,000) in respect of the NERL Regulatory accounts. Total non-audit fees of £89,000 (2025: £9,000) were incurred in respect of agreed upon procedures and reporting accountant work.

Transactions with group companies

	2026 £m	2025 £m
Net charges for services provided by parent undertaking	15.6	15.5
Charges for services provided by other group companies	19.6	17.8
Charges for seconded staff under the terms of the ISA provided by NATS Limited (see below)	469.4	433.0

NATS Limited, the immediate parent company, is responsible for employing the staff engaged in the activities carried out by NERL. In addition to the staff costs referred to in note 7a) below, NERL is responsible under the Inter-company Secondment Agreement (ISA) for reimbursing NATS Limited for all other staff related costs which it incurs on behalf of the employees seconded to NERL (including all taxes and social security, redundancy and pension costs) together with appropriate staff related costs and expenses and disbursements. Under the Inter-company Trading Agreement (ICTA) NATS Services provides certain services to NERL. The ISA and ICTA are explained in more detail in note 2.

7. Staff costs

a) Staff costs

	2026 £m	2025 £m
Salaries and staff costs were as follows:		
Wages and salaries	344.9	321.8
Employee share scheme costs (note 28)	2.3	2.2
Social security costs	47.4	38.9
Pension costs (note 7b)	74.9	70.1
	469.5	433.0
Less: Amounts capitalised	(48.5)	(39.9)
	421.0	393.1

Wages and salaries include other allowances and holiday pay.

b) Pension costs (see note 29)

	2026 £m	2025 £m
Defined benefit scheme	32.1	33.7
Defined contribution scheme	42.8	36.4
	74.9	70.1

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.

c) Staff numbers

	2026 No.	2025 No.
The monthly average number of employees (including executive directors) was:		
Air traffic controllers	1,244	1,212
Air traffic service assistants	754	554
Engineers	586	710
Others	1,044	1,007
	3,628	3,483
The number of employees (including executive directors) in post at 31 March was:	3,708	3,561

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8. Investment income

	2026 £m	2025 £m
Interest on bank deposits	6.8	5.9
Other loans and receivables	65.7	55.5
	72.5	61.4

Interest on bank deposits has been earned on financial assets, including cash and cash equivalents and short term investments. Other loans and receivables includes £31.7m (2025: £25.2m) being an allowance included in the unit charge for financing the Covid income shortfall over its extended recovery period, £21.7m (2025: £18.1m) in relation to the effect of unwinding the discount on amounts receivable after more than one year, £8.9m (2025: £8.8m) of RPI swap interest and other amounts of £3.4m (2025: £3.4m).

9. Fair value movement on derivative contracts

	2026 £m	2025 £m
Charge arising from change in the fair value of derivatives not qualifying for hedge accounting	(15.4)	(8.2)

10. Finance costs

	2026 £m	2025 £m
Interest on bank loans and hedging instruments	2.4	1.9
Bond and related costs including financing expenses	21.6	18.4
Interest on lease liabilities (see note 19)	0.6	1.0
Other finance costs	1.9	3.9
	26.5	25.2

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

11. Tax

	2026 £m	2025 £m
Corporation tax		
Current tax	20.3	44.6
Group relief payable	-	1.3
Adjustments in respect of prior year	0.3	1.1
	20.6	47.0
Deferred tax (see note 24)		
Origination and reversal of temporary timing differences	25.9	7.8
Adjustments in respect of prior year	(0.3)	0.4
	25.6	8.2
	46.2	55.2

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11. Tax (continued)

Corporation tax is calculated at 25% (2025: 25%) of the estimated assessable profit for the year.

The total tax charge for the year can be reconciled to the profit per the income statement as follows:	2026 £m	2026 %	2025 £m	2025 %
Profit before tax	185.9		222.3	
Tax on profit at standard rate in the UK of 25% (2025: 25%)	46.5	25.0%	55.6	25.0%
Tax effect of prior year adjustments - current tax	0.3	0.2%	1.1	0.5%
Tax effect of prior year adjustments - deferred tax	(0.3)	(0.2%)	0.4	0.2%
Patent box [1]	(0.4)	(0.2%)	(0.8)	(0.4%)
Employee share scheme: timing differences over vesting period of shares [2]	0.9	0.5%	0.5	0.2%
Employee share scheme: impact of new shares issued	(0.9)	(0.5%)	(0.2)	(0.1%)
Employee share scheme: impact of changes in the share price [3]	0.1	-	-	-
R&D expenditure credits	-	-	(0.1)	-
Profit on disposal of ineligible PPE assets	-	-	(0.6)	(0.3%)
Other temporary timing differences - index-linked swaps	-	-	(0.5)	(0.2%)
Other permanent differences	-	-	(0.2)	(0.1%)
Total tax charge for year at an effective tax rate of 24.8% (2025: 24.8%)	46.2	24.8%	55.2	24.8%
Deferred tax charge/(credit) taken directly to equity (see note 24)	22.4		(8.7)	

(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.
(3) Under UK HMRC regulations, costs (or credits) which arise from changes in the market value of employee shares are not deductible (or chargeable) for UK tax purposes.

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 company does not have any material uncertain tax positions.

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:	2026 £m	2026 %	2025 £m	2025 %
Profit before tax	185.9		222.3	
Tax on profit at standard rate in the UK of 25% (2025: 25%)	46.5	25.0%	55.6	25.0%
Expenses not deductible for tax purposes				
- R&D expenditure tax credit	-	-	0.6	0.3%
- profit on disposal of ineligible PPE assets	-	-	(0.6)	(0.3%)
Capital allowances in excess of depreciation				
- capital allowances	(47.1)	(25.3%)	(33.7)	(15.2%)
- depreciation and amortisation on eligible assets	28.7	15.4%	31.6	14.2%
Other temporary differences - fixed assets				
- capitalised revenue expenditure	(3.8)	(2.0%)	(4.6)	(2.0%)
- amortisation of capital grants	-	-	(0.4)	(0.2%)
Other temporary timing differences	(3.2)	(1.7%)	(1.3)	(0.6%)
Other deductions for tax purposes				
- employee share scheme: timing differences over vesting period of shares	0.4	0.2%	0.5	0.2%
- employee share scheme: impact of new shares issued	(0.9)	(0.5%)	(1.0)	(0.4%)
- employee share scheme: impact of changes in the share price	0.1	-	-	-
- patent box	(0.4)	(0.2%)	(0.8)	(0.4%)
Pension contributions paid in excess of charge to income statement	-	-	(13.2)	(5.9%)
Other permanent differences	-	-	-	-
Adjustments to tax charge in respect of previous periods	0.3	0.2%	1.1	0.5%
Current tax charge for year at an effective tax rate of 11.1% (2025: 15.2%)	20.6	11.1%	33.8	15.2%

The total current tax charge comprises a £20.4m charge to the Income statement (2025: £47.0m charge) and a £nil credit to the Statement of comprehensive income (2025: £13.2m credit) in relation to contributions to the defined benefit pension scheme.

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12. Dividends

	2026 £m	2025 £m
Amounts recognised as dividends to equity shareholders in the year:		
First interim dividend of £7.00 per share (2025: £8.75 per share)	70.0	87.5
Second interim dividend of £nil per share (2025: £8.75 per share)	-	87.5
	70.0	175.0

The first interim dividend totalling £70.0m was approved on 25 September 2025 and paid on 26 September 2025.

On 21 May 2026 the Board approved and on 28 May 2026 the company paid an interim dividend for the year ending 31 March 2027 of £7.00 per share (totalling £70.0m).

13. Goodwill

	£m
Cost	
At 31 March 2025 and 31 March 2026	351.0
Accumulated impairment losses	
At 31 March 2025 and 31 March 2026	312.7
Carrying amount	
At 31 March 2026	38.3
At 31 March 2025	38.3
At 1 April 2024	38.3

The amounts disclosed above relate to the Airspace service line. The company 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 £2,072.4m; 2025: £2,074.0m), 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 2026 was determined to be 7.5% (2025: 7.5%).

The carrying value of goodwill at 31 March 2026 was not impaired (2025: not impaired) as the book value of the net assets of the Airspace service line of £1,809m (2025: £1,787m) was below the fair value less costs of disposal of £2,227m (2025: £2,229m). Fair value less costs of disposal was higher than value in use at 31 March 2026. Goodwill would be impaired if the RAB premium was assessed to be a discount of 13% (2025: 14%).

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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 2024	550.0	125.7	196.9	407.2	1,279.8
Additions internally generated	4.9	0.2	2.7	22.2	30.0
Additions externally acquired	3.0	0.3	1.7	26.4	31.4
Disposals during the year	(1.0)	-	(1.9)	-	(2.9)
Transfers during the year	37.2	0.9	11.3	(23.5)	25.9
At 31 March 2025	594.1	127.1	210.7	432.3	1,364.2
Additions internally generated	2.9	4.5	0.2	24.2	31.8
Additions externally acquired	2.9	0.6	2.6	52.3	58.4
Disposals during the year	-	(0.2)	-	-	(0.2)
Transfers during the year	45.7	12.0	4.8	(73.5)	(11.0)
Reclassification during the year	0.1	0.7	-	(0.8)	-
At 31 March 2026	645.7	144.7	218.3	434.5	1,443.2
Accumulated amortisation					
At 1 April 2024	363.3	114.2	78.8	26.3	582.6
Charge for the year	28.2	5.6	22.3	-	56.1
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)
At 31 March 2025	390.7	119.9	105.7	41.8	658.1
Charge for the year	28.8	4.7	21.5	-	55.0
Impairment provision recognised in income statement	-	-	-	10.1	10.1
Transfer of impairment provision	38.6	-	3.2	(41.8)	-
Disposals during the year	-	(0.1)	-	-	(0.1)
At 31 March 2026	458.1	124.5	130.4	10.1	723.1
Carrying amount					
At 31 March 2026	187.6	20.2	87.9	424.4	720.1
At 31 March 2025	203.4	7.2	105.0	390.5	706.1
At 1 April 2024	186.7	11.5	118.1	380.9	697.2

An annual assessment 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 £10.1m (2025: £20.5m) were made, which included airspace design, flight data storage and data integration assets under the course of construction, which are no longer considered technically feasible.

The reclassification during the year relates to assets that have subsequently been identified as meeting the test to commence amortisation, being in the condition and location intended for use, in the prior year. The reclassification presents the impact of reflecting this adjustment in the current year.

Other transfers during the year reflect the transfer of completed assets under construction to the appropriate operating asset classification. This assessment is made at asset completion and includes transfers between property, plant and equipment and other intangible assets.

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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 2024	251.2	41.5	1,479.3	29.7	146.5	1,948.2
Additions during the year	1.2	0.2	9.1	1.5	45.9	57.9
Disposals during the year	-	-	(1.2)	-	-	(1.2)
Other transfers during the year	2.8	0.4	11.2	0.8	(41.1)	(25.9)
At 31 March 2025	255.2	42.1	1,498.4	32.0	151.3	1,979.0
Additions during the year	33.3	0.3	16.1	1.3	67.2	118.2
Disposals during the year	-	(0.6)	(0.6)	-	-	(1.2)
Other transfers during the year	1.9	-	27.1	0.6	(18.6)	11.0
Reclassification during the year	-	0.1	11.4	2.5	(14.0)	-
At 31 March 2026	290.4	41.9	1,552.4	36.4	185.9	2,107.0
Accumulated depreciation and impairment						
At 1 April 2024	183.5	39.6	1,311.9	22.1	0.6	1,557.7
Provided during the year	7.0	0.4	38.7	1.5	-	47.6
Impairment provision recognised in income statement	-	-	0.3	-	1.5	1.8
Transfer of impairment provision	-	-	-	-	(0.6)	(0.6)
Disposals during the year	-	-	(0.9)	-	-	(0.9)
At 31 March 2025	190.5	40.0	1,350.0	23.6	1.5	1,605.6
Provided during the year	5.7	0.4	39.9	3.2	-	49.2
Impairment provision recognised in income statement	-	-	0.1	-	0.4	0.5
Transfer of impairment provision	-	-	1.6	0.1	(1.7)	-
Disposals during the year	-	(0.5)	(0.4)	-	-	(0.9)
At 31 March 2026	196.2	39.9	1,391.2	26.9	0.2	1,654.4
Carrying amount						
At 31 March 2026	94.2	2.0	161.2	9.5	185.7	452.6
At 31 March 2025	64.7	2.1	148.4	8.4	149.8	373.4
At 1 April 2024	67.7	1.9	167.4	7.6	145.9	390.5

During the year, the company completed the purchase of the previously leased site of the Whiteley head office, which resulted in a net addition to freehold land and buildings of £31.7m. The acquisition cost of £40.1m was partially offset by a credit of £8.5m which arose from the derecognition of the right-of-use assets (see note 16) and associated lease liability.

The company 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 £0.5m (2025: £1.8m) were made, which included an electronic flight display which has been replaced.

The reclassification during the year relates to assets that have subsequently been identified as meeting the test to commence depreciation, being in the condition and location intended for use, in the prior year. The reclassification presents the impact of reflecting this adjustment in the current year.

Other transfers during the year reflect the transfer of completed assets under construction to the appropriate operating asset classification. This assessment is made at asset completion and includes transfers between property, plant and equipment and other intangible assets.

During the year the company capitalised £1.5m (2025: £0.8m) of general borrowing costs at a capitalisation rate of 1.80% (2025: 1.51%), in accordance with IAS 23: *Borrowing Costs*, relating to both property, plant and equipment and other intangible assets.

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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 2024	60.2	2.3	0.8	63.3
Additions during the year	0.7	-	0.2	0.9
Effect of modification to lease terms	0.3	-	-	0.3
Terminations during the year	(2.4)	-	-	(2.4)
At 31 March 2025	58.8	2.3	1.0	62.1
Additions during the year	0.2	-	0.2	0.4
Effect of modification to lease terms	0.3	-	0.8	1.1
Terminations during the year	(37.8)	-	(0.1)	(37.9)
At 31 March 2026	21.5	2.3	1.9	25.7
Accumulated depreciation and impairment				
At 1 April 2024	30.1	1.6	0.2	31.9
Provided during the year	4.4	0.3	0.2	4.9
Impairment provision reversal recognised in income statement	(2.3)	-	-	(2.3)
Terminations during the year	(1.3)	-	-	(1.3)
At 31 March 2025	30.9	1.9	0.4	33.2
Provided during the year	3.0	0.2	0.4	3.6
Terminations during the year	(22.3)	-	(0.1)	(22.4)
At 31 March 2026	11.6	2.1	0.7	14.4
Carrying amount				
At 31 March 2026	9.9	0.2	1.2	11.3
At 31 March 2025	27.9	0.4	0.6	28.9
At 1 April 2024	30.1	0.7	0.6	31.4

The company conducts annual reviews of the carrying values of its right-of-use assets where there is an indicator of impairment. During the prior year, the company reversed an impairment charge of £2.3m, 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.

During the year, the company completed the purchase of the site of the Whiteley head office, resulting in termination of the existing lease arrangement, which had previously been recognised as a right-of-use asset. As a result, leasehold land and buildings right-of-use assets with a cost of £37.8m and accumulated depreciation and impairment of £22.3m were derecognised.

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17. Financial and other assets

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

Trade and other receivables

	2026 £m	2025 £m
Non-current		
Receivable from customers gross	0.2	0.3
Prepayments	4.9	6.3
	5.1	6.6
Current		
Receivable from customers gross	148.5	138.9
Less: expected credit loss provision	(9.2)	(9.5)
	139.3	129.4
Other debtors	7.8	2.3
Amounts due from fellow subsidiary undertaking (NATS (Services) Limited)	0.9	-
Amounts due from fellow subsidiary undertaking (NATSNav Limited)	1.8	-
Prepayments	13.0	11.7
	162.8	143.4

The average credit period on sales of services is 32 days (2025: 33 days). Interest is charged by Eurocontrol to UK en route customers at 12.38% (2025: 13.79%) on balances outstanding after more than 30 days.

Receivables from customers which are current include unbilled revenue for services provided in March 2026. Prior year receivables from customers included unbilled revenue for services provided in March 2025.

Amounts recoverable under NERL's licence

	2026 £m	2025 £m
Non-current		
Amounts recoverable under NERL's licence	561.3	617.8
Current		
Amounts recoverable under NERL's licence	172.8	163.4

Movement in amounts recoverable under NERL's licence

	2026 £m	2025 £m
Balance at the beginning of the year	781.2	799.0
Amounts recognised during the year (discounted to present value)	78.5	166.0
Net discounting for new amounts recognised and impact of unwind of discount for the passage of time	14.4	4.0
Amounts recovered from charges levied in the year	(140.0)	(187.8)
Balance at the end of the year	734.1	781.2

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 2027. The balance includes; amounts relating to the Covid income shortfall of £449.3m (2025: £506.0m) which will be recovered across the remainder of NR23 and the five years of the NR28 price control; amounts relating to inflationary allowances of £86.2m (2025: £43.8m) which will be recovered on an "n+2" basis and an amount of £20.7m relating to pension pass through (2025: £24.0m) which includes £3.7m arising in Reference Period 1 to be recovered by 31 December 2030 and £17.0m 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 and 2, the recovery of the relevant portion of the Covid income shortfall and revenue allowances relating to 2024 which have been deferred by the regulator's price profiling and differences between actual and assumed NR23 inflation and traffic volumes in respect of 2024 and 2025. The amounts will be included in the unit rates to be charged in the financial year ending 31 March 2027.

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17. Financial and other assets (continued)

Movement in the expected credit loss provision

	2026 £m	2025 £m
Balance at the beginning of the year	9.5	9.9
Increase in allowance recognised in the income statement	0.6	0.5
Foreign exchange movement in the year	0.4	(0.1)
Amounts recovered during the year	-	0.1
Amounts written off as irrecoverable	(1.3)	(0.9)
Balance at the end of the year	9.2	9.5

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. In order to measure the expected credit losses, the credit risk characteristics of trade receivables have been considered. Based on this, trade receivables 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 2026 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.

At 31 March the lifetime expected credit loss provision for trade receivables and amounts due from fellow subsidiary undertakings are as follows:

	2026								
		Receivables - months past due							
	Unbilled income	Current	1 month	2-3 months	4-6 months	7-12 months	>12 months	In admin-istration	Total £m
Expected credit loss rate (%)	0.8%	0.8%	16.6%	29.3%	89.9%	77.2%	73.4%	100.0%	
Gross carrying amount (£m)	70.0	71.6	1.3	0.5	0.3	0.1	0.8	6.8	151.4
Lifetime expected credit loss (£m)	0.6	0.6	0.2	0.1	0.2	0.1	0.6	6.8	9.2

	2025								
		Receivables - months past due							
	Unbilled income	Current	1 month	2-3 months	4-6 months	7-12 months	>12 months	In admin-istration	Total £m
Expected credit loss rate (%)	0.7%	0.7%	21.8%	51.3%	78.9%	72.5%	93.7%	100.0%	
Gross carrying amount (£m)	65.8	63.3	1.1	0.6	0.4	0.5	0.8	6.7	139.2
Lifetime expected credit loss (£m)	0.5	0.4	0.2	0.3	0.3	0.4	0.7	6.7	9.5

As at 31 March 2026, trade receivables of £6.8m (2025: £6.7m) had lifetime expected credit losses of the full value of the receivables. These receivables are in administration, receivership or liquidation.

Cash and cash equivalents

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

Overall, the maximum credit risk relating to cash and cash equivalents and trade and other receivables, excluding amounts recoverable under NERL's licence, prepayments and VAT receivable, would be £336.6m (2025: £202.2m).

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18. Borrowings

	2026 £m	2025 £m
Unsecured at amortised cost		
Bank loans	-	70.0
£450m 1.375% bonds due 2031	313.3	357.7
£445m 1.750% bonds due 2033	413.6	409.6
£250m 5.250% bonds due 2036	247.1	-
Gross borrowings	974.0	837.3
Unamortised bank facility fees	(1.3)	(1.5)
	972.7	835.8
Amounts due for settlement within 12 months	45.0	45.0
Amounts due for settlement after 12 months	927.7	790.8

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 November 2025, NERL issued £250m of senior unsecured fixed rate bonds with a coupon of 5.25%. The bonds were issued at a price of £99.572, reflective of the prevailing market conditions, raising net proceeds of £249m. Following issuance of the bonds, NERL repaid £60m of outstanding drawings under the revolving facility agreement.

In December 2025 NERL and its syndicate banks agreed to extend the expiry of the £400m revolving facility agreement by one year to December 2028. The facility contains one further option, exercisable by December 2026 and subject to bank agreement, to extend the loan by another year to December 2029.

The average effective interest rate on the bank loans in the year was 4.6% (2025: 5.4%) and was determined based on the Sterling Overnight Index Average (SONIA) rates plus a margin of 0.39%.

Undrawn committed facilities	2026 £m	2025 £m
Undrawn committed facilities expire as follows:		
Expiring in more than two years	400.0	330.0

At 31 March 2026, NERL had outstanding drawings of £nil (2025: £70.0m) against its revolving facility agreement.

19. Leases

Details of the carrying values of right-of-use assets under lease agreements, and the depreciation charge for right-of-use assets included in the income statement are reported in note 16.

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

	2026 £m	2025 £m
Due within one year or less	2.6	7.0
Due between one and two years	2.5	6.8
Due between two and five years	5.9	19.6
Due in more than five years	1.9	6.9
	12.9	40.3
Less: future finance charges	(1.3)	(3.3)
	11.6	37.0
Analysed as:		
Current	2.2	6.1
Non-current	9.4	30.9
	11.6	37.0

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19. Leases (continued)

The income statement includes the following amounts relating to leases:

	2026 £m	2025 £m
Interest on lease liabilities (see note 10)	0.6	1.0
Short term lease expense	0.3	0.1

Nature of leasing activities

The company 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 company also leases certain items of plant, equipment and vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

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

Year ended 31 March 2026	Lease contracts No.	Fixed payments %[(i)]	Variable payments %[(i)]	Sensitivity £m
Property leases with payments linked to inflation	53	n/a	58.1%	0.3
Property leases with periodic uplifts to market rentals	42	n/a	29.2%	0.2
Property leases with fixed payments	1	-	n/a	n/a
Leases of plant and equipment	2	1.6%	n/a	n/a
Vehicle leases	55	11.1%	n/a	n/a
	153	12.7%	87.3%	0.5

Year ended 31 March 2025	Lease contracts No.	Fixed payments %[(i)]	Variable payments %[(i)]	Sensitivity £m
Property leases with payments linked to inflation	51	n/a	20.5%	0.4
Property leases with periodic uplifts to market rentals	47	n/a	76.6%	1.4
Property leases with fixed payments	-	-	n/a	n/a
Leases of plant and equipment	2	1.2%	n/a	n/a
Vehicle leases	49	1.7%	n/a	n/a
	149	2.9%	97.1%	1.8

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

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

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

At 31 March 2026, 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 company would not exercise its right to break the lease. In addition, the carrying amounts of some leases include the period to which the company is reasonably certain that options to extend the leases will be exercised. The remaining lease payments on all these leases is £8.9m (2025: £12.9m), of which £5.3m (2025: £6.3m) is potentially avoidable if the leases were not extended and a further £2.7m (2025: £5.0m) is potentially avoidable were the company to exercise break clauses at the earliest opportunity.

The amount for leases not yet commenced to which the company is committed at 31 March 2026 is £nil (2025: £nil).

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20. Derivative financial instruments

Fair value of derivative financial instruments

	2026 £m	2025 £m
Non-current assets		
Derivative financial instruments classified as held for trading		
Index-linked swaps	-	2.1
	-	2.1
Current assets		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	0.7	0.5
Derivative financial instruments classified as held for trading		
Index-linked swaps	9.1	-
	9.8	0.5
Current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	(1.6)	(1.8)
Derivative financial instruments classified as held for trading		
Index-linked swaps	-	(78.4)
	(1.6)	(80.2)
Non-current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	(0.1)	(0.5)
Derivative financial instruments classified as held for trading		
Index-linked swaps	(11.6)	-
	(11.7)	(0.5)

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

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

21. Financial instruments

Capital risk management

The company manages its capital to ensure that it is able to continue as a going concern, to meet its obligations under its air traffic services licence and to fund returns to shareholders. The capital structure of the company consists of borrowings, as disclosed in note 18, cash and cash equivalents, as shown in this note, and equity attributable to shareholders as disclosed in the statement of changes in equity.

External capital requirements

The 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 company to target a credit profile that exceeds BBB-/Baa3.

As at 31 March 2026, NERL had a credit rating of A+ (stable outlook) from Standard & Poor's (2025: A+ (stable outlook)) and A2 (stable outlook) from Moody's (2025: A2 (stable outlook)).

Gearing ratio

The company sets a monitoring threshold level over its gearing ratio, measured as the 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 the company to remedy the position if this cap is exceeded. NERL's gearing ratio at 31 March 2026 was 39.4% (2025: 42.5%).

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21. Financial instruments (continued)

Categories of financial instrument

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

	2026 £m	2025 £m
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	143.3	130.4
Cash and cash equivalents	193.3	71.8
	336.6	202.2
Derivative financial instruments		
In designated hedge accounting relationships	0.7	0.5
At fair value through profit and loss	9.1	2.1
	9.8	2.6
	346.4	204.8
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	(136.8)	(107.7)
Borrowings	(972.7)	(835.8)
Lease liabilities	(11.6)	(37.0)
	(1,121.1)	(980.5)
Derivative financial instruments		
In designated hedge accounting relationships	(1.7)	(2.3)
At fair value through profit and loss	(11.6)	(78.4)
	(13.3)	(80.7)
	(1,134.4)	(1,061.2)

Financial assets at amortised cost includes balances for trade and other receivables (excluding prepayments of £17.9m (2025: £18.0m) and VAT of £6.7m (2025: £1.6m)) and cash and cash equivalents.

Financial liabilities at amortised cost includes balances for trade and other payables (excluding contract liabilities of £44.3m (2025: £50.5m) and deferred income of £27.7m (2025: £28.0m)), bond and bank borrowings and lease liabilities.

The index-linked swaps are categorised as held for trading. During the year £12.6m of amortisation payments (2025: £11.7m) were made in relation to the amortising index-linked swap, with the final payment made on 31 March 2026 resulting in the termination of that swap. Additionally in March 2026, a further payment of £76.6m (2025: £nil) was made in respect of the 10-year index-linked bullet repayment swap maturing in 2031. This payment represented the first of the two bullet repayments of accreted inflation due over the ten-year term.

Taking into account the index-linked swap amortisation payments, a charge arising from the change in fair value of £15.4m has been recorded in the income statement in the year (2025: £8.2m) for the market value movement in the RPI swap liability. The increase in the charge for the year largely reflects the impact that future inflation expectations, driven by global inflationary pressures and macroeconomic uncertainty, have had on the fair value changes for the remaining obligation under the £200m (notional) 10-year index-linked swap.

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 company'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 company 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.

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21. Financial instruments (continued)

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 company 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.

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

	Assets		Liabilities	
	2026 £m	2025 £m	2026 £m	2025 £m
Euro	72.8	66.9	(6.1)	(5.4)
US dollar	0.4	0.5	(1.1)	(0.6)
Canadian dollar	0.1	0.2	(1.2)	(0.8)
	73.3	67.6	(8.4)	(6.8)

Foreign currency sensitivity analysis

The company has assets and liabilities denominated in foreign currencies including cash balances of £8.9m at 31 March 2026 (2025: £8.0m) in euro, US dollars and Canadian dollars. Trade and other receivables and trade and other payables include balances of £63.9m (2025: £58.9m) and £5.8m (2025: £4.1m) of euro denominated balances respectively. Furthermore, the company 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 company'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	2026 Impact £m	2025 Impact £m
Euro	11.8	9.2
US dollar	(3.6)	(5.5)
Canadian dollar	(0.5)	(0.5)
	7.7	3.2

There was an overall increase in currency exposure, primarily reflecting a drop in forward contract purchases of both euros and dollars. The company believes that this sensitivity analysis accurately reflects its inherent foreign exchange risk.

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21. Financial instruments (continued)

Forward foreign exchange contracts

Throughout the year the company 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 company 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:

	2026			2025		
Euro sold	£m	€m	Average exchange rate	£m	€m	Average exchange rate
0-90 days	208.4	239.1	0.8714	189.7	226.2	0.8387
91-365 days	8.8	10.1	0.8673	9.0	10.3	0.8667
> 365 days	-	-	-	9.2	10.7	0.8656
	217.2	249.2	0.8712	207.9	247.2	0.8410
Euro bought	€m	£m		€m	£m	
0-90 days	8.6	7.5	0.8781	12.8	10.8	0.8442
91-365 days	24.1	21.3	0.8849	24.4	21.6	0.8835
> 365 days	3.9	3.5	0.8936	25.3	22.4	0.8847
	36.6	32.3	0.8842	62.5	54.8	0.8759
US dollar sold	£m	US$ m		£m	US$ m	
91-365 days	-	-	-	2.0	2.6	1.3045
	-	-	-	2.0	2.6	1.3045
US dollar bought	US$ m	£m		US$ m	£m	
0-90 days	7.1	5.4	1.3197	6.7	5.3	1.2660
91-365 days	40.4	31.1	1.2976	40.5	31.6	1.2805
> 365 days	0.1	0.1	1.2175	25.5	19.9	1.2836
	47.6	36.6	1.3006	72.7	56.8	1.2802
Canadian dollar bought	CAD m	£m		CAD m	£m	
0-90 days	3.6	2.0	1.8180	3.8	2.1	1.8413
91-365 days	3.8	2.1	1.7967	1.1	0.6	1.7563
> 365 days	3.2	1.9	1.7143	4.8	2.8	1.7222
	10.6	6.0	1.7779	9.7	5.5	1.7710

At 31 March 2026, 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 £1.4m (2025: £1.4m 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 31 March 2026 NERL entered into an average rate forward agreement with a fixing date after 31 March 2026 to sell euro anticipated to be received in July 2026 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 £85.0m (2025: £77.4m).

Interest rate risk management

NERL 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 are kept under continuous review.

The company seeks to minimise exposure to movements in interest rates by ensuring that it 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 company's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note. The company held no interest rate swaps at 31 March 2026 (2025: none).

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21. Financial instruments (continued)

Economic interest rate exposure

The company's cash balances were as follows:

Currency	2026 Amount £m	2026 Economic interest rate %	2026 Average maturity days	2025 Amount £m	2025 Economic interest rate %	2025 Average maturity days
Sterling	184.4	3.8	11	63.8	4.5	6
Euro	8.4	1.8	1	7.5	1.4	1
US dollar	0.4	-	1	0.3	-	1
Canadian dollar	0.1	-	1	0.2	-	1
	193.3			71.8		

The economic interest rate reflects the true underlying cash rate that the company 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 company's borrowings is presented below:

	Total £m	Variable rate £m	Fixed rate £m	Economic interest rate %	Weighted average time for which rate is fixed years
At 31 March 2026					
Sterling:					
£450m 1.375% bonds due 2031	313.3	-	313.3	1.38%	3.1
£445m 1.750% bonds due 2033	413.6	-	413.6	1.88%	7.5
£250m 5.250% bonds due 2036	247.1	-	247.1	5.31%	10.0
Lease liabilities	11.6	-	11.6	3.11%	6.3
Total	985.6	-	985.6		
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	37.0	-	37.0	2.66%	6.4
Total	874.3	70.0	804.3		

The following table shows the percentage of fixed, index-linked and floating rate debt as a percentage of 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.

	2026 £m	2026 %	2025 £m	2025 %
Fixed (net of bond discount and issue costs)	785.6	99.3	594.1	74.2
Index-linked (effected via inflation swaps)	200.0	25.3	210.2	26.2
Floating (net of cash and facility costs)	(194.6)	(24.6)	(3.3)	(0.4)
Net debt	791.0	100.0	801.0	100.0

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21. Financial instruments (continued)

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 company'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.

	2026 Impact £m	2025 Impact £m
Cash at bank and short term deposits (2026: £193.3m, 2025: £71.8m)	1.9	0.7
Borrowings (2026: £nil, 2025: £70.0m)	-	(0.7)
	1.9	-

At 31 March 2026 the company was less exposed to an increase in interest rates, reflecting the decrease in floating rate liabilities since 31 March 2025. The increase in sensitivity primarily reflects the higher cash balance at 31 March 2026 rather than changes to the underlying interest rate exposure.

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 company's exposure to these inflation swaps:

	Notional index-linked swaps (by amortisation or termination date)					Interest rate % (weighted average)	
	Within one year £m	Between one and five years £m	Between five and 15 years £m	Total £m	Marked to market £m	Payable %	Receivable %
At 31 March 2026							
Inflation swap							
Bullet repayment swap fixed to RPI, maturing in 2031	-	200.0	-	200.0	2.5	(2.14%)	1.53%
	-	200.0	-	200.0	2.5		
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		

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21. Financial instruments (continued)

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 the company is required to make under the swap contracts and so impact 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%.

	2026 Impact £m	2025 Impact £m
Change in mark to market value	(12.2)	(14.9)

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 £1.0m (2025: £1.6m). 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 company. The company's exposure to credit risk arises from the risk of default by customers on settlement of trade receivables and contract assets and from the risk of a failure of a financial institution in which funds are invested for return or held for trading purposes or with whom derivative contracts are entered into. The risk of loss from default by customers and the mitigations against this risk are explained in note 17. With regard to funds or contracts held with financial institutions, the company's policy is to transact with counterparties that hold a minimum credit rating as supplied by independent rating agencies, Standard & Poor's, Moody's and Fitch Ratings.

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

The company's cash and cash equivalents take the form of cash at bank of £1.7m (2025: £4.7m), bank term deposits of £40.0m (2025: £10.0m) and money market fund investments of £151.6m (2025: £57.1m). Bank term deposits with maturities up to 3 months and between 3 and 6 months are only entered into with institutions holding a long term minimum credit rating of A- and A+ respectively from Standard & Poor's or Fitch Ratings and A3 and A1 respectively from Moody's. Money market fund investments are restricted to AAA rated liquidity funds and must have same-day access.

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

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

	2026			2025		
Rating (Standard & Poor's)	Number of institutions	£m	By credit rating %	Number of institutions	£m	By credit rating %
AAA	4	151.6	78.4	4	57.1	79.6
A+	2	16.7	8.7	1	4.7	6.5
A	1	25.0	12.9	1	10.0	13.9
		193.3	100.0		71.8	100.0

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21. Financial instruments (continued)

Liquidity risk management

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

The policy is to:

a. maintain free cash such that at any time it is not less than £50m. Free cash is defined as cash and cash equivalents and short term investments;

b. 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 2026 NERL had access to undrawn bank facilities totalling £400m;

c. ensure access to long term funding to finance its long term assets;

d. ensure that the ratio of bank funding to total gross borrowings does not exceed 75%; and

e. maintain a portfolio of debt diversified by source and maturity.

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

	2026 £m	2025 £m
Bank borrowings	-	70.0
Gross borrowings (including lease liabilities)	985.6	874.3
Bank borrowings as a percentage of gross borrowings	0.0%	8.0%

Maturity of borrowings

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

	2026				2025			
	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	2.6	70.3	124.3	197.2	7.0	61.5	98.1	166.6
Between one and two years	2.5	69.6	1.9	74.0	6.8	60.2	0.8	67.8
Due between two and five years	5.9	293.3	10.6	309.8	19.6	328.8	-	348.4
Due in more than five years	1.9	780.1	-	782.0	6.9	517.9	8.8	533.6
	12.9	1,213.3	136.8	1,363.0	40.3	968.4	107.7	1,116.4
Effect of interest, discount and unamortised bond issue and bank facility fees	(1.3)	(240.6)	-	(241.9)	(3.3)	(132.6)	-	(135.9)
	11.6	972.7	136.8	1,121.1	37.0	835.8	107.7	980.5

Other liabilities above include trade and other payables (excluding deferred income of £27.7m (2025: £28.0m) and contract liabilities of £44.3m (2025: £50.5m)).

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21. Financial instruments (continued)

The following table sets out the maturity profile of the derivative financial liabilities. Cash flows under the index-linked swap 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	Between one and two years £m	Due between two and five years £m	Due in more than five years £m	Total £m
2026					
Index-linked swaps receivable	9.1	9.4	24.6	-	43.1
Index-linked swaps payable	-	-	(51.6)	-	(51.6)
	9.1	9.4	(27.0)	-	(8.5)
Foreign exchange forward contract receivables	285.7	4.0	1.4	-	291.1
Foreign exchange forward contract payables	(287.2)	(4.1)	(1.4)	-	(292.7)
	(1.5)	(0.1)	-	-	(1.6)
	7.6	9.3	(27.0)	-	(10.1)
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	271.0	48.9	3.9	-	323.8
Foreign exchange forward contract payables	(272.0)	(49.8)	(4.2)	-	(326.0)
	(1.0)	(0.9)	(0.3)	-	(2.2)
	(80.9)	8.2	28.4	(42.4)	(86.7)

Fair value measurements

The information set out below provides information about how the company 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).

	2026				2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments in designated hedge accounting relationships	-	0.7	-	0.7	-	0.5	-	0.5
Derivative financial instruments classified as held for trading	-	9.1	-	9.1	-	2.1	-	2.1
	-	9.8	-	9.8	-	2.6	-	2.6
Financial liabilities								
Derivative financial instruments in designated hedge accounting relationships	-	(1.7)	-	(1.7)	-	(2.3)	-	(2.3)
Derivative financial instruments classified as held for trading	-	(11.6)	-	(11.6)	-	(78.4)	-	(78.4)
	-	(13.3)	-	(13.3)	-	(80.7)	-	(80.7)

There were no transfers between individual levels in the year.

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21. Financial instruments (continued)

Valuation techniques and key inputs

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

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

- the fair values of forward foreign exchange contracts are calculated with reference to well recognised proprietary financial models used by bank counterparties, and verified using discounted cash flow modelling;
- the fair value of the index-linked swaps reflect valuations provided by bank counterparties using proprietary financial models and debt value adjustments that are based on market parameters. This is validated using discounted cash flow modelling based on the latest published inflation index, observable forecasts of inflation and discount rates taken from the observable interest rate swaps curve at the reporting date, as well as observable sources of credit risk values;
- the fair value of the fixed rate bonds have been derived from their 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	
	2026	2025	2026	2025
	£m	£m	£m	£m
Financial liabilities				
£450m 1.375% bonds due 2031	(313.3)	(357.7)	(283.0)	(318.9)
£445m 1.750% bonds due 2033	(413.6)	(409.6)	(348.2)	(340.2)
£250m 5.250% bonds due 2036	(247.1)	-	(243.9)	-
	(974.0)	(767.3)	(875.1)	(659.1)

22. Financial and other liabilities

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

Trade and other payables

	2026	2025
	£m	£m
Current		
Trade payables	33.0	16.5
Other payables	-	0.2
Amounts due to parent company (NATS Limited)	53.3	45.7
Amounts due to fellow undertaking (NATS Solutions Limited)	0.1	0.3
Contract liabilities	9.5	11.0
Accruals and deferred income	39.5	36.9
	135.4	110.6
Non-current		
Trade payables	12.5	8.9
Contract liabilities	34.8	39.5
Accruals and deferred income	26.1	27.2
	73.4	75.6

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 55 days (2025: 20 days). The increase reflects the timing of a payment run that subsequently settled immediately after the year end date. Had this payment run cleared prior to 31 March 2026, the average credit period taken for trade purchases would have been 39 days. The directors consider that the carrying amount of the trade payables approximates to their fair value.

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22. Financial and other liabilities (continued)

Amounts payable under NERL's licence

	2026 £m	2025 £m
Current		
Amounts payable under NERL's licence	11.0	12.5
Non-current		
Amounts payable under NERL's licence	84.2	54.9

Movement in amounts payable under NERL's licence

	2026 £m	2025 £m
Balance at the beginning of the year	67.4	54.8
Amounts recognised during the year (discounted to present value)	30.1	21.3
Net discounting for new amounts recognised and impact of unwind of discount for the passage of time	-	0.4
Amounts repaid from charges levied in the year	(2.3)	(9.1)
Balance at the end of the year	95.2	67.4

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 2027 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 2027 through 2026 and 2027 charges.

23. Provisions

	Total £m
At 1 April 2025	13.0
Additional provision in the year	6.2
Release of provision in the year	(12.4)
At 31 March 2026	6.8

	2026 £m	2025 £m
Amounts due for settlement within 12 months	6.1	2.8
Amounts due for settlement after 12 months	0.7	10.2
	6.8	13.0

Provisions represent the best estimate of liabilities, including property related costs. The ageing of the provision reflects the best estimate of when these potential liabilities will fall due.

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24. Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefits £m	Financial instruments £m	R&D expenditure above the line tax credits £m	Unutilised employee annual leave £m	Other £m	Total £m
At 1 April 2024	214.2	2.5	(0.9)	(6.8)	(2.0)	(1.6)	205.4
Charge/(credit) to income	7.3	-	1.6	(0.1)	-	(0.6)	8.2
Credit to equity	-	(8.6)	(0.1)	-	-	-	(8.7)
At 31 March 2025	221.5	(6.1)	0.6	(6.9)	(2.0)	(2.2)	204.9
At 1 April 2025	221.5	(6.1)	0.6	(6.9)	(2.0)	(2.2)	204.9
Charge/(credit) to income	22.1	2.0	(1.6)	0.1	(0.1)	3.1	25.6
Charge to equity	-	22.4	-	-	-	-	22.4
At 31 March 2026	243.6	18.3	(1.0)	(6.8)	(2.1)	0.9	252.9

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 liability in respect of retirement benefits is a result of the defined benefit surplus at 31 March 2026, 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 29 for details of the schedule of contributions, including measures to repair the funding deficit by 31 December 2029.

Other deferred tax assets arise from property reinstatement provisions, contractual provisions and R&D expenditure above the line tax credits. Property reinstatement conditions provide for the cost of reinstating a leased property back to its original condition at the point of lease expiry. All property leases currently have a term of greater than three years.

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:

	2026 £m	2025 £m
Deferred tax liabilities	262.8	222.1
Deferred tax assets	(9.9)	(17.2)
	252.9	204.9

25. 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 2026	10,000,000	10.0	10,000,000	10.0

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26. Notes to the cash flow statement

	2026 £m	2025 £m
Operating profit from continuing operations	155.3	194.3
Adjustments for:		
Depreciation of property, plant and equipment	49.2	47.6
Amortisation of intangible assets	55.0	56.1
Depreciation of right-of-use assets	3.6	4.9
Impairment losses	10.6	20.0
Deferred grants released	(0.1)	(0.1)
Loss/(profit) on disposal of property, plant and equipment	0.4	(3.0)
R&D expenditure above the line tax credits	(4.2)	(4.3)
Unit charge allowance for financing extended recovery of Amounts recoverable under NERL's licence	31.7	25.2
Adjustment for pension funding	(7.9)	(52.9)
Operating cash flows before movements in working capital	293.6	287.8
Decrease in trade and other receivables, and amounts recoverable under NERL's licence	54.3	47.3
Increase in trade and other payables, provisions and amounts payable under NERL's licence	28.9	2.5
Cash generated from operations	376.8	337.6

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 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 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.

	2026 £m	2025 £m
Cash and cash equivalents	193.3	71.8
Borrowings	(972.7)	(835.8)
Lease liabilities	(11.6)	(37.0)
Net debt	(791.0)	(801.0)
Index-linked swaps (net)	(2.5)	(76.3)
Net financial liabilities	(793.5)	(877.3)
Cash and liquid investments	193.3	71.8
Gross debt - fixed interest rates (net of unamortised bond issue costs)	(985.6)	(804.3)
Gross debt - variable interest rates (net of unamortised bank facility fees)	1.3	(68.5)
Net debt	(791.0)	(801.0)
Index-linked swaps (net)	(2.5)	(76.3)
Net financial liabilities	(793.5)	(877.3)

Amounts shown in the table above under "Gross debt - variable interest rates" for 2026 relate to unamortised bank facility fees. There were no outstanding drawings on the revolving facility agreement at 31 March 2026 (2025: £70.0m).

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26. 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 (net) £m	Total £m
Net financial liabilities as at 1 April 2024	91.1	(43.2)	(866.0)	1.1	(817.0)	(79.8)	(896.8)
Cash flows	(19.3)	6.0	90.0	(68.4)	8.3	11.7	20.0
New leases in the year	-	(0.9)	-	-	(0.9)	-	(0.9)
Effect of modification to lease terms	-	(0.3)	-	-	(0.3)	-	(0.3)
Lease terminations	-	1.4	-	-	1.4	-	1.4
Fair value movements	-	-	-	-	-	(8.2)	(8.2)
Other changes							
Interest expense	-	(1.0)	(13.4)	(0.7)	(15.1)	(0.7)	(15.8)
Interest payments (presented as financing cash flows)	-	1.0	27.3	0.7	29.0	0.6	29.6
Interest income	-	-	-	-	-	8.8	8.8
Interest receipts (presented as financing cash flows)	-	-	-	-	-	(8.8)	(8.8)
Other non-cash movements (iii)	-	-	(5.2)	(1.2)	(6.4)	0.1	(6.3)
Net financial liabilities as at 31 March 2025	71.8	(37.0)	(767.3)	(68.5)	(801.0)	(76.3)	(877.3)
Net financial liabilities as at 1 April 2025	71.8	(37.0)	(767.3)	(68.5)	(801.0)	(76.3)	(877.3)
Cash flows	121.5	3.2	(201.9)	70.4	(6.8)	89.2	82.4
New leases in the year	-	(0.4)	-	-	(0.4)	-	(0.4)
Effect of modification to lease terms	-	(1.1)	-	-	(1.1)	-	(1.1)
Lease terminations	-	23.7	-	-	23.7	-	23.7
Fair value movements	-	-	-	-	-	(15.4)	(15.4)
Other changes							
Interest expense	-	(0.6)	(17.7)	(2.1)	(20.4)	(0.3)	(20.7)
Interest payments (presented as financing cash flows)	-	0.6	17.7	2.1	20.4	0.3	20.7
Interest income	-	-	-	-	-	8.9	8.9
Interest receipts (presented as financing cash flows)	-	-	-	-	-	(8.9)	(8.9)
Other non-cash movements (iii)	-	-	(4.8)	(0.6)	(5.4)	-	(5.4)
Net financial liabilities as at 31 March 2026	193.3	(11.6)	(974.0)	1.3	(791.0)	(2.5)	(793.5)

(i) The amounts shown under bonds are net of unamortised bond issue costs.

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

(iii) Other non-cash flow movements include amortisation of bond issue costs of £4.8m (2025: £5.2m) and amortisation of bank facility fees net of accrual movements of £0.6m (2025: £1.2m).

27. Financial commitments

	2026 £m	2025 £m
Amounts contracted but not provided for in the accounts	116.3	136.8

Guarantees

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

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28. Share based payments

The company's parent operates an All-Employee Share Ownership Plan for the benefit of employees to hold 5% of the share capital of NATS Holdings Limited. The plan is administered by NATS Employee Sharetrust Limited. The scheme allows for free shares, dividend shares, partnership shares and matching shares to be awarded to employees. Partnership shares and dividend shares vest at the point of 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:

	No. employee shares outstanding at 31 March 2026	No. employee shares outstanding at 31 March 2025
Date of share awards		
Free share awards		
21 September 2001	71,876	85,369
20 October 2003	69,554	81,452
10 September 2004	100,720	116,685
11 January 2008	82,690	93,100
18 September 2009	92,006	102,506
Partnership shares		
1 March 2011	81,920	88,184
26 September 2012	99,478	112,016
30 May 2014	83,238	94,079
31 October 2016	113,838	127,183
31 October 2018	175,586	195,136
1 September 2024	570,364	589,490
1 September 2025	609,570	-
Matching shares		
1 March 2011	82,821	91,789
26 September 2012	100,971	114,417
30 May 2014	83,455	94,841
31 October 2016	115,499	128,351
31 October 2018	178,681	180,632
1 September 2024	571,170	590,046
1 September 2025	609,307	-
	3,892,744	2,885,276
Dividend shares issued on 28 June 2005	9,398	10,824
Dividend shares issued on 24 December 2024	157,337	161,659
Dividend shares issued on 23 April 2025	152,365	-
Dividend shares issued on 25 October 2025	204,453	-
Total employee shares in issue at 31 March	4,416,297	3,057,759

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

	Movement in the no. of shares during the year ended 31 March 2026	Movement in the no. of shares during the year ended 31 March 2025
Balance at 1 April	3,057,759	2,004,683
Granted during the year	1,596,173	1,360,273
Forfeited during the year	(11,007)	(2,779)
Exercised during the year	(228,169)	(311,567)
Staff transfers between group companies	1,541	7,149
Balance at 31 March	4,416,297	3,057,759

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 2026 the price of an employee share was valued at £6.10 (2025: £6.05). The liability for the employee shares at 31 March 2026 was £14.8m (2025: £12.5m). The liability comprises the number of shares in issue, at the current price, less cash held by the NATS Employee Sharetrust Limited and is included in amounts due to parent company. The income statement includes a cost of £2.3m (2025: £2.2m cost). Payments made to leavers and current employees for the shares they exercised during the year was £1.4m (2025: £1.8m).

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29. Retirement benefit schemes

Defined contribution scheme

NATS Limited, the company's immediate parent undertaking, provides a defined contribution scheme to all qualifying employees who are not members of the defined benefit scheme. The scheme was established on 1 April 2009 for staff who joined from that date. The assets of the scheme are held separately from those of the company in funds under the control of a board of Trustees.

The company operates a salary sacrifice arrangement whereby employees sacrifice an element of their salary in favour of contributions to the pension scheme. The company 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 2026 employer contributions of £26.5m (2025: £22.8m), excluding salary sacrifice contributions of £16.3m (2025: £13.6m), represented 16.2% of pensionable salaries (2025: 16.5%).

The defined contribution scheme had 2,324 members at 31 March 2026 (2025: 2,065).

Defined benefit scheme

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

During 2013 the parent company consulted on further pension reforms to mitigate rising pension costs. These included a change to the limit on annual 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.

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 the 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. Contributions to the scheme are funded by NATS Limited's two principal operating subsidiaries: NERL and NATS Services, in proportion to their pensionable payrolls. NERL's share of deficit recovery contributions is c. 75%.

NATS Limited, the immediate parent of the company, is the employer of, and seconds to the company, all personnel who undertake the company's business. In that capacity, NATS Limited participates in CAAPS and bears the employment (including pension) costs of those personnel.

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29. Retirement benefit schemes (continued)

Contributions to the pension scheme (continued)

The company pays fees to NATS Limited for the provision of services, including those of the staff. An element of those fees represents the employment costs (including pension contributions) of staff provided by NATS Limited to NERL. In that way, the existence of a pension deficit or surplus may have an indirect impact upon the company through variations in pension contributions and so the level of those fees.

During the year the company paid cash contributions to the scheme of £40.0m (2025: £86.6m). This amount included £6.4m (2025: £6.4m) 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 29.9% (2025: 71.3%) of pensionable salaries.

The estimated contributions expected to be paid to the scheme during the financial year ending 31 March 2027 is £33.6m, including salary sacrifice contributions estimated at £6.3m.

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 to the extent that it can be realised in full by the company. See note 3.

An actuarial valuation for IAS 19 purposes was carried out at 31 March 2026 (based on 31 December 2025 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:

	2026	2025	2024
RPI Inflation	3.10%	2.90%	2.95%
CPI Inflation	2.90%	2.65%	2.60%
Increase in:			
- salaries	2.90%	2.65%	2.60%
- deferred pensions	3.10%	2.90%	2.95%
- pensions in payment	3.10%	2.90%	2.95%
Discount rate for net interest expense	6.25%	5.90%	4.90%

The mortality assumptions have been drawn from actuarial tables 100% S4PMA light and 98% S4PFA light (2025: 100% S4PMA light and 98% S4PFA light) with future improvements in line with CMI 2023 (2025: CMI 2023) projections for male/female members, subject to a long term improvement of 1.25% p.a. (2025: 1.25% p.a.) These tables assume that the life expectancy, from age 60, for a male pensioner is 27.7 years (2025: 27.7 years) and a female pensioner is 29.7 years (2025: 29.6 years). Allowance is made for future improvements in longevity, such that based on the average age of the current active membership (50), when these members reach retirement, life expectancy from age 60 will have increased for males to 28.5 years (2025: 28.5 years) and for females to 30.4 years (2025: 30.4 years).

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

a) 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 are reviewing measures to de-risk the scheme by investing more in assets which better match the liabilities.

b) 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.

c) 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.

d) 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.

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29. 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	Increase/decrease by 0.5%	Decrease by 6.3%/increase by 7.0%
Rate of inflation	Increase/decrease by 0.5%	Increase by 6.7%/decrease by 6.3%
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 2.2%

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:

	2026 £m	2025 £m
Current service cost	(30.0)	(34.6)
Net interest (expense)/credit	(0.3)	3.0
Administrative expenses	(1.8)	(2.1)
Components of defined benefit costs recognised within operating profit	(32.1)	(33.7)

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

	2026 £m	2025 £m
Return on plan assets (excluding amounts included in net interest expense)	42.0	(351.7)
Actuarial gains and losses arising from changes in financial assumptions	62.6	364.8
Actuarial gains and losses arising from changes in demographic assumptions	31.9	(27.8)
Actuarial gains and losses arising from experience adjustments	(46.9)	(72.6)
	89.6	(87.3)

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

	2026 £m	2025 £m
Present value of defined benefit obligations	(2,298.1)	(2,309.3)
Fair value of scheme assets	2,371.3	2,285.0
Surplus/(deficit) in scheme	73.2	(24.3)

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

	2026 £m	2025 £m
At 1 April	(2,309.3)	(2,524.0)
Current service cost	(30.0)	(34.6)
Interest expense on defined benefit scheme obligations	(132.5)	(121.1)
Actuarial gains and losses arising from changes in financial assumptions	62.6	364.8
Actuarial gains and losses arising from changes in demographic assumptions	31.9	(27.8)
Actuarial gains and losses arising from experience adjustments	(46.9)	(72.6)
Benefits paid	126.1	106.0
At 31 March	(2,298.1)	(2,309.3)

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29. Retirement benefit schemes (continued)

The average duration of the scheme's liabilities at the end of the year is 14.3 years (2025: 15.4 years). The present value of the defined benefit obligation can be analysed by member group as follows:

	2026 £m	2025 £m
Active members	(721.7)	(766.6)
Deferred members	(156.0)	(169.2)
Pensioners	(1,420.4)	(1,373.5)
	(2,298.1)	(2,309.3)

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

	2026 £m	2025 £m
At 1 April	2,285.0	2,534.1
Interest income on scheme assets	132.2	124.1
Return on plan assets (excluding amounts included in net interest expense)	42.0	(351.7)
Contributions from company	40.0	86.6
Benefits paid	(126.1)	(106.0)
Administrative expenses	(1.8)	(2.1)
At 31 March	2,371.3	2,285.0

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

	2026 £m	2025 £m
Cash and cash equivalents	114.5	175.8
Equity instruments		
- Emerging markets	52.0	56.7
- Global	495.1	518.4
	547.1	575.1
Bonds		
- Fixed income	456.3	366.1
- Index-linked gilts over 5 years	806.2	712.9
	1,262.5	1,079.0
Other investments		
- Property	52.5	75.1
- Hedge funds	216.0	197.2
- Private equity funds	49.7	90.4
- Other	127.3	91.7
	445.5	454.4
Derivatives		
- Futures contracts	1.7	0.7
	2,371.3	2,285.0

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

Scheme assets of £2,371.3m (2025: £2,285.0m) include equity and debt instruments of £30.9m (2025: £110.4m) 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 £2,340.4m (2025: £2,174.6m), are measured using their most recent net asset valuations adjusted for cash movements between the latest valuation date and 31 March 2026. 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 2026.

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29. Retirement benefit schemes (continued)

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. The hedging target was increased to 85% in December 2025. 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.

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 2026 was a gain of £174.2m (2025: £227.6m loss).

30. 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 the AG have not exercised undue influence on the group or the company 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.

Aquila Air Traffic Management Services Limited is a joint venture entity of NERL's fellow subsidiary, NATS (Services) Limited.

Trading transactions

	Sales		Purchases	
	Year ended 31 March 2026	Year ended 31 March 2025	Year ended 31 March 2026	Year ended 31 March 2025
	£m	£m	£m	£m
LHR Airports Limited	0.2	-	0.1	0.2
Ministry of Defence (MOD)	52.3	47.0	2.1	2.4
Department for Transport (DfT)	0.9	1.3	-	-
Meteorological Office	0.3	0.3	0.4	0.6
Aquila Air Traffic Management Services Limited	1.0	0.9	-	0.2

	Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31 March 2026	Year ended 31 March 2025	Year ended 31 March 2026	Year ended 31 March 2025
	£m	£m	£m	£m
LHR Airports Limited	-	-	-	-
Ministry of Defence (MOD)	0.8	0.3	15.4	14.0
Department for Transport (DfT)	0.3	0.3	-	-
Meteorological Office	-	-	-	0.1
Aquila Air Traffic Management Services Limited	1.0	-	-	-

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30. Related party transactions (continued)

The company also entered into transactions with its parent and fellow subsidiary undertakings. Sales and purchases to these related parties are disclosed in note 4 and 6 respectively. Amounts owed from/to these related parties are shown in note 17 and 22.

Sales are made to related parties at the company's usual rates and purchases at market prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. No expected credit loss provisions (2025: £nil) have been made for doubtful debts in respect of amounts owed by related parties.

Directors' remuneration

The total remuneration earned by the directors of the company in the year was £2,445,000 (2025: £2,464,000). The number of directors paid by the company during the year was three (2025: two). One of the directors participates in a company pension scheme.

Remuneration earned by the highest paid director of the company in the year was £1,418,000 (2025: £1,493,000) and includes £348 (2025: £930) for the appreciation in the year in the value of employee shares held.

Remuneration of key management personnel

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

	2026 £m	2025 £m
Short term employee benefits	10.0	8.5
Post-employment benefits	0.6	0.4
Termination benefits	0.2	0.7
	10.8	9.6

31. Parent undertaking

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

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

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

32. Events after the reporting period

On 21 May 2026 the Board approved and on 28 May 2026 the company paid an interim dividend for the year ending 31 March 2027 of £7.00 per share (totalling £70.0m).

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Abbreviations and definitions

2025	Financial year ended 31 March 2025
2026	Financial year ending 31 March 2026
3Di	3 Dimensional Flight Inefficiency Metric
ACOG	Airspace Change Organising Group
ADS-B	Automatic Dependent Surveillance-Broadcast
AESOP	All-Employee Share Ownership Plan
AG	The Airline Group Limited
AIREON	Aireon LLC, subsequently Aireon Holdings LLC
AMM	Advanced Mixed Mode
AMPRPS	Management Performance Related Pay Scheme
ANSP	Air Navigation Service Provider
APM	Alternative performance measures
AQUILA	Aquila Air Traffic Management Services Limited
ATC	Air Traffic Control
ATM	Air Traffic Management
CAA	Civil Aviation Authority
CAAPS	Civil Aviation Authority Pension Scheme
CANSO	Civil Air Navigation Services Organization
CDP	Climate Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPI	Consumer Prices Index
CSU	Chargeable service units
DACF	Debt-Adjusted Cash Flows
DB	Defined Benefit Pension Scheme
DC	Defined Contribution Pension Scheme
DfT	Department for Transport
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EC	European Commission
EDI	Equality, Diversity and Inclusion
ERM	Enterprise Risk Management framework
ESSP	European Satellite Services Provider SAS
EU	European Union
FDP	Flight data processor
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GHG	Green house gas
HMRC	His Majesty's Revenue & Customs
IA	Intelligent Approach
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INEA	Innovation and Networks Executive Agency
ISO	International Organisation for Standardisation
KPI	Key Performance Indicator
LHRA	LHR Airports Limited
LTIP	Long Term Incentive Plan
MOD	Ministry of Defence
NAS	National Airspace System
NATS	NATS Holdings Limited and its subsidiaries, together the NATS group
NATS Services	NATS (Services) Limited
NERL	NATS (En Route) plc
NESL	NATS Employee Sharetrust Limited
NHL	NATS Holdings Limited
NR23	Price control from 1 January 2023
NR28	Price control from 1 January 2028
PBT	Profit before tax
PPP	Public Private Partnership
PCS	Public and Commercial Services Union
R&D	Research and Development
RAB	Regulatory Asset Base
RAT	Risk Analysis Tool
RP3	Reference Period 3 (2020-2024)
RPI	Retail Prices Index
SAF	Sustainable Aviation Fuel
SBTi	Science Based Targets initiative
SEARIDGE	Searidge Technologies Inc
SESAR	SES ATM Research
SPA	Strategic Partnership Agreement
SMS	Safety Management System
TBS	Time-Based Separation
TRC	Transformation Review Committee
UKADS	UK Airspace Design Service
USS	Universities Superannuation Schemes

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Alternative Performance Measures

1 **Gearing:** Ratio of NERL's net debt (as defined by its licence) to its Regulatory Asset Base (RAB)
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 company's economically regulated businesses 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 2025 the value of NERL's RAB was £2,068.6m.

	2026 £m	2026 £m
Net debt (per note 26)	**(791.0)**	**(801.0)**
Inclusion of items as defined in financial covenants:		
Unamortised bond discount	(30.6)	(33.6)
Unamortised bond issue cost and bank facility fees	(6.7)	(5.7)
RPI swaps stated on a bank covenant valuation basis	-	(77.4)
Exclusion of items as defined in financial covenants:		
Lease liabilities recognised on adoption of IFRS 16	11.6	36.8
Net debt (as defined in NERL's finance documents)	(816.7)	(880.9)
Regulatory Asset Base	2,072.4	2,074.0
Gearing	39.4%	42.5%

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

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Net cash generated from/(used in) operating activities	359.4	327.0	213.4	175.7	(185.1)
Net cash outflow from investing activities	(195.2)	(111.2)	(101.1)	(110.9)	(108.8)
Net cash (outflow)/inflow from financing activities	(42.7)	(235.1)	(78.9)	(58.0)	172.6
Increase/(decrease) in cash and cash equivalents during the year	121.5	(19.3)	33.4	6.8	(121.3)
Net bonds (issued)/repaid	(203.9)	90.0	-	(105.5)	(456.9)
Advances of en route charges	-	-	-	-	67.4
Bond and bank arrangement fees	2.4	1.6	0.4	1.7	9.4
Repayment of obligations under finance leases	3.2	6.0	7.3	5.8	5.5
Net repayment/(drawdown) of bank facilities	70.0	(70.0)	65.0	135.0	195.0
Dividends paid	70.0	175.0	-	-	-
Index-linked swap repayment	89.2	11.7	10.8	8.0	61.3
Total debt adjustments	30.9	214.3	83.5	45.0	(118.3)
Debt-adjusted cash flow	**152.4**	**195.0**	**116.9**	**51.8**	**(239.6)**

3 **Regulatory return:** Calendar year Regulatory profit divided by Average Regulatory Asset Base (RAB). 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 2025 regulatory accounts.

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Regulatory return	54.7	72.7
Average Regulatory Asset Base (RAB)	2,054.1	2,035.2
Regulated rate of return	**2.7%**	**3.6%**

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Explanatory Notes

4 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.

5 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 2025 calendar year score of 27.4 includes an adjustment for non-revenue flights which are not subject to an ATC charge and do not have fuel efficiency as an objective.

6 Best Companies are employee engagement specialists, whose methodology formerly underpinned the Times Top 100 best companies to work for.

7 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.