Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

NATS (Services) Limited

Annual Report and Accounts
Year ended 31 March 2026

Company Number: 04129270

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Contents

	Page
Strategic report	
Our business model and strategy	3
Business review	6
Financial review	9
Principal risks and uncertainties	13
Engaging with our stakeholders	16
S172 statement	17
Governance report	
Governance framework	19
Report of the directors	21
Independent auditor's report	24
Financial statements	
Income statement	31
Statement of comprehensive income	31
Balance sheet	32
Statement of changes in equity	33
Cash flow statement	34
Notes forming part of the accounts	35
Explanatory notes	87

Company Secretary
Richard Churchill-Coleman

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

Registered in England and Wales
Company No. 04129270

Auditor
EY LLP

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Our business model

NATS (Services) Limited (NATS Services) provides air traffic control (ATC) and aviation related technology products and services to customers in the UK and internationally.

We generate c.97% of our revenue in the UK and c.92% from Airports and Other UK Services.

Since January 2026, NATS Services has been organised into two customer-focused divisions: NATS Airports UK and NATS Growth. NATS Airports UK provides industry leading ATC services to 15 major UK airports; engineering support and airport optimisation services solutions to civil airports and to the UK MOD mainly through the Project Marshall contract that is delivered by our Aquila joint venture in partnership with Thales.

NATS Airports UK (NATS Airports)

The UK Airports service is committed to fulfil our customer's requirements for a safe, efficient and resilient service every day in a constantly evolving marketplace. We develop compelling propositions for airport operators through value adding innovations in technology and services which deliver improved operational performance and efficiency. Through performance-led strategic partnerships, such as we have with Heathrow Airport, we support airport operators to deliver improvements for airlines and improved passenger experiences for the travelling public.

Engineering support services for UK airport customers deliver complex turnkey projects, mainly supporting the integration of new infrastructure solutions at airports. Our competencies include maintaining and developing communications, navigation and surveillance solutions. Our principal competitors include systems integrators, equipment manufacturers and specialist engineering consultancies.

Other UK Services currently includes the provision of aeronautical information management, design and data services, digital tower services, consultancy and ATC training to airlines and airspace users.

Defence services are delivered through a sub-contracting arrangement into Aquila (our joint venture partnership with Thales) for Project Marshall activities, a 22-year concession covering ATC and engineering services and a long-term programme to upgrade MOD ATC infrastructure.

NATS Growth (Growth)

As part of the new organisational focus since January 2026, the Growth business has received fresh impetus to focus its development of new technological solutions and professional services to a global customer base.

Growth includes our established International, New Airspace User and Renewables activities and provides management and oversight of NATS Services' subsidiaries, joint ventures and associates.

Our current International activities focus on providing a full range of technology solutions and professional Air Traffic Management (ATM) services into a variety of airports, ANSPs and airlines in major travel hubs around the world. International subsidiaries have offices in Delhi, Dubai, Hong Kong and Singapore. The subsidiary of Searidge Technologies is based in Ottawa, Canada and provides advanced digital and AI solutions for digital towers and other airport projects.

This year also sees the launch of our joint venture with Indra technologies, IQONAIR, which brings together the advanced visual data and AI experience of Searidge with Indra's tower ATC systems with a joint technology roadmap, marketing and delivery. Both this partnership and others of a similar nature will form a mainstay of growth plans alongside existing services.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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

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

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Our strategic objectives

NATS Services is one of the principal operating entities of the NATS group and a key contributor to its strategy. 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 centered around four long-term objectives, which are deliberately challenging, for delivery 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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Business review

The business reported strong revenue growth in the period of 11%, in line with management expectations, underpinning a significantly improved profit before tax of £22.8m for the year (2025: £10.2m profit), continuing our post-pandemic (2022) growth of 4.6%. Our financial performance is explained in the Financial Review on page 9.

Our continued focus is to provide our customers with a safe, resilient and efficient service of the highest quality through globally recognised training standards of our Air Traffic Controllers, provision of a range of Engineering services supporting airport infrastructure, capability and capacity development enabled by market leading technology, and tools.

The renewed focus on Growth, both within the UK but especially geographical diversification into key international markets. International revenues with international subsidiaries and associates more than doubled in the period compared with previous periods.

In the year the company entered into a process, alongside the other ANSP investors, to divest its holding in Aireon. During the term of our investment Aireon established itself as the world's first provider of space-based ADS-B surveillance. Aireon is now seeking to develop further, and this represents the right time to do so under different ownership. A gain of £17.4m associated with this proposed transaction has been recorded in this year's results.

The year has also seen successful growth within our Renewables business, with significant order intake further building momentum and supporting the sector with surveillance and monitoring services and capabilities that respond to rising demand and position us strongly in a highly strategic market.

Investment in new technologies also continues to support future growth ambitions, although we have slowed our NAU programme that aims to develop the digital, data and automation capabilities needed to enable new forms of aviation such as BVLOS and advanced air mobility at scale, as we have seen funding move from the civilian market to military applications with regional conflicts in Europe and the Middle East seeing heavy use of uncrewed drones.

The following paragraphs describe key developments across our activities.

Safety and Resilience first

For the year to March 2026, traffic grew from the prior year to 1.8m movements (2025: 1.7m movements) at the UK Airports for which we provide an ATC service.

We have increased our focus on safety and resilience, and our performance this year remained very strong, comparable to our best historical performance while handling more flights in the year. This continued a trend of good performance founded on our strong safety culture and reflects enhanced alignment across our operational teams, the development of a fast-paced lesson learning culture, internal safety campaigns and enhanced disciplines applied to competency management.

Our commitment to safety is underpinned by robust metrics and targets that we use to monitor our performance and to drive continuous safety improvement. We monitor the internal safety performance of our airports service using the Risk Analysis Tool (RAT[1]) which measures the severity and risk of air traffic events which drives the appropriate safety culture across the business. On a 12-month rolling basis to 31 December 2025, our performance generated a RAT score of 20.0 per 100,000 flights (calendar year 2024: 17.8).

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

We also measure our safety performance over a financial year based on airprox[2] incidents, which are assessed independently by the UK Airprox Board. There were no risk bearing airprox events attributed to our operation in the year (2024: none).

Our airports delay of 0.3 seconds per arrival showed significant improvement in the year (2025: 2.1 secs per arrival), reflecting a focus on and investment in the resilience of our service.

Commercial developments and prospects

Middle East conflict

Our International activities, headquartered in Dubai, remains an important and strongly growing market for us and for our future revenue ambitions.

The Middle East conflict has resulted in repercussions that have been felt more broadly across the Gulf region, and the geopolitical situation remains uncertain. Our overriding concern during this conflict has been for the welfare of our employees and their families in the region. We continue to monitor the evolving situation on a daily basis, maintaining regular check-ins with staff, customers and suppliers alike. We remain committed and optimistic about our prospects in the Middle East and we stand ready to continue to support our customers and partners. We recognise that a number of commercial opportunities of various stages of maturity prior to the conflict may take longer to realise than we had previously hoped, as customers reassess their priorities but we do not see a need to amend our plans significantly at this point and indeed see potential for incremental opportunities arising in support of customer enquiries for aviation related infrastructure renewals.

Generational infrastructure opportunities

Since the long pause in airport investment due to the Covid pandemic we are seeing increased focus on UK airport infrastructure development. A number of airport customers are embarking on ambitious transformation programmes to meet increasing demand. In addition, the government's support for future air traffic growth through the provision of additional runways in the south is a pivotal moment for UK aviation. In support of these developments, we are working with airport operators on long-term roadmaps aligned with their priorities, including technology upgrades to optimise ATC performance alongside ground movement technologies and airspace modelling and design.

In February we seamlessly transitioned the engineering and air traffic control services of Birmingham Airport to our operation following a year-long meticulous programme of preparation, coordination and dedication by our delivery team and the airport who ensured all aspects of the engineering, operational, training and regulatory processes were in place. Under our 10-year strategic partnership we will be working with the airport to deliver its modernisation roadmap into the 2030's and beyond. Also this year, we were delighted to reach agreements with East Shetland Basin on a new 5-year contract and Gatwick Airport on a Light Panel Operator uplift agreement.

We are continuing our engineering support to Heathrow Airport's new virtual control facility. This is a major investment by the airport that provides added resilience to the airport operation and protection to the nation's aviation infrastructure. The facility will act as the fall-back to the main Heathrow tower, upgrading from an existing virtual tower, enabling our controllers to maintain operations at around 70% of full capacity in the event of a major failure to the main Heathrow tower. We plan to transition to the new facility in Q2 2026, with transition to a new fibre network due Q1 2027. On completion, we will provide to our customer a digital tower operation that will use camera technology to provide live views of the airfield and runways sustaining ATC operations.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Growing our order book

This year we secured forward orders worth £130m from new contracts and renewals. Our focus remains on securing longer-term and higher value contracts, driven by air traffic growth in rapidly expanding markets and government sponsored initiatives. Our success is a reflection of the industry's recognition of our market leading propositions and ability to deliver.

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 as an enabler to airspace modernisation, as well as offsetting those retiring from NATS. As trainees can take around three years to obtain a full licence, training programmes 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 period, which we believe is essential if we are to meet these future challenges.

At our airports, we have welcomed new TATCs into towers, celebrating 43 initial validations and 31 extensions.

Recognising the work we have been doing on equality, diversity and inclusion (EDI), NATS made the Inclusive Top 50 UK Employers List and 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 air traffic controller licensing guidance on beginning hormone treatment.

Organising ourselves for success

This year has been one of significant change for our organisation. In response to changes in the executive team, the evolving market conditions, shifting customer expectations, and our own growth ambitions, the management organisation has been restructured.

To ensure that we continue to provide the most efficient service to UK airport operators and customers, all aspects of our day-to-day operational service, namely our airport ATC and the engineering activities necessary to sustain these, are now managed by the NATS COO, Kathryn Leahy, within the NATS Airports UK division.

Separately, led on an interim basis by Richard Churchill-Coleman, all of our remaining UK and international growth-focused activities have been consolidated into the NATS Growth division, including integrating Searidge Technologies, to ensure we are best placed to pursue new contract opportunities in service of our £500m revenue growth strategy. This will be supported by our joint venture with Indra, signed after the period end in May 2026, our well-established technology partner, that combines their digital tower system technology with Searidge's digital and AI solutions to redefine tower operations worldwide. We have also partnered with Bayanat Engineering to strengthen our systems integration and delivery capability in the Middle East and with Willis Towers Watson to enhance our market offerings for aviation risk management and resilience planning to international customers.

Looking ahead

After another year of strong and profitable performance, we have a solid platform to build on. We remain squarely focused on delivering efficient and resilient growth for our customers using technology-enabled services and quality air traffic service provision. Further growth is expected through the integration of NATS Services and Searidge Technologies, our joint venture with Indra, allowing us to be well placed in pursuing our revenue growth strategy.

Gary Franklin,
Chief Financial Officer

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Financial review

The company reported a profit before tax of £22.8m (2025: profit before tax £10.2m). The principal year on year movements are summarised below:

	£m	£m
2025 profit before tax		**10.2**
Revenue changes		
Airports and Other UK Services	19.8	
Defence	(1.5)	
Other Service lines	4.7	
		23.0
Operating cost changes		
Staff costs	(12.2)	
Depreciation and other asset-related charges	(2.6)	
Other non staff costs	(15.0)	
		(29.8)
Change in carrying value of subsidiaries		17.4
Joint ventures		
Reversal of impairment of loan to joint venture		2.5
Net finance costs		(0.5)
2026 profit before tax		22.8

The result mainly reflected:

- higher Airports and Other UK Services revenue for the year, mainly reflecting growth in revenues from contracts to deploy engineering equipment upgrades across our airport customer portfolio and the benefit of revenues from the Birmingham ATC tower provision contract, which transitioned back to NATS on 1 February 2026 and the full year service provision at Bristol Airport contract signed in the prior year. This growth also reflected contract price indexation uplifts.
- a reversal of impairment charges in relation to our investment in NATS USA Inc (and their investment in Aireon LLC), reflecting the latest valuation assessment following a tender process to sell the shares held and an impairment charge of £1.6m for impairing the carrying value of our Canadian subsidiary (2025: net £1.6m charge), based on their latest trading prospects.

These factors were partly offset by:

- higher direct costs associated with higher engineering and international revenues highlighted above and higher staff costs driven by enhancement of operational resilience.

Revenue

	2026	2025
	£m	£m
Airports and Other UK Services	**215.7**	195.9
Defence	**10.3**	11.8
New Airspace Users	**2.5**	2.3
International	**6.8**	2.3
Total	**235.3**	212.3

Overall, revenue at £235.3m (2025: £212.3m) was £23.0m (10.8%) higher than last year. By service line the significant developments were:

Airports and Other UK services: revenue was £19.8m (10.1%) higher for the year, for reasons explained above.

Defence: at £10.3m was £1.5m lower than the prior year as the level of activity on contract to supply ATC equipment upgrades to the UK MOD, through Project Marshall, slows as expected, as this portion of our service offering nears completion.

New Airspace Users: revenue increased by £0.2m (8.7%) was broadly in line with the prior year.

International: revenue increased by £4.5m reflecting additional activity in the Middle East and Asia Pacific regions, supporting our subsidiaries based in there.

Operating costs

Operating costs at £218.8m (2025: £206.3m) were £12.5m higher.

	2026	2025
	£m	£m
Staff costs	**(126.4)**	(114.2)
Non-staff costs	**(100.6)**	(85.6)
Depreciation and other asset related charges	**(7.5)**	(4.9)
	(234.5)	(204.7)
Change in carrying value of subsidiaries	**15.8**	(1.6)
Operating costs	**(218.7)**	(206.3)

Staff costs were £12.2m higher at £126.4m (2025: £114.2m). We have continued to enhance our technical and operational resilience, as well as improving our focus on sales capabilities, a process that started in the

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

last financial year, with average headcount of 936 FTEs during the year (2025: 893). Other staff cost increases have arisen from a higher rate for national insurance since April 2025 and a CPI-linked pay award.

Non-staff costs were £15.0m higher, mainly associated with the investment in operational resilience for our services.

Depreciation and asset-related charges were £2.6m higher at £7.5m (2025: £4.9m) primarily as a result of the impairment charges for a flight management tool and environment analytics tool in the current year.

The company also assessed the carrying values of investments in its US and Canadian subsidiaries against the revised plans and prospects for these entities and recognised an impairment charge of £1.6m against the NATS Canada subsidiary investment (2025: £1.2m) based on our assessment of their latest business plan projections and a £17.4m impairment reversal for the NATS USA Inc investment (2025: £0.4m impairment charge), reflecting the valuation of the minority interest in Aireon, taking into consideration information arising from a process to tender shares for sale. In May 2026, the company entered into an agreement to sell its US subsidiary, NATS (USA) Inc (see notes 27 and 29 below). The company also impaired its loan to NATS Services (Asia Pacific) by £1.8m (2025: net impairment charge of £2.9m in respect of loans to Searidge).

Joint venture

In 2024 the Aquila joint venture, in which NATS Services is invested, projected an increase in the costs to deliver its Project Marshall contract, which is scheduled to complete in 2037. As a result, we wrote down the carrying value of our investment of £0.1m, impaired the outstanding shareholder loan of £18.8m and made a provision for £6.2m, representing the legal obligation enabling Aquila to draw on it £25m shareholder loan facility.

We have reassessed the recoverability of the shareholder loan, based upon Aquila's latest Board approved plan, giving due consideration to the inherent risks within that plan. As a result, we have recognised a £2.5m write-back (2025: £nil) in our provision. Future assessments will be linked to the outcome of Aquila's negotiations with the MOD on its next contractual price period spanning 2027 to 2032.

Net finance costs

Net finance costs of £3.7m (2025: £4.2m) represent interest on bank deposits, joint venture and subsidiary loans, net of lease liability interest.

Balance sheet

	2026	2025
	£m	£m
Intangible fixed assets	8.2	10.1
Property, plant and equipment	9.4	12.5
Right-of-use assets	2.2	3.0
Investments	6.2	31.6
Assets held for sale	41.2	-
Pension scheme surplus/(deficit)	20.7	(6.8)
Trade and other receivables	63.4	56.9
Deferred tax liability	(6.0)	(0.2)
Cash	83.7	75.4
Trade and other payables	(65.4)	(60.1)
Lease liabilities	(2.0)	(2.4)
Other net balances	(4.4)	(3.3)
Net assets	157.2	116.7

The increase in net assets in the year mainly reflects the improvement in the defined benefit pension scheme's IAS 19 funding position to a £20.7m surplus (2025: £6.8m deficit), net of deferred tax, the increase in investment valuation as noted above and the profit for the year.

Defined benefit pensions (see note 25)

The company 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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

a. IAS 19 charge and funding position

The cost (including salary sacrifice and past service) of defined benefit pensions at £8.9m (2025: £9.7m) reflected a decrease in the accrual rate to 23.3% (2025: 24.4%) of pensionable pay. This is based on the funding position of the scheme and discount rate environment at the start of this financial year, relative to the start of the prior year.

IAS 19 pension surplus	£m
At 1 April 2025	(6.8)
Charge to income statement*	(8.9)
Actuarial gains/(losses):	
- on scheme assets	14.7
- on scheme liabilities	10.7
Employer contributions*	11.0
At 31 March 2026	20.7
Represented by:	
Scheme assets	668.2
Scheme liabilities	(647.5)
Surolus	20.7

* including salary sacrifice

At 31 March 2026, the scheme's funding position was in surplus with the company's economic share of the scheme's assets, using best estimate assumptions required by International Accounting Standards (IAS 19), exceeding liabilities by £20.7m (2025: £6.8m deficit).

The company's economic share of the fair value of the scheme's assets increased by £26.8m, reflecting investment returns. Pension liabilities reduced by £0.7m 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 completed a formal valuation at 31 December 2023 which reported a funding deficit of £142.7m (equivalent to a funding level of 96%), NATS Services share of this being c. £30m. This is a £29.2m improvement since the 2020 valuation. The scheme actuary also determined that the cost of employee benefits accruing in future was 29.9% of pensionable pay. The company 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.

A formal valuation as at 31 December 2025 is being undertaken which reflect recent financial market conditions.

Cash flow

	2026	2025
	£m	£m
Net cash inflow from operating activities	**5.0**	15.4
Net cash generated from/(used in) investing activities	**4.5**	(4.0)
Net cash used in financing activities	**(1.2)**	(1.1)
Increase in cash and cash equivalents	**8.3**	10.3
Cash and cash equivalents at end of year	**83.7**	75.4

Cash and cash equivalents increased by £8.3m in the year to £83.7m (2025: £75.4m). The company generated £5.0m from its operating activities (2025: £15.4m). Net inflows from investing activities primarily reflected capital investment in operational assets offset by loan repayments from our Aquila joint venture in the year and proceeds from airport-based asset sales. Net cash used in financing activities represented lease related payments.

At 25 June 2026 the company had available liquidity of around £75m. Our cash flow forecasts show that the company should be able to operate within the level of its operating cash flows for a period of at least 12 months from the date of issue of this report including under

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

plausible stress scenarios, where appropriate mitigating actions would also be undertaken.

Going concern and viability

The directors have assessed that the company has 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 (see going concern statement at note 2 to the financial statements).

In addition, the directors have assessed the viability of the company based on its current position and future prospects, its business strategy and available financial resources. 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 page 13, and the effectiveness of currently available mitigating actions. In particular, the directors assessed the solvency and liquidity risks arising from the impact of an external geopolitical shock to the aviation sector, leading to an associated loss of contract income from smaller regional airports in our portfolio, the conflict in the Middle East impacting contract delivery and award of new contracts, increases in defined benefit pension contributions and a scenario of additional unplanned financial support to Aquila beyond our legal obligation, alongside a combination of other risk factors materialising, which the Board considered represented a reasonable worst-case scenario. Alongside this a reverse stress test was assessed. 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.

Notwithstanding the estimation uncertainty as to the current macroeconomic outlook, the Board considers that there is greater certainty around forecasting assumptions over a three-year period than a longer period, taking into account the remaining contractual periods of the company's airport air traffic control contracts in particular.

Specific consideration has been given to:

- The company's available cash resources;
- Airport contract terms: the remaining contractual periods of the company's UK airport contracts;
- A geopolitical shock to aviation: the impact that may have on the demand for air travel and the reasonably possible mitigating actions available to the company to manage its financial resources;
- Joint venture funding: the potential requirement to provide additional unplanned financial support to Aquila to enable it to fulfil its performance obligations under Project Marshall;
- Defined benefit pensions: the requirement to pay deferred deficit repair contributions in January 2028, under the terms agreed following the Trustee's formal valuation at 31 December 2023. The directors consider that the company's contributions will be met from operating cash flows.

Accordingly, the directors have formed the judgement that, taking into account the financial resources available, the range of reasonably plausible future scenarios and potential mitigating actions that could be taken, the company has 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.

Gary Franklin

Chief Financial Officer

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Principal risks and uncertainties

Enterprise Risk Framework

The Board of NATS Services takes the management of risk very seriously, paying particular attention to key risk areas. Many of the company's risks are common to the NATS group.

NATS Services applies the NATS group's system for the identification, evaluation and management of emerging and principal risks. This system is embedded within the company's management, business planning and reporting processes. It accords with the UK Corporate Governance 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. 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.

Regular reviews are also carried out by the NATS group's Audit, Safety and Transformation Review Committees in accordance with their remits.

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 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 have been considered in assessing going concern on page 12 and note 2.

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

This risk is related to a failure of the NATS group's ATM controls that results in an accident in the air or on the ground which would have significant impact on customers or NATS Services. The reputational damage could result in the loss of future contracts and a reduction in revenue. The financial loss could also be significant.

As a provider of a safety critical service, safety is the company's highest priority. The NATS group 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 NATS Board level Safety Review Committee.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Strategy: economic regulation of UK Terminal Air Navigation Services (TANS)

The UK market for TANS has been subject to CAA's assessment of market contestability. The CAA and the UK Government advised that market conditions had been established for the period 2020 to 2029.

Strategy: general economy (including inflation), 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 conflicts in the Middle East and Ukraine on energy prices and economic growth and cost of living pressures.

NATS Services contracts for the provision of ATC services to airport operators are at fixed underlying prices for a contract term, with annual uplifts for inflation (which is capped for some contracts). The financial strength of airport operators is monitored for the impact of reductions in air travel demand.

Strategy: sustainable aviation

NATS Services is committed to becoming carbon negative by 2040, and supporting our customers, partners, and suppliers to achieve a net zero aviation industry by 2050. Our climate targets are embedded within those of the NATS group, which 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 managed these risks in our risk management system, within the Climate-related financial disclosures section in NATS Holdings Limited's 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 or terrorist attack, has the potential to disrupt the ATC operation and our ability to resume a safe service to an acceptable performance level within a pre-defined period.

NATS Services' resilience is considered for people, operational technical systems and facilities using the NATS group's incident management processes to assess timely and effective responses. The NATS Services resilience programme assesses, documents and tests resilience capability in order to prevent and mitigate such disruptions. Also, NATS Services engages regularly with its customers on contingency facilities, which are the responsibility of the customer.

Operational: systems security

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

Operational: employee relations

Employee relations if not managed sensitively could have a significant impact on our service performance, including from industrial action. Therefore, every effort

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

is made to continue to build and sustain good employee relations, including joint working groups with union representatives as part of an employee relations project.

Regular dialogue takes place with trades unions on a range of challenging issues including air traffic controller supply, working practices and employee pay. We strive for constructive relationships with our trades unions, and these relationships enabled us to 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.

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 (with NATS Services' economic share of this deficit being c.£30m) 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. NATS Services maintains adequate cash reserves to meet its share of pension contributions.

The directors monitor the funding position of the scheme. The NATS Services 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 its share of the contributions required.

Financial: availability of funding and other risks

In addition to the top risks set out above, the main financial risks of the company relate 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 17 to the financial statements.

Non-financial risks

A number of other non-financial and non-operational risks are described in the Responsible business section of the NATS Holdings Limited Annual Report and Accounts.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Our stakeholders	Why are they important to us?	How we engage and have regard to their views in our decisions?
AIRSPACE USERS, AIRPORTS AND OTHER CUSTOMERS	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 the demand for our services, our staffing and capital investment. We continue to support the MOD through Project Marshall.	The CFO leads a comprehensive programme of engagement and consultation with airspace users and airport stakeholders to understand their priorities and views on our service and investment proposals. A NATS Board sub-Committee is updated on customer engagement When bidding for airport and other contracts we tender our cost effective and innovative solutions. We engage with airport operators to deliver improvements for airlines and therefore the travelling public.
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 NATS 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 NATS Board's regard to employees in its decision-making is provided below.
REGULATOR	Our regulator ensures we provide our services and develop our infrastructure in accordance with international safety standards and assesses the contestability of the UK market for airport ATC services. Ensuring we develop the business for the long-term ensures the success of the company for all our stakeholders.	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's economic regulator assesses the contestability of the UK's airport ATC market.
GOVERNMENT	The government sets UK Aviation Strategy which provides a long-term vision for the industry and a framework for future ATC provision.	The NATS 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	We are a wholly owned subsidiary within the NATS group. Our decisions have regard to the group's ultimate shareholders as well as the parent company. These parties provide equity investment which finances our activities and enables us to invest in our ATC service and infrastructure, for which they expect a return. An employee share trust owns 5% of our ultimate parent company, which enables employees to share in the company's long-term success.	A NATS group shareholders' meeting is usually held once a year to provide the NATS group with an opportunity to update their shareholders on the progress of the annual business plan and long-term strategy. The NATS Board Chair, CEO and CFO also meet informally with shareholders upon request. The Strategic Partnership Agreement enables shareholders to appoint representatives to the Board. Shareholders wish to see remuneration policies which drive executive management to deliver strong sustainable performance aligned with the interests of key stakeholders.
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 NATS Board is kept abreast of the public's attitude to aviation and to NATS through an annual public opinion survey conducted by Ipsos.
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 ISO44001 accredited and hold CIPS Platinum standard of assurance.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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 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 19 to 20. 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

The company has 993 employees and 13 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 brough to the NATS Board's attention each month and the NATS Board's Safety committee oversees occupational health and employee wellbeing. These provide the NATS Board with sufficient time and depth of analysis to engage with, and have regard to employee matters. More detail on employee matters is provided within the Responsible business statement of NATS Holdings Limited. The main topics considered by the NATS Board and opportunities for engagement were:

Employee engagement: the NATS 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 NATS 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 NATS 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.

Middle East conflict: the priority of the Board and Executive was for the safety of employees and their families in the region and, following regular updates on the threat level from NATS security and from the local management team, they discussed mitigating actions and contingency plans.

CFO succession and Executive appointments: the NATS 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: 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 the NATS Board's Safety Review Committee, the NATS Board maintained its focus on the safety of all colleagues and employee mental health and wellbeing.

Diversity and Inclusion (D&I): D&I continued to be a focus of the NATS Board. The NATS 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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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 also provided elsewhere in this report.

Focus on safe and resilient operational resilience: the Board and the NATS Safety Review Committee reviewed the Safety Plan 2035. The Board received monthly updates on safety and service performance, relative to 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.

Aireon: the Board considered the merits for stakeholders, including shareholders and NERL customers, of a proposal by Aireon's board to tender for sale the equity interests held by air navigation service provider investors, including NATS, and approved the proposal. The Board delegated authority to the CEO to approve the final terms of the sale.

Progress against Strategy 2040: the Board was updated on the strategy to 2040, and the revenue growth objective in particular, enabled by organisational changes and new international opportunities. It received papers on the execution of the strategy, discussed the progress NATS Services had made to secure forward orders and considered the risks from the conflict in the Middle East.

Annual business plan: the Board reviewed and approved the group's budget for 2027 and the five-year business plan, aligned to the group's strategy. Prior to doing so, the Board wished to understand how the plan enabled the revenue growth targets for NATS Services to be achieved.

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

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Governance framework

Introduction

NATS Services was formed as part of the NATS group's Public Private Partnership (PPP) 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 group and the directors to adhere to the UK Corporate Governance Code so far as reasonably practicable and save to the extent inconsistent with the other provisions of the SPA.

The Board and Directors

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

NATS Services' 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;
- 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 NATS Services Board comprised two directors, as follows:

Executive Directors

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

Non-Executive Directors

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

Changes to the Directors

Alistair Borthwick resigned at the end of December 2025 as Chief Financial Officer and Gary Franklin was appointed as Chief Financial Officer from 1 January 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 NATS group has nested board meetings with NATS Services Board meetings taking place as part of the NATS Holdings meetings. The NATS Services Board routinely meets seven times per year in January, March, May, June, July, September and November, and supplements these scheduled meetings with additional meetings as business

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

priorities require. This year, the Board met nine times.

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 NATS Executive team. This includes reviewing performance against operational targets and financial targets.

Compliance with the UK Corporate Governance Code

NATS Services is committed to maintaining the highest standards of corporate governance 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 the company did not comply are summarised below.

Provision 3: Engagement with major shareholders

Within the PPP structure NATS Services is a wholly owned subsidiary of NATS Limited which is in turn a wholly owned subsidiary of NHL. There are no institutional or public shareholders. However, the nature of the SPA is such that NATS' 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 NATS Board discussions. The NATS Board is therefore able to take decisions in the best interests of the company and wider NATS group, having taken account of the views of the shareholders. The NHL Board's Chair 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 group, and matters relating to the external audit of the company. For these reasons the company does not have a separate Audit Committee.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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 is set out on pages 19 and 20 and forms part of this report.

A review of the company's key business developments in the year and an indication of likely future developments is included within the Strategic report.

Information about the use of financial instruments is given in note 17 to the financial statements.

Dividends

The company paid no dividends in the year (2025: £nil). The Board recommends a final dividend for the year of £nil (2025: £nil).

Directors and their interests

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

Alistair Borthwick (resigned 31 December 2025)
Gary Franklin (appointed 1 January 2026)
Martin Rolfe

None of the directors had any interests in the share capital of the company. The following directors held interests in ordinary shares of NATS Holdings Limited, the company's ultimate parent undertaking at 31 March 2026:

Gary Franklin	1,229
Martin Rolfe	2,578

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 (NATS).

Employee engagement

The directors are committed to the involvement of employees in the decision-making process through effective leadership at all levels in the organisation, including engagement with the Board through a designated non-executive director. Employees are frequently involved through direct discussions with their managers, cross company working groups and local committees. Regular employee consultations cover a range of topics affecting them, including such matters as corporate performance and business plans. The directors encourage the involvement of employees in the company's performance through the All-Employee Share Ownership Plan.

The directors have regard to the safety, health and well-being of employees (and contract staff). The NATS CEO and CFO maintain high visibility with employees through visits to NATS sites, or through virtual engagements where more appropriate, where they talk to them about current business issues and take questions in an open and straightforward manner. The NATS CEO hosts a quarterly executive open session for the whole organisation and a separate quarterly update for the wider management team. The CEO also hosts a monthly call with his senior leadership team. His weekly written update on the company's intranet has a 75% readership. Such actions enable

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

employees to achieve a common awareness of those factors affecting the performance of the company. An employee engagement survey was conducted in March 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 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 17 to 18 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

The directors' assessment of going concern is explained in note 2 to the financial statements.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

- 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 a 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 financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Auditor

EY LLP was appointed as statutory auditor for the financial year ended 31 March 2026.

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

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATS (Services) Limited

Opinion

We have audited the financial statements of NATS (Services) Limited (NSL) for the year ended 31 March 2026 which comprise the Income statement, the Balance Sheet, the cash flow statement, the statement of comprehensive income, the statement of changes in equity and the related notes1 to 29, 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 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 and 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, 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.
- We assessed the base case assumptions for reasonableness by (i) testing the clerical accuracy of the model, (ii) by reference to assumptions on ongoing trade with key airports.
- Verifying the liquidity position which is mainly cash held 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 there are no covenants associated with NATS (Services) Limited (NSL) and therefore conclude that liquidity itself formed the basis of the stress tests.
- 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.
- 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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

NSL's primary activity is to provide air traffic services to a significant proportion of the UK's large airports. As these contracts typically have a two-year termination period and the most significant are considered key national infrastructure assets, they are judged to provide stable fixed income for the duration of the going concern period and as a result the risk is reduced in this area. This, combined with the absence of any other events or conditions which would cause us to question the going concern assumption, means 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 scenarios that would need to occur for the cash reserves to be extinguished in the going concern period.

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 the period to 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.

An overview of our audit approach

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, and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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.

Risk	Our response to the risk	Key observations communicated to the NATS Holdings Limited Audit Committee
Overstatement of revenue recognition as a result of management override (FY26 Revenue: £235.3m, FY25 Revenue: £212.3m) *Refer to the Accounting policies (pages 37 to 38) and Note 4 of the Financial Statements (page 48 to 50).* The risk we identified was that fictitious revenue	For all significant revenue balances, we: • Performed walkthroughs for each significant revenue stream to understand the key systems, processes and controls in place. • Took a data-led approach to correlate the activity in revenue through to trade receivables and cash, identifying any anomalies from the processed transactions revenue to our expectations. • Completed detailed testing of any topside revenue postings made post-closing of the books as well as	Revenue for the year ended 31 March 2026 has been recognised appropriately in accordance with IFRS 15. As part of our procedures, we noted no indication of deliberate or other manipulation of revenue or

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

could be recorded through topside (manual) journal entries.	any journals identified as higher risk in the general ledger population. We have also used data analytics to support our procedures by 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.	management override.
Valuation of Hard to Value pension scheme assets (FY26 hard to value assets: £125m, FY25 hard to value assets: £127m) Refer to the Accounting policies (page 42); and Note 25 of the Financial Statements (page 76) 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. 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.	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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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 £2.9m (2025: £1.3m), which is 1.25% of total revenue. We believe that revenue provides us with the most appropriate materiality basis based on the expectations of the users of the financial statements.

During the course of our audit, we reassessed initial materiality and concluded that materiality has not changed from original assessment at planning.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £2.2m (2025: £0.98m).

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 £0.1m (2025: £0.06m), 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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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 report of the directors.

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

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

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 12.
- 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 12;
- 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 page 12;
- Directors' statement on fair, balanced and understandable set out on page 23;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 13;
- 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 19; and
- The section describing the work of the audit committee set out on page 20.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22 to 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 entity 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 international accounting standards and with IFRSs issued by the International Accounting Standards Board (IASB), the Pensions Act, the Companies Act 2006 and the relevant tax compliance regulations in the jurisdictions in which NATS (Services) Limited operates.

- We understood how NATS (Services) Limited is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, internal audit reports and papers provided to the Audit and Risk Committee.

- We assessed the susceptibility of the 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. We have concluded there is a risk that fictitious revenue could be recorded through topside (manual) journal entries, resulting in overstatement of revenue. 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. We also engaged EY forensics specialists to assist with journal entries testing.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- Based on this understanding we designed our audit procedures to identify noncompliance 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 and Risk Committee on compliance with regulations, enquiries with legal counsel, Group management and internal audit, as well as performing journal entry testing, with a focus journal entries indicating large or unusual transactions based on our understanding of the business. In addition, we completed procedures to conclude on the compliance of the disclosures in the Financial Statements and with the requirements of the relevant accounting standards and UK legislation.

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.

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
Date: 25 June 2026

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Income statement
for the year ended 31 March

	Notes	2026 £m	2025 £m
Revenue	4	235.3	212.3
Staff costs	7	(126.4)	(114.2)
Services and materials		(19.4)	(16.3)
Repairs and maintenance		(6.4)	(4.3)
Depreciation, amortisation and impairment of property, plant, equipment, intangible and right-of-use assets	6	(7.9)	(4.9)
Impairment reversal/(charge) of carrying value of subsidiaries	6, 27	15.8	(1.6)
Other operating charges		(75.1)	(65.6)
Other operating income		0.3	0.6
Profit on disposal of non-current assets		0.4	-
Net operating costs		(218.7)	(206.3)
Operating profit	6	16.6	6.0
Investment income	8	3.8	4.4
Finance costs	9	(0.1)	(0.2)
Reversal of impairment of loan to joint venture	27	2.5	-
Profit before tax		22.8	10.2
Tax charge	10	(1.4)	(4.0)
Profit for the year attributable to equity shareholders		21.4	6.2

Statement of comprehensive income
for the year ended 31 March

	Notes	2026 £m	2025 £m
Profit for the year after tax		21.4	6.2
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain/(loss) on defined benefit pension scheme	25	25.4	(24.8)
Deferred tax relating to actuarial gain/(loss) on defined benefit pension scheme	20	(6.4)	2.4
Current tax relating to actuarial loss on defined benefit pension scheme	10	-	3.8
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of hedging derivatives		0.1	(0.1)
Other comprehensive profit/(loss) for the year, net of tax		19.1	(18.7)
Total comprehensive profit/(loss) for the year attributable to equity shareholders		40.5	(12.5)

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Balance sheet

at 31 March

	Notes	2026 £m	2025 £m
Non-current assets			
Intangible assets	11	8.2	10.1
Property, plant and equipment	12	9.4	12.5
Right-of-use assets	13	2.2	3.0
Investments	27	6.2	31.6
Retirement benefit asset	25	20.7	-
Trade and other receivables	14	14.0	20.2
		60.7	77.4
Current assets			
Trade and other receivables	14	49.4	36.7
Assets held for sale	27	41.2	-
Current tax asset		-	1.7
Cash and cash equivalents	17	83.7	75.4
Derivative financial instruments	16	0.1	0.1
		174.4	113.9
Total assets		235.1	191.3
Current liabilities			
Trade and other payables	18	(50.2)	(45.1)
Lease liabilities	15	(0.9)	(1.2)
Provisions	19	(1.6)	(1.2)
Derivative financial instruments	16	-	(0.2)
		(52.7)	(47.7)
Net current assets		121.7	66.2
Non-current liabilities			
Trade and other payables	18	(15.2)	(15.0)
Retirement benefit obligations	25	-	(6.8)
Deferred tax liability	20	(6.0)	(0.2)
Lease liabilities	15	(1.1)	(1.2)
Provisions	19	(2.8)	(3.6)
Derivative financial instruments	16	(0.1)	(0.1)
		(25.2)	(26.9)
Total liabilities		(77.9)	(74.6)
Net assets		157.2	116.7
Equity			
Called up share capital	21	2.0	2.0
Hedge reserve		(0.1)	(0.2)
Retained earnings		155.3	114.9
Total equity		157.2	116.7

The financial statements (Company No. 04129270) were approved by the Board of directors and authorised for issue on 25 June 2026 signed on its behalf by:



Martin Rolfe
Chief Executive



Gary Franklin
Chief Financial Officer

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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	Retained earnings £m	Total £m
At 1 April 2024	2.0	(0.1)	127.3	129.2
Profit for the year	-	-	6.2	6.2
Other comprehensive loss for the year	-	(0.1)	(18.6)	(18.7)
Total comprehensive loss for the year	-	(0.1)	(12.4)	(12.5)
At 31 March 2025	2.0	(0.2)	114.9	116.7
At 1 April 2025	2.0	(0.2)	114.9	116.7
Profit for the year	-	-	21.4	21.4
Other comprehensive profit for the year	-	0.1	19.0	19.1
Total comprehensive profit for the year	-	0.1	40.4	40.5
At 31 March 2026	2.0	(0.1)	155.3	157.2

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Cash flow statement
for the year ended 31 March

	Notes	2026 £m	2025 £m
Cash flows from operating activities			
Cash generated from operations	22	5.0	15.4
Tax paid		-	-
Net cash inflow from operating activities		5.0	15.4
Cash flows from investing activities			
Interest received		2.9	3.5
Purchase of property, plant and equipment		(3.0)	(1.8)
Purchase of intangible assets		(2.6)	(3.2)
Proceeds of disposal of property, plant and equipment		4.5	-
Repayment of/(loans to) joint ventures	27	2.7	(2.5)
Net cash inflow/(outflow) from investing activities		4.5	(4.0)
Cash flows from financing activities			
Principal paid on lease liabilities		(1.1)	(0.9)
Interest paid on lease liabilities		(0.1)	(0.2)
Net cash outflow from financing activities		(1.2)	(1.1)
Increase in cash and cash equivalents during the year		8.3	10.3
Cash and cash equivalents at 1 April		75.4	65.1
Cash and cash equivalents at 31 March		83.7	75.4

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

1. General information

NATS (Services) Limited (NATS Services) is a private limited company incorporated in England and Wales and domiciled in the United Kingdom and acting under the Companies Act 2006. The address of the registered office is on page 2. The nature of the company's operations and its principal activities are set out in the Strategic report and in the Report of the directors.

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

2. 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 and liquidity position 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 17 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 £84.7m comprising cash of £83.7m and an undrawn bank overdraft facility of £1.0m. At 25 June 2026, the company had access to cash and undrawn overdraft facilities of around £75m.

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 individually and in combination and the principal risks discussed on pages 13 to 15, along with a reverse stress test reflecting loss of airport contract income from smaller airports in our portfolio. The directors consider these scenarios to be remote.

The company has no debt and has substantial cash holdings. The company's principal sources of income are generated mainly from long term contracts. Accordingly, the directors have formed a judgement that taking into account the financial resources available, the range of scenarios and potential mitigating actions that could be taken, it has 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 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 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

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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

The company is currently assessing the impact of the new accounting amendments, which are not expected to have a material impact on the financial statements.

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 (NATS)) to this company.

The company entered into a Management Services Agreement with NATS 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 of personnel to the company. In addition, an Inter-company Trading Agreement is the basis for the provision of central services by NATS to NATS Services. The cost of central services is recharged based on a fair allocation of costs taking into account the most important drivers for the services provided. The company is responsible for paying to NATS an amount equal to the aggregate of all costs incurred by NATS in connection with the employment of the personnel together with appropriate staff related costs and expenses and disbursements.

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

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

- Training services;
- Radar data services at NATS Services airports;
- Engineering and software support services;
- Research and development for NATS Services airports and business development activities; and
- Other services to NATS Services' business development (for example - consultancy and engineering services).

The company commenced trading from 26 July 2001.

The company entered into an Inter-company Agreement with its wholly-owned subsidiary, NATS Solutions Limited (NATS Solutions). This agreement

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

provides for the provision of personnel. The company is responsible for paying to NATS Solutions an amount equal to the aggregate of all costs incurred in relation to employment of the personnel together with appropriate staff related costs and expenses and disbursements.

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

Revenue recognition

Revenue is recognised from the transfer of goods or services at an amount that the company expects to be entitled to in exchange for those goods or services. Revenue is recognised based on the satisfaction of performance obligations, which are characterised by the transfer of control over a product or service to a customer. 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 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.

Airports and Other UK Services

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

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

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

Defence services

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

New Airspace Users

The company provides services and development of technological solutions for new airspace users, including beyond visual line of sight (BVLOS) and electric vertical take-off and landing (eVTOL) vehicles. These contracts can contain multiple deliverables that are considered distinct. The transaction price is

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

allocated to each performance obligation based on stand-alone selling prices. Where the transaction price is not directly observable, the prices are estimated based on a cost-plus margin. Revenue is recognised in line with costs incurred or labour hours expended for work performed to date, as a proportion of the estimated total contract costs, reflecting the pattern of control transferring to the customer, through the creation of an asset with no alternative use and an enforceable right to payment for work performed.

International

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

Income from other sources

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

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

Operating segments

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

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

Operating profit/loss

Operating profit/loss is stated after charging restructuring costs and adjustments in relation to, impairment of investments in subsidiaries but before investment income, finance costs and taxation.

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:

- 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 12 years. Assets in the course of construction are not amortised until ready for use. Where no internally-generated intangible asset can be

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Property, plant and equipment

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

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

Government grants and other grants

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

Leases

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

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

Measurement at inception

At the lease commencement date the lessee will recognise:

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

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

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

For contracts that both convey a right to the lessee to use an identified asset and require services to be provided to the lessee by the lessor, the lessee has elected to account for the entire contract as a lease,

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

i.e. it does not allocate any amount of the contractual payments to, or account separately for, any services provided by the supplier as part of the contract.

Ongoing measurement

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

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

When the 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

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 weighted average cost of capital.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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.

Investments in associates and joint ventures

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

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

A joint venture is an arrangement in which two or more parties have joint control. The investors in the joint venture have rights to the net assets of the jointly controlled entity.

Investments in associates and joint ventures are carried in the balance sheet at cost, less any impairment in the value of individual investments.

The company's share of results of associates and joint ventures are not presented in these financial statements. They are incorporated into the consolidated financial statements of NATS Holdings Limited, the company's ultimate parent, using the equity accounting method.

Share-based payments

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

In 2001, the company's parent 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.

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

In respect of the award schemes, the 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.

The company's 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 NATS group's tax policies and guidelines.

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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 (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).

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 25):

- current service cost, past service cost and gains and losses on curtailments and settlements;

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

- 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 group and Trustees have introduced a number of pension reforms, as explained in note 25. 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.

Assets Held for Sale

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, if it is available for immediate sale and the sale is highly probable in accordance with IFRS 5.

Upon classification, the asset (or disposal group) is measured at the lower of its carrying amount and fair value less any costs to sell. Any impairment losses arising are recognised in profit or loss.

Non-current assets classified as held for sale are not depreciated. At each reporting date, the asset is remeasured and any subsequent changes in fair value less costs to sell are recognised in profit or loss to the extent permitted by IFRS 5.

Provisions

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

Financial instruments

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

The company has financial assets at amortised cost. The company does not have financial assets at fair value through the profit or loss or at fair value through other comprehensive income. Detailed disclosures are set out in notes 14, 16, 17 and 18.

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.

Impairment of financial assets

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

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

probability of the non-payment of trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, such provisions are recorded in a separate provision account with the loss being recognised in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

Cash and cash equivalents

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

Financial liabilities

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

Fair value through the profit or loss

Financial liabilities at fair value through profit or loss, which represent derivative financial instruments, are measured initially at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

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

Interest-bearing bank loans, other borrowings, loan notes, debt securities and trade and other payables are recorded at the proceeds received, net of direct issue costs. Finance charges, including premia payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Equity

Equity instruments are also classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

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

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 forward foreign exchange contracts to hedge these exposures. These are disclosed in notes 16 and 17 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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

3. Critical judgements and key sources of estimation uncertainty

Net investment in Aquila joint venture (see note 27)

The Aquila joint venture is projecting losses in its forecast to deliver its Project Marshall contract, which completes in 2037. In the year ended 31 March 2024, the company impaired its net investment in the joint venture by £25.1m. This included recognising a liability of £6.2m for the company's legal obligation arising under the shareholder loan facility agreement. At the reporting date, the company has reviewed Aquila's latest business plan and long-term cash flow forecasts to re-assess the carrying value of its investment and the recoverability of the outstanding and undrawn shareholder loan. The company concluded that the carrying values of its investment remained at nil, but that the outstanding shareholder loan was valued at £2.5m and a write back in the impairment has been recognised.

Long-term contract accounting for the Project Marshall contract represents a significant accounting estimate for Aquila in relation to the costs to complete the contract, alongside management judgement and assumptions as to the future operating environment.

The joint venture has entered discussions with the MoD customer on the scope and pricing of its next pricing period (2027 to 2033). The outcome of these negotiations and Aquila's management of future delivery costs may result in a materially different outcome to management's current assessment.

The company assesses progress in respect of these matters annually to determine whether it is appropriate to reverse some or all of the full impairment of the investment and shareholder loan commitment.

Investment in NATS (USA) Inc (see note 27)

The company's US-based subsidiary, NATS (USA) Inc, holds a minority interest in the convertible redeemable preference shares of Aireon LLC, which carry voting rights and a right of conversion to equity interests up to 2027. The company's investment in NATS (USA) Inc is held at cost less any provision for impairment. At 31 March 2026 this was £41.2m (2025: £23.8m). Aireon is a privately owned entity with few historic transactions and is therefore an illiquid unquoted investment with no readily available market price.

In valuing its interest in Aireon, the company uses a market approach, which has regard to probable transactions between the interest holders and market participants.

The market approach determines the carrying value based upon the most likely consideration to acquire a controlling interest in Aireon, moderated for expected pricing outcomes A 5% increase in the pricing moderation would result in a £1.9m decrease in the carrying value.

Expected credit loss provisions (see note 14)

The company's expected credit loss provisions are established to recognise impairment losses on amounts due from customers and other parties. Estimating the amount and timing of future settlements involves significant judgement and an assessment of matters such as future economic conditions and the recovery of air travel, the financial strength of the aviation sector and individual customers and the effect of any government support measures.

The company's expected credit loss provision takes into account past loss experience, payment performance and arrears at the balance sheet date, the financial strength of customers, government support measures and uncertainties arising from the economic environment. The settlement of trade receivables is sensitive to changes in the economic environment and the demand for air travel. It is possible that actual events over the next year differ from the assumptions made resulting in material adjustments to the carrying amount of trade receivables.

There are expected credit losses of £13.2m recognised at 31 March 2026 for amounts due from:

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

company subsidiaries totalling £67.7m (2025: expected credit losses of £12.0m for amounts due from: active customers, fellow subsidiaries and company subsidiaries totalling £60.6m). A 1% change in customer default would give rise to a c£0.5m change in expected credit loss provision.

Retirement benefits (see note 25)

The company accounts for its share of the NATS group's 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 £20.7m (2025: £6.8m deficit) on liabilities of £647.5m (2025: £648.2m).

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 25. 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 when 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.

Long term contracts (see notes 14 and 18)

The company is fulfilling a number of long term contracts, including providing support to its Aquila joint venture which is undertaking Project Marshall. In assessing the amount of revenue to be recognised in respect of these contracts, judgements are made on the extent of contract completion and the proportion that costs incurred to date bear to the estimated total costs of the contract. Such judgements are reviewed regularly and may change over the course of a contract, impacting operating results in future periods should a reassessment of contract completion and costs to complete be made.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

4. Revenue

The company has recognised the following revenue in the income statement:

	2026 £m	2025 £m
Revenue from contracts with customers	235.3	212.3

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: Airport and Other UK Services, Defence services, New Airspace Users and International, and the products and services provided to each.

Principal activities

The following table describes the activities of each operating segment:

Airports and Other UK Services	The provision of air traffic control, engineering support and airport optimisation services to UK airport customers; engineering solutions to renewables customers and consultancy, offering airspace development, capacity improvement and training; and information, providing data to enable future efficiency and flight optimisation.
Defence services	The provision of air traffic control, engineering support and other services to the UK MOD and to our joint venture for the UK MOD's Marshall contract.
New Airspace Users	The provision of services and development of technological solutions for new airspace users, including beyond visual line of sight (BVLOS) and electric vertical take-off and landing (eVTOL) vehicles.
International	The provision of air traffic control and related services (including consultancy, technology deployment, engineering, training and information services) to overseas customers.

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						
Airports and Other UK Services	198.4	17.3	215.7	178.7	17.2	195.9
Defence services	8.3	2.0	10.3	11.0	0.8	11.8
New Airspace Users	2.5	-	2.5	2.3	-	2.3
International	0.9	5.9	6.8	1.2	1.1	2.3
Total revenue from contracts with customers	210.1	25.2	235.3	193.2	19.1	212.3

Intercompany revenue includes revenue for services to NATS (En Route) plc of £19.2m (2025: £18.0m), NATS Services (Asia Pacific) Pte. Limited of £nil (2025: £0.1m), NATS Services (Hong Kong) Limited of £5.5m (2025: £0.2m), NATS Services DMCC of £0.5m (2025: £0.3m) and Searidge Technologies Inc of £nil (2025: £0.5m).

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

4. Revenue (continued)

b) Revenue disaggregated by timing of recognition

	2026			2025		
	External £m	Intercompany £m	Total £m	External £m	Intercompany £m	Total £m
Over time	210.1	25.2	235.3	193.1	19.1	212.2
At a point in time	-	-	-	0.1	-	0.1
Total revenue from contracts with customers	210.1	25.2	235.3	193.2	19.1	212.3

c) 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			2025		
	External £m	Intercompany £m	Total £m	External £m	Intercompany £m	Total £m
Revenue from contracts with customers						
United Kingdom	208.0	19.2	227.2	190.4	18.0	208.4
Other European countries	1.2	-	1.2	0.8	-	0.8
Countries in Asia	0.5	6.0	6.5	2.0	0.6	2.6
Countries in North America	0.4	-	0.4	-	0.5	0.5
Total revenue from contracts with customers	210.1	25.2	235.3	193.2	19.1	212.3

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 total revenue.

Information about major customers

Included in revenues arising from UK Airports are revenues of £54.9m (2025: £51.1m) which arose from the company's largest customer.

d) Contract balances

Receivables, contract assets and contract liabilities from contracts with customers are disclosed in notes 14 and 18. Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Contract assets		Contract liabilities	
	2026 £m	2025 £m	2026 £m	2025 £m
At 1 April	22.8	24.6	(16.4)	(19.0)
Opening contract assets transferred to trade and other receivables	(7.9)	(11.1)	-	-
Impairment of contract assets	-	-	-	-
Additional contract asset balances recognised at the balance sheet date	7.1	9.3	-	-
Opening contract liabilities which have now been recognised as revenue	-	-	7.3	8.3
Increases due to cash received, excluding amounts recognised as revenue during the year	-	-	(4.2)	(5.7)
At 31 March	22.0	22.8	(13.3)	(16.4)

Contract assets and contract liabilities are included within "Trade and other receivables" and "Trade and other payables" respectively on the face of the balance sheet. The majority of contracts in the Airports and Other UK Services 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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

4. Revenue (continued)

e) Revenue recognised from performance obligations satisfied in previous periods

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

f) Remaining performance obligations

For the 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 is approximately as follows:

	2026				
	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
Airports and Other UK Services	12.9	0.1	-	-	13.0
Defence services	0.9	0.2	2.1	-	3.2
	13.8	0.3	2.1	-	16.2

	2025				
	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
Airports and Other UK Services	17.7	6.5	-	-	24.2
Defence services	0.9	0.5	1.3	-	2.7
New Airspace Users	1.0	-	-	-	1.0
International	0.2	-	-	-	0.2
	19.8	7.0	1.3	-	28.1

The amounts disclosed above do not include variable consideration which is constrained.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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, profit/(loss) on disposal of non-current assets, employee share scheme (costs)/credits, redundancy and relocation costs, impairment adjustments on carrying value of subsidiaries, investment income and finance costs. A reconciliation of service line contribution to profit/(loss) before tax is set below.

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

	2026					
	Airports and Other UK Services £m	Defence Services £m	New Airspace Users £m	International £m	Costs not directly attributed to Service Lines £m	Total £m
External revenue	198.4	8.3	2.5	0.9	-	210.1
Intra-group revenue	17.3	2.0	-	5.9	-	25.2
Total external and intra-group revenue	215.7	10.3	2.5	6.8	-	235.3
Staff costs (excluding employee share plan and redundancy costs)	(115.1)	(3.2)	(1.3)	(0.6)	(5.3)	(125.5)
Non-staff costs	(60.8)	(9.8)	(1.7)	(8.7)	(19.7)	(100.7)
Reversal of impairment of loan to joint venture	-	2.5	-	-	-	2.5
Service line contribution	39.8	(0.2)	(0.5)	(2.5)	(25.0)	11.6
Depreciation and amortisation (net of deferred grants released)						(7.9)
Impairment charges of carrying value of subsidiaries						15.8
Profit on disposal of non-current assets						0.4
Employee share scheme costs						(0.6)
Redundancy costs						(0.2)
Investment income						3.8
Finance costs						(0.1)
Profit before tax						22.8

	2025					
	Airports and Other UK Services £m	Defence Services £m	New Airspace Users £m	International £m	Costs not directly attributed to Service Lines £m	Total £m
External revenue	178.7	11.0	2.3	1.2	-	193.2
Intra-group revenue	17.2	0.8	-	1.1	-	19.1
Total external and intra-group revenue	195.9	11.8	2.3	2.3	-	212.3
Staff costs (excluding employee share plan and redundancy costs)	(101.8)	(3.6)	(1.2)	(0.3)	(6.2)	(113.1)
Non-staff costs	(54.4)	(6.7)	(1.2)	(7.1)	(16.2)	(85.6)
Service line contribution	39.7	1.5	(0.1)	(5.1)	(22.4)	13.6
Depreciation and amortisation (net of deferred grants released)						(4.9)
Impairment charges of carrying value of subsidiaries						(1.6)
Employee share scheme costs						(0.5)
Redundancy costs						(0.6)
Investment income						4.4
Finance costs						(0.2)
Profit before tax						10.2

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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

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		
	Airport air traffic services £m	Miscellaneous services £m	Total £m	Airport air traffic services £m	Miscellaneous services £m	Total £m
Revenue	155.5	79.8	235.3	147.4	64.9	212.3
Costs (net)	(135.9)	(82.8)	(218.7)	(135.2)	(71.1)	(206.3)
Operating profit/(loss)	19.6	(3.1)	16.6	12.2	(6.2)	6.0

Non-current asset additions

Additions to non-current assets (including additions to right-of-use assets) presented by service line are: Airport and Other UK Services: £3.6m (2025: £3.4m), Defence services: £nil (2025: £nil), New Airspace Users: £1.6m (2025: £1.9m) and International £0.5m (2025: £nil).

Geographical segments

Capital expenditure and company assets are all located within the UK, with the exception of investments and loans of £44.6m (2025: £36.1m) which the company holds in overseas entities (see note 27). These investments have been established to enable the company to undertake business abroad or to hold foreign equity investments.

6. Operating profit for the year

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

	2026 £m	2025 £m
CAA regulatory charges for safety regulation at airports	0.3	0.3
Voluntary redundancy costs	0.2	0.6
Foreign exchange losses	0.1	0.3
Amortisation of intangible assets (note 11)	1.0	1.1
Impairment of intangible assets (note 11)	1.6	-
Depreciation of property, plant and equipment (note 12)	2.2	2.2
Impairment of property, plant and equipment (note 12)	1.6	-
Depreciation of right-of-use assets (note 13)	1.5	1.5
Impairment of right-of-use assets (note 13)	-	0.1
Impairment (reversal)/charge of carrying value of subsidiary: NATS (USA) Inc.	(17.4)	0.4
Impairment charge of carrying value of subsidiary: NATS (Services) Canada Inc.	1.6	1.2
Change in expected credit losses	1.6	3.3
Research and development costs	0.4	2.3
R&D expenditure above the line tax credits	(0.3)	(0.2)
Auditors remuneration for audit services (see below)	0.1	0.1

The company incurs voluntary redundancy costs in the normal course of business.

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

Fees payable to the company's auditor for audit services to the company are disclosed above. Total non-audit fees of £8,000 (2025: £8,000) were incurred for other agreed upon procedures.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

6. Operating profit for the year (continued)

Transactions with group companies

	2026 £m	2025 £m
Charges for seconded staff under the terms of the ISA provided by NATS Limited (see below)	128.5	116.1
Charges for services provided by NATS Limited	3.9	3.6
Charges for services provided by NATS (En Route) plc	30.7	27.1
Charges for services provided by NATS Solutions Limited	15.3	17.2
Charges for services provided by NATS Services DMCC	4.3	2.3
Charges for services provided by NATS Services (Asia Pacific) Pte. Limited	1.1	0.3
Charges for services provided by NATS Services (Hong Kong) Limited	3.5	-
Charges for services provided by Searidge Technologies Inc.	2.9	1.4
Charges for services provided by NATS Services India LLP	-	0.2

NATS Limited, the immediate parent company, is responsible for employing the staff engaged in the activities carried out by NATS Services. Under the terms of the Inter-company Secondment Agreement (ISA) dated 1 October 2009, the services of certain employees are seconded to NATS Services by NATS Limited. NATS Services is responsible under the ISA for reimbursing NATS Limited for all other staff related costs which it incurs on behalf of the employees seconded to NATS Services (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) NERL provides certain services to NATS Services. The ISA and ICTA are explained in more detail in note 2. NATS Solutions Limited provides support services to NATS Services for air traffic control at military airfields. NATS Services (Asia Pacific) Pte. Limited, NATS Services (Hong Kong) Limited, NATS Services (India) LLP and Searidge Technologies Inc. provide support to NATS Services contracts in the Asia Pacific region and NATS Services DMCC provides support to NATS Services contracts in the Middle East.

7. Staff costs

a) Staff costs

	2026 £m	2025 £m
Salaries and staff costs were as follows:		
Wages and salaries	92.8	84.6
Social security costs	12.9	10.4
Share-based payments charges (note 24)	0.6	0.5
Pension costs (note 7b)	22.2	20.6
	128.5	116.1
Less: Amounts capitalised	(2.1)	(1.9)
	126.4	114.2

Wages and salaries includes other allowances and holiday pay.

b) Pension costs (see note 25)

	2026 £m	2025 £m
Defined benefit pension scheme costs	8.9	9.7
Defined contribution pension scheme costs	13.3	10.9
	22.2	20.6

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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

7. Staff costs (continued)

c) Staff numbers

	2026 No.	2025 No.
The monthly average number of employees (including executive directors) was:		
Air traffic controllers	468	458
Air traffic service assistants	98	98
Engineers	160	147
Others	210	190
	936	893
The number of employees (including executive directors) in post at 31 March was:	993	902

8. Investment income

	2026 £m	2025 £m
Interest on bank deposits	2.9	3.5
Other interest receivable	0.9	0.9
	3.8	4.4

Other interest receivable represents interest accrued on the loans.

9. Finance costs

	2026 £m	2025 £m
Interest on lease liabilities (see note 15)	0.1	0.2
	0.1	0.2

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

10.Tax

	2026 £m	2025 £m
Corporation tax		
Current tax	2.0	4.0
Group relief receivable	-	(1.3)
	2.0	2.7
Deferred tax (see note 20)		
Origination and reversal of temporary timing differences	0.1	1.4
Adjustments in respect of prior year	(0.7)	(0.1)
	(0.6)	1.3
	1.4	4.0

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

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

	2026		2025	
	£m		£m	
Profit on activities before tax	22.8		10.2	
Tax on profit on ordinary activities at standard rate in the UK of 25% (2025: 25%)	5.7	25.0%	2.5	25.0%
Tax effect of prior year adjustments - deferred tax	(0.7)	(3.1%)	(0.1)	(1.0%)
Expected credit loss provision for subsidiary loan	0.4	1.8%	0.7	7.1%
Impairment charges on carrying value of subsidiaries: NATS (USA) Inc. and NATS (Services) Canada Inc.	(4.0)	(17.5%)	0.4	4.0%
Employee share scheme: timing differences over vesting period of shares	0.3	1.3%	0.1	1.0%
Employee share scheme: impact of new shares issued	(0.2)	(1.0%)	(0.1)	(1.0%)
R & D expenditure credits	-	-	0.1	1.0%
Capital grants adjustment	-	-	0.1	1.0%
Other permanent differences	(0.1)	(0.5%)	0.3	2.0%
Total tax charge for year at an effective tax rate of 6.0% (2025: 39.1%)	1.4	6.0%	4.0	39.1%
Deferred tax (charge)/credit taken directly to equity (see note 20)	(6.4)		2.4	

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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

10.Tax (continued)

Detailed reconciliation of the current tax charge

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

	2026		2025	
	£m		£m	
Profit on activities before tax	22.8		10.2	
Tax on profit on ordinary activities at standard rate in the UK of 25% (2025: 25%)	5.7	25.0%	2.5	25.0%
Expenses not deductible for tax purposes				
- R & D expenditure tax credit	-	-	0.1	1.0%
Capital allowances in excess of depreciation				
- Capital allowances	(1.5)	(6.6%)	(1.3)	(12.7%)
- Depreciation and amortisation on eligible assets	1.6	7.1%	0.9	8.9%
Other temporary differences - fixed assets				
- Capitalised revenue expenditure	0.4	1.8%	(0.4)	(3.9%)
- Amortisation of capital grants	-	-	(0.4)	(3.9%)
Other temporary timing differences	(0.5)	(2.2%)	(0.1)	(1.0%)
Other deductions for tax purposes				
- Employee share scheme: timing differences over vesting period of shares	0.2	0.9%	0.1	1.0%
- Employee share scheme: impact of new shares issued	(0.2)	(0.9%)	(0.1)	(1.0%)
Other temporary timing differences - overseas activities				
- Expected credit loss provision for subsidiary loan	0.4	1.8%	0.7	7.1%
- Impairment charges on carrying value of subsidiaries: NATS (USA) Inc. and NATS (Services) Canada Inc.	(4.0)	(17.4%)	0.4	4.0%
Pension contributions paid in excess of charge to profit and loss account	-	-	(3.8)	(37.3%)
Other permanent differences	(0.1)	(0.4%)	0.3	2.9%
Current tax charge/(credit) for year at an effective tax rate of 8.8% (2025: credit 10.8%)	2.0	8.8%	(1.1)	(10.8%)

The total current tax charge comprises a £2.0m charge to the Income statement (2025: £2.7m charge) and a £ nil credit to the Statement of comprehensive income (2025: £3.8m credit) in relation to contributions to the Defined benefit pension scheme.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

11. Intangible assets

	Operational software £m	Non-operational software £m	Assets in course of construction £m	Total £m
Cost				
At 1 April 2024	6.2	9.7	7.8	23.7
Additions internally generated	-	-	1.3	1.3
Additions externally acquired	-	0.1	1.8	1.9
Transfers during the year	-	1.1	(1.1)	-
At 31 March 2025	6.2	10.9	9.8	26.9
Additions internally generated	-	-	0.9	0.9
Additions externally acquired	-	-	1.6	1.6
Transfers during the year	4.5	-	(6.3)	(1.8)
At 31 March 2026	10.7	10.9	6.0	27.6
Accumulated amortisation				
At 1 April 2024	5.9	5.3	4.5	15.7
Charge for the year	0.3	0.8	-	1.1
At 31 March 2025	6.2	6.1	4.5	16.8
Charge for the year	-	1.0	-	1.0
Impairment provision recognised in income statement	-	-	1.6	1.6
Transfer of impairment provision	4.5	0.1	(4.6)	-
At 31 March 2026	10.7	7.2	1.5	19.4
Carrying amount				
At 31 March 2026	-	3.7	4.5	8.2
At 31 March 2025	-	4.8	5.3	10.1
At 1 April 2024	0.3	4.4	3.3	8.0

An annual review is performed to assess the carrying value of other intangible assets, including operating assets and assets in the course of construction. The accumulated amortisation of assets in the course of construction represents impairment provisions. During the year, impairment charges of £1.6m (2025: £nil) were made, which included an environmental analytic tool which is no longer intended to fully complete.

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 other intangible assets and property, plant and equipment.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

12. 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	0.1	4.9	50.9	3.0	2.7	61.6
Additions during the year	-	-	1.0	-	0.8	1.8
Disposals during the year	-	-	(0.1)	-	-	(0.1)
Other transfers during the year	-	-	1.1	-	(1.1)	-
At 31 March 2025	0.1	4.9	52.9	3.0	2.4	63.3
Additions during the year	-	-	0.9	-	2.1	3.0
Disposals during the year	-	-	(5.1)	-	-	(5.1)
Other transfers during the year	-	-	2.3	-	(0.5)	1.8
At 31 March 2026	0.1	4.9	51.0	3.0	4.0	63.0
Accumulated depreciation and impairment						
At 1 April 2024	0.1	4.8	41.0	2.8	-	48.7
Provided during the year	-	0.1	2.0	0.100	-	2.2
Disposals during the year	-	-	(0.1)	-	-	(0.1)
At 31 March 2025	0.1	4.9	42.9	2.9	-	50.8
Provided during the year	-	-	2.2	-	-	2.2
Impairment provision recognised in income statement	-	-	1.3	-	0.3	1.6
Disposals during the year	-	-	(1.0)	-	-	(1.0)
At 31 March 2026	0.1	4.9	45.4	2.9	0.3	53.6
Carrying amount						
At 31 March 2026	-	-	5.6	0.1	3.7	9.4
At 31 March 2025	-	-	10.0	0.1	2.4	12.5
At 1 April 2024	-	0.1	9.9	0.2	2.7	12.9

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. During the year, a net impairment charge of £1.6m (2025: £nil) was made, which included a flight management tool impairment of £1.9m and digital airport solution assets impairment reversal of £0.3m, following a reassessment of the likelihood of benefits being realised from these operating assets.

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 other intangible assets and property, plant and equipment.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

13. 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	4.9	3.2	0.8	8.9
Additions during the year	-	-	0.3	0.3
Effect of modification to lease terms	(0.3)	1.1	-	0.8
Terminations during the year	-	(1.0)	(0.1)	(1.1)
At 31 March 2025	4.6	3.3	1.0	8.9
Additions during the year	-	-	0.2	0.2
Effect of modification to lease terms	-	1.0	0.8	1.8
Terminations during the year	(0.4)	(1.2)	-	(1.6)
At 31 March 2026	4.2	3.1	2.0	9.3
Accumulated depreciation and impairment				
At 1 April 2024	1.9	2.3	0.3	4.5
Charge during the year	0.9	0.4	0.2	1.5
Depreciation effect of modification of lease terms	-	0.9	-	0.9
Impairments during the year	0.1	-	-	0.1
Terminations during the year	-	(1.0)	(0.1)	(1.1)
At 31 March 2025	2.9	2.6	0.4	5.9
Charge during the year	0.8	0.4	0.3	1.5
Terminations during the year	-	(0.3)	-	(0.3)
At 31 March 2026	3.7	2.7	0.7	7.1
Carrying amount				
At 31 March 2026	0.5	0.4	1.3	2.2
At 31 March 2025	1.7	0.7	0.6	3.0
At 1 April 2024	3.0	0.9	0.5	4.4

The company conducts annual reviews of the carrying values of its right-of-use assets. During the year, impairment charges of £ nil have been recognised (2025: £0.1m).

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

14. 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	-
Amounts due from subsidiary undertaking (NATS Services (Asia Pacific) Pte. Limited)	12.9	12.8
Amounts due from subsidiary undertaking (Searidge Technologies Inc.)	-	4.5
Less: expected credit loss provision for subsidiary undertakings	(10.4)	(11.5)
	2.7	5.8
Contract assets	7.6	9.6
Prepayments	3.7	4.8
	14.0	20.2
Current		
Receivable from customers gross	20.0	16.0
Less: expected credit loss provision	-	(0.5)
	20.0	15.5
Amounts due from subsidiary undertaking (NATS Services DMCC)	4.3	2.1
Amounts due from subsidiary undertaking (NATS (USA) Inc.)	1.2	1.2
Amounts due from subsidiary undertaking (NATS Services (Hong Kong) Limited)	1.9	1.2
Amounts due from subsidiary undertaking (Searidge Technologies Inc.)	5.2	-
Less: expected credit loss provision for subsidiary undertakings	(2.8)	-
	9.8	4.5
Amounts due from fellow subsidiary (NATS (En Route) plc)	-	-
Contract assets	14.4	13.2
Other debtors	0.4	0.7
Prepayments	4.8	2.8
	49.4	36.7

The average credit period taken on sales of services is 27 days (2025: 28 days).

Movement in the expected credit loss provision

	2026 £m	2025 £m
Balance at the beginning of the year	12.0	8.7
(Decrease)/increase in allowance recognised in the income statement	(0.1)	0.4
(Decrease)/increase in allowance recognised in the income statement: loan due from Searidge Technologies Inc.	(0.1)	2.9
Increase in allowance recognised in the income statement: NATS Services (Asia Pacific) Pte Limited	1.8	-
Amounts recovered during the year	(0.3)	-
Amounts written off as irrecoverable	(0.1)	-
Balance at the end of the year	13.2	12.0

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

14. Financial and other assets (continued)

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. In order to measure the expected credit losses, the credit risk characteristics of the trade receivables and contract assets have been considered. Based on this, trade receivables and contract assets have been grouped into sub-groups as they are considered to have different credit risk characteristics: Airports and Other UK Services; Defence services and New Airspace Users; and International. For each of these sub-groups separate provision matrices based on the days past due have been 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 and does not reflect forward looking macro-economic factors. 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 for each of these sub-groups at the balance sheet date. We have assessed lifetime expected credit losses at 31 March 2026 by using available credit ratings to derive a customer default risk profile. The historic loss rates have been adjusted accordingly to reflect the appropriate expected credit losses.

The net increase in the expected credit loss provision in the year primarily relates to an assessment of the recoverability of amounts due from NATS Services (Asia Pacific) Pte Limited of £1.8m, offset by movements in amounts deemed irrecoverable (£0.1m) and amounts recovered due from external customers totalling (£0.5m) (2025: net increase due to an assessment of the recoverability of: amounts deemed irrecoverable due from external customers £0.4m and amounts due from Searidge Technologies Inc of £2.9m).

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

At 31 March 2026 the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

	2026							
		Receivables - months past due						
	Unbilled income	Current	1 month	2-3 months	4-6 months	>6 months	In administration	Total £m
Airports and Other UK Services service line								
Expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	
Gross carrying amount (£m)	23.9	15.3	1.9	0.1	-	0.1	-	41.3
Lifetime expected credit loss (£m)	-	-	-	-	-	-	-	-
International service line								
Expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	
Gross carrying amount (£m)	0.1	-	0.1	-	0.1	0.6	-	0.9
Lifetime expected credit loss (£m)	-	-	-	-	-	-	-	-
Fellow subsidiaries and subsidiary undertakings								
Expected credit loss rate (%)	0.0%	51.8%	0.0%	0.0%	0.0%	0.0%	100.0%	
Gross carrying amount (£m)	-	25.5	-	-	-	-	-	25.5
Lifetime expected credit loss (£m)	-	13.2	-	-	-	-	-	13.2
Total expected credit losses (£m)	**-**	**13.2**	**-**	**-**	**-**	**-**	**-**	**13.2**

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

14. Financial and other assets (continued)

	2025							
		Receivables - months past due						
	Unbilled income	Current	1 month	2-3 months	4-6 months	>6 months	In administration	Total £m
Airports and Other UK Services service line								
Expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	
Gross carrying amount (£m)	24.1	12.6	0.7	-	0.2	0.2	-	37.8
Lifetime expected credit loss (£m)	-	-	-	-	-	-	-	-
International service line								
Expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	
Gross carrying amount (£m)	0.1	0.4	-	-	-	0.5	-	1.0
Lifetime expected credit loss (£m)	-	-	-	-	-	0.5	-	0.5
Fellow subsidiaries and subsidiary undertakings								
Expected credit loss rate (%)	0.0%	52.8%	0.0%	0.0%	0.0%	0.0%	100.0%	
Gross carrying amount (£m)	-	21.8	-	-	-	-	-	21.8
Lifetime expected credit loss (£m)	-	11.5	-	-	-	-	-	11.5
Total expected credit losses (£m)	**-**	**11.5**	**-**	**-**	**-**	**0.5**	**-**	**12.0**

Non-current trade and other receivables consist mainly of performance obligations delivered in advance of invoicing to UK Airport customers that will be released against billed revenue over the remaining life of the airport ATC contracts. Of these amounts £2.8m will be released by 31 March 2028, £2.8m by 31 March 2029 and £2.0m by 31 March 2031 (2025: £2.4m will be released by 31 March 2027, £4.8m by 31 March 2029 and £2.4m by 31 March 2031). None of those receivables has been subject to a significant increase in credit risk since initial recognition.

The company has assessed the carrying values of the loan to its joint venture at the balance sheet date and concluded that an impairment of its shareholder loan and investment in its joint venture was required, see note 27.

There are no trade receivables in the expected credit loss provision which are in administration, receivership or liquidation (2025: £nil).

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, loans to joint venture and trade and other receivables, excluding prepayments, would be £116.6m (2025: £101.9m).

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

15. Leases

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

	2026 £m	2025 £m
Due within one year or less	0.9	1.3
Due between one and two years	0.7	0.8
Due between two and five years	0.5	0.4
	2.1	2.5
Less: future finance charges	(0.1)	(0.1)
	2.0	2.4

Analysed as:

	2026 £m	2025 £m
Current	0.9	1.2
Non-current	1.1	1.2
	2.0	2.4

The income statement includes the following amounts relating to leases:

	2026 £m	2025 £m
Interest on lease liabilities (see note 9)	0.2	0.2

The depreciation charge for right-of-use assets included in the income statement, is shown in note 13.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

15. Leases (continued)

Nature of leasing activities

The company leases a number of properties in the UK 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	1	n/a	13.7%	-
Property leases with periodic uplifts to market rentals	2	n/a	1.6%	-
Property leases with fixed payments	3	4.4%	n/a	n/a
Leases of plant and equipment	28	12.4%	n/a	n/a
Vehicle leases	57	67.9%	n/a	n/a
	91	84.7%	15.3%	-

Year ended 31 March 2025	Lease contracts No.	Fixed payments %[(i)]	Variable payments %[(i)]	Sensitivity £m
Property leases with payments linked to inflation	1	n/a	17.2%	-
Property leases with periodic uplifts to market rentals	2	n/a	1.6%	-
Property leases with fixed payments	3	36.2%	n/a	n/a
Leases of plant and equipment	28	17.3%	n/a	n/a
Vehicle leases	50	27.7%	n/a	n/a
	84	81.2%	18.8%	-

(i) The fixed/variable payment percentage is calculated based on the value of the lease liability outstanding as at 31 March 2026, 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 exercise any 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 £0.4m (2025: £1.4m), of which £ nil (2025: £0.2m) is potentially avoidable if the leases were not extended and a further £ nil (2025: £0.2m) is potentially avoidable were the company to exercise break clauses at the earliest opportunity.

The company builds certain airport engineering assets used to satisfy its obligations under its Airport ATC contracts. Dependent on the agreement with individual airports those assets are either sold directly to the airports or the company enters into a sale and leaseback arrangement and recharges the monthly lease cost to the airport on a cost plus adminstrative fee margin basis. The leases have primary lease periods of between 5 and 7 years and are extendable to secondary and tertiary periods. In the event that an Airport ATC contract is not renewed the assets will be sold by the lease company directly to the Airport and the leases disposed of in the company financial statements. The outstanding discounted liability for these leases at 31 March 2026 was £0.2m (2025: £0.4m).

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

16. Derivative financial instruments

Fair value of derivative financial instruments

	2026 £m	2025 £m
Current assets		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	0.1	0.1
Current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	-	(0.2)
Non-current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	(0.1)	(0.1)

Further details on derivative financial instruments are provided in note 17.

17. 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 to its customers, to fund business opportunities as they arise and to fund returns to shareholders.

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

Categories of financial instrument

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

	2026 £m	2025 £m
Financial assets:		
Financial assets at amortised cost		
Trade and other receivables	32.9	26.5
Cash and cash equivalents	83.7	75.4
	116.6	101.9
Derivative financial instruments		
In designated hedge accounting relationships	0.1	0.1
	116.7	102.0
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	(47.9)	(41.8)
Lease liabilities	(2.0)	(2.4)
	(49.9)	(44.2)
Derivative financial instruments		
In designated hedge accounting relationships	(0.1)	(0.3)
	(50.0)	(44.5)

Financial assets at amortised cost includes balances for trade and other receivables (excluding prepayments of £8.5m (2025: £7.6m) and contract assets of £22.0m (2025: £22.8m)), loans to joint ventures, cash and cash equivalents.

Financial liabilities at amortised cost includes balances for trade and other payables (excluding contract liabilities of £13.3m (2025: £16.4m), deferred income of £0.8m (2025: £0.6m) and VAT of £3.4m (2025: £1.3m)) and lease liabilities.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

17. Financial instruments (continued)

Financial risk management objectives

The NATS group's treasury function is mandated by the Board of NATS Holdings Limited to manage financial risks that arise in relation to underlying business needs. The function provides services to the business, co-ordinates access to financial markets and monitors and manages financial risks relating to the operations of the 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 company's activities include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The company had no debt at 31 March 2026.

Market risk

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

Foreign currency risk management

The company 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 company also trades with and provides finance to its overseas joint ventures and subsidiaries. Where appropriate the transactions are conducted in sterling.

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	0.3	0.2	(0.8)	(0.4)
Canadian dollar	2.7	4.7	(0.3)	(0.4)
Norwegian krone	0.3	0.4	-	-
Qatari riyal	0.1	0.5	-	-
Singapore dollar	0.1	0.1	-	-
Swedish krona	-	0.1	-	-
Thai baht	-	-	-	-
UAE dirham	0.2	-	-	-
US dollar	1.2	1.4	(0.2)	(0.1)
	4.9	7.4	(1.3)	(0.9)

Foreign currency sensitivity analysis

The company has assets and liabilities denominated in foreign currencies including cash balances of £0.9m at 31 March 2026 in US dollar, Canadian dollar, Norwegian krone, Qatari riyal, Singapore dollar and Swedish krona (2025: £1.1m in US dollar, Canadian dollar, Norwegian krone, Qatari riyal, Singapore dollar and Swedish krona). 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	(0.1)	(0.5)
Canadian dollar	(0.5)	(0.7)
Norwegian krone	(0.1)	(0.2)
Qatari riyal	-	(0.1)
US dollar	(0.2)	(0.2)
	(0.9)	(1.7)

The company's sensitivity to foreign currencies has remained consistent against the prior year. NATS Services believes that this sensitivity analysis accurately reflects its inherent foreign exchange risk.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

17. Financial instruments (continued)

Forward foreign exchange contracts

The company entered into forward foreign exchange contracts to hedge foreign currency receipts and purchases. The company has designated these forward contracts as cash flow hedges. During the year, all remaining forward foreign exchange contracts were determined to be effective.

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	-	-	-	2.6	3.0	0.8693
91-365 days	-	-	-	-	-	-
	-	-	0.8693	2.6	3.0	0.8693
Euro bought	€m	£m		€m	£m	
0-90 days	1.2	1.1	0.8714	5.8	5.0	0.8639
91-365 days	-	-	-	3.1	2.6	0.8583
> 365 days	0.8	0.7	0.9383	0.7	0.6	0.9394
	2.0	1.8	0.8969	9.6	8.2	0.8674
Canadian dollar bought	C$m	£m		C$m	£m	
0-90 days	0.2	0.1	1.7517	0.3	0.2	1.7423
91-365 days	0.6	0.4	1.7433	1.1	0.6	1.7624
> 365 days	2.7	1.6	1.7093	3.5	2.0	1.7177
	3.5	2.1	1.7177	4.9	2.8	1.7293
Norwegian krone bought	NOKm	£m		NOKm	£m	
0-90 days	3.1	0.2	13.8398	9.6	0.7	13.7448
91-365 days	4.3	0.3	13.7909	7.0	0.5	13.8388
> 365 days	-	-	-	7.4	0.5	13.8115
	7.4	0.5	13.8115	24.0	1.7	13.7925

	2026			2025		
US dollar bought	US$m	£m	Average exchange rate	US$m	£m	Average exchange rate
0-90 days	0.5	0.3	1.3366	0.3	0.2	1.2958
91-365 days	0.2	0.1	1.3415	0.7	0.5	1.2893
> 365 days	0.7	0.5	1.3275	0.1	0.1	1.2940
	1.4	0.9	1.3327	1.1	0.8	1.2915

At 31 March 2026, the aggregate amount of the unrealised gains or losses under forward foreign exchange contracts deferred in the hedge reserve relating to the exposure on these future transactions was £0.2m unrealised loss (2025: £0.2m 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 for hedges relating to revenue expenditure or capitalised and depreciated for those relating to capital expenditure.

Interest rate risk management

The company had no debt at 31 March 2026 or 31 March 2025 and therefore was not exposed to any interest rate risk on borrowings.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

17. Financial instruments (continued)

Economic interest rate exposure

The company held cash deposits as follows:

	2026			2025		
Currency	Amount £m	Economic interest rate %	Average maturity days	Amount £m	Economic interest rate %	Average maturity days
Sterling	82.8	3.5	19	74.3	4.6	19
Euro	0.3	-	1	-	-	1
US dollar	-	-	1	0.3	-	1
Canadian dollar	-	-	1	0.1	-	1
Norwegian krone	0.3	-	1	0.4	-	1
Qatari riyal	0.1	-	1	0.1	-	1
Singapore dollar	0.2	-	1	0.1	-	1
Swedish krona	-	-	1	0.1	-	1
Thai baht	-	-	1	-	-	1
	83.7			75.4		

The economic interest rate reflects the true underlying cash rate that the company was receiving on its deposits at 31 March.

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

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

	2026 Impact £m	2025 Impact £m
Cash at bank (2026: £83.7m, 2025: £75.4m)	0.8	0.8

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

17. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's exposure to credit risk arises from the risk of default by customers on settlement of trade receivables and from the risk of a failure of a financial institution in which funds are invested for return or held for trading purposes 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 14. 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's policy is to allocate limits to the value of investments, foreign exchange transactions and interest rate hedging transactions that may be entered into with a bank or financial institution and to allocate an aggregate credit risk limit. The limits are based upon the institution's credit rating with Standard & Poor's and Moody's; the Fitch rating is only used if one of these agencies does not provide a rating. Where there is a difference in the rating then the lowest rating is applied.

The company's cash and cash equivalents take the form of cash at bank of £7.0m (2025: £2.5m), bank term deposits of £30.0m (2025: £30.0m) and money market fund investments of £46.7m (2025: £43.9m). Bank term deposits with maturities up to 3 months and between 3 and 6 months are only entered into with institutions holding a long term minimum credit rating of A- and A+ respectively from Standard & Poor's or Fitch Ratings and A3 and A1 respectively from Moody's. Money market fund investments are restricted to AAA rated liquidity funds and must have same-day access.

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

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 %
AAAm	4	46.7	55.8	4	43.9	57.5
AA-	2	20.0	23.9	2	16.0	20.9
A+	3	17.0	20.3	3	16.5	21.6
		83.7	100.0		76.4	100.0

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's policy is to maintain sufficient cash to fund working capital requirements and new business development opportunities in line with targets approved by the Board.

To provide liquidity, NATS Services has an uncommitted overdraft facility of £1.0m that was undrawn as at 31 March 2026 (31 March 2025: uncommitted overdraft of £1.0m undrawn).

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

	2026			2025		
	Lease liabilities £m	Other liabilities £m	Total £m	Lease liabilities £m	Other liabilities £m	Other liabilities £m
Due within one year or less	0.9	40.5	41.4	1.3	35.8	37.1
Between one and two years	0.7	0.1	0.8	0.8	0.2	1.0
Due between two and five years	0.5	-	0.5	0.4	-	0.4
Due in more than five years	-	7.2	7.2	-	5.8	5.8
	2.1	47.8	49.9	2.5	41.8	44.3
Less: future finance charges	(0.1)	-	(0.1)	(0.1)	-	(0.1)
	2.0	47.8	49.8	2.4	41.8	44.2

Other liabilities above include trade and other payables excluding deferred income of £0.8m (2025: £0.6m), contract liabilities of £13.3m (2025: £16.4m) and VAT of £3.4m (2025 £1.3m).

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

17. Financial instruments (continued)

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	-	0.1	-	0.1	-	0.1	-	0.1
Financial liabilities								
Derivative financial instruments in designated hedge accounting relationships	-	(0.1)	-	(0.1)	-	(0.3)	-	(0.3)

There were no transfers between individual levels in the year.

Valuation techniques and key inputs

The fair value of a 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.

Forward foreign exchange contracts are financial instruments held at fair value. These fair values have been determined based on available market information at the balance sheet date and calculated with reference to well recognised proprietary financial models used by bank counterparties, and verified using discounted cash flow modelling.

The directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

18. Financial and other liabilities

Trade and other payables

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

	2026 £m	2025 £m
Current		
Trade payables	4.1	3.5
Other payables	12.8	9.9
Contract liabilities	6.3	7.9
Amounts due to parent company	16.6	14.0
Amounts due to fellow subsidiary (NATS (En Route) plc)	1.1	-
Amounts due to joint venture (NATS Services (India) LLP)	0.5	0.5
Amounts due to subsidiary undertaking (NATS Solutions Limited)	1.1	1.2
Accruals and deferred income (including deferred grants)	7.7	8.1
	50.2	45.1
Non-current		
Other payables	1.0	0.3
Contract liabilities	7.0	8.5
Accruals and deferred income (including deferred grants)	7.2	6.2
	15.2	15.0
	65.4	60.1

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days (2025: 36 days). The directors consider that the carrying amount of the trade payables approximates to their fair value.

19. Provisions

	Total £m
At 1 April 2025	4.8
Additional provision in the year	0.9
Release of provision in the year	(1.1)
Utilisation of provision	(0.2)
At 31 March 2026	4.4

	2026 £m	2025 £m
Amounts due for settlement within 12 months	1.6	1.2
Amounts due for settlement after 12 months	2.8	3.6
	4.4	4.8

The provisions represent the best estimate of other liabilities, including the cost of fulfilling onerous contracts and reinstatement provisions. Provisions includes a liability of £2.3m (2025: £2.9m) for the constructive legal obligation to continue to finance the Aquila joint venture based on the undrawn balance of its £25.0m shareholder loan facility up to the expected recoverable amount (see note 27). The ageing of the provision reflects the best estimate of when these potential liabilities will fall due.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

20. 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	R&D expenditure above the line tax credits £m	Unutilised employee annual leave £m	Other £m	Total £m
At 1 April 2024	1.2	0.7	-	(0.6)	-	1.3
Charge to income	1.2	-	(0.1)	0.1	0.1	1.3
Credit to equity	-	(2.4)	-	-	-	(2.4)
At 31 March 2025	2.4	(1.7)	(0.1)	(0.5)	0.1	0.2
At 1 April 2025	2.4	(1.7)	(0.1)	(0.5)	0.1	0.2
(Credit)/charge to income	(0.5)	0.5	(0.1)	-	(0.5)	(0.6)
Charge to equity	-	6.4	-	-	-	6.4
At 31 March 2026	1.9	5.2	(0.2)	(0.5)	(0.4)	6.0

The accelerated tax depreciation deferred tax liability arises as a result of timing differences between the accounting under IFRS of other intangible assets and property, plant and equipment and UK tax law.

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 26 for details of the schedule of contributions, including measures to repair the funding deficit by 31 December 2029.

Other deferred tax balances relate to provisions for property reinstatement and expected credit losses.

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	7.1	0.1
Deferred tax assets	(1.1)	0.1
	6.0	0.2

The net deferred tax liabilities at 31 March 2026 (2025: net deferred tax liabilities) arise due to timing differences, taxable profits will be higher than accounting profits in the future, which results in higher tax payments in future periods.

21. 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	2,000,000	2.0	2,000,000	2.0

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

22. Notes to the cash flow statement

	2026 £m	2025 £m
Operating profit from continuing operations	16.6	6.0
Adjustments for:		
Depreciation of property, plant and equipment	2.2	2.2
Depreciation of right-of-use assets	1.5	1.5
Amortisation of intangible assets	1.0	1.1
Impairment charges on property, plant and equipment, intangible and right-of-use assets	3.2	0.1
Impairment (reversal)/charge for carrying value of subsidiaries	(15.8)	1.6
Profit on disposal of non-current assets	(0.4)	-
R&D expenditure above the line tax credits	(0.3)	(0.2)
Adjustment for pension funding	(2.1)	(15.1)
Operating cash flows before movements in working capital	5.9	(2.8)
Decrease in trade and other receivables	(2.4)	17.6
Decrease in trade, other payables and provisions	(0.5)	(3.8)
Decrease in net amounts due from other group undertakings	2.0	4.4
Cash generated from operations	5.0	15.4

Cash and cash equivalents, which are presented as a single class of asset on the face of the balance sheet, comprise cash at bank and short term highly liquid investments with a maturity of three months or less.

Reconciliation of net financial assets

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

	Assets	Liabilities	Net financial assets
	Cash and cash equivalents £m	Lease liabilities £m	Total £m
Net financial assets as at 1 April 2024	65.1	(3.1)	62.0
Cash flows	10.3	0.9	11.2
New leases in the period	-	(0.3)	(0.3)
Effect of modification to lease terms	-	0.1	0.1
Other changes:			
Interest expense	-	0.2	0.2
Interest payments (presented as financing cash flows)	-	(0.2)	(0.2)
Net financial assets as at 31 March 2025	75.4	(2.4)	73.0
Cash flows	8.3	1.1	9.4
New leases in the period	-	(0.2)	(0.2)
Effect of modification to lease terms	-	(0.5)	(0.5)
Other changes:			
Interest expense	-	0.1	0.1
Interest payments (presented as financing cash flows)	-	(0.1)	(0.1)
Net financial assets as at 31 March 2026	83.7	(2.0)	81.7

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

23. Financial commitments

	2026 £m	2025 £m
Capital commitments contracted but not provided for in the accounts	2.0	2.4

Guarantees

NATS Services has committed to providing its subsidiaries NATS Solutions Limited, NATS Services DMCC, NATS Services (Asia Pacific) Pte. Limited, NATS Services (Hong Kong) Limited, NATS Services LLC and NATS Services (India) LLP with financial support to enable them to continue trading and to meet all liabilities known or reasonably foreseeable at the year end as they fall due. NATS Solutions Limited had net liabilities at 31 March 2026 of £11,057 (2025: £5,079 net liabilities). NATS Services DMCC had net assets at 31 March 2026 of £0.7m (2025: net liabilities £0.7m). NATS Services (Asia Pacific) Pte. Limited had net liabilities at 31 March 2026 of £12.8m (2024: £13.1m). NATS Services (Hong Kong) Limited had net assets at 31 March 2026 of £4.0m (2025: £4.2m). NATS Services LLC had net assets at 31 March 2026 of £0.2m (2025: £0.2m). NATS Services (India) LLP had net assets at 31 March 2026 of £0.8m (2025: £0.8m).

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

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

Bid and performance bonds

As part of the tendering process for new contracts, NATS Services may be required to put in place a tender or bid guarantee which expires once the contract is awarded. Where tenders are successful, contractual terms may also require performance or advance payment guarantees. These guarantees vary in length depending on the life of the contract and may run until the expiry of the contract. The total guarantees provided in these respects at 31 March 2026 was £1.6m (2025: £2.6m).

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

24. 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 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	14,452	13,850
20 October 2003	14,000	13,500
10 September 2004	22,400	24,035
11 January 2008	15,214	15,434
18 September 2009	19,000	19,400
Partnership shares		
1 March 2011	17,468	16,770
26 September 2012	21,199	21,227
30 May 2014	19,280	20,235
31 October 2016	25,432	26,419
31 October 2018	41,975	43,865
1 September 2024	153,545	150,686
1 September 2025	163,047	-
Matching shares		
1 March 2011	17,495	16,920
26 September 2012	21,182	20,860
30 May 2014	19,390	20,645
31 October 2016	25,673	26,732
31 October 2018	41,957	64,024
1 September 2024	153,995	150,936
1 September 2025	163,047	-
	969,751	665,538
Dividend shares issued on 28 June 2005	1,744	1,510
Dividend shares issued on 24 December 2024	33,526	34,250
Dividend shares issued on 23 April 2025	33,578	-
Dividend shares issued on 25 October 2025	45,908	-
Total employee shares in issue at 31 March	1,084,507	701,298

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

24. Share based payments (continued)

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

	Movement in the no. of shares during the year ended 31 March 2026	Movement in the no. of shares during the year ended 31 March 2025
Balance at 1 April	701,298	448,605
Granted during the year	411,107	346,015
Forfeited during the year	(3,030)	(2,000)
Exercised during the year	(46,651)	(84,573)
Staff transfers between group companies	21,783	(6,749)
Balance at 31 March	1,084,507	701,298

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 comprises the number shares in issue, at the current price, less cash held by the NATS Employee Sharetrust Limited and is included in other accruals and deferred income. The liability for the employee shares at 31 March 2026 was £3.5m (2025: £3.5m) and is included in amounts due to parent company. The income statement includes a cost of £0.4m (2025: £0.5m cost). Payments made to leavers and current employees for the shares they exercised during the year was £0.3m (2025: £0.5m).

25. 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 £8.2m (2025: £6.8m), excluding employee salary sacrifice contributions of £5.1m (2025: £4.1m), represented 16.9% of pensionable pay (2025: 16.6%).

The defined contribution scheme had 634 members at 31 March 2026 (2025: 522).

Defined benefit scheme

NATS Limited (formerly National Air Traffic Services 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 the CAAPS. CAAPS was divided into two sections to accommodate this, namely the CAA section and the NATS section, and a series of common investment funds was established in which both sections participate for investment purposes. The assets and membership of the scheme prior to transfer were allocated between these sections in accordance with Statutory Instrument 2001 Number 853, Transport act 2000 (Civil Aviation Authority Pension Scheme) Order 2001. The assets of the scheme are held in a separate trustee administered fund. CAAPS is governed by a board of Trustees which is responsible for implementing the funding and investment strategy. The board comprises six employer (NATS and CAA) and six member-nominated trustees, as well as an independent chair.

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

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

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

25. Retirement benefit schemes (continued)

Trustees' funding assessment

A Trustees' funding assessment of the NATS section is prepared at least every three years by the pension scheme actuary at the request of the Trustees in order to establish the financial position of the NATS section and to determine the level of contributions to be paid by NATS in the future.

The last Trustees' funding assessment of the NATS' section was carried out at 31 December 2023 and used the projected unit credit method. The assumptions which have the most significant effect on the liabilities assessed at the valuation and hence the contribution requirement are those relating to the rate of return on investments, the rate of increase in salaries, the rate of increase in pensions and life expectancy.

The market value of the NATS' section's assets as at 31 December 2023 was £3,423.8m. For the purpose of the Trustees' funding assessment assets were taken at market value. The shortfall of assets relative to the value of benefits that had accrued to existing members was £142.7m, corresponding to a funding ratio of 96.0%.

The 2023 valuation showed that, based on long-term financial assumptions, the contribution rate required to meet the future benefit accrual was 35.6% of pensionable pay (29.9% employer and 5.7% employee). 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 are have been paid at 29.9% of pensionable pay since 1 January 2025.

The deficit repair contribitions arising from the 31 December 2023 valuation 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. NATS Services' share of the deficit recovery is c. 21%.

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.

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 NATS Services. 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 £11.0m (2025: £24.8m). This amount included £1.7m (2025: £1.7m) of wages and salaries sacrificed by employees in return for pension contributions. Excluding the effect of salary sacrifice and past service costs, employer cash contributions were paid at a rate of 29.9% (2025: 71.3%) of pensionable salaries.

The estimated contributions expected to be paid by the company to the scheme during the financial year ending 31 March 2027 is £8.9m, including salary sacrifice contributions estimated at £1.7m.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

25. Retirement benefit schemes (continued)

Company's accounting valuation under international accounting standards

For the purpose of accounting for the scheme in these financial statements, the company obtains an updated valuation from a qualified independent actuary that is prepared in accordance with IAS 19: *Employee Benefits*.

This valuation differs from the Trustees' funding assessment explained above in a number of critical respects, including for example, differences in timing and frequency as well as in valuation assumptions. The Trustees' last funding assessment was prepared as at 31 December 2023, whereas the company's accounting valuation is prepared annually at 31 March. As a result, at each valuation date, the market conditions on which the assumptions are based will be different. Also, the assumptions adopted for the Trustees' funding assessment are set by the Trustees and include appropriate margins for prudence, whereas those adopted for the company's accounting valuation are prescribed by international accounting standards and reflect best estimates.

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

An actuarial valuation for IAS19 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 and a female pensioner is 29.7 years. Allowance is made for future improvements in longevity, such that based on the average age of the current active membership (49), when these members reach retirement, life expectancy from age 60 will have increased for males to 28.5 years (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 have taken and continue to review 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.

Sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption:	Change in assumption:	Impact on scheme liabilities:
Discount rate (bond yields)	Increase/decrease by 0.5%	Decrease by 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.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

25. Retirement benefit schemes (continued)

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	(8.3)	(9.9)
Net interest credit	(0.1)	0.8
Administrative expenses	(0.5)	(0.6)
Components of defined benefit costs recognised within operating profit	(8.9)	(9.7)

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)	14.7	(100.2)
Actuarial gains and losses arising from changes in financial assumptions	14.2	104.2
Actuarial gains and losses arising from changes in demographic assumptions	7.2	(8.0)
Actuarial gains and losses arising from experience adjustments	(10.7)	(20.8)
	25.4	(24.8)

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	(647.5)	(648.2)
Fair value of scheme assets	668.2	641.4
Surplus/(deficit) in scheme	20.7	(6.8)

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

	2026 £m	2025 £m
At 1 April	(648.2)	(709.5)
Current service cost	(8.3)	(9.9)
Interest expense on defined benefit scheme obligations	(37.2)	(34.0)
Actuarial gains and losses arising from changes in financial assumptions	14.2	104.2
Actuarial gains and losses arising from changes in demographic assumptions	7.2	(8.0)
Actuarial gains and losses arising from experience adjustments	(10.7)	(20.8)
Benefits paid	35.5	29.8
At 31 March	(647.5)	(648.2)

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	202.0	216.0
Deferred members	63.0	64.0
Pensioners	382.5	368.2
	647.5	648.2

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

25. Retirement benefit schemes (continued)

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

	2026 £m	2025 £m
At 1 April	641.4	712.4
Interest income on scheme assets	37.1	34.8
Return on plan assets (excluding amounts included in net interest expense)	14.7	(100.2)
Contributions from sponsoring company	11.0	24.8
Benefits paid	(35.5)	(29.8)
Administrative expenses	(0.5)	(0.6)
At 31 March	668.2	641.4

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

	2026 £m	2025 £m
Cash and cash equivalents	32.3	49.3
Equity instruments		
- Emerging markets	14.7	15.9
- Global	139.5	145.5
	154.2	161.4
Bonds		
- Fixed income	128.6	102.7
- Index-linked gilts over 5 years	227.2	200.1
	355.8	302.8
Other investments		
- Property	14.7	21.1
- Hedge funds	60.9	55.4
- Private equity funds	13.9	25.4
- Other	35.9	25.8
	125.4	127.7
Derivatives		
- Futures contracts	0.5	0.2
	668.2	641.4

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 £668.2m (2025: £641.4m) include equity and debt instruments of £8.7m (2025: £30.9m) with quoted prices in active markets. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the assets consist of equities, bonds and cash, although the scheme also invests in property and investment (private equity and hedge) funds which are generally illiquid, unquoted assets and trade on a less regular basis. Investments that do not have a quoted market price in an active market, totalling £659.5m (2025: £610.5m), 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.

NATS and the 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 65% in 2018, as measured on the Trustee funding basis. In March 2020, NATS and the Trustee agreed a further increase in the level of inflation and interest rate hedging to 75%, as measured on a long-term funding target basis of gilts + 0.5% p.a. and the trades needed to achieve this were carried out between May and August 2020. Swap transactions are executed with carefully scrutinised banks and collateral is provided in the form of index-linked gilts to protect against the unlikely event of default by a counterparty bank.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

25. Retirement benefit schemes (continued)

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

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

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

The actual return on scheme assets for the year ended 31 March 2026 was a gain of £51.8m (2025: loss of £65.4m).

26. 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. 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.

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

Transactions between the company and its holding company and fellow subsidiaries are disclosed above in notes 4 and 6. Transactions between the company and its joint ventures, which are related parties, are disclosed below and in note 27.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

26. Related party transactions (continued)

Trading transactions

During the year, the company entered into the following transactions with related parties:

	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	56.2	55.1	0.9	0.8
Meteorological Office	-	-	0.3	0.3
Aquila Air Traffic Management Services Limited	7.4	13.2	0.6	0.7

	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	4.2	4.6	-	-
Aquila Air Traffic Management Services Limited	1.2	1.2	0.2	-

The company also entered into transactions with its parent, fellow subsidiary and subsidiary undertakings. Amounts owed by and to these related parties are shown in note 14 and note 18 respectively.

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 given or received other than those disclosed in note 23.

Amounts owed by our joint venture do not include the loan and accumulated interest of £20.2m (2025: £22.1m), see note 27.

No expected credit loss provisions have been made in respect of amounts owed by the related parties above. Expected credit loss provisions of £13.2m (2025: £11.5m) have been made for doubtful debts in respect of amounts owed by related parties (see note 14).

The Report of the directors includes details of the directors of the company. The consolidated accounts of NATS Holdings Limited include details of the remuneration received by the directors of the group.

Directors' remuneration

The aggregate remuneration earned by the directors and the highest paid director of the company in the year was £375,000 (2025: £460,000). The number of directors paid by the company during the year was one (2025: one). The director does not participate in a company pension scheme.

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	2025
	£m	£m
Short term employee benefits	1.4	1.5
Post-employment benefits	0.1	0.1
Termination benefits	0.2	0.3
	1.7	1.9

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

27. Subsidiaries, joint ventures and associates

Movements in the carrying value of subsidiaries and joint ventures

	Subsidiary undertakings			Joint ventures		Total
	NATS (USA) Inc. £m	NATS (Services) Canada Inc. £m	NATS Services (Asia Pacific) Pte. Limited £m	Aquila Air Traffic Management Services Limited £m	NATS (Services) India Limited LLP £m	£m
Carrying value						
At 1 April 2024	24.2	8.3	0.1	-	0.6	33.2
Impairment provisions	(0.4)	(1.2)	-	-	-	(1.6)
At 31 March 2025	23.8	7.1	0.1	-	0.6	31.6
At 1 April 2025	23.8	7.1	0.1	-	0.6	31.6
Impairment reversal/(provision)	17.4	(1.6)	-	-	-	15.8
At 31 March 2026	41.2	5.5	0.1	-	0.6	47.4

The company also holds investments in the share capital of the following subsidiary undertakings: NATSNav Limited, NATS Solutions Limited, NATS Services DMCC and NATS Services (Hong Kong) Limited. The carrying value of these shareholdings were less than £0.1m individually and in aggregate and were the same at the beginning and the end of the financial year.

Subsidiaries

The company's subsidiaries at 31 March 2026 were:

Name of company	Principal activity	Proportion of ordinary shares and voting rights held	Country of registration	Country of operation
Direct holding:				
NATS Solutions Limited*	Airport and airfield air traffic services	100%	England and Wales	United Kingdom
NATSNav Limited*	Satellite based navigation	100%	England and Wales	United Kingdom
National Air Traffic Services Limited*	Dormant	100%	England and Wales	United Kingdom
NATS Services (Asia Pacific) Pte. Limited *51 Changi Business Park, Central 2, #04-06, The Signature, Singapore 486066*	Airport and ATM consultancy	100%	Singapore	Singapore
NATS Services DMCC *Suite 2206, Mazaya AA1 Building, Mazaya Business Avenue, Jumeirah Lakes Tower, Dubai, United Arab Emirates PO Box 392497*	ATM consultancy	100%	UAE	UAE
NATS Services (Hong Kong) Limited *31F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong*	Airport and ATM consultancy	100%	Hong Kong	Hong Kong
NATS (USA) Inc. *The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware, United States*	Engineering and ATM consultancy	100%	USA	USA
NATS (Services) Canada Inc. *100 King Street West, Suite 6200, 1 First Canadian Place, Toronto, Ontario, M5X 1B8, Canada*	Digital airport air traffic services	100%	Canada	Canada

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

27. Subsidiaries, joint ventures and associates (continued)

Indirect holding:

NATS Services LLC *PO Box 533, Ruwi, PC 112, Muscat, Sultanate of Oman*	ATM consultancy	70%	Oman	Oman
Searidge Technologies Inc *19 Camelot Drive, Nepean, Ontario, K2G 5W6, Canada*	Digital airport air traffic services	100%	Canada	Canada

The investment in NATS Services LLC is held by NATS Services DMCC.

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

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

NATS (USA) Inc.

On 16 May 2018, the company made an investment of £51.0m (US$ 68.75m) in its wholly owned subsidiary, NATS (USA) Inc. On the same day NATS (USA) Inc., invested the proceeds to acquire convertible preferred interests with voting rights of 9.1% of Aireon LLC, a limited liability company incorporated in Delaware USA which is developing a space-based air traffic surveillance system. During the year ended 31 March 2019, a new company was created, Aireon Holdings LLC, which now owns 100% of Aireon LLC. At the same time NATS (USA) Inc's holdings in Aireon LLC were transferred to identical holdings in Aireon Holdings LLC. The investment is intended to result in fully diluted ordinary interests with voting rights of 10.35% by 1 January 2027. NATS is entitled to appoint one of the eleven Board members.

The valuation technique used to determine fair value is the market approach. The market approach determines a fair value based upon the most likely consideration to acquire a controlling interest in Aireon, scaled down to NATS' holding and with discounts for lack of control and marketability applied.

NATS Services' investment in NATS (USA) Inc. was lower than its net assets and resulted in an impairment reversal of £17.4m in the year (2025: £0.4m impairment charge).

During the year Aireon commenced a sale process designed to enable the Air Navigation Service Provider shareholders to divest their stake in the business, including the minority interest held by NATS (USA) Inc. The sales process was at an advanced stage at 31 March 2026. The disposal is expected to be completed before the end of July 2026. The investment is available for immediate sale in its present condition and completion of the sale assessed to be highly probably within the next 12 months, therefore the investment has been classified as held for sale in the balance sheet.

Further information above the NATS group's interest in Aireon is provided in the NATS Holdings Limited Annual Report and Accounts.

NATS (Services) Canada Inc.

On 26 April 2017, the company established, and invested CAD$ 8.6m (£5.2m) in, a Canadian subsidiary, NATS (Services) Canada Inc. The subsidiary was established in order to invest in Searidge Technologies Inc. (Searidge).

On 26 April 2018 there was a capital reduction in NATS (Services) Canada Inc. of CAD$ 0.7m (£0.5m) which related to unpaid share capital.

On 22 December 2021, NATS (Services) Canada Inc. made an additional investment in Searidge acquiring the remaining 50% of the issued share capital, financed by a CAD$ 7.1m (£4.3m) loan from NATS Services. This transaction resulted in a reversal to previous impairment charges made by NATS (Services) Canada Inc. in its investment in Searidge.

On 1 March 2024, NATS (Services) Canada Inc. issued share capital of CAD$ 20.0m (£11.7m), fully subscribed by the company, to refinance Searidge and to recapitalise its investment. The loan due from NATS (Services) Canada Inc. was fully repaid. The value of the investment in NATS (Services) Canada has been assessed based on the recoverable amount on a value in use basis based on the projections over a five year period, which resulted in a net impairment charge of £1.6m (2025: £1.2m impairment charge).

Searidge Technologies Inc. (Searidge)

Since December 2021, Searidge has been a 100% owned subsidiary entity of NATS (Services) Canada Inc.. Searidge works with airports around the world, providing technology that helps reduce delays, increase efficiency, and overall safety. This includes the development and delivery of digital and remote tower solutions.

Following the refinancing as described above, Searidge repaid its loan from NATS Services. A new loan facility of CAD$ 8m was agreed with NATS Services. At 31 March 2026, the loan including interest, outstanding was CAD$ 9.2m (£5.0m) (2025: CAD$ 8.2m, £4.5m). An assessment of the recoverability of this loan has resulted in a credit loss provision of £2.8m being recognised in the year (2025: £2.9m). This is included with the amounts due from subsidiaries (see note 14).

The financial transactions with these subsidiaries have been disclosed in note 4 and note 6 as appropriate and the balances due from/to these subsidiaries are disclosed in notes 14 and 18 as appropriate.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

27. Subsidiaries, joint ventures and associates (continued)

Joint ventures and associates

As at 31 March 2026, the company held interests in two joint ventures, Aquila Air Traffic Management Services Limited and NATS Services (India) LLP. Its subsidiary entity, NATSNav Limited held an interest in European Satellite Services Provider SAS. Details are as follows:

Name of company	Principal activity	Date of acquisition	Proportion of ordinary shares held	Country of incorporation
European Satellite Services Provider SAS *18, Avenue Edouard Belin - BPI 02, 31 401 Toulouse Cedex 9, France*	Satellite based navigation	1 September 2008	16.67%	France
Aquila Air Traffic Management Services Limited *350 Longwater Avenue, Green Park, Reading, RG2 6GF, United Kingdom*	Asset provision and ATM services to UK MOD	9 October 2014	50%	United Kingdom
NATS Services (India) LLP *501 & 502, 5th Floor, Eros Corporate Tower, Nehru Place, New Delhi 110019, India*	Airport and ATM consultancy	18 January 2022	50%	India

NATS Services (India) LLP is a limited liability partnership, established on 18 January 2022. It is a joint venture between NATS Services and NATS Services (Asia Pacific) Pte. Limited.

European Satellite Services Provider SAS (ESSP)

In September 2008, the company's subsidiary entity, NATSNav Limited acquired 16.67% of the issued share capital of ESSP for a cash consideration of €0.2m (£0.1m).

ESSP is a corporate entity providing satellite based services to the European Commission.

Aquila Air Traffic Management Services Limited (Aquila)

In October 2014, the company acquired 50% of the issued share capital of Aquila for a cash consideration of £0.1m. Aquila provides air traffic management services at military airfields in the delivery of Project Marshall for the Ministry of Defence.

The company and its joint venture partner provide Aquila with a shareholder loan facility of up to £50m, with each party providing an equal share of the facility of £25m. At 31 March 2026, the company's share of the outstanding loan to Aquila was £20.2m (2025: £22.1m). Aquila had repaid (net) £1.9m in the year (2025: £2.5m draw down (net)).

Aquila is projecting an onerous obligation reflecting the costs to the complete its Project Marshall contract. The company considers that the prospects for the recovery of its investment and shareholder loan at the end of the contract to be very low. As a result, the group is showing the carrying value of the investment at 31 March 2026 as £nil (31 March 2025: £nil); the outstanding balance of the shareholder loan to Aquila of £20.2m (31 March 2025: £22.1m) as fully impaired; and holds a provision for a liability of £2.3m (31 March 2025: £2.9m) for the outstanding legal obligation to enable Aquila to draw on the shareholder loan facility up the expected recoverable amount. The group has reported an aggregate amount of £2.5m relating to the loan facility to Aquila resulting from an increase in the expected recoverable amount in the income statement.

	2026 £m	2025 £m
Legal obligation: release of provision in the year for the undrawn balance up to the recoverable amount	0.6	3.3
Reversal of impairment of loan to joint venture	2.5	(3.3)
Impairment of net investment in joint venture	3.1	-
Legal obligation: irrecoverable element of undrawn balance of joint venture loan facility (see note 19)	2.3	2.9

In addition, since contract inception, NATS Services has provided a parent company guarantee to the MOD to secure Aquila's performance under its contract (see note 31). The effect of this guarantee is to compensate the MOD for the costs of a retender exercise in the event of contract termination by Aquila, which is not contemplated. The cost to NATS Services in that event is estimated at £27m until completion of an operational service deployment contract milestone, expected in October 2026, and then £25m until contract completion in 2037.

NATS Services has not presented summarised financial information relating to the year ended 31 March 2026. The summary financial information relating to the above joint ventures and associates is presented in the NATS Holdings Limited consolidated accounts.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

28. 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.

29. Post balance sheet events

On 13 May 2026 the company entered into an agreement to sell its US subsidiary, NATS (USA) Inc. NATS (USA) Inc holds an investment in Aireon Holdings LLC. The impact of this proposed transaction on the carrying value of the investment in NATS (USA) Inc. has been reflected in note 27.

On 27 May 2026 NATS (Services) Limited signed a shareholders agreement with Indra Sistemas, S.A. to form a new joint venture company; IQONAIR Technologies, S.A., subject to Spanish FDI (Foreign Direct Investment) approval. IQONAIR will combine NATS and Indra's respective expertise to design and deliver next generation, fully integrated digital airport tower control systems at large, complex airports worldwide.

Docusign Envelope ID: DF63AECA-E8C9-8F17-82E8-4674CB0F1381

Explanatory notes

1 RAT: 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.

2 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.