

Financial Statements

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Annual Report and Accounts 2026

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

Opinion

We have audited the financial statements of NATS Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2026 which comprise Consolidated income statement, Consolidated and Parent balance sheet, Consolidated statement of cash flows, Consolidated statement of comprehensive income, Consolidated and Parent statement of changes in equity and the related notes 1 to 37 for the Group and Notes 1 to 8 for the Parent, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law, UK adopted International Accounting Standards and IFRSs issued by the International Accounting Standards Board (IASB) and as regards the parent company financial statements, as applied in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2026 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards and IFRSs issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of going concern, being for a period to 30 June 2027, including the underlying forecast models used in the assessment.
- Confirming that the forecasts for the period to 30 June 2027 used were consistent with those for the same period within the longer-term forecasts used in the goodwill impairment assessment. We also assessed the base case assumptions for reasonableness by (i) testing the clerical accuracy of the model, (ii) by reference to external forecasts on key assumptions such as flight volumes and (iii) by taking into account our knowledge of customer contract terms and other legal agreements and regulator communications to determine the impact on cash flow in the going concern period of various scenarios such as a reduction in flight numbers or the failure of a major customer.
- Verifying the liquidity position (cash held plus unused banking facilities) as at 31 March 2026 and 31 May 2026 by agreeing the year-end position to bank confirmations and the 31 May 2026 position to the general ledger and our subsequent event enquiries. We also ensured that we understood the covenants associated with the listed debt within NATS En Route plc (NERL), which along with liquidity itself formed the basis of the stress tests performed below.
- Challenging the appropriateness of management's downside sensitivities ensuring that they appropriately modelled the principal risks of the business. We also considered the remoteness of the reverse stress test performed.
- We considered the mitigating actions available to the group such as the suspension of dividend payments.
- Reviewing the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern until 30 June 2027.

Given NERL's (which makes up 79% of group revenue and holds the debt with associated covenants) status as the UK's only en route air traffic control provider and a critical infrastructure asset for the UK, the protection afforded by (i) the rolling licence to provide these services, (ii) the price control period which runs until 31 December 2027 and sets the determined cost (or revenue allowance) for that period and (iii) the financeability duty of the CAA, the long term nature of the debt, the amount of cash held both at the balance sheet date and as at 31 May 2026, combined with the absence of any other events or conditions which would cause us to question the going concern assumption, we consider management's approach to be reasonable. We believe that appropriate scenarios were evaluated and considered and concur with the conclusion that the reverse stress test position is sufficiently remote.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period until 30 June 2027.

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

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

Overview of our audit approach

Audit scope	We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further four components. We completed central procedures on cash, impairment of goodwill and other intangible asset balances and parent company investments, investments in associates and joint ventures, equity and intercompany eliminations.
Key audit matters	> Overstatement of revenue recognition as a result of management override > Valuation of Hard to value pension scheme assets > Impairment of assets under construction
Materiality	> Overall group materiality of £10.6m (2025: £11.9m) which represents 5% of profit before income tax.

An overview of the scope of the parent and group audits

a. Scoping

Tailoring the scope

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

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

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

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

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

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

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

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

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

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

Involvement with component teams

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

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

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

Climate change

Stakeholders are increasingly interested in how climate change will impact NATS Holdings Limited. The group has determined that the most significant future impacts from climate change on its operations will be from severe and more frequent weather events, adapting their business model to changes in policy, marketplaces, consumer behaviour and technology and reputational risk from failure to meet stakeholder expectations regarding ESG obligations. These are explained on pages 28 to 43 in the Climate-related Financial Disclosures and on page 26 in the principal risks and uncertainties. Management have also explained their climate commitments on pages 28 to 29. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

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

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

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 28 to 43 and whether these have been appropriately reflected in future cash flows used to assess the carrying value and where relevant useful economic lives of goodwill, intangible assets and property, plant and equipment.

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

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

Key audit matters

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

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

Risk	Our response to the risk
Overstatement of revenue recognition as a result of management override (FY26 Consolidated Revenue: £1,076.4m, FY25 Consolidated Revenue: £1,071.6m). *Refer to the Audit Committee Report (page 59); Accounting policies (page 100); and Note 4 of the Consolidated Financial Statements (page 111).* Given the fixed price nature of Airport contracts in NATS Services Limited (NSL) and the application of the determined cost (or revenue allowance) from the agreed price control publication to determine NERL revenue, the risk we identified was that fictitious revenue could be recorded through topside (manual) journal entries. This was applicable to both NERL and NSL as the main trading entities of the group.	For all significant revenue balances which we deemed to be in scope, we: > Performed walkthroughs for each significant revenue stream to understand the key systems, processes and controls in place. > Checked that the methodology applied in recognising revenue is consistent with the group's accounting policy and accounting framework. > Took a data-led approach to correlate the activity in revenue through to trade receivables and cash, identifying any anomalies from the processed transactions revenue to our expectations. > Completed detailed testing of any topside revenue postings made at consolidation level (within the consolidation entries or the Extended Trial Balance) as well as any journals identified as higher risk in the general ledger population. We have also used data analytics to support our procedures as detailed below: > Analysing complete populations of general ledger data to identify journal entries that exhibit unique characteristics which can be indicators of management override. Our forensics specialists have supported us in identifying the higher risk journal entries to investigate.

Key observations communicated to the Audit Committee

Revenue for the year ended 31 March 2026 has been recognised appropriately in accordance with IFRS 15 Revenue from Contracts with Customers for the group (and using IFRS 15 by analogy for NERL's economically regulated airspace business). The disclosures relating to revenue including the critical accounting estimates and judgements and the naming convention in the financial statements is appropriate.

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

How we scoped our audit to respond to the risk

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

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

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

Risk	Our response to the risk
Valuation of Hard to Value pension scheme assets (FY26 Consolidated hard to value assets: £595.0m, FY25 Consolidated hard to value assets: £606.7m). *Refer to the Audit Committee Report (page 59); Accounting policies (page 106); and Note 33 of the Consolidated Financial Statements (page 168).* 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 group, 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 asset managers and reconciled the totals to the pension asset values. > Compared the values of investments held at the balance sheet date to external investment manager asset confirmations and statements to confirm the accuracy of the underlying valuation. > We also inspected the most recent audited accounts of the relevant funds held by the group and where these were drawn up to 31 March 2026 compared the group's share of the net assets in these financial statements to the balances recorded in the general ledger. Where the most recent audited accounts were drawn up to a period before 31 March 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.

Key observations communicated to the Audit Committee

Based on our procedures performed, we are satisfied that the hard to value assets are appropriately stated and concluded that the disclosure in the Consolidated Financial Statements in relation to the hard to value assets is appropriate.

How we scoped our audit to respond to the risk

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

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

Risk	Our response to the risk
Impairment of assets under construction (FY26 Consolidated carrying value of AUC within other intangible assets and PP&E: £618.5m, FY25 Consolidated carrying value of AUC within other intangible assets and PP&E: £548.0m). *Refer to the Audit Committee Report (page 59); Accounting policies (page 105); and Notes 14 and 15 of the Consolidated Financial Statements (page 130 to 131).* The group invests significant sums in the sustainment and development of air traffic control infrastructure, including both tangible and intangible assets. A substantial proportion of the costs incurred are the amounts charged by staff employed by the group that are capitalised to specific projects. Management makes judgements in assessing indicators of impairment and considering the feasibility of completing individual projects after they have started. Due to the judgements noted above, the carrying value of assets in the course of construction and the related disclosures are an area of significant risk to our audit.	For the impairment of assets under constructions procedures in the group, we obtained management's qualitative paper and performed the following procedures: > Reviewed management's assessment of any indicators of impairment on a project by project basis, challenging both the finance team and individual project managers where the assessment included any items with particular judgement involved. > Independently selected our own sample of projects from the whole population of AUC, covering assets fully impaired, assets partially impaired and assets without impairment. For this sample we re-performed the assessment of impairment indicators by interviewing the relevant project manager, asking probing questions about the capital projects, ensuring those not impaired were viable, feasible and if any work has been obsolete or needs impairment. > Performed a separate review of 'dormant assets' (those without activity in the year, cross-checking management's analysis of this category of assets. > Performed a 'stand back' analysis of the position over the last five years to validate the commercial rationale for movements in underlying AUC and the impairment provisioning, interviewing senior management officials responsible for the significant capital expenditure programme, attended by the Partner in charge. > Confirmed that the financial statement disclosures are appropriate.

Key observations communicated to the Audit Committee

Based on our procedures performed, we are satisfied that assets under constructions are appropriately stated and concluded that the disclosure in the Consolidated Financial Statements in relation to these assets is appropriate.

How we scoped our audit to respond to the risk

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

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

Our application of materiality

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

Materiality

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

We determined materiality for the group to be £10.6 million (2025: £11.9 million), which is 5% of profit before income tax. We believe that this provides us with the most appropriate materiality basis based on the expectations of the users of the financial statements.

We determined materiality for the Parent Company to be £7.3 million (2025: £7.3 million), which is 5% of equity. The parent company's operations are that of a holding company, holding the investments in subsidiaries. The parent company is not profit focussed and therefore an earnings-based measure is not considered appropriate. We consider the parent company's investment in subsidiaries to be the most significant balance, and we have therefore identified equity as the most appropriate benchmark on which to base materiality.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £7.9m (2025: £5.9m). In the prior year, performance materiality was set at 50% of planning materiality, as it was the first year of our audit engagement.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.5m to £6.9m (2025: £1.2m to £4.7m).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5m (2025: £0.6m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

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

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

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the basis of preparation.

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

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

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 23.
- 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 23;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on pages 23 and 24;
- Directors' statement on fair, balanced and understandable set out on page 83;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 61;
- 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 61; and
- The section describing the work of the Audit Committee set out on page 58.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 83, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our procedures included:

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at frc.org.uk/library/standards-codes-policy/audit-assurance-and-ethics/auditors-responsibilities-for-the-audit/. 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.

Ryan Squires (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

25 June 2026

Consolidated income statement

For the year ended 31 March

	Notes	2026 £m	2025 £m
Revenue	4	**1,076.4**	1,071.6
Staff costs	7	**(585.7)**	(543.4)
Services and materials		**(89.1)**	(92.3)
Repairs and maintenance		**(75.2)**	(62.0)
External research and development		**(0.4)**	-
Depreciation, amortisation and impairment of property, plant, equipment, intangible and right-of-use assets	6	**(126.8)**	(134.1)
Goodwill impairment	6, 13	**(1.2)**	(1.0)
Other operating charges		**(60.3)**	(52.1)
Other operating income		**19.8**	10.5
Profit on disposal of non-current assets		**-**	3.0
Deferred grants released	6	**0.1**	0.1
Net operating costs		**(918.8)**	(871.3)
Operating profit	6	**157.6**	200.3
Share of results of associate and joint venture	35	**1.7**	0.8
Reversal of impairment of loan to joint venture	35	**1.9**	-
Investment income	8	**76.6**	65.9
Fair value movement on financial instruments	9	**1.9**	(7.3)
Finance costs	10	**(26.7)**	(25.4)
Profit before tax		**213.0**	234.3
Tax	11	**(47.1)**	(59.7)
Profit for the year attributable to equity shareholders		**165.9**	174.6

Consolidated statement of comprehensive income

For the year ended 31 March

	Notes	2026 £m	2025 £m
Profit for the year after tax		**165.9**	174.6
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain/(loss) on defined benefit pension scheme	33	**120.4**	(114.2)
Deferred tax relating to actuarial gain/(loss) on defined benefit pension scheme	25	**(30.1)**	11.4
Current tax relating to actuarial loss on defined benefit pension scheme	11	**-**	17.1
Items that may be reclassified subsequently to profit and loss:			
Change in fair value of hedging derivatives		**1.0**	(1.8)
Transfer to income statement on cash flow hedges		**(0.9)**	1.0
Exchange differences arising on translation of foreign operations		**(0.8)**	(0.9)
Currency translation differences arising on consolidation of equity accounted foreign operations	35	**0.1**	(0.1)
Deferred tax relating to items that may be reclassified subsequently	25	**-**	0.1
Other comprehensive income/(loss) for the year, net of tax		**89.7**	(87.4)
Total comprehensive income for the year attributable to equity shareholders		**255.6**	87.2

Consolidated balance sheet

At 31 March

	Notes	2026 £m	2025 £m
Assets			
Non-current assets			
Goodwill	13	**40.2**	41.3
Other intangible assets	14	**729.7**	717.3
Property, plant and equipment	15	**461.8**	385.5
Right-of-use assets	16	**14.0**	32.3
Investment	17	**-**	24.7
Interests in associate and joint venture	35	**4.3**	3.7
Retirement benefit asset	33	**97.9**	-
Deferred tax asset	25	**1.7**	1.5
Trade and other receivables	18	**13.4**	15.6
Amounts recoverable under NERL's licence	18	**561.3**	617.8
Derivative financial instruments	21	**-**	2.1
		1,924.3	1,841.8
Current assets			
Trade and other receivables	18	**212.2**	183.9
Amounts recoverable under NERL's licence	18	**172.8**	163.4
Assets held for sale	17	**41.7**	-
Current tax assets		**1.1**	-
Cash and cash equivalents	22	**296.0**	164.7
Derivative financial instruments	21	**9.9**	0.6
		733.7	512.6
Total assets		**2,658.0**	2,354.4
Current liabilities			
Trade and other payables	23	**(185.0)**	(155.7)
Amounts payable under NERL's licence	23	**(11.0)**	(12.5)
Borrowings	19	**(45.0)**	(45.0)
Lease liabilities	20	**(3.2)**	(7.5)
Current tax liabilities		**(2.8)**	(1.2)
Provisions	24	**(8.0)**	(4.6)
Derivative financial instruments	21	**(1.6)**	(80.4)
		(256.6)	(306.9)
Net current assets		**477.1**	205.7
Non-current liabilities			
Trade and other payables	23	**(86.3)**	(86.9)
Amounts payable under NERL's licence	23	**(84.2)**	(54.9)
Borrowings	19	**(927.7)**	(790.8)
Lease liabilities	20	**(10.7)**	(32.1)
Retirement benefit obligations	33	**-**	(32.4)
Deferred tax liability	25	**(259.9)**	(204.8)
Provisions	24	**(3.4)**	(14.0)
Derivative financial instruments	21	**(11.8)**	(0.6)
		(1,384.0)	(1,216.5)
Total liabilities		**(1,640.6)**	(1,523.4)
Net assets		**1,017.4**	831.0
Equity			
Called up share capital	26	**140.6**	140.6
Share premium account	27	**0.4**	0.4
Other reserves	28	**(34.9)**	(34.3)
Retained earnings		**911.2**	724.2
Equity attributable to the shareholders		**1,017.3**	830.9
Non-controlling interest	29	**0.1**	0.1
Total equity		**1,017.4**	831.0

The financial statements (Company No. 04138218) were approved by the Board of directors and authorised for issue on 25 June 2026 and signed on its behalf by:



Sir Warren East
Chair



Gary Franklin
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 March

	Equity attributable to equity holders of the group						
	Share capital £m	**Share premium account £m**	**Other reserves (note 28) £m**	**Retained earnings £m**	**Sub-total £m**	**Non-controlling interest £m**	**Total equity £m**
At 1 April 2024	140.6	0.4	(32.6)	806.3	914.7	0.1	914.8
Profit for the year	-	-	-	174.6	174.6	-	174.6
Other comprehensive loss for the year	-	-	(1.7)	(85.7)	(87.4)	-	(87.4)
Total comprehensive (loss)/income for the year	-	-	(1.7)	88.9	87.2	-	87.2
Dividends paid	-	-	-	(171.0)	(171.0)	-	(171.0)
At 31 March 2025	**140.6**	**0.4**	**(34.3)**	**724.2**	**830.9**	**0.1**	**831.0**
At 1 April 2025	140.6	0.4	(34.3)	724.2	830.9	0.1	831.0
Profit for the year	-	-	-	165.9	165.9	-	165.9
Other comprehensive (loss)/income for the year	-	-	(0.6)	90.3	89.7	-	89.7
Total comprehensive (loss)/income for the year	-	-	(0.6)	256.2	255.6	-	255.6
Dividends paid	-	-	-	(69.2)	(69.2)	-	(69.2)
At 31 March 2026	**140.6**	**0.4**	**(34.9)**	**911.2**	**1,017.3**	**0.1**	**1,017.4**

Consolidated cash flow statement

For the year ended 31 March

	Notes	2026 £m	2025 £m
Cash flows from operating activities			
Cash generated from operations	30	**382.6**	357.0
Tax paid		**(17.5)**	(11.3)
Net cash generated from operating activities		**365.1**	345.7
Cash flows from investing activities			
Interest received on short-term investments		**11.1**	10.0
Purchase of property, plant and equipment		**(129.1)**	(58.2)
Purchase of other intangible assets		**(80.2)**	(67.1)
Proceeds of disposal of property, plant and equipment		**4.5**	2.5
Dividends received from joint ventures and associate		**0.6**	0.6
Loans to joint ventures	35	**-**	(2.5)
Repayments of loans to joint ventures	35	**2.7**	-
Net cash outflow from investing activities		**(190.4)**	(114.7)
Cash flows from financing activities			
Interest paid		**(20.1)**	(28.7)
Interest received on derivative financial instruments		**8.9**	8.8
Repayment of £450m 1.375% bonds due 2031		**(45.0)**	(90.0)
Issue of £250m 5.250% bonds due 2036		**248.9**	-
Bond arrangement fees		**(2.0)**	-
Drawdown of bank loan under the £400m revolving facility		**85.0**	70.0
Repayment of bank loan under the £400m revolving facility		**(155.0)**	-
Principal paid on lease liabilities		**(4.4)**	(6.9)
Interest paid on lease liabilities		**(0.7)**	(1.2)
Index-linked swaps payments		**(89.2)**	(11.7)
Bank facility fees		**(0.4)**	(1.6)
Dividends paid		**(69.2)**	(171.0)
Net cash outflow from financing activities		**(43.2)**	(232.3)
Increase/(decrease) in cash and cash equivalents during the year		**131.5**	(1.3)
Cash and cash equivalents at 1 April		**164.7**	166.2
Exchange losses on cash and cash equivalents		**(0.2)**	(0.2)
Cash and cash equivalents at 31 March		**296.0**	164.7
Net debt (representing borrowings and lease liabilities, net of cash and cash equivalents (see notes 22 and 30))		**(690.6)**	(710.7)

Notes forming part of the consolidated accounts

1. General information

NATS Holdings Limited is a private limited company incorporated in England and Wales and domiciled in the United Kingdom and acting under the Companies Act 2006. The address of the registered office is on page 47. The nature of the group's operations and its principal activities are set out in the Report of the directors and in the Strategic report.

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

2. Basis of preparation and accounting policies

Going concern

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

At 31 March 2026, the group had access to liquidity of £696.0m comprising cash of £296.0m and undrawn committed bank facilities of £400.0m. At 25 June 2026, the group had access to cash and undrawn bank facilities of around £645m.

When considering the appropriateness of the going concern basis of preparation of the financial statements, the directors have reviewed the cash flow forecasts prepared by management covering a period to 30 June 2027, which is the formal going concern period modelled by the directors and at least 12 months from the date of approval of these financial statements. The directors have had regard to reasonably plausible changes in trading performance as well as severe traffic volume scenarios individually and in combination with other factors and the principal risks discussed on pages 25 to 27.

The principal scenarios modelled were: a severe traffic downside scenario represented by a sudden 12% reduction in air traffic volumes lasting for a 12-month period, as a proxy for a traffic shock such as a major geopolitical incident and subsequent recession, being the most severe traffic scenario; a low case internal traffic forecast of 8.4% fewer flights than the NR23 decision assumed; a 20% loss of airport contract income from smaller airports in our portfolio in the event of its financial collapse; an unplanned increase in operating costs; an increase in the financial support provided to our investments; extended period of conflict in the Middle East and a failure to secure new planned business revenue in spite of the investment made to support such growth activities. Finally, a combination scenario was also performed of lower air traffic volumes, higher operating costs and loss of airport revenues. Under the most severe scenario the group maintains adequate liquidity (of £455m) and headroom (NERL gearing at 49%) to meet its debt covenant (NERL gearing at 85%), prior to mitigating actions (such as other cost saving measures and deferring capital investment).

The directors have also considered, through a reverse stress test which assumes no dividends, the point at which NERL's liquidity would be utilised or the financial covenant would be breached before both mitigating action and regard to the financeability duties of the CAA and Secretary of State for Transport. The reverse stress test considered NERL as it represents 79% of the group's activities and is the only subsidiary with a debt covenant. The reverse stress tests considered, before mitigation, severe reductions in traffic volumes to 9% of expected levels and significant unplanned expenditure, which in this event would be broadly equivalent to the annual staff cost. The directors consider these scenarios to be remote. Taking all this into account, the group's cash flow forecasts, reflecting reasonably plausible downside scenarios, show that the group and company should be able to operate within the level of its available bank facilities and within its financial covenant for the foreseeable future.

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

Accounting standards

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

Accounting standards adopted in the year

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

- IAS 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 group does not undertake transactions in jurisdictions affected by this amendment.

Notes forming part of the consolidated accounts

Future accounting developments

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

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

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

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

- The group currently presents an operating profit subtotal in the income statement. The group is performing a detailed assessment to determine the appropriate classification of items to ensure that the operating profit subtotal will comply with the requirements of IFRS 18. The group expects changes in this regard, especially as a result of reclassifying some foreign exchange gains and losses from operating to a new investing category; reclassification of returns in relation to NERL's licence from investment income to operating; and gains or losses on some derivatives to operating. Furthermore, the new aggregation and disaggregation requirements will lead into changes to our non-staff expense headings, ensuring a useful structured summary is presented.
- The group has performed an assessment of other measures that are currently being reported outside the financial information, to determine whether or not these meet the definition of a management-defined performance measure. Currently none of the reported alternative performance measures (see page 187) fall within scope of IFRS 18.

IFRS 20 introduces a requirement for companies to report qualifying regulatory assets and regulatory liabilities in their statement of financial position, and related regulatory income and regulatory expense in their statement of financial performance. The UK's en route and North Atlantic air traffic control services activities are economically regulated by the CAA. These activities will fall within scope of IFRS 20. The group's current accounting policy is set out below. A detailed impact assessment is underway.

Basis of preparation of the financial statements

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

Basis of consolidation

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

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

Revenue recognition

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

Airspace

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

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

Notes forming part of the consolidated accounts

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

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

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

In order that NERL is able to finance its licensed activities, the licence defines the basis for recovering or rebating to airspace users differences between the CAA's ex ante assumptions and actual conditions during the year of service provided. When actual traffic volumes or inflation differ from the regulator's assumption, any excess or shortfall in amounts recovered against NERL's licence entitlement for the service provided is recognised in the period of service and adjusted through future chargeable service unit rates. The regulator also sets annual service performance targets and incentives, and an amount is recognised in the period which reflects the outcome of the service provided.
A pass-through mechanism for defined benefit pension contributions applies if financial market conditions during the price control lead to higher or lower costs than the regulator's ex ante allowance. This is assessed by the regulator at the end of a price control period.

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

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

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

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

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

Airport and Other UK Services

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

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

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

Notes forming part of the consolidated accounts

New Airspace Users

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

International

The group provides ATC and related services (including consultancy, 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.

Amounts recoverable or payable under NERL's licence

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

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

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

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

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

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

Distributable reserves of the individual companies within the group comprise their individual accumulated realised profits less accumulated realised and unrealised losses.

Operating segments

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

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

Notes forming part of the consolidated accounts

Operating profit

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

Goodwill

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. For goodwill held by NERL, which was recognised following the public private partnership transaction, fair value less costs of disposal is assessed by reference to the regulatory asset base (RAB) of the economically regulated activities and costs of disposal. For goodwill acquired in a business combination, fair value reflects market transactions for similar assets. In assessing value in use, the estimated future cash flows (with a terminal value, as a proxy for future cash flows, which for NERL represents the RAB) are discounted to their present value using a market pre-tax discount rate (which for NERL is the pre-tax nominal regulated rate of return) or an appropriate surrogate. For NERL's assessment, a premium is applied to the RAB, as market precedent transactions indicate economically regulated businesses attract valuations in excess of RAB. A premium of 7.5% was determined for 2026 (2025: 7.5%), reflecting market precedent transactions and an independent assessment undertaken in 2024 - see note 13.

Internally-generated intangible assets – research and development expenditure

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

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

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

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

Property, plant and equipment

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

- freehold buildings: 10-40 years
- leasehold buildings: over the remaining life of the lease to a maximum of 25 years
- air traffic control systems: 5-35 years
- plant and other equipment: 2-30 years
- furniture, fixtures and fittings: 5-25 years
- vehicles: 5-10 years

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

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

Borrowing costs

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

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

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

Notes forming part of the consolidated accounts

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

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.

Government grants and other grants

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

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

Leases

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

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

Measurement at inception

At the lease commencement date the lessee will recognise:

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

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

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

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

Ongoing measurement

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

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

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

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated terms increase the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

Notes forming part of the consolidated accounts

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Short-term and low-value leases

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

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

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

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

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

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

Investments in associates and joint ventures

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

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

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

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

Share-based payments

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

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

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

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

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

Taxation

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in the statement of changes in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Notes forming part of the consolidated accounts

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Foreign currency translation

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the holding company, and the presentation currency for the consolidated financial statements. For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rate at the date of transactions is used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the Translation reserve (and attributed to non-controlling interests as appropriate).

In preparing the financial statements of the individual companies, transactions in currencies other than the currency of the primary economic environment in which they operate (their "functional currency"), are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period.

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

Retirement benefit costs

The CAA Pension Scheme is a funded defined benefit scheme. The assets of the scheme are held in a separate trustee administered fund. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses and return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled.

Past service cost is recognised immediately, at the earlier of the date the defined benefit scheme is amended or any associated restructuring cost is recognised to the extent that the benefits are already vested.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories, which are reported in aggregate (see note 33):

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the balance sheet represents the deficit or surplus in the group's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the scheme.

Since 2009, the group and Trustees have introduced a number of pension reforms, as explained in note 33. These include: closing the defined benefit scheme to new entrants with effect from 1 April 2009, and establishing a defined contribution scheme for new entrants from 1 April 2009, limiting the rate of increase in pensionable pay and changing the indexation reference rate for future service.

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

Provisions

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

Notes forming part of the consolidated accounts

Financial instruments

Financial assets and financial liabilities are recognised in the group balance sheet when the group becomes a party to the contractual provisions of the instrument. Financial assets are classified as either fair value through profit and loss, fair value through other comprehensive income, or amortised cost.

Classification and subsequent re-measurement depends on group's business model for managing the financial asset and its cash flow characteristics.

The group has financial assets in the categories of fair value through profit and loss and at amortised cost. The group does not have financial assets at fair value through other comprehensive income. Detailed disclosures are set out in notes 17 to 23.

Financial assets:

Fair value through profit and loss

The group does not have any assets held for trading. The group holds an equity investment in Aireon at fair value through profit and loss. This is carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated income statement in the fair value movement in financial instruments line item.

Amortised cost

These assets arise principally from the provision of goods and services to customers (such as loans and trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment of financial assets

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

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

Impairment provisions for other receivables are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset.

For those financial assets where the credit risk has not increased significantly since initial recognition, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

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

Financial liabilities

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

Fair value through profit and loss

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

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

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

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

Effective interest method

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

Notes forming part of the consolidated accounts

Equity

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

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

Reserves

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

- Other reserves, which arose on the completion of the PPP transaction in July 2001 under a statutory transfer scheme;
- Non-controlling interest, which represents the share of equity attributable to the minority investor in NATS Services LLC.

Derivative financial instruments and hedging activities

The group's activities expose it primarily to the financial risks of changes in interest rates, inflation and foreign currency exchange rates. The group uses interest rate and index-linked swap contracts and forward foreign exchange contracts to hedge these exposures. These are disclosed in notes 21 and 22 to the accounts.

As permitted under IFRS 9, the group has elected to continue to apply the existing hedge accounting requirements of IAS 39 for its cash flow hedges until a new macro hedge accounting standard is implemented by the IASB.

Under IFRS derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The use of financial derivatives is governed by the group's policies approved by the Board of directors, which provides written principles on the use of financial derivatives. The group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

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

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

3. Critical judgements and key sources of estimation uncertainty

When preparing financial statements management is required to use judgement and make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Actual outcomes in future could differ from these estimates. Information about those judgements, estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are explained below.

Judgements

In the process of applying the group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Recognition of amounts recoverable and payable under NERL's licence (notes 18 and 23)

a. IFRS 15 by analogy

The company applies IFRS 15: *Revenue from Contracts with Customers* by analogy when recognising NERL's revenue entitlement from UK en route, North Atlantic en route and London Approach services.

There is no IFRS currently that specifically applies to the recognition of assets and liabilities that arise under NERL's licence agreement, though the IASB is developing such a standard (see below). Accordingly, the company has made significant judgements in developing and applying an accounting policy for the recognition of amounts recoverable and payable under NERL's licence which provides information that is relevant to the decision-making needs of users of the financial statements and is reliable in representing faithfully the financial position, financial performance and cash flows of the company and reflects the economic substance of NERL's specific regulatory framework.

In developing an appropriate accounting policy the company referred to, and considered the applicability of, first the requirements in IFRSs dealing with similar and related issues and second, as the company does not apply IFRS 14: *Regulatory Deferral Accounts*, the definitions, recognition criteria and measurement concepts in the 2001 Framework for the Preparation and Presentation of Financial Statements.

Notes forming part of the consolidated accounts

The company considered that the definitions of assets and liabilities in the 2001 Framework were met, and therefore developed an accounting policy based on IFRS 15: *Revenue from Contracts with Customers* by analogy. Unlike other economically regulated sectors, such as water and power, air travel is a discretionary consumer expense and thus it is susceptible to a greater volatility of demand. The consumer demand for air travel has a direct bearing on the volume of flights in UK airspace and therefore the amounts collected by NERL in the year from the flights that it handles.

As the UK's sole provider of en route ATC services NERL is obliged to make its service available continuously to meet any reasonable level of demand. When establishing a price control, the economic regulator makes a forecast of the volume of flights and sets a charge for NERL's ATC service accordingly - legislation obliges airspace users to settle the charges for services received. In order to provide protection against the volatility in flight volumes relative to the price control forecast, NERL's licence includes a traffic risk sharing mechanism based on actual flights handled which limits its exposure to flight volume volatility, and its associated impact on NERL's recoverable income entitlement. In exceptional circumstances, as was the case with the Covid pandemic or following the US terror attacks in 2001, in order to ensure that NERL is able to finance its licensed activities the price control may be reopened to ensure NERL is able to recover its licence entitlement for the service it has provided. Other risk mechanisms also apply to inflation and the impact of unforeseen financial market conditions on defined benefit pension contributions, with service performance also incentivised.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework which requires an entity to:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The analogy arises under step one of the five step model of IFRS 15 whereby the contractual rights and obligations of NERL and airspace users as customers are established by the legal framework of the Transport Act 2000, the CAA's price control determination and NERL's licence, rather than by way of direct customer contracts. The remaining steps of the model apply directly to NERL's circumstances.

In determining the transaction price for the service provided, any amount recoverable or payable under NERL's licence for the service provided is constrained at an amount for which it is highly probable that a significant reversal will not subsequently occur. At the end of each calendar year the outcomes for traffic volumes, inflation, service performance are known. A judgement is made in relation to pension costs and the recovery of national insurance rate changes. The outcome of these judgements will generally not be known until the end of the price control following the regulator's review. The range of outcomes in this respect is estimated to be 0% to 5% of revenue in the year the pension pass through is determined.

NERL's revenue allowance is set on a calendar year basis. A judgement is made at the 31 March reporting date to determine the revenue entitlement forecast for the prevailing calendar year, based on published sources and the company's business plan projections. An assessment is made of the progress at 31 March in delivering the calendar year performance obligations, using an input method based on incurred operating costs attributable to delivering the performance obligation relative to those forecast for the calendar year. The company considers that an input-based method better reflects the pattern of delivery of the performance obligation than an output-based method based on flight volumes. At 31 March 2026, the company's revenue entitlement to UK en route and London Approach revenue was assessed to be 25% of the prevailing calendar year's entitlement. As a sensitivity, an output-based method would result in 21% of the revenue entitlement being recognised, or £33m lower.

The impact on revenue recognised in the first calendar quarter to 31 March 2026 from a 1% change in the prevailing calendar year forecast for the following variables, considered independently, is as follows:

i. Chargeable service units (a measure of air traffic volumes): £0.4m;

ii. Calendar year CPI inflation: £1.3m;

iii. Operating costs: £1.9m.

b. Recoverability of amounts recognised under NERL's licence

When considering whether the definitions of assets and liabilities under the 2001 Framework are met, it is the judgement of the directors that the company specific traffic risk sharing mechanism, alongside the wider economic regulatory and legal framework and its specific characteristics, are important features that provide it with control of the future economic benefits arising from amounts recoverable, and obligations for amounts payable, under NERL's licence, without controlling the volume of flights in future. These mechanisms are reinforced by the duties on the CAA and the Secretary of State under the Transport Act 2000 to ensure that it is not unduly difficult for NERL to finance its licensed activities, the regulatory commitment to the RAB as a store of future value and, in particular, commitments made by the CAA in the NR23 price control review on the recovery of the Covid income shortfall, with amounts to be recovered in this respect being specified in the licence and the rules governing the RAB. The company also considers that, in light of NERL's specific regulatory framework, there are no significant risks and uncertainties in relation to the recovery of such amounts in future. The company is aware of the publication of IFRS 20: *Regulatory Assets and Regulatory Liabilities*, which will have a significant impact on the accounting by economically regulated entities. The company is assessing the adoption requirements of this new standard.

Notes forming part of the consolidated accounts

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur.

Retirement benefits (see note 33)

The group accounts for its defined benefit pension scheme such that the net pension scheme position is reported on the balance sheet with actuarial gains and losses being recognised directly in equity through the statement of comprehensive income. At 31 March 2026 the funding position of the scheme reported in the financial statements was a surplus of £97.9m (2025: £32.4m deficit) on liabilities of £3,070.1m (2025: £3,082.9m).

A number of key assumptions have been made in calculating the fair value of the group's defined benefit pension scheme which affect the balance sheet position and the group's reserves and income statement. A summary of the main assumptions and sensitivities are set out in note 33 to the consolidated accounts. Actual outcomes may differ materially from the assumptions used and may result in volatility in the net pension scheme position.

The group recognises an IAS 19 funding surplus when this arises as it is satisfied that the practical effect of the trust deed and rules, alongside UK legislation, mean the group has an unconditional right to a refund assuming the gradual settlement of the scheme's liabilities over time until all members have left the scheme. The trustees have no discretion under the trust deed and rules to enhance member benefits in the event of a trustee funding surplus.

Net investment in Aquila joint venture (see note 35)

The Aquila joint venture is projecting losses in its forecast to deliver its Project Marshall contract, which completes in 2037. In the year ended 31 March 2024, the group recognised its share of the losses up to the carrying value of the investment brought forward at 1 April 2023 of £4.5m, impaired the outstanding shareholder loan of £18.8m and recognised a liability of £6.2m for the company's legal obligation arising under the £25.0m shareholder loan facility agreement. At the reporting date, the group has reviewed and assessed Aquila's latest business plan and long-term cash flow forecasts to re-assess the carrying value of its investment and the recoverability of the outstanding and undrawn shareholder loan. The group concluded that the carrying values of its investment remained £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, and therefore for the NATS group, in relation to the costs to complete the contract, alongside management judgement and assumptions as to the future operating environment.

The joint venture has entered discussions with the MOD customer on the scope and pricing of its next pricing period (2027 to 2032). 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 group assesses progress in respect of these matters annually to determine whether it is appropriate to reverse some or all of the full impairment of the investment and shareholder loan commitment.

Investment in Aireon LLC (see note 17)

The group holds a minority interest in convertible redeemable preference shares in Aireon LLC, which carry voting rights and a right of conversion to equity interests up to 2027. NATS interest in Aireon represents a financial asset which is required to be measured at fair value through profit and loss. The group valued its interest at £41.7m as at 31 March 2026 (2025: £24.7m). Aireon is a privately owned entity with few historic transactions and is therefore an illiquid unquoted investment with no readily available market price.

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

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 moderated for expected pricing outcomes. A 5% increase in the pricing moderation would result in a £1.9m decrease in the fair value.

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

The group is undertaking a significant capital investment programme to upgrade existing ATC infrastructure. This programme requires the group to enter into substantial contracts for the development of infrastructure assets and information systems. Whilst covered by contractual arrangements, it is in the nature of such complex projects that, from time to time, variations to the original specifications may necessitate the renegotiation of original contract scope or price and affect amounts reported in these accounts. The group also capitalises internal labour where this is directly attributable to the development of assets, at a labour rate judged to reflect the underlying cost of staff. Impairment charges may arise subsequently if changes in the cost or scope of capital investment is not recoverable from customer contracts or through the regulatory framework. Classification of assets in the course of construction is assessed regularly and at the point they are brought into use are categorised as intangible or tangible assets as appropriate.

In carrying out impairment reviews of intangible and tangible (including assets in the course of construction), a detailed review is undertaken, which assesses the potential impact of factors such as: technical obsolescence, deployment plans for related or dependent systems and the recoverability of investments under the economic regulatory framework.

Notes forming part of the consolidated accounts

4. Revenue

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

	2026 £m	2025 £m
Revenue from contracts with customers	**1,066.8**	1,061.7
Other revenue: EU funding passed to UK en route customers (see note 4a)	**6.4**	7.2
Other revenue: rental and sub-lease income	**3.2**	2.7
Revenue (see operating segments)	**1,076.4**	1,071.6

a. Revenue disaggregated by operating segment

The group's Executive team is considered to be the chief operating decision maker as defined by IFRS 8. The segmental analysis is based on the information that the Executive team uses internally for the purposes of evaluating the performance of operating segments and determining resource allocation between segments. The business is organised into service lines, aligned with our customers: Airspace, Airport and Other UK Services, Defence Services, New Airspace Users and International, and the products and services provided to each.

Principal activities

The following table describes the activities of each operating segment:

Airspace	This includes all of the group's economically regulated activities and encompasses services to en route, oceanic and London Approach customers provided from our Prestwick and Swanwick centres, together with all the supporting communications, navigation and surveillance infrastructure and facilities. Airspace includes air traffic services for helicopters operating in the North Sea, approach services for London airports, infrastructure services to the Ministry of Defence (MOD) for their en route operations and European projects in conjunction with other air traffic organisations.
Airport and Other UK Services	The provision of air traffic control, engineering support and airport optimisation services to UK airport customers; engineering solutions to renewables customers and consultancy, offering airspace development, capacity improvement and training; and information, providing data to enable future efficiency and flight optimisation.
Defence Services	The provision of air traffic control, engineering support and other services to the UK MOD and to our joint venture for the UK MOD's Marshall contract.
New Airspace Users	The provision of services and development of technological solutions for new airspace users, including beyond visual line of sight (BVLOS) and electric vertical take-off and landing (eVTOL) vehicles.
International	The provision of air traffic control and related services (including consultancy, engineering, training and information services) and the development and delivery of digital and remote tower solutions to overseas customers.

Notes forming part of the consolidated accounts

4. Revenue (continued)

Segment information about these activities is presented below:

	2026			2025		
	Total intra-group and external £m	**Intra-group £m**	**External £m**	Total intra-group and external £m	Intra-group £m	External £m
Revenue from contracts with customers						
UK air traffic services:						
Services to UK en route customers	**697.1**	**-**	**697.1**	706.8	-	706.8
London Approach services	**16.7**	**-**	**16.7**	14.5	-	14.5
Infrastructure services to the MOD	**52.1**	**-**	**52.1**	52.9	-	52.9
Services for North Sea helicopters	**10.3**	**-**	**10.3**	10.1	-	10.1
Other income	**3.6**	**-**	**3.6**	1.9	-	1.9
	779.8	**-**	**779.8**	786.2	-	786.2
North Atlantic air traffic services:						
Services to oceanic en route customers	**53.7**	**-**	**53.7**	67.7	-	67.7
Intercompany revenue	**30.0**	**(30.0)**	**-**	26.5	(26.5)	-
Airspace	**863.5**	**(30.0)**	**833.5**	880.4	(26.5)	853.9
Airport and Other UK Services	**217.9**	**(17.0)**	**200.9**	199.0	(17.2)	181.8
Defence Services	**10.1**	**(2.0)**	**8.1**	11.9	(0.8)	11.1
New Airspace Users	**2.5**	**-**	**2.5**	2.3	-	2.3
International	**24.8**	**(3.0)**	**21.8**	14.7	(2.1)	12.6
Revenue from contracts with customers	**1,118.8**	**(52.0)**	**1,066.8**	1,108.3	(46.6)	1,061.7
Other revenue: EU funding passed to UK en route customers						
Airspace	**6.4**	**-**	**6.4**	7.2	-	7.2
Other revenue: rental and sub-lease income						
Airspace	**2.1**	**(1.0)**	**1.1**	2.0	(0.9)	1.1
Airport and Other UK Services	**0.2**	**-**	**0.2**	0.1	-	0.1
Defence Services	**1.9**	**-**	**1.9**	1.5	-	1.5
Revenue from other sources	**4.2**	**(1.0)**	**3.2**	3.6	(0.9)	2.7
Revenue	**1,129.4**	**(53.0)**	**1,076.4**	1,119.1	(47.5)	1,071.6

UK air traffic services provide en route air traffic services within UK airspace, air traffic services for helicopters operating in the North Sea, approach services for London airports, services to the Ministry of Defence and miscellaneous activity connected to the en route business. North Atlantic air traffic services provide en route air traffic services over the North Atlantic, including an altitude calibration service.

EC Regulations require that European funding for SESAR deployment received by ANSPs should ultimately be passed on to airspace users through a discount in the unit rate charge for UK en route services. In the financial year ended 31 March 2026 £6.4m (2025: £7.2m) of European funding was passed to airspace users. Accordingly, an equivalent amount was released from contract liabilities to offset the cost of the discount.

Notes forming part of the consolidated accounts

4. Revenue (continued)

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

	2026			2025		
	Total intra-group and external £m	**Intra-group £m**	**External £m**	Total intra-group and external £m	Intra-group £m	External £m
Revenue from contracts with customers, before variable consideration	**1,077.5**	**(52.0)**	**1,025.5**	1,084.4	(46.6)	1,037.8
Variable consideration	**41.3**	**-**	**41.3**	23.9	-	23.9
Revenue from contracts with customers	**1,118.8**	**(52.0)**	**1,066.8**	1,108.3	(46.6)	1,061.7
Other revenue: EU funding passed to UK en route customers	**6.4**	**-**	**6.4**	7.2	-	7.2
Other revenue: rental and sub-lease income	**4.2**	**(1.0)**	**3.2**	3.6	(0.9)	2.7
Revenue	**1,129.4**	**(53.0)**	**1,076.4**	1,119.1	(47.5)	1,071.6

Notes forming part of the consolidated accounts

4. Revenue (continued)

b. Revenue disaggregated based on economic regulation

	2026			2025		
	Total intra-group and external £m	**Intra-group £m**	**External £m**	Total intra-group and external £m	Intra-group £m	External £m
Economically regulated income						
Airspace						
Services to UK en route customers	**697.1**	**-**	**697.1**	706.8	-	706.8
London Approach services	**16.7**	**-**	**16.7**	14.5	-	14.5
Services to oceanic en route customers	**53.7**	**-**	**53.7**	67.7	-	67.7
Revenue from contracts with customers	**767.5**	**-**	**767.5**	789.0	-	789.0
Other revenue: EU funding passed to UK en route customers	**6.4**	**-**	**6.4**	7.2	-	7.2
Total economically regulated income	**773.9**	**-**	**773.9**	796.2	-	796.2
Non-regulated income						
Airspace						
Infrastructure services to the MOD	**52.1**	**-**	**52.1**	52.9	-	52.9
Services for North Sea helicopters	**10.3**	**-**	**10.3**	10.1	-	10.1
Other income	**3.6**	**-**	**3.6**	1.9	-	1.9
Intercompany revenue	**30.0**	**(30.0)**	**-**	26.5	(26.5)	-
Airport and Other UK Services	**217.9**	**(17.0)**	**200.9**	199.0	(17.2)	181.8
Defence Services	**10.1**	**(2.0)**	**8.1**	11.9	(0.8)	11.1
New Airspace Users	**2.5**	**-**	**2.5**	2.3	-	2.3
International	**24.8**	**(3.0)**	**21.8**	14.7	(2.1)	12.6
Revenue from contracts with customers	**351.3**	**(52.0)**	**299.3**	319.3	(46.6)	272.7
Revenue from other sources	**4.2**	**(1.0)**	**3.2**	3.6	(0.9)	2.7
Total non-regulated income	**355.5**	**(53.0)**	**302.5**	322.9	(47.5)	275.4
	1,129.4	**(53.0)**	**1,076.4**	1,119.1	(47.5)	1,071.6

Airspace services are economically regulated activities governed by NATS (En Route) plc's air traffic services licence. The revenue which NERL is allowed to generate from these services is governed by the price control conditions of this licence.

Notes forming part of the consolidated accounts

4. Revenue (continued)

c. Revenue disaggregated by timing of recognition

	2026			2025		
	Total intra-group and external £m	**Intra-group £m**	**External £m**	Total intra-group and external £m	Intra-group £m	External £m
Over time						
Revenue from contracts with customers	**1,118.6**	**(52.0)**	**1,066.6**	1,108.2	(46.6)	1,061.6
Other revenue: EU funding passed to UK en route customers	**6.4**	**-**	**6.4**	7.2	-	7.2
Revenue from other sources	**4.2**	**(1.0)**	**3.2**	3.6	(0.9)	2.7
	1,129.2	**(53.0)**	**1,076.2**	1,119.0	(47.5)	1,071.5
At a point in time						
Revenue from contracts with customers	**0.2**	**-**	**0.2**	0.1	-	0.1
	0.2	**-**	**0.2**	0.1	-	0.1
	1,129.4	**(53.0)**	**1,076.4**	1,119.1	(47.5)	1,071.6

Notes forming part of the consolidated accounts

4. Revenue (continued)

d. Revenue disaggregated by geographical area

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

	2026			2025		
	Total intra-group and external £m	**Intra-group £m**	**External £m**	Total intra-group and external £m	Intra-group £m	External £m
Revenue, including Other revenue: EU funding passed to UK en route customers						
United Kingdom	**557.2**	**(51.0)**	**506.2**	544.5	(44.4)	500.1
Other European countries	**126.6**	**-**	**126.6**	130.6	-	130.6
United States of America	**121.3**	**-**	**121.3**	125.5	-	125.5
Republic of Ireland	**100.2**	**-**	**100.2**	102.0	-	102.0
Countries in Asia	**95.4**	**(1.0)**	**94.4**	85.1	(1.7)	83.4
Germany	**51.7**	**-**	**51.7**	53.5	-	53.5
Countries in Africa	**43.2**	**-**	**43.2**	42.5	-	42.5
Other North American countries	**27.2**	**-**	**27.2**	29.0	(0.5)	28.5
Countries in South America	**1.3**	**-**	**1.3**	1.4	-	1.4
Countries in Oceania	**1.1**	**-**	**1.1**	1.4	-	1.4
	1,125.2	**(52.0)**	**1,073.2**	1,115.5	(46.6)	1,068.9
Other revenue: rental and sub-lease income						
United Kingdom	**4.2**	**(1.0)**	**3.2**	3.6	(0.9)	2.7
	4.2	**(1.0)**	**3.2**	3.6	(0.9)	2.7
	1,129.4	**(53.0)**	**1,076.4**	1,119.1	(47.5)	1,071.6

Revenue is attributed to countries on the basis of the customer's country of domicile. Individual countries have not been shown where revenue from these countries of domicile are less than 5% of revenue.

Notes forming part of the consolidated accounts

4. Revenue (continued)

e. Contract balances

Contract assets and contract liabilities from contracts with customers are disclosed in notes 18 and 23. Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Contract assets		Contract liabilities	
	2026 £m	2025 £m	**2026 £m**	2025 £m
At 1 April	**25.4**	26.5	**(60.9)**	(69.1)
Opening contract assets transferred to trade and other receivables	**(10.0)**	(12.8)	**-**	-
Additional contract asset balances recognised at the balance sheet date	**11.5**	11.9	**-**	-
Impairment of contract assets	**-**	(0.2)	**-**	-
Opening contract liabilities which have now been recognised as revenue	**-**	-	**18.2**	20.0
Increases due to cash received, excluding amounts recognised as revenue during the year	**-**	-	**(10.3)**	(11.8)
At 31 March	**26.9**	25.4	**(53.0)**	(60.9)

Contract assets and contract liabilities are included within "Trade and other receivables" and "Trade and other payables" respectively which are reported on the face of the balance sheet. The majority of contracts in the Airspace and Airport and Other UK Services service lines are service contracts that do not result in a contract asset or liability position at each reporting date. Other contracts (including consultancy, engineering, training and information services) may result in a contract asset or liability because the cumulative payments received from customers at each balance sheet date does not necessarily equal the amount of revenue recognised on these contracts.

f. Revenue from performance obligations satisfied in previous periods

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

Notes forming part of the consolidated accounts

4. Revenue (continued)

g. Remaining performance obligations

For the majority of contracts, the group has a right to consideration from the customer in an amount that corresponds directly to the value to the customer of the group's performance completed to date, or the contract has an original duration of one year or less. For such contracts, the practical expedient in paragraph 121 of IFRS 15 applies.

For the remaining contracts, the amount of revenue that will be recognised in future periods in relation to performance obligations that are partially satisfied at 31 March is approximately as follows:

	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
Airport and Other UK Services	12.8	0.1	-	-	12.9
Defence Services	0.9	0.2	2.1	-	3.2
International	14.3	6.7	3.0	-	24.0
	28.0	**7.0**	**5.1**	**-**	**40.1**

	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
Airport and Other UK Services	17.6	6.6	0.3	-	24.2
Defence Services	0.9	0.5	1.3	-	2.7
New Airspace Users	1.0	-	-	-	1.0
International	5.8	0.7	-	-	6.5
	25.3	**7.8**	**1.3**	**-**	**34.4**

h. Cash flow hedged revenue from contracts with customers

A portion of the group's revenue from the provision of services denominated in foreign currencies is cash flow hedged. Included in revenue is the recycling of the effective amount of foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue is a £0.9m gain (2025: £1.0m loss).

Notes forming part of the consolidated accounts

5. Operating segments

The performance of operating segments is assessed based on service line revenue and contribution. Service line contribution represents the revenue and costs which are directly attributed to a service line. Costs which are not directly attributed to a service line include: costs managed outside of service lines, depreciation and amortisation (net of deferred grants released), goodwill impairment, profit on disposal of non-current assets, employee share scheme costs, redundancy costs, investment income, fair value movements on financial instruments and finance costs.

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

	2026						
	Airspace £m	**Airport and Other UK Services £m**	**Defence Services £m**	**New Airspace Users £m**	**International £m**	**Costs not directly attributed to service lines £m**	**Total £m**
External revenue	841.0	201.1	10.0	2.5	21.8	-	1,076.4
Intra-group revenue	31.0	17.0	2.0	-	3.0	-	53.0
Total external and intra-group revenue	**872.0**	**218.1**	**12.0**	**2.5**	**24.8**	**-**	**1,129.4**
Staff costs (excluding employee share plan and redundancy costs)	(385.4)	(126.8)	(6.9)	(1.3)	(14.8)	(47.1)	(582.3)
Non-staff costs (includes intercompany charges)	(139.2)	(49.1)	(5.7)	(1.7)	(10.3)	(52.2)	(258.2)
Share of joint ventures and associate	1.1	-	0.6	-	-	-	1.7
Reversal of impairment of loan to joint ventures	-	-	1.9	-	-	-	1.9
Service line contribution	**348.5**	**42.2**	**1.9**	**(0.5)**	**(0.3)**	**(99.3)**	**292.5**
Depreciation and amortisation (net of deferred grants released)							(126.7)
Impairment of goodwill							(1.2)
Profit on disposal of non-current assets							-
Employee share scheme costs							(3.0)
Redundancy costs							(0.4)
Investment income							76.6
Fair value movement on financial instruments							1.9
Finance costs							(26.7)
Profit before tax							**213.0**

Notes forming part of the consolidated accounts

5. Operating segments (continued)

	2025						
	Airspace £m	**Airport and Other UK Services £m**	**Defence Services £m**	**New Airspace Users £m**	**International £m**	**Costs not directly attributed to service lines £m**	**Total £m**
External revenue	862.2	181.9	12.6	2.3	12.6	-	1,071.6
Intra-group revenue	27.4	17.2	0.8	-	2.1	-	47.5
Total external and intra-group revenue	**889.6**	**199.1**	**13.4**	**2.3**	**14.7**	**-**	**1,119.1**
Staff costs (excluding employee share plan and redundancy costs)	(361.0)	(114.8)	(6.5)	(1.2)	(13.1)	(42.1)	(538.7)
Non-staff costs (includes intercompany charges)	(144.4)	(41.9)	(3.2)	(1.3)	(5.6)	(47.0)	(243.4)
Share of joint ventures and associate	0.8	-	-	-	-	-	0.8
Service line contribution	**385.0**	**42.4**	**3.7**	**(0.2)**	**(4.0)**	**(89.1)**	**337.8**
Depreciation and amortisation (net of deferred grants released)							(134.0)
Impairment of goodwill							(1.0)
Profit on disposal of non-current assets							3.0
Employee share scheme costs							(2.8)
Redundancy costs							(1.9)
Investment income							65.9
Fair value movement on financial instruments							(7.3)
Finance costs							(25.4)
Profit before tax							**234.3**

Notes forming part of the consolidated accounts

5. Operating segments (continued)

Non-staff costs includes intercompany charges allocated across the Service lines above of £53.0m (2025: £47.5m).

The performances of Airspace and Defence Services include the group share of the results of European Satellite Services Provider SAS (ESSP SAS) and Aquila Air Traffic Management Services Limited respectively. Other costs not directly attributed to service lines include corporate costs providing central support functions.

Total assets and total liabilities by operating segment are not regularly provided to the chief operating decision maker and accordingly are not required to be disclosed.

Non-current assets additions

Additions to non-current assets are presented by service line below:

	2026 £m	2025 £m
Airspace	**208.2**	119.6
Airport and Other UK Services	**4.2**	3.9
New Airspace Users	**1.6**	1.9
International	**1.5**	0.5
	215.5	125.9

Geographical segments

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

	Non-current assets	
	2026 £m	2025 £m
United Kingdom	**1,244.6**	1,173.6
Other European countries	**5.5**	4.6
Canada	**3.6**	6.5
Countries in Asia	**0.8**	0.3
United States of America	**-**	24.7
	1,254.5	1,209.7

Included within the Canada geographical segment is the group's goodwill that arose on acquisition of Searidge, see note 13. Included within the United States of America geographical segment for 2025 is the group's equity investment in Aireon LLC, which during the year has been recognised as current following classification as an asset held for sale, see note 17.

Information about major customers

No customer accounted for more than 10% of the group's revenue.

Notes forming part of the consolidated accounts

6. Operating profit for the year

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

	2026 £m	2025 £m
The CAA regulatory charges in respect of NERL's licence	**5.9**	5.4
The CAA regulatory charges for safety regulation at airports	**0.3**	0.3
Impairment of goodwill (note 13)	**1.2**	1.0
Amortisation of intangible assets (note 14)	**56.0**	57.6
Impairment of intangible assets (note 14)	**11.7**	20.5
Depreciation of property, plant and equipment (note 15)	**51.6**	49.8
Impairment of property, plant and equipment (note 15)	**2.1**	1.8
Depreciation of right-of-use assets (note 16)	**5.4**	6.7
Impairment reversal of right-of-use assets (note 16)	**-**	(2.3)
Deferred grants released	**(0.1)**	(0.1)
Redundancy costs	**0.4**	1.9
Research and development costs	**10.7**	13.7
R&D expenditure above the line tax credits	**(4.5)**	(4.5)
Foreign exchange gains	**(7.3)**	(2.0)
Auditor's remuneration for audit services (see below)	**0.9**	0.9

Government grants relating to the purchase of property, plant and equipment contributions received are treated as deferred income which is credited to the income statement by equal annual instalments over the expected useful lives of the related assets.

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

The analysis of auditor's remuneration is as follows:

	2026 £m	2025 £m
Fees payable to the company's auditor for the audit of the company's annual accounts	**0.8**	0.8
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries	**0.1**	0.1
Total audit fees	**0.9**	0.9

Fees payable to the group's auditor for audit services to the group are disclosed above. Total non statutory audit fees are £20,000 (2025: £34,000) in respect of the NERL Regulatory accounts. Total non-audit fees of £97,000 (2025: £17,000) were incurred in respect of agreed upon procedures and reporting accountant work.

Notes forming part of the consolidated accounts

7. Staff costs

a. Staff costs

	2026 £m	2025 £m
Salaries and staff costs, including directors' remuneration, were as follows:		
Wages and salaries	**469.8**	437.2
Employee share scheme costs (note 32)	**3.0**	2.8
Social security costs	**63.0**	51.6
Pension costs (note 7b)	**101.0**	94.6
	636.8	586.2
Less: amounts capitalised	**(51.1)**	(42.8)
	585.7	543.4

Wages and salaries include other allowances and holiday pay.

b. Pension costs (note 33)

	2026 £m	2025 £m
Defined benefit scheme	**41.4**	43.8
Defined contribution scheme	**59.6**	50.8
	101.0	94.6

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.

Notes forming part of the consolidated accounts

7. Staff costs (continued)

c. Staff numbers

	2026 No.	2025 No.
The monthly average number of employees (including executive directors) was:		
Air traffic controllers (incl. trainees)	**1,820**	1,779
Air traffic service assistants	**724**	695
Engineers	**985**	922
Others	**1,395**	1,319
	4,924	4,715
The number of employees (including executive directors) in post at 31 March was:	**5,076**	4,820

8. Investment income

	2026 £m	2025 £m
Interest on bank deposits	**10.0**	9.6
Other loans and receivables	**66.6**	56.3
	76.6	65.9

Interest on bank deposits has been earned on financial assets, including cash and cash equivalents and short-term investments.

Other loans and receivables includes £31.7m (2025: £25.2m) being an allowance included in the unit charge for financing the Covid income shortfall over its extended recovery period, £21.7m (2025: £18.1m) in relation to the effect of unwinding the discount on amounts receivable after more than one year, £8.9m (2025: £8.8m) of RPI swap interest and other amounts of £4.3m (2025: £4.2m).

9. Fair value movement on financial instruments

	2026 £m	2025 £m
Charge arising from change in the fair value of derivatives not qualifying for hedge accounting	**(15.4)**	(8.2)
Change in the fair value of equity investment in Aireon designated as fair value through profit and loss (see note 17)	**17.3**	0.9
	1.9	(7.3)

Notes forming part of the consolidated accounts

10. Finance costs

	2026 £m	2025 £m
Interest on bank loans and hedging instruments	**2.4**	2.0
Bond and related costs including financing expenses	**21.6**	18.4
Interest on lease liabilities (see note 20)	**0.7**	1.2
Other finance costs	**2.0**	3.8
	26.7	25.4

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

11. Tax

	2026 £m	2025 £m
Corporation tax		
Current tax	**22.0**	49.3
Adjustments in respect of prior year	**0.3**	1.1
	22.3	50.4
Deferred tax (see note 25)		
Origination and reversal of temporary timing differences	**26.2**	9.0
Adjustments in respect of prior year	**(1.4)**	0.3
	24.8	9.3
	47.1	59.7

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

Notes forming part of the consolidated accounts

11. Tax (continued)

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

	2026		2025	
	£m	**%**	£m	%
Profit before tax	**213.0**		234.3	
Tax on profit at standard rate in the UK of 25% (2025: 25%)	**53.3**	**25.0%**	58.6	25.0%
Tax effect of prior year adjustments: current tax	**0.3**	**0.1%**	1.1	0.5%
Tax effect of prior year adjustments: deferred tax	**(1.4)**	**(0.7%)**	0.3	0.1%
Patent box[1]	**(0.4)**	**(0.2%)**	(0.8)	(0.3%)
Employee share scheme: timing differences over vesting period of shares[2]	**1.2**	**0.6%**	0.7	0.3%
Employee share scheme: impact of new shares issued	**(1.2)**	**(0.6%)**	(0.3)	(0.1%)
Employee share scheme: impact of changes in the share price[3]	**0.1**	**-**	-	-
R&D expenditure credits	**-**	**-**	0.3	0.1%
Goodwill impairment	**0.3**	**0.1%**	0.3	0.1%
Profit on disposal of ineligible PPE assets	**-**	**-**	(0.6)	(0.3%)
Tax on income from investment in Aireon LLC[4]	**-**	**-**	1.1	0.5%
Fair value of adjustment to Aireon LLC	**(4.4)**	**(2.0%)**	(0.2)	(0.1%)
Joint venture and associate	**(0.3)**	**(0.1%)**	(0.2)	(0.1%)
Losses not recognised for deferred tax	**(0.1)**	**-**	0.3	0.1%
Income taxed at a lower rate of corporation tax	**(0.3)**	**(0.1%)**	(0.1)	-
Other temporary timing differences - index-linked swaps	**-**	**-**	(0.5)	(0.2%)
Other permanent differences	**-**	**-**	(0.3)	(0.1%)
Tax charge for year at an effective tax rate of 22.1% (2025: 25.5%)	**47.1**	**22.1%**	59.7	25.5%
Deferred tax charge/(credit) taken directly to equity (see note 25)	**30.1**		(11.5)	

[1] Under UK HMRC regulations, NERL is able to take advantage of income attributable to patents being taxed at a lower rate.

[2] Under UK HMRC regulations, the cost of employee shares is deductible when shares are awarded to employees.

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

[4] The NSL shareholding in Aireon LLC is taxed as a partnership holding in the US.

Deferred tax is provided at the prevailing rate of corporation tax expected to apply in the period when the liability is settled or the asset realised.

The group does not have any material uncertain tax positions.

Notes forming part of the consolidated accounts

11. Tax (continued)

Detailed reconciliation of the current tax charge

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

	2026		2025	
	£m	**%**	£m	%
Profit before tax	**213.0**		234.3	
Tax on profit at standard rate in the UK of 25% (2025: 25%)	**53.3**	**25.0%**	58.6	25.0%
Expenses not deductible for tax purposes				
- R&D expenditure tax credit	**-**	**-**	1.3	0.6%
- Profit on disposal of ineligible PPE assets	**-**	**-**	(0.6)	(0.3%)
Capital allowances in excess of depreciation				
- Capital allowances	**(48.8)**	**(22.9%)**	(35.0)	(14.9%)
- Depreciation and amortisation on eligible assets	**30.3**	**14.2%**	32.4	13.8%
Other temporary differences - fixed assets				
- Capitalised revenue expenditure	**(3.6)**	**(1.6%)**	(5.1)	(2.2%)
- Amortisation of capital grants	**-**	**-**	(0.7)	(0.3%)
Other temporary timing differences	**(3.7)**	**(1.6%)**	(1.3)	(0.6%)
Other deductions for tax purposes				
- Employee share scheme: timing differences over vesting period of shares	**0.5**	**0.2%**	0.7	0.3%
- Employee share scheme: impact of new shares issued	**(1.2)**	**(0.6%)**	(1.3)	(0.6%)
- Employee share scheme: impact of changes in the share price	**0.1**	**-**	-	-
- Fair value adjustment to Aireon	**(4.4)**	**(2.0%)**	(0.2)	(0.1%)
- Patent box	**(0.4)**	**(0.2%)**	(0.8)	(0.3%)
Consolidation adjustments				
- Tax on income from investment in Aireon LLC	**-**	**-**	1.1	0.5%
- Joint venture and associate	**(0.3)**	**(0.1%)**	(0.2)	(0.1%)
- Losses not recognised for deferred tax	**0.1**	**-**	0.3	0.2%
- Goodwill impairment	**0.3**	**0.1%**	0.3	0.1%
Pension contributions paid in excess of charge to income statement	**-**	**-**	(17.1)	(7.3%)
Income taxed at a lower rate of corporation tax	**(0.3)**	**(0.1%)**	-	-
Other permanent differences	**0.1**	**-**	(0.2)	(0.1%)
Adjustments to tax charge in respect of previous periods	**0.3**	**0.1%**	1.1	0.5%
Current tax charge for year at an effective tax rate of 10.5% (2025: 14.2%)	**22.3**	**10.5%**	33.3	14.2%

Notes forming part of the consolidated accounts

11. Tax (continued)

The total current tax charge comprises a £22.3m charge to the Income statement (2025: £50.4m) and a £nil credit to the Statement of comprehensive income (2025: £17.1m) in relation to contributions to the Defined benefit pension scheme.

Pillar Two legislation has been implemented for accounting periods commencing on or after 31 December 2023. We have undertaken a high-level assessment and believe that the effective UK rate will be above the minimum tax rate of 15%, so no UK top up tax is expected given the present statutory rate of corporation tax. A high-level assessment has been undertaken in respect of the overseas jurisdictions and any additional top up tax arising in respect of these jurisdictions is expected to be immaterial and/or the transitional country-by-country safe harbour rules will apply.

12. Dividends

	2026 £m	2025 £m
Amounts recognised as dividends to equity shareholders in the year:		
First interim dividend of 48.93 pence per share (2025: 61.17 pence per share)	**69.2**	85.5
Second interim dividend of nil pence per share (2025: 61.17 pence per share)	**-**	85.5
	69.2	171.0

On 25 September 2025, the Board approved an interim dividend of 48.93 pence per share, totalling £70.0m. On 26 Sepetmber 2025, the dividend was paid and NATS Employee Sharetrust Limited (NESL), that holds 5% of the share capital on trust for employees, waived its right to receiving a dividend in relation to shares that currently are not allocated to employees, equating to £0.8m.

On 21 May 2026, the Board approved an interim dividend for the year ending 31 March 2027 of 48.93 pence per share, totalling £70.0m. On 28 May 2026, the dividend was paid and the amount waived by NESL, equated to £0.8m.

Notes forming part of the consolidated accounts

13. Goodwill

	£m
Cost	
At 1 April 2024	358.0
Exchange on International goodwill	(0.5)
At 31 March 2025	**357.5**
Exchange on International goodwill	0.1
At 31 March 2026	**357.6**
Accumulated impairment losses	
At 1 April 2024	315.4
Impairment of subsidiary goodwill	1.0
Exchange on International goodwill impairment losses	(0.2)
At 31 March 2025	**316.2**
Impairment on subsidiary goodwill	1.2
At 31 March 2026	**317.4**
Carrying amount	
At 31 March 2026	40.2
At 31 March 2025	41.3
At 1 April 2024	42.6

The amounts disclosed above relate to the following service lines: Airspace £38.3m (2025: £38.3m) and International £1.9m (2025: £3.0m). The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Its recoverable amount is determined by reference to the higher of its fair value less costs of disposal and its value in use. The valuation methodology is consistent with the IFRS 13 level 3 hierarchy.

Goodwill held in the Airspace service line arose from the NATS public private partnership transaction in 2001. Its fair value less costs of disposal is determined by reference to the value of the regulatory asset bases (RABs) of the relevant cash generating units of UK Air Traffic Services and North Atlantic Air Traffic Services (in aggregate £2,072.4m; 2025: £2,074.0m), opportunities for out-performance of regulatory settlements and market premia for economically regulated businesses, as well as estimated costs of disposal of £1.0m. A market premium is applied to the value of the RABs. It is assessed annually by reference to market precedent transactions and an independent assessment completed in 2024. The RAB premium at 31 March 2026 was determined to be 7.5% (2025: 7.5%).

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

Goodwill held in the International service line arose on acquisition of Searidge. Its carrying value has been assessed based on the expected recoverable amount on a value in use basis, based on cash flow projections over a five year period assuming compound annual sales growth of 13% (2025: 14%), reflecting historic experience and using a 23% (2025: 25%) pre-tax discount rate. Goodwill at 31 March 2026 was impaired by £1.2m (2025: £1.0m), when comparing the value in use of £5.6m (2025: £8.2m) to the carrying value. Goodwill will not be deductable for tax purposes. As a sensitivity a 1% increase in the discount rate would increase the impairment of goodwill of £1.4m (2025: £1.4m).

Notes forming part of the consolidated accounts

14. Other intangible assets

	Operational software £m	Non-operational software £m	Airspace and resectorisation £m	Assets in course of construction £m	Total £m
Cost					
At 1 April 2024	556.0	138.1	197.1	414.8	1,306.0
Additions internally generated	4.9	0.2	2.7	23.6	31.4
Additions externally acquired	2.9	0.4	1.6	28.6	33.5
Disposals during the year	(1.0)	-	(1.9)	-	(2.9)
Other transfers during the year	37.2	1.9	11.3	(24.5)	25.9
Net exchange differences	-	(0.3)	-	-	(0.3)
At 31 March 2025	**600.0**	**140.3**	**210.8**	**442.5**	**1,393.6**
Reclassification in year	0.1	0.7	-	(0.8)	-
Additions internally generated	3.0	4.5	0.2	25.0	32.7
Additions externally acquired	2.9	0.7	2.5	54.2	60.3
Disposals during the year	-	(0.2)	-	-	(0.2)
Other transfers during the year	50.2	12.0	4.8	(79.8)	(12.8)
At 31 March 2026	**656.2**	**158.0**	**218.3**	**441.1**	**1,473.6**
Accumulated amortisation and impairment					
At 1 April 2024	369.0	120.8	78.8	30.9	599.5
Charge for the year	28.5	6.7	22.4	-	57.6
Impairment provision recognised in income statement	-	-	-	20.5	20.5
Transfer of impairment provision	0.2	0.1	5.3	(5.0)	0.6
Disposals during the year	(1.0)	-	(0.7)	-	(1.7)
Net exchange differences	-	(0.2)	-	-	(0.2)
At 31 March 2025	**396.7**	**127.4**	**105.8**	**46.4**	**676.3**
Charge for the year	28.8	5.9	21.3	-	56.0
Impairment provision recognised in income statement	-	-	-	11.7	11.7
Transfer of impairment provision	43.1	0.1	3.2	(46.4)	-
Disposals during the year	-	(0.1)	-	-	(0.1)
At 31 March 2026	**468.6**	**133.3**	**130.3**	**11.7**	**743.9**
Carrying amount					
At 31 March 2026	187.6	24.7	88.0	429.4	729.7
At 31 March 2025	203.3	12.9	105.0	396.1	717.3
At 1 April 2024	187.0	17.3	118.3	383.9	706.5

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 £11.7m (2025: £20.5m) were made, which included airspace design, flight data storage and data integration assets under the course of construction, which are no longer considered technically feasible, and an operating environmental analytic tool, which is no longer considered commercially viable.

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

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

Notes forming part of the consolidated accounts

15. Property, plant and equipment

	Freehold land and buildings £m	Improvements to leasehold land and buildings £m	Air traffic control systems, plant and equipment £m	Vehicles, furniture and fittings £m	Assets in course of construction and installation £m	Total £m
Cost						
At 1 April 2024	251.0	46.4	1,531.9	33.0	149.2	2,011.5
Additions during the year	1.1	0.3	10.0	1.5	46.7	59.6
Disposals during the year	-	-	(1.4)	-	-	(1.4)
Other transfers during the year	2.8	0.4	12.3	0.8	(42.2)	(25.9)
Net exchange differences	-	-	(0.1)	-	-	(0.1)
At 31 March 2025	**254.9**	**47.1**	**1,552.7**	**35.3**	**153.7**	**2,043.7**
Reclassification in year	-	0.1	11.4	2.5	(14.0)	-
Additions during the year	33.3	0.3	17.1	1.6	69.3	121.6
Disposals during the year	-	(0.6)	(5.7)	-	-	(6.3)
Other transfers during the year	1.9	-	29.4	0.6	(19.1)	12.8
At 31 March 2026	**290.1**	**46.9**	**1,604.9**	**40.0**	**189.9**	**2,171.8**
Accumulated depreciation and impairment						
At 1 April 2024	183.6	44.4	1,354.4	25.1	0.9	1,608.4
Provided during the year	7.0	0.5	40.7	1.6	-	49.8
Impairment provision recognised in income statement	-	-	0.3	-	1.5	1.8
Transfer of impairment provision	-	-	-	-	(0.6)	(0.6)
Disposals during the year	-	-	(1.1)	-	-	(1.1)
Net exchange differences	-	-	(0.1)	-	-	(0.1)
At 31 March 2025	**190.6**	**44.9**	**1,394.2**	**26.7**	**1.8**	**1,658.2**
Provided during the year	5.6	0.4	42.2	3.4	-	51.6
Impairment provision recognised in income statement	-	-	1.4	-	0.7	2.1
Transfer of impairment provision	-	-	1.6	0.1	(1.7)	-
Disposals during the year	-	(0.5)	(1.4)	-	-	(1.9)
At 31 March 2026	**196.2**	**44.8**	**1,438.0**	**30.2**	**0.8**	**1,710.0**
Carrying amount						
At 31 March 2026	93.9	2.1	166.9	9.8	189.1	461.8
At 31 March 2025	64.3	2.2	158.5	8.6	151.9	385.5
At 1 April 2024	67.4	2.0	177.5	7.9	148.3	403.1

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

The group conducts annual reviews of the carrying values of its property, plant and equipment including operating assets and assets in the course of construction, where there is an indicator of impairment. The accumulated depreciation of assets in the course of construction represents impairment provisions. During the year, net impairment charges of £2.1m (2025: £1.8m) were made, which included an electronic flight display which has been replaced and a flight management tool, following a reassessment of the likelihood of benefits being realised.

Notes forming part of the consolidated accounts

15. Property, plant and equipment (continued)

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

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

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

16. Right-of-use assets

	Leasehold land and buildings £m	Air traffic control systems, plant and equipment £m	Vehicles, furniture and fittings £m	Total £m
Cost				
At 1 April 2024	65.9	5.5	1.6	73.0
Additions during the year	0.8	-	0.6	1.4
Effect of modification to lease terms	(0.1)	1.0	-	0.9
Terminations during the year	(2.4)	(1.0)	(0.1)	(3.5)
At 31 March 2025	**64.2**	**5.5**	**2.1**	**71.8**
Additions during the year	0.5	-	0.4	0.9
Effect of modification to lease terms	-	1.1	1.6	2.7
Terminations during the year	(37.8)	(1.2)	(0.1)	(39.1)
At 31 March 2026	**26.9**	**5.4**	**4.0**	**36.3**
Accumulated depreciation and impairment				
At 1 April 2024	32.2	4.0	0.4	36.6
Charge during the year	5.6	0.6	0.5	6.7
Depreciation effect of modification to lease terms	-	0.9	-	0.9
Impairment provision reversal recognised in income statement	(2.3)	-	-	(2.3)
Terminations during the year	(1.2)	(1.0)	(0.1)	(2.3)
Net exchange differences	(0.1)	-	-	(0.1)
At 31 March 2025	**34.2**	**4.5**	**0.8**	**39.5**
Charge during the year	4.1	0.6	0.7	5.4
Depreciation effect of modification to lease terms	-	0.1	-	0.1
Terminations during the year	(22.3)	(0.3)	(0.1)	(22.7)
At 31 March 2026	**16.0**	**4.9**	**1.4**	**22.3**
Carrying amount				
At 31 March 2026	10.9	0.5	2.6	14.0
At 31 March 2025	30.0	1.0	1.3	32.3
At 1 April 2024	33.7	1.5	1.2	36.4

Notes forming part of the consolidated accounts

16. Right-of-use assets (continued)

The group conducts annual reviews of the carrying values of its right-of-use assets where there is an indicator of impairment. During the prior year, the group reversed an impairment charge of £2.3m, in respect of a leasehold land and buildings asset, as a result of a revised estimate of occupancy of the available space within this property, over the remainder of the lease term.

During the year, the group completed the purchase of the site of the Whiteley head office, resulting in termination of the existing lease arrangement, which had previously been recognised as a right-of-use asset. As a result, leasehold land and buildings right-of-use assets with a cost of £32.6m and accumulated depreciation and impairment of £17.1m were derecognised.

17. Held for sale investment in Aireon LLC

In May 2018, NATS paid £51.0m (US$68.75m) to acquire a minority interest in Aireon LLC (Aireon) (subsequently Aireon Holdings LLC upon transfer of shareholding), a limited liability company incorporated in Delaware USA, which provides a space-based air traffic surveillance system for air navigation service providers (ANSPs) through Automatic Dependent Surveillance-Broadcast (ADS-B) receivers on the Iridium NEXT satellite constellation. Aireon is an unquoted company. NATS' investment was made by NATS (USA) Inc, a wholly owned subsidiary. Other investors are Iridium and four other ANSPs: NAV CANADA (Canada), ENAV (Italy), AirNav Ireland (Ireland) and Naviair (Denmark).

The investment in Aireon is in convertible redeemable cumulative 5% preference interests with voting rights of 8.6%. The investment is intended to result in fully diluted common interests (equivalent to ordinary shares) with voting rights of 10.35%. NATS is entitled to appoint one of the eleven Board members.

The interests carry a right of conversion to common equity interests until 2 January 2027 or are otherwise mandatorily redeemed in three annual instalments from that date. The dividend is payable on or after 1 January 2027.

The investment in Aireon meets the definition of a financial asset under international accounting standards. The conversion option and the mandatory redemption characteristics of the investment requires its measurement at fair value through profit and loss.

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 moderated for expected pricing outcomes of any potential sale. A 1% increase in the discount rate would result in a c£0.3m decrease in the fair value. A 5% increase in the pricing moderation would result in a £1.9m decrease in the fair value.

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 group's minority interest. 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 probable within the next 12 months, therefore the investment has been classified as held for sale in the consolidated balance sheet.

	£m
Fair value at 1 April 2025	24.7
Change in fair value in the period, reported in 'Fair value movement on financial instruments' (see note 9)	17.3
Effect of foreign exchange, reported in Consolidated statement of comprehensive income	(0.3)
Fair value at 31 March 2026	**41.7**

The effect of changes in the rate of foreign exchange arises on consolidation of NATS (USA) Inc, which reports its results in US dollars.

Notes forming part of the consolidated accounts

18. Financial and other assets

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

Trade and other receivables

	2026 £m	2025 £m
Non-current		
Receivable from customers gross	**0.5**	0.2
Other debtors	**0.8**	0.8
Prepayments	**4.5**	4.9
Contract assets	**7.6**	9.7
	13.4	15.6
Current		
Receivable from customers gross	**178.0**	159.1
Less: expected credit loss provision	**(9.3)**	(10.0)
	168.7	149.1
Contract assets	**19.3**	15.7
Other debtors	**6.0**	3.1
Prepayments	**18.2**	16.0
	212.2	183.9

The average credit period on sales of services was 31 days (2025: 32 days). Interest is charged by Eurocontrol to UK en route customers at 12.38% (2025: 13.79%) on balances outstanding after more than 30 days.

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

Amounts recoverable under NERL's licence

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

Notes forming part of the consolidated accounts

18. Financial and other assets (continued)

Movement in Amounts recoverable under NERL's licence

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

Amounts recoverable under NERL's licence which are non-current represents the net present value of variable consideration, which will be recovered after 31 March 2027. The balance includes; amounts relating to the Covid income shortfall of £449.3m (2025: £506.0m) will be recovered across the remainder of NR23 and the five years of the NR28 price controls; amounts relating to inflationary allowances of £86.2m (2025: £43.8m) which will be recovered on an "n+2" basis and an amount of £20.7m relating to pension pass through (2025: £24.0m) which includes £3.7m arising in Reference Period 1 to be recovered by 31 December 2030 and £17.0m arising in Reference Period 2 that will be recovered by 31 December 2035. The legal basis for recovering these amounts is provided by the economic regulatory framework and the Transport Act 2000. An assessment of credit risk has been included within the discount rate used to determine the net present value. Given this, and the recovery of the amount over the wider aviation network, we do not consider a further expected credit loss provision to be necessary.

Amounts recoverable under NERL's licence which are current relate to: Reference Period 1 and 2, the recovery of the relevant portion of the Covid income shortfall and revenue allowances relating to 2024 which have been deferred by the regulator's price profiling and differences between actual and assumed NR23 inflation and traffic volumes in respect of 2024 and 2025. The amounts will be included in the unit rates to be charged in the financial year ending 31 March 2027.

Notes forming part of the consolidated accounts

18. Financial and other assets (continued)

Movement in the expected credit loss provision

	2026 £m	2025 £m
Balance at the beginning of the year	**10.0**	10.0
Increase in allowance recognised in the income statement	**0.6**	0.5
Foreign exchange movement in the year	**0.4**	(0.1)
Amounts recovered during the year	**(0.3)**	0.1
Amounts written off as irrecoverable	**(1.4)**	(0.5)
Balance at the end of the year	**9.3**	10.0

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. In order to measure the expected credit losses, the credit risk characteristics of trade receivables and contract assets have been considered. Based on this, trade receivables and contract assets have been grouped into sub-groups as they are considered to have different credit risk characteristics and for each of these sub-groups separate provisions matrices based on the days past due are used to summarise historic loss patterns. The historical loss rates calculated reflect the economic conditions in place during the period to which the historical data relates. Consideration needs to be made as to whether these historical loss rates were incurred in economic conditions that are representative of those expected to exist during the exposure period at the balance sheet date. We have assessed lifetime expected credit losses at 31 March 2026 by using available airline credit ratings to derive a customer default risk profile. The historic loss rates have been adjusted accordingly, to reflect these revised expected credit losses.

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

Notes forming part of the consolidated accounts

18. Financial and other assets (continued)

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

	2026								
		Receivables - months past due							
	Unbilled income	Current	1 month	2-3 months	4-6 months	7-12 months	>12 months	In administration	Total £m
NERL expected credit loss rate (%)	0.8%	0.8%	16.6%	29.3%	89.9%	77.2%	73.4%	100.0%	
NERL gross carrying amount (£m)	70.0	68.9	1.3	0.5	0.3	0.1	0.8	6.8	148.7
NERL lifetime expected credit loss (£m)	0.6	0.6	0.2	0.1	0.2	0.1	0.6	6.8	9.2
Other subsidiaries expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.1%	100.0%	
Other subsidiaries gross carrying amount (£m)	29.0	23.8	2.7	-	0.1	0.7	0.4	-	56.7
Other subsidiaries expected credit losses (£m)	-	-	-	-	-	-	0.1	-	0.1
Total expected credit losses (£m)	**0.6**	**0.6**	**0.2**	**0.1**	**0.2**	**0.1**	**0.7**	**6.8**	**9.3**

	2025								
		Receivables - months past due							
	Unbilled income	Current	1 month	2-3 months	4-6 months	7-12 months	>12 months	In administration	Total £m
NERL expected credit loss rate (%)	0.7%	0.7%	21.8%	51.3%	78.9%	72.5%	93.7%	100.0%	
NERL gross carrying amount (£m)	65.8	63.3	1.1	0.6	0.4	0.5	0.8	6.7	139.2
NERL lifetime expected credit loss (£m)	0.5	0.4	0.2	0.3	0.3	0.4	0.7	6.7	9.5
Other subsidiaries expected credit loss rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.9%	100.0%	
Other subsidiaries gross carrying amount (£m)	27.4	14.5	0.8	0.3	0.2	0.3	2.0	-	45.5
Other subsidiaries expected credit losses (£m)	-	-	-	-	-	-	0.5	-	0.5
Total expected credit losses (£m)	**0.5**	**0.4**	**0.2**	**0.3**	**0.3**	**0.4**	**1.2**	**6.7**	**10.0**

Notes forming part of the consolidated accounts

18. Financial and other assets (continued)

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.

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

At 31 March 2026, the joint venture loan to Aquila (including interest) outstanding was £20.2m (2025: £22.1m). The group assessed the carrying value of the loan at the balance sheet date and concluded that the balance should remain fully impaired, based on its assessment of its onerous contract explained in note 35 (2025: £22.1m). A reversal of impairment of the joint venture loan to Aquila of £1.9m was recognised during the year following a reduction in the outstanding loan balance.

Cash and cash equivalents

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

Overall, the maximum credit risk relating to cash and cash equivalents, loan to joint venture and trade and other receivables, excluding amounts recoverable under NERL's licence, contract assets, prepayments and VAT receivable, would be £468.9m (2025: £317.2m).

19. Borrowings

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

Notes forming part of the consolidated accounts

19. Borrowings (continued)

Bonds and bank borrowings are initially recognised at fair value net of any directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried on the balance sheet. Interest expense includes initial transaction costs as well as any interest payable while the liability is outstanding.

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

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

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

Undrawn committed facilities

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

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

NATS Services has an uncommitted overdraft facility of £1.0m that was undrawn as at 31 March 2026 and 31 March 2025 and is not included in the table above.

Notes forming part of the consolidated accounts

20. Leases

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

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

	2026 £m	2025 £m
Due within one year or less	**3.6**	8.5
Due between one and two years	**3.2**	7.7
Due between two and five years	**6.6**	20.0
Due in more than five years	**1.9**	6.9
	15.3	43.1
Less: future finance charges	**(1.4)**	(3.5)
	13.9	39.6
Analysed as:		
Current	**3.2**	7.5
Non-current	**10.7**	32.1
	13.9	39.6

The consolidated income statement includes the following amounts relating to leases:

	2026 £m	2025 £m
Interest on lease liabilities (see note 10)	**0.7**	1.2
Short-term lease expense	**0.3**	0.1

Nature of leasing activities

The group leases a number of properties in the jurisdictions from which it operates. Some property contracts contain provision for payments to increase each year by inflation, others to be reset periodically to market rental rates. In other cases, the periodic rent is fixed over the lease term. The group also leases certain items of plant, equipment and vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

Notes forming part of the consolidated accounts

20. Leases (continued)

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

	Lease contracts No.	Fixed payments %[i]	Variable payments %[i]	Sensitivity £m
Year ended 31 March 2026				
Property leases with payments linked to inflation	52	n/a	48.4%	0.3
Property leases with periodic uplifts to market rentals	43	n/a	24.6%	0.2
Property leases with fixed payments	9	4.9%	n/a	n/a
Leases of plant and equipment	30	3.1%	n/a	n/a
Vehicle leases	112	19.0%	n/a	n/a
	246	**27.0%**	**73.0%**	**0.5**
Year ended 31 March 2025				
Property leases with payments linked to inflation	51	n/a	19.1%	0.4
Property leases with periodic uplifts to market rentals	49	n/a	71.7%	1.4
Property leases with fixed payments	7	3.8%	n/a	n/a
Leases of plant and equipment	30	2.1%	n/a	n/a
Vehicle leases	99	3.3%	n/a	n/a
	236	**9.2%**	**90.8%**	**1.8**

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

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

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

At 31 March 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 group would not exercise its right to exercise any right to break the lease. In addition, the carrying amounts of some leases include the period to which the group is reasonably certain that options to extend the leases will be exercised. The remaining lease payments on all these leases is £9.0m (2025: £13.8m), of which £5.3m (2025: £6.5m) is potentially avoidable if the leases were not extended and a further £2.8m (2025: £5.0m) is potentially avoidable were the group to exercise break clauses at the earliest opportunity.

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

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

Notes forming part of the consolidated accounts

21. Derivative financial instruments

Fair value of derivative financial instruments

	2026 £m	2025 £m
Non-current assets		
Derivative financial instruments classified as held for trading		
Index-linked swaps	**-**	2.1
	-	2.1
Current assets		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	**0.8**	0.6
Derivative financial instruments classified as held for trading		
Index-linked swaps	**9.1**	-
	9.9	0.6
Current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	**(1.6)**	(2.0)
Derivative financial instruments classified as held for trading		
Index-linked swaps	**-**	(78.4)
	(1.6)	(80.4)
Non-current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	**(0.2)**	(0.6)
Derivative financial instruments classified as held for trading		
Index-linked swaps	**(11.6)**	-
	(11.8)	(0.6)

Further details on derivative financial instruments are provided in note 22. The index-linked swaps are classified under international accounting standards as held for trading as they do not qualify for hedge accounting.

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

Notes forming part of the consolidated accounts

22. Financial instruments

Capital risk management

The group manages its capital to ensure that entities in the group are able to continue as going concerns, to ensure that NERL is able to meet its obligations under the air traffic services licence, for NATS Services to meet obligations to its customers, and to fund returns to shareholders.

The capital structure of the group consists of borrowings as disclosed in note 19, cash and cash equivalents, as shown in this note, and equity attributable to shareholders as disclosed in the consolidated statement of changes in equity.

External capital requirements

NERL's air traffic services licence requires the company to use all reasonable endeavours to maintain an investment grade issuer credit rating (BBB-/Baa3 or better). Separately, it is the objective of the group to target a credit profile for NERL that exceeds BBB-/Baa3.

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

Gearing ratio

The group does not seek to maintain a target gearing ratio at group level. Instead it monitors and reports on the gearing ratio of NERL, the economically regulated subsidiary, based on a ratio of net debt (as defined by its air traffic services licence) to its regulatory asset base (RAB), ensuring that gearing remains below its financial covenant level of 85%. In addition, the CAA has set NERL a monitoring threshold for gearing of 60% and a gearing cap of 65% of net debt to RAB, with a requirement for NERL to remedy the position if this cap is exceeded. NERL's gearing ratio at 31 March 2026 was 39.4% (2025: 42.5%).

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Categories of financial instrument

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

	2026 £m	2025 £m
Financial assets		
Financial assets at fair value through profit and loss		
Held for sale equity investment (see note 17)	**41.7**	-
Equity investment (see note 17)	**-**	24.7
Financial assets at amortised cost		
Trade and other receivables	**173.7**	152.5
Cash and cash equivalents	**296.0**	164.7
	469.7	317.2
Derivative financial instruments		
In designated hedge accounting relationships	**0.8**	0.6
At fair value through profit and loss	**9.1**	2.1
	521.3	319.9
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**(173.2)**	(137.7)
Borrowings	**(972.7)**	(835.8)
Lease liabilities	**(13.9)**	(39.6)
	(1,159.8)	(1,013.1)
Derivative financial instruments		
In designated hedge accounting relationships	**(1.8)**	(2.6)
At fair value through profit and loss	**(11.6)**	(78.4)
	(13.4)	(81.0)
	(1,173.2)	(1,094.1)

Financial assets at amortised cost includes balances for trade and other receivables (excluding prepayments of £22.7m (2025: £20.9m), contract assets of £26.9m (2025: £25.4m) and VAT of £3.1m (2025: £0.7m)), loan to joint venture and cash and cash equivalents.

Financial liabilities at amortised cost includes balances for trade and other payables (excluding contract liabilities of £53.0m (2025: £60.9m), deferred income of £28.5m (2025: £28.5m) and taxes and social security liabilities of £16.6m (2025: £15.5m)), bond and bank borrowings and lease liabilities.

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

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

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Financial risk management objectives

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

Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and inflation rates. These risks are explained below. From time to time, the group enters into a variety of derivative financial instruments to manage its exposure to these risks, including:

- Forward foreign exchange contracts to hedge the exchange risk arising on services provided to UK en route customers that are billed in euro, US dollar satellite data charges for satellite based surveillance services across the North Atlantic and other purchases from foreign suppliers in foreign currencies;
- Interest rate swaps to mitigate the risk of rising interest rates; and
- Index-linked swaps to mitigate the risk of low inflation.

Foreign currency risk management

During the course of the year the group continued to manage foreign exchange risk arising from UK en route services revenue. It did this by entering into forward foreign exchange contracts on a monthly basis to hedge up to 95% of the forecast UK en route revenue up to four months hence, based on short-term forecasts of chargeable service units.

The group's international activities account for 2.0% of external revenue (2025: 1.2%). The group trades with and provides finance to its overseas subsidiaries. Where appropriate the transactions are conducted in sterling. The group benefits from natural hedges of its exposure to fluctuations on the translation of its foreign operations into sterling as a result of holding cash reserves in foreign currencies.

The group also enters into contracts for the purchase and sale of goods and services with overseas suppliers and customers who operate in foreign currencies. To mitigate currency risk the contract value is hedged when a firm commitment arises, either through the use of forward foreign currency contracts or by purchasing foreign currency at spot rates on the date the commitment arises or by setting aside already available foreign currency.

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Foreign currency risk management (continued)

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

	Assets		Liabilities	
Currency	**2026 £m**	2025 £m	**2026 £m**	2025 £m
Euro	**77.7**	69.7	**(6.8)**	(5.9)
US dollar	**43.0**	26.2	**(1.0)**	(0.9)
Hong Kong dollar	**7.2**	6.3	**(0.6)**	(0.5)
Canadian dollar	**6.6**	6.5	**(5.7)**	(5.4)
Saudi riyal	**5.0**	-	**-**	-
UAE dirham	**2.6**	0.5	**(1.5)**	(0.9)
Singapore dollar	**1.4**	0.8	**(0.3)**	(0.5)
Indian rupee	**0.4**	0.5	**-**	-
Omani rial	**0.4**	0.3	**-**	-
Norwegian krone	**0.3**	0.4	**-**	-
Qatari riyal	**0.1**	0.5	**-**	-
Swedish krona	**-**	0.1	**-**	-
	144.7	111.8	**(15.9)**	(14.1)

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Foreign currency sensitivity analysis

The group has assets and liabilities denominated in foreign currencies including the held for sale Aireon investment and cash balances of £20.5m at 31 March 2026 (2025: £18.9m) in euro, Hong Kong dollars, Singapore dollars, US dollars, Canadian dollars, Indian rupee, Norwegian krone, Omani rial, Qatari riyal and UAE dirham. Trade and other receivables and trade and other payables includes balances of £82.0m (2025: £67.7m) and £14.4m (2025: £10.8m) respectively, denominated in euro, US dollars, Hong Kong dollars, Canadian dollars, Saudi riyal, UAE dirham, Singapore dollars, Indian rupee, Omani rial, Norwegian krone, Qatari riyal and Swedish krona. Furthermore, the group has entered into forward foreign currency contracts to hedge exchange risk relating to customer receipts and supplier costs which will arise in future periods.

The following table details the group's sensitivity to a 10% increase or decrease in the value of sterling against relevant foreign currencies. 10% is the sensitivity rate that represents the reasonably possible change in foreign currency exchange rates in a financial year. The sensitivity analysis includes foreign currency cash balances, trade receivables, trade payables and forward foreign exchange contracts and adjusts their translation at the period end for a 10% change in foreign currency rates.

The table below shows the effect of a 10% strengthening of sterling against the relevant currency (to the nearest £0.1m). A positive number below indicates an increase in profit and equity and a negative number a reduction in profit and equity. There would be an equal and opposite impact on profit and equity if sterling devalues by 10% against the relevant currency.

Currency	**2026 Impact £m**	2025 Impact £m
Euro	**11.2**	8.4
US dollar	**(8.0)**	(8.1)
Canadian dollar	**(0.9)**	(0.9)
Hong Kong dollar	**(0.7)**	(0.6)
Saudi riyal	**(0.5)**	-
Indian rupee	**-**	(0.1)
Norwegian krone	**(0.1)**	(0.2)
Qatari riyal	**-**	(0.1)
Singapore dollar	**(0.1)**	-
UAE dirham	**(0.1)**	-
	0.8	(1.6)

Materially there was no overall change in the level of currency exposure, with a slight shift to exposure on the upside. The group believes that this sensitivity analysis accurately reflects its inherent foreign exchange risk.

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

Throughout the year the group applied its policy of entering into forward foreign exchange contracts to sell euro forecast to be remitted to NERL by Eurocontrol in respect of UK en route revenue. The group also continued to enter into various forward foreign exchange contracts to fund capital purchases and services, which have been designated as cash flow hedges. At the year end, all forward foreign exchange contracts were determined to be effective hedges. The following contracts were outstanding at year end:

	2026			2025		
			Average exchange rate			Average exchange rate
Euro sold	**£m**	**€m**		£m	€m	
0-90 days	**208.4**	**239.1**	**0.8714**	192.3	229.2	0.8391
91-365 days	**8.8**	**10.1**	**0.8673**	9.0	10.3	0.8667
> 365 days	**-**	**-**	**-**	9.2	10.7	0.8656
	217.2	**249.2**	**0.8712**	210.5	250.2	0.8413
Euro bought	**€m**	**£m**		€m	£m	
0-90 days	**9.8**	**8.6**	**0.8773**	18.6	15.8	0.8503
91-365 days	**24.1**	**21.3**	**0.8849**	27.5	24.2	0.8807
> 365 days	**4.7**	**4.2**	**0.9009**	26.0	23.0	0.8861
	38.6	**34.1**	**0.8849**	72.1	63.0	0.8748
US dollar sold	**£m**	**US$m**		£m	US$m	
91-365 days	**-**	**-**	**-**	2.0	2.6	1.3045
	-	**-**	**-**	2.0	2.6	1.3045
US dollar bought	**US$m**	**£m**		US$m	£m	
0-90 days	**7.6**	**5.7**	**1.3207**	7.0	5.5	1.2672
91-365 days	**40.6**	**31.3**	**1.2978**	41.1	32.1	1.2807
> 365 days	**0.8**	**0.6**	**1.3064**	25.6	19.9	1.2836
	49.0	**37.6**	**1.3015**	73.7	57.5	1.2804

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

	2026			2025		
			Average exchange rate			Average exchange rate
Canadian dollar bought	**C$m**	**£m**		C$m	£m	
0-90 days	**3.8**	**2.1**	**1.8142**	4.1	2.2	1.8333
91-365 days	**4.5**	**2.5**	**1.7890**	2.3	1.3	1.7594
> 365 days	**5.9**	**3.5**	**1.7121**	8.3	4.8	1.7203
	14.2	**8.1**	**1.7626**	14.7	8.3	1.7566
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

At 31 March 2026, the aggregate amount of the unrealised loss under forward foreign exchange contracts deferred in the hedge reserve relating to the exposure on these future transactions was £1.4m (2025: £1.6m unrealised loss). The majority of these contracts will mature within the next financial year at which stage the amount deferred in equity will be realised in the income statement.

In addition to the above, on 31 March 2026 NERL entered into an average rate forward agreement with a fixing date after 31 March 2026 to sell euro anticipated to be received in July 2026 in respect of UK en route revenues, for this reason it is not included in the table above. The value of these cash flows is £85.0m (2025: £77.4m).

Interest rate risk management

The group is exposed to interest rate risk to the extent that it holds borrowings at fixed, floating and index-linked interest rates. Its interest rate risk management policies, which are kept under continuous review, are specific to NERL. Except for NERL, other than shareholder loans, no other entity within the NATS group had borrowings at 31 March 2026 (2025: none).

The group seeks to minimise NERL's exposure to movements in interest rates by ensuring NERL holds an appropriate balance of fixed, floating and index-linked debt as a percentage of its net debt by the use of interest rate swap contracts and index-linked swap contracts.

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

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Economic interest rate exposure

The group's cash balances were as follows:

	2026			2025		
Currency	**Amount £m**	**Economic interest rate %**	**Average maturity days**	Amount £m	Economic interest rate %	Average maturity days
Sterling	**275.5**	**3.7**	**13**	145.8	4.6	12
Euro	**11.5**	**1.3**	**1**	9.7	1.1	1
Hong Kong dollar	**5.3**	**-**	**1**	4.7	-	1
Singapore dollar	**1.2**	**-**	**1**	0.9	-	1
US dollar	**1.0**	**-**	**1**	1.2	-	1
Canadian dollar	**0.4**	**-**	**1**	1.0	-	1
Indian rupee	**0.3**	**-**	**1**	0.4	-	1
Norwegian krone	**0.3**	**-**	**1**	0.4	-	1
Omani rial	**0.3**	**-**	**1**	0.3	-	1
Qatari riyal	**0.1**	**-**	**1**	0.1	-	1
UAE dirham	**0.1**	**-**	**1**	0.1	-	1
Swedish krona	**-**	**-**	**1**	0.1	-	1
	296.0			**164.7**		

The economic interest rate reflects the true underlying cash rate that the group was paying on its borrowings or receiving on its deposits at 31 March (excluding any unwind of original issue discount). The economic interest rate exposure of the group's borrowings is presented below:

	Total £m	**Variable rate £m**	**Fixed rate £m**	**Economic interest rate %**	**Weighted average time rate is fixed years**
At 31 March 2026					
Sterling:					
£450m 1.375% bonds due 2031	313.3	-	313.3	1.38%	3.1
£445m 1.750% bonds due 2033	413.6	-	413.6	1.88%	7.5
£250m 5.250% bonds due 2036	247.1	-	247.1	5.31%	10.0
Lease liabilities	13.9	-	13.9	3.33%	5.6
Total	**987.9**	**-**	**987.9**		
At 31 March 2025					
Sterling:					
£450m 1.375% bonds due 2031	357.7	-	357.7	1.38%	3.8
£445m 1.750% bonds due 2033	409.6	-	409.6	1.90%	8.5
Bank loans	70.0	70.0	-	4.85%	-
Lease liabilities	39.6	-	39.6	2.74%	6.2
Total	**876.9**	**70.0**	**806.9**		

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Economic interest rate exposure (continued)

The following table shows the percentage of fixed, index-linked and floating rate debt as a percentage of group net debt. Net debt is defined for this purpose as borrowings and lease liabilities net of cash and cash equivalents, as distinct from the definition used for financial covenants purposes. Index-linked debt in this table reflects the notional of outstanding inflation swaps only. As a result, the fixed debt represents total fixed debt less the notional of outstanding inflation swaps, plus lease liabilities.

	2026		2025	
	£m	**%**	£m	%
Fixed (net of bond discount and issue costs)	**787.9**	**114.1**	596.7	84.0
Index-linked (effected via inflation swaps)	**200.0**	**29.0**	210.2	29.6
Floating (net of cash and facility costs)	**(297.3)**	**(43.1)**	(96.2)	(13.6)
Net debt	**690.6**	**100.0**	710.7	100.0

At 31 March 2026, NERL is the only entity in the group with borrowings and had net debt of £791.0m (2025: £801.0m). NATS Services had cash of £83.7m (2025: £75.3m), NATS Limited had cash of £8.1m (2025: £7.6m) and other entities in the group had cash of £10.9m (2025: £10.0m). Net debt includes lease liabilities of £11.6m (2025: £37.0m) in NERL and £2.3m (2025: £2.6m) in other group entities.

The following table shows the percentage of fixed, index-linked and floating rate debt as a percentage of NERL net debt, reflecting the application of the interest rate risk management policies that are specific to NERL.

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

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on floating rate assets and liabilities. The analysis is prepared assuming the amount of assets or liabilities at the balance sheet date were in place for the whole year. A 1% increase or decrease is considered to represent a reasonably possible change in interest rates.

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

	2026 Impact £m	2025 Impact £m
Cash at bank (2026: £296.0m, 2025: £164.7m)	**3.0**	1.6
Borrowings (2026: £nil, 2025: £70.0m)	**-**	(0.7)
	3.0	0.9

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

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Inflation rate risk

The regulatory charge control conditions that apply to NERL's UK en route and North Atlantic services determines a regulatory allowance for financing charges that is linked to inflation. To achieve an economic hedge of part of this income, NERL enters into index-linked swaps. The table below sets out the group's exposure to these inflation swaps:

	Notional index-linked swaps (by amortisation or termination date)					Interest rate % (weighted average)	
	Within one year £m	Between one and five years £m	Between five and 15 years £m	Total £m	Marked to market £m	Payable %	Receivable %
At 31 March 2026							
Inflation swap							
Bullet repayment swap fixed to RPI, maturing in 2031	**-**	**200.0**	**-**	**200.0**	**2.5**	**(2.14%)**	**1.53%**
	-	**200.0**	**-**	**200.0**	**2.5**		
At 31 March 2025							
Inflation swap							
Amortising swap fixed to RPI, maturing in 2026	10.2	-	-	10.2	12.4	4.05%	5.25%
Bullet repayment swap fixed to RPI, maturing in 2031	-	-	200.0	200.0	63.9	(2.14%)	1.53%
	10.2	**-**	**200.0**	**210.2**	**76.3**		

Inflation rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to inflation arising from the index-linked swaps. The analysis is prepared assuming that the index-linked swaps at the balance sheet date were in place for the whole year. A 1% increase or decrease in inflation each year for the life of the swaps is considered to represent a reasonably possible change in inflation. An increase in the rate of RPI inflation will increase the future index-linked payments that NERL is required to make under the swap contracts and so impacts their mark to market value.

The following table shows the effect of a 1% increase in inflation on the amount of interest payable in respect of the swaps and the impact on their value when marked to market. A positive number indicates an increase in profit and equity and a negative number a reduction in profit and equity. There would be a fairly equal and opposite impact on profit and equity if inflation falls by 1%.

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

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Inflation rate sensitivity analysis (continued)

The mark to market value of the index-linked swaps is also sensitive to the discount rates that are used to determine the net present value of the cash flows under the swap agreements. The discount rate is determined by reference to market yields on interest rate swaps. The effect of a 1% increase in the discount rate would be to increase profit and equity by £1.0m (2025: £1.6m). There would be a fairly equal and opposite impact on profit and equity if discount rates decreased by 1%.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's exposure to credit risk arises from the risk of default by customers on settlement of trade receivables and contract assets and from the risk of a failure of a financial institution in which funds are invested for return or held for trading purposes or with whom derivative contracts are entered into. The risk of loss from default by customers and the mitigations against this risk are explained in note 18. With regard to funds or contracts held with financial institutions, the group's policy is to transact with counterparties that hold a minimum credit rating as supplied by independent rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

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

The group's cash and cash equivalents take the form of cash at bank of £19.7m (2025: £16.1m), bank term deposits of £70.0m (2025: £40.0m) and money market fund investments of £206.3m (2025: £108.6m). Bank term deposits with maturities up to 3 months and between 3 and 6 months are only entered into with institutions holding a long-term minimum credit rating of A- and A+ respectively from Standard & Poor's or Fitch Ratings and A3 and A1 respectively from Moody's. Money market fund investments are restricted to AAA rated liquidity funds and must have same-day access.

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

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

	2026			2025		
Rating (Standard & Poor's)	**Number of institutions**	**£m**	**By credit rating %**	Number of institutions	£m	By credit rating %
AAAm	**5**	**206.3**	**69.7**	5	108.6	65.9
AA-	**2**	**20.6**	**7.0**	2	16.0	9.7
A+	**4**	**44.1**	**14.9**	4	30.1	18.3
A	**1**	**25.0**	**8.4**	1	10.0	6.1
		296.0	**100.0**		164.7	100.0

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Liquidity risk management

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

With regard to NERL, the group's policy is to:

- Maintain free cash such at any time it is not less than £50m. Free cash is defined as cash and cash equivalents and short-term investments;
- Ensure access to committed bank facilities sufficient to withstand a credible range of downside scenarios relative to the prevailing price control business plan. At 31 March 2026 NERL had access to undrawn bank facilities totalling £400m;
- Ensure access to long-term funding to finance its long-term assets;
- Ensure that the ratio of bank funding to total gross borrowings does not exceed 75%; and
- Maintain a portfolio of debt diversified by source and maturity.

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

	2026 £m	2025 £m
Bank borrowings	**-**	70.0
Gross borrowings (including lease liabilities)	**987.9**	876.9
Bank borrowings as a percentage of gross borrowings	**0%**	8%

It is company policy not to issue new guarantees in respect of the borrowings of subsidiaries or to allow the creation of any new mortgages or other charges over group assets.

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Maturity of borrowings

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

	2026				2025			
	Unsecured lease liabilities £m	**Unsecured loans £m**	**Other liabilities £m**	**Total £m**	Unsecured lease liabilities £m	Unsecured loans £m	Other liabilities £m	Total £m
Due within one year or less	**3.6**	**70.3**	**149.5**	**223.4**	8.5	61.5	119.3	189.3
Between one and two years	**3.2**	**69.6**	**4.2**	**77.0**	7.7	60.2	3.1	71.0
Due between two and five years	**6.6**	**293.3**	**11.7**	**311.6**	20.0	328.8	0.3	349.1
Due in more than five years	**1.9**	**780.1**	**7.8**	**789.8**	6.9	517.9	15.0	539.8
	15.3	**1,213.3**	**173.2**	**1,401.8**	43.1	968.4	137.7	1,149.2
Effect of interest, discount and unamortised bond issue and bank facility fees	**(1.4)**	**(240.6)**	**-**	**(242.0)**	(3.5)	(132.6)	-	(136.1)
	13.9	**972.7**	**173.2**	**1,159.8**	39.6	835.8	137.7	1,013.1

Other liabilities above include trade and other payables (excluding deferred income of £28.5m (2025: £28.5m), contract liabilities of £53.0m (2025: £60.9m) and taxes and social security liabilities of £16.6m (2025: £15.5m)).

The following table sets out the maturity profile of the group's derivative financial assets and liabilities. Cash flows under the index-linked swaps are not fixed and are subject to movements in inflation. Accordingly, the cash flows associated with the index-linked swaps have been derived from observable market prices for inflation. The table shows undiscounted cash inflows/(outflows) on these derivatives.

	Due within one year or less £m	**Due between one and two years £m**	**Due between two and five years £m**	**Due in more than five years £m**	**Total £m**
2026					
Index-linked swaps receivable	9.1	9.4	24.6	-	43.1
Index-linked swaps payable	-	-	(51.6)	-	(51.6)
	9.1	9.4	(27.0)	-	(8.5)
Foreign exchange forward contract receivables	288.3	4.8	3.1	-	296.2
Foreign exchange forward contract payables	(289.8)	(5.0)	(3.4)	-	(298.2)
	(1.5)	(0.2)	(0.3)	-	(2.0)
	7.6	**9.2**	**(27.3)**	**-**	**(10.5)**
2025					
Index-linked swaps receivable	4.4	9.1	28.7	5.1	47.3
Index-linked swaps payable	(84.3)	-	-	(47.5)	(131.8)
	(79.9)	9.1	28.7	(42.4)	(84.5)
Foreign exchange forward contract receivables	283.7	50.3	5.6	-	339.6
Foreign exchange forward contract payables	(284.9)	(51.2)	(6.0)	-	(342.1)
	(1.2)	(0.9)	(0.4)	-	(2.5)
	(81.1)	**8.2**	**28.3**	**(42.4)**	**(87.0)**

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Fair value measurements

Set out below is information about how the group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised on the balance sheet

	2026				2025			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets								
Held for sale equity investment	**-**	**-**	**41.7**	**41.7**	-	-	-	-
Equity investment	**-**	**-**	**-**	**-**	-	-	24.7	24.7
Derivative financial instruments in designated hedge accounting relationships	**-**	**0.8**	**-**	**0.8**	-	0.6	-	0.6
Derivative financial instruments at fair value through profit and loss	**-**	**9.1**	**-**	**9.1**	-	2.1	-	2.1
	-	**9.9**	**41.7**	**51.6**	-	2.7	24.7	27.4
Financial liabilities								
Derivative financial instruments in designated hedge accounting relationships	**-**	**(1.8)**	**-**	**(1.8)**	-	(2.6)	-	(2.6)
Derivative financial instruments classified as held for trading	**-**	**(11.6)**	**-**	**(11.6)**	-	(78.4)	-	(78.4)
	-	**(13.4)**	**-**	**(13.4)**	-	(81.0)	-	(81.0)

There were no transfers between individual levels in the year.

Notes forming part of the consolidated accounts

22. Financial instruments (continued)

Valuation techniques and key inputs

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

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

- the fair values of forward foreign exchange contracts are calculated with reference to well recognised proprietary financial models used by bank counterparties, and verified using discounted cash flow modelling;
- the fair value of the index-linked swaps reflect valuations provided by bank counterparties using proprietary financial models and debt value adjustments that are based on market parameters. This is validated using discounted cash flow modelling based on the latest published inflation index, observable forecasts of inflation and discount rates taken from the observable interest rate swap curve at the reporting date, as well as observable sources of credit risk values;
- the valuation technique used to determine the fair value of the held for sale equity investment in Level 3 of the hierarchy is explained in note 17; and
- the fair value of the fixed rate bond has been derived from its externally quoted price.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying amount		Fair value	
	2026 £m	2025 £m	**2026 £m**	2025 £m
Financial liabilities				
£450m 1.375% bonds due 2031	**(313.3)**	(357.7)	**(283.0)**	(318.9)
£445m 1.750% bonds due 2033	**(413.6)**	(409.6)	**(348.2)**	(340.2)
£250m 5.250% bonds due 2036	**(247.1)**	-	**(243.9)**	-
	(974.0)	(767.3)	**(875.1)**	(659.1)

Notes forming part of the consolidated accounts

23. Financial and other liabilities

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

Trade and other payables

	2026 £m	2025 £m
Current		
Trade payables	**37.3**	21.6
Other payables	**9.8**	9.2
Tax and social security	**16.6**	15.5
Contract liabilities	**17.0**	19.4
Accruals and deferred income	**104.3**	90.0
	185.0	155.7
Non-current		
Trade payables	**12.5**	8.8
Other payables	**0.9**	0.3
Contract liabilities	**36.0**	41.5
Accruals and deferred income	**36.9**	36.3
	86.3	86.9

Amounts payable under NERL's licence

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

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2025: 22 days). The increase reflects the timing of a payment run that subsequently settled immediately after the year end date. Had this payment run cleared prior to 31 March 2026, the average credit period taken for trade purchases would have been 37 days. The directors consider that the carrying amount of the trade payables approximates to their fair value.

Notes forming part of the consolidated accounts

23. Financial and other liabilities (continued)

Movements in Amounts payable under NERL's licence

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

Amounts payable under NERL's licence that are non-current include variable consideration from previous regulatory control periods and over recoveries in respect of the current regulatory period, which will be repaid after 31 March 2027 through future charges. Amounts payable under NERL's licence that are current include variable consideration over recovered for previous regulatory control periods, which will be repaid by 31 March 2027 through 2026 and 2027 charges.

24. Provisions

	Property £m	Redundancy £m	Other £m	Total £m
At 1 April 2025	10.7	0.6	7.3	18.6
Additional provision in the year	1.3	0.6	5.7	7.6
Release of provision in the year	(9.5)	(0.1)	(3.9)	(13.5)
Utilisation of provision	-	(1.1)	(0.2)	(1.3)
At 31 March 2026	**2.5**	**-**	**8.9**	**11.4**

	2026 £m	2025 £m
Amounts due for settlement within 12 months	**8.0**	4.6
Amounts due for settlement after 12 months	**3.4**	14.0
	11.4	18.6

The property provision represents the best estimate of dismantlement, removal or restoration costs arising from property leases and other property-related costs. The ageing of the provision reflects the expected timing of the settlement of these costs. During the year, the group completed the purchase of the previously leased site of the Whiteley head office, which resulted in a release of property reinstatement provision of £9.5m, reported within Other operating income in the income statement.

The redundancy provision represents the best estimate of the future cost of redundancy payments to employees that have committed to the redundancy terms at 31 March 2026. The ageing of the provision reflects the expected timing of employees leaving the group.

The other provisions represent the best estimate of other liabilities, including contractual provisions and the cost of fulfilling onerous contracts. The latter includes a liability of £2.3m (2025: £2.9m) for the constructive obligation to continue to finance the Aquila joint venture based on the undrawn balance of its £25m shareholder loan facility up to the expected recoverable amount (see note 35). The ageing of the provision reflects the best estimate of when these potential liabilities will fall due.

Notes forming part of the consolidated accounts

25. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £m	Retirement benefits £m	Financial instruments £m	Unutilised tax losses £m	Above the line tax credits £m	Unutilised employee annual leave £m	Other £m	Total £m
At 1 April 2024	216.3	3.3	(0.9)	(2.4)	(6.8)	(2.6)	(1.4)	205.5
Charge/(credit) to income	8.5	-	1.6	0.9	(0.2)	0.1	(1.6)	9.3
Credit to equity	-	(11.4)	(0.1)	-	-	-	-	(11.5)
At 31 March 2025	**224.8**	**(8.1)**	**0.6**	**(1.5)**	**(7.0)**	**(2.5)**	**(3.0)**	**203.3**
At 1 April 2025	224.8	(8.1)	0.6	(1.5)	(7.0)	(2.5)	(3.0)	203.3
Charge/(credit) to income	21.6	2.5	(1.6)	(0.2)	-	(0.1)	2.6	24.8
Charge to equity	-	30.1	-	-	-	-	-	30.1
At 31 March 2026	**246.4**	**24.5**	**(1.0)**	**(1.7)**	**(7.0)**	**(2.6)**	**(0.4)**	**258.2**

The total deferred tax balance comprises an asset on the balance sheet of £1.7m (2025: £1.5m) and liability of £259.9m (2025: £204.8m).

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

The deferred tax liability in respect of retirement benefits is a result of the defined benefit surplus at 31 March 2026, under IAS 19: *Employee benefits*. The timing of reversal of timing differences relating to the defined benefit scheme is dependent on the scheme's funding position, which is sensitive to financial market conditions and which can be volatile, and the company's contributions to the scheme. Please see note 33 for details of the schedule of contributions, including measures to repair the funding deficit by 31 December 2029.

The unutilised tax losses deferred tax asset is expected to reverse during the year ending 31 March 2027.

Other deferred tax assets arise from property reinstatement provisions, contractual provisions and the share scheme. Property reinstatement conditions provide for the cost of reinstating a leased property back to its original condition at the point of lease expiry.

Certain deferred tax assets and liabilities have been offset. These assets and liabilities are grossed up where no right of set off exists, due to their origination with differing tax authorities. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2026 £m	2025 £m
Deferred tax liabilities	**270.9**	225.4
Deferred tax assets	**(11.0)**	(20.6)
	259.9	204.8

Notes forming part of the consolidated accounts

26. Share capital

	Authorised		Called up, allotted and fully paid	
	Number of shares	£m	Number of shares	£m
Ordinary shares of £1 each				
At 31 March 2026 and 31 March 2025	144,100,007	144.1	131,000,007	131.0
Ordinary A shares of 80 pence each				
At 31 March 2026 and 31 March 2025	54,272,594	43.4	12,048,193	9.6
		187.5		**140.6**

Each class of ordinary shares has the same voting rights and rights to dividends.

Special share

The authorised and issued share capital of NATS Holdings Limited includes one special rights redeemable preference share with a nominal value of £1. The share is redeemable at any time after the shareholding of the Crown falls below 25%. This share can only be held by a Minister of the Crown, the Treasury Solicitor or any other person acting on behalf of the Crown. The special shareholder is entitled to attend and speak at meetings. The special share does not carry any rights to vote at general meetings except in the following circumstances:

- alterations to the company's share capital;
- alterations to voting rights of any of the company's shares; and
- the removal of any director appointed by a Crown representative.

If an attempt is made to approve any of these events or to pass a resolution to wind up the company at a general meeting, on an ordinary resolution, the special shareholder will have no less than one vote more than the total number of all other votes cast, and on a special resolution, they shall have no less than one vote more than 25% of the total votes cast.

27. Share premium account

	£m
Balance as at 31 March 2026 and 31 March 2025	**0.4**

Notes forming part of the consolidated accounts

28. Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided in note 2.

	AESOP reserve £m	Hedge reserve £m	Translation reserve £m	Other reserves[1] £m	Total £m
At 1 April 2024	(0.3)	(0.5)	2.9	(34.7)	(32.6)
Other comprehensive loss for the year	-	(0.7)	(1.0)	-	(1.7)
At 31 March 2025	**(0.3)**	**(1.2)**	**1.9**	**(34.7)**	**(34.3)**
At 1 April 2025	(0.3)	(1.2)	1.9	(34.7)	(34.3)
Other comprehensive income/(loss) for the year	-	0.1	(0.7)	-	(0.6)
At 31 March 2026	**(0.3)**	**(1.1)**	**1.2**	**(34.7)**	**(34.9)**

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

29. Non-controlling interest

The non-controlling interest (a 30% ownership interest in NATS Services LLC) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to £0.1m (Omani rial 0.1m).

As at 31 March 2026, a loan to the non-controlling interest amounted to £0.1m (Omani rial 0.1m) and is included in other debtors (see note 18).

Notes forming part of the consolidated accounts

30. Notes to the cash flow statement

	2026 £m	2025 £m
Operating profit from continuing operations	**157.6**	200.3
Adjustments for:		
Impairment of goodwill	**1.2**	1.0
Depreciation of property, plant and equipment	**51.6**	49.8
Amortisation of intangible assets	**56.0**	57.6
Depreciation of right-of-use assets	**5.4**	6.7
Impairment losses	**13.8**	20.0
Deferred grants released	**(0.1)**	(0.1)
Profit on disposal of property, plant and equipment	**-**	(3.0)
R&D expenditure above the line tax credits	**(4.5)**	(4.5)
Unit charge allowance for financing extended recovery of amounts recoverable under NERL's licence	**31.7**	25.2
Adjustment for pension funding	**(9.9)**	(68.3)
Operating cash flows before movements in working capital	**302.8**	284.7
Decrease in trade, other receivables and amounts recoverable under NERL's licence	**45.7**	61.1
Increase in trade, other payables, provisions and amounts payable under NERL's licence	**34.1**	11.2
Cash generated from operations	**382.6**	357.0

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

Decrease in trade and other receivables, and amounts recoverable under NERL's licence represents the movement on the balance sheet adjusted for non-cash items such as discounting and pension pass through accruals, and for capital prepayments.

Increase in trade and other payables, amounts payable under NERL's licence and provisions represents the movement on the balance sheet adjusted for interest and capital accruals.

Reconciliation of net financial liabilities

The table below analyses those net financial liabilities for which cash flows arise from financing activities in each of the periods presented.

	2026 £m	2025 £m
Cash and cash equivalents	**296.0**	164.7
Borrowings	**(972.7)**	(835.8)
Lease liabilities	**(13.9)**	(39.6)
Net debt	**(690.6)**	(710.7)
Index-linked swaps (net)	**(2.5)**	(76.3)
Net financial liabilities	**(693.1)**	(787.0)
Cash and liquid investments	**296.0**	164.7
Gross debt - fixed interest rates (net of unamortised bond issue costs)	**(987.9)**	(806.9)
Gross debt - variable interest rates (net of unamortised bank facility fees)	**1.3**	(68.5)
Net debt	**(690.6)**	(710.7)
Index-linked swaps (net)	**(2.5)**	(76.3)
Net financial liabilities	**(693.1)**	(787.0)

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

Notes forming part of the consolidated accounts

30. Notes to the cash flow statement (continued)

Reconciliation of net financial liabilities (continued)

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

	Assets	Liabilities from financing activities (excluding derivatives)			Net debt	Derivatives	Net financial liabilities
	Cash and cash equivalents £m	Lease liabilities £m	Bonds (i) £m	Bank loans (ii) £m	Sub-total £m	Index-linked swaps £m	Total £m
Net financial liabilities as at 1 April 2024	166.2	(46.7)	(866.0)	1.1	(745.4)	(79.8)	(825.2)
Cash flows	(1.3)	6.9	90.0	(68.4)	27.2	11.7	38.9
New leases in the year	-	(1.4)	-	-	(1.4)	-	(1.4)
Effect of modification to lease terms	-	0.3	-	-	0.3	-	0.3
Lease terminations	-	1.3	-	-	1.3	-	1.3
Fair value movements on index-linked swaps	-	-	-	-	-	(8.2)	(8.2)
Foreign exchange adjustments	(0.2)	-	-	-	(0.2)	-	(0.2)
Other changes:							
Interest expense	-	(1.2)	(13.4)	(0.7)	(15.3)	(0.7)	(16.0)
Interest payments (presented as financing cash flows)	-	1.2	27.3	0.8	29.3	0.6	29.9
Interest income	-	-	-	-	-	8.8	8.8
Interest receipts (presented as financing cash flows)	-	-	-	-	-	(8.8)	(8.8)
Other non-cash movements (iii)	-	-	(5.2)	(1.3)	(6.5)	0.1	(6.4)
Net financial liabilities as at 31 March 2025	**164.7**	**(39.6)**	**(767.3)**	**(68.5)**	**(710.7)**	**(76.3)**	**(787.0)**

Notes forming part of the consolidated accounts

30. Notes to the cash flow statement (continued)

Reconciliation of net financial liabilities (continued)

	Assets	Liabilities from financing activities (excluding derivatives)			Net debt	Derivatives	Net financial liabilities
	Cash and cash equivalents £m	Lease liabilities £m	Bonds (i) £m	Bank loans (ii) £m	Sub-total £m	Index-linked swaps £m	Total £m
Net financial liabilities as at 1 April 2025	164.7	(39.6)	(767.3)	(68.5)	(710.7)	(76.3)	(787.0)
Cash flows	131.5	4.4	(201.9)	70.4	4.4	89.2	93.6
New leases in the year	-	(0.9)	-	-	(0.9)	-	(0.9)
Effect of modification to lease terms	-	(1.8)	-	-	(1.8)	-	(1.8)
Lease terminations	-	24.0	-	-	24.0	-	24.0
Fair value movements on index-linked swaps	-	-	-	-	-	(15.4)	(15.4)
Foreign exchange adjustments	(0.2)	-	-	-	(0.2)	-	(0.2)
Other changes:							
Interest expense	-	(0.7)	(17.7)	(2.1)	(20.5)	(0.3)	(20.8)
Interest payments (presented as financing cash flows)	-	0.7	17.7	2.1	20.5	0.3	20.8
Interest income	-	-	-	-	-	8.9	8.9
Interest receipts (presented as financing cash flows)	-	-	-	-	-	(8.9)	(8.9)
Other non-cash movements (iii)	-	-	(4.8)	(0.6)	(5.4)	-	(5.4)
Net financial liabilities as at 31 March 2026	**296.0**	**(13.9)**	**(974.0)**	**1.3**	**(690.6)**	**(2.5)**	**(693.1)**

(i) The amount shown under bonds is net of unamortised bond issue costs.
(ii) The amount shown under bank loans is net of unamortised bank facility fees and accrued bank facility fees.
(iii) Other non-cash flow movements include amortisation of bond issue costs of £4.8m (2025: £5.2m) and amortisation of bank facility fees net of accrual movements of £0.6m (2025: £1.3m).

Notes forming part of the consolidated accounts

31. Financial commitments

	2026 £m	2025 £m
Amounts contracted but not provided for in the accounts	**118.2**	139.2

Guarantees

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

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

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

As part of the tendering process for new contracts, the NATS group may be required to put in place a tender or bid guarantee which expires once the contract is awarded. Where tenders are successful, contractual terms may also require performance or advance payment guarantees. These guarantees vary in length depending on the life of the contract and may run until the expiry of the contract. The total guarantees provided in these respects at 31 March 2026 was £6.5m (2025: £3.4m).

Notes forming part of the consolidated accounts

32. Share based payments

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

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

Date of share awards	No. shares awarded to employees	**No. employee shares outstanding at 31 March 2026**	No. employee shares outstanding at 31 March 2025
Free share awards			
21 September 2001	3,353,742	**86,930**	99,819
20 October 2003	2,459,000	**85,554**	96,952
10 September 2004	1,966,000	**125,120**	142,720
11 January 2008	1,071,840	**99,664**	110,954
18 September 2009	963,200	**112,806**	124,106
Partnership shares			
1 March 2011	694,783	**101,188**	107,274
26 September 2012	714,959	**123,526**	136,191
30 May 2014	496,738	**104,318**	116,114
31 October 2016	530,303	**141,956**	155,870
31 October 2018	635,048	**222,161**	243,001
1 September 2024	786,124	**743,607**	771,229
1 September 2025	805,283	**792,877**	-
Matching shares			
1 March 2011	694,783	**102,036**	111,109
26 September 2012	714,959	**125,002**	138,225
30 May 2014	496,738	**104,645**	117,286
31 October 2016	530,303	**143,858**	157,351
31 October 2018	635,048	**225,238**	249,747
1 September 2024	786,124	**744,863**	772,035
1 September 2025	805,283	**792,614**	-
		4,977,963	3,649,983
Dividend shares issued on 28 June 2005	247,017	**11,296**	12,521
Dividend shares issued on 24 December 2024	202,284	**195,287**	201,496
Dividend shares issued on 23 April 2025	192,738	**190,402**	-
Dividend shares issued on 25 October 2025	256,277	**255,793**	-
Total employee shares in issue at 31 March		**5,630,741**	3,864,000

Notes forming part of the consolidated accounts

32. Share based payments (continued)

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

	Movement in the no. of shares during the year ended 31 March 2026	Movement in the no. of shares during the year ended 31 March 2025
Balance at 1 April	**3,864,000**	2,491,338
Granted during the year	**2,059,581**	1,774,532
Forfeited during the year	**(14,813)**	(4,779)
Exercised during the year	**(278,027)**	(397,091)
Balance at 31 March	**5,630,741**	3,864,000

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 signficant event arises which has a material impact on the share value. As at 31 March 2026 the price of an employee share was valued at £6.10 (2025: £6.05). The liability for the employee shares at 31 March 2026 was £18.6m (2025: £15.6m. The liability comprises the number of shares in issue, at the current price, less cash held by NATS Employee Sharetrust Limited and is included in other accruals and deferred income. The income statement includes a cost of £3.0m (2025: £2.8m cost). Payments made to leavers and current employees for the shares they exercised during the year was £1.7m (2025: £2.3m).

33. Retirement benefit schemes

Defined contribution scheme

The group provides a defined contribution scheme to all qualifying employees who are not members of the defined benefit scheme. The assets of the scheme are held separately from those of the group in funds under the control of a Board of Trustees.

The group operates a salary sacrifice arrangement whereby employees sacrifice an element of their salary in favour of contributions to the pension scheme. NATS operates a number of contribution structures. In general, NATS matches employee contributions to the scheme in a ratio of 2:1, up to a maximum employer contribution of 18%. For the year ended 31 March 2026 employer contributions of £37.3m (2025: £31.6m), excluding employee salary sacrifice contributions of £22.3m (2025: £19.2m), represented 16.2% of pensionable pay (2025: 16.1%).

The defined contribution scheme had 3,007 members at 31 March 2026 (2025: 2,633).

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

Defined benefit scheme

NATS Limited (formerly National Air Traffic Services Limited), the company's wholly-owned subsidiary, entered into a deed of adherence with the CAA and the Trustees of the Civil Aviation Authority Pension Scheme (CAAPS) whereby the company was admitted to participate in CAAPS from 1 April 1996. CAAPS is a fully funded defined benefit scheme providing benefits based on final pensionable salaries. At 31 March 2001, the business of NATS was separated from the CAA. As a consequence, NATS became a 'non associated employer' which requires the assets relating to the liabilities of NATS active employees at 31 March 2001 to be separately identified within the CAAPS. CAAPS was divided into two sections to accommodate this, namely the CAA section and the NATS section, and a series of common investment funds was established in which both sections participate for investment purposes. The assets and membership of the scheme prior to transfer were allocated between these sections in accordance with Statutory Instrument 2001 Number 853, Transport Act 2000 (Civil Aviation Authority Pension Scheme) Order 2001. The assets of the scheme are held in a separate trustee administered fund. CAAPS is governed by a Board of Trustees which is responsible for implementing the funding and investment strategy. The Board comprises six employer (NATS and CAA) and six member-nominated trustees, as well as an independent chair.

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

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

The defined benefit scheme had the following membership at 31 March:

	2026 No.	2025 No.
Active members	**1,308**	1,408
Deferred members	**855**	901
Pensioners	**3,361**	3,227
	5,524	5,536

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

Trustees' funding assessment

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

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

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

The 2023 valuation showed that, based on long-term financial assumptions, the contribution rate required to meet the future benefit accrual and expenses was 35.6% of pensionable pay (29.9% employers and 5.7% employees). The employer contribution includes an allowance to cover administration costs, including the Pension Protection Fund (PPF) levy.

Contributions to the pension scheme

Following the 2023 valuation, NATS and the Trustees agreed a recovery plan which would see the funding deficit repaid by 31 December 2029. Under the schedule of contributions, normal contributions have been paid at 29.9% of pensionable pay since 1 January 2025.

The deficit repair contributions 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.

During the year the group paid cash contributions to the scheme of £51.3m (2025: £112.1m). This amount included £8.1m (2025: £8.2m) 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 pay.

The estimated contributions expected to be paid to the scheme during the financial year ending 31 March 2027 is £50.8m, including salary sacrifice contributions estimated at £8.0m.

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

Company's accounting valuation under international accounting standards

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

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

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

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

An actuarial valuation for IAS 19 purposes was carried out at 31 March 2026 (based on 31 December 2025 membership data). The major assumptions used by the actuary for the purposes of the IAS 19 figures at the relevant year ends are set out in the table and narrative below:

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

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

The principal risks to the financial performance of the group 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.

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate (bond yields)	Increase/decrease by 0.5%	Decrease by 6.3%/increase by 7.0%
Rate of inflation	Increase/decrease by 0.5%	Increase by 6.7%/decrease by 6.3%
Rate of pensionable salary growth	Increase/decrease by 0.5%	Increase by 1.4%/decrease by 1.3%
Rate of mortality	1 year increase in life expectancy	Increase by 2.2%

Each sensitivity above is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognised on the balance sheet.

Amounts recognised in income, in the staff costs line item, in respect of the defined benefit scheme are as follows:

	2026 £m	2025 £m
Current service cost	**(38.5)**	(44.8)
Net interest (cost)/credit	**(0.5)**	3.8
Administrative expenses	**(2.4)**	(2.8)
Components of defined benefit costs recognised within operating profit	**(41.4)**	(43.8)

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)	**60.6**	(467.4)
Actuarial gains and losses arising from changes in financial assumptions	**78.5**	487.5
Actuarial gains and losses arising from changes in demographic assumptions	**40.0**	(37.2)
Actuarial gains and losses arising from experience adjustments	**(58.7)**	(97.1)
	120.4	(114.2)

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

	2026 £m	2025 £m
Present value of defined benefit obligations	**(3,070.1)**	(3,082.9)
Fair value of scheme assets	**3,168.0**	3,050.5
Surplus/(deficit) in scheme	**97.9**	(32.4)

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

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

	2026 £m	2025 £m
At 1 April	**(3,082.9)**	(3,371.1)
Current service cost	**(38.5)**	(44.8)
Interest expense on defined benefit scheme obligations	**(176.9)**	(161.7)
Actuarial gains and losses arising from changes in financial assumptions	**78.5**	487.5
Actuarial gains and losses arising from changes in demographic assumptions	**40.0**	(37.2)
Actuarial gains and losses arising from experience adjustments	**(58.7)**	(97.1)
Benefits paid	**168.4**	141.5
At 31 March	**(3,070.1)**	(3,082.9)

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	**(931.5)**	(993.4)
Deferred members	**(237.4)**	(252.6)
Pensioners	**(1,901.2)**	(1,836.9)
	(3,070.1)	(3,082.9)

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

	2026 £m	2025 £m
At 1 April	**3,050.5**	3,384.6
Interest income on scheme assets	**176.4**	165.5
Return on plan assets (excluding amounts included in net interest expense)	**60.6**	(467.4)
Contributions from sponsoring company	**51.3**	112.1
Benefits paid	**(168.4)**	(141.5)
Administrative expenses	**(2.4)**	(2.8)
At 31 March	**3,168.0**	3,050.5

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

The major categories of scheme assets were as follows:

	2026 £m	2025 £m
Cash and cash equivalents	**153.1**	235.0
Equity instruments		
- Emerging markets	**69.5**	75.7
- Global	**661.4**	692.0
	730.9	767.7
Bonds		
- Fixed income	**609.6**	488.6
- Index-linked gilts over 5 years	**1,077.1**	951.6
	1,686.7	1,440.2
Other investments		
- Property	**70.0**	100.2
- Hedge funds	**288.7**	263.3
- Private equity funds	**66.2**	120.7
- Other	**170.1**	122.5
	595.0	606.7
Derivatives		
- Futures contracts	**2.3**	0.9
	3,168.0	3,050.5

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

Scheme assets of £3,168.0m (2025: £3,050.5m) include equity and debt instruments of £41.2m (2025: £147.2m) 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 £3,126.8m (2025: £2,903.3m), 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 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 Trustees, the amount of interest rate and inflation hedging has increased over time, starting out at 25% in 2012 with subsequent increases to 50% in 2014 and to 65% in 2018, as measured on the Trustee funding basis. In March 2020, NATS and the Trustees agreed a further increase in the level of inflation and interest rate hedging to 75%, as measured on a long-term funding target basis of gilts + 0.5% p.a. and the trades needed to achieve this were carried out between May and August 2020. The hedging target was increased to 85% in December 2025. Swap transactions are executed with carefully scrutinised banks and collateral is provided in the form of index-linked gilts to protect against the unlikely event of default by a counterparty.

Notes forming part of the consolidated accounts

33. Retirement benefit schemes (continued)

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

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

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

The actual return on scheme assets for the year ended 31 March 2026 was a gain of £237.0m (2025: £301.9m loss).

34. Related party transactions

The NATS group has four shareholders - the Crown, The Airline Group Limited (AG), LHR Airports Limited and the NATS Employee Sharetrust Limited. During the year transactions with the Crown have taken place with the Meteorological Office, the Department for Transport (DfT) and the Ministry of Defence (MOD). In addition there have been transactions with LHR Airports Limited and AG. Transactions occur on an arm's length basis.

AG is a consortium of British Airways plc, Deutsche Lufthansa AG, easyJet Airline Company Limited, the Pension Protection Fund, TUI Airways Limited, Virgin Atlantic Airways Limited and USS Sherwood Limited. AG has a 42% stake in NATS Holdings Limited. The directors of NATS Holdings Limited are satisfied that the seven members of AG have not exercised undue influence on the group either acting individually or in concert and therefore the individual transactions with each member of AG have not been disclosed in this set of accounts.

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

Contractual arrangements existed during the year between the MOD and NERL in relation to the provision of engineering, surveillance and communication services.

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the company and its subsidiaries are disclosed in the subsidiary companies' financial statements.

Transactions between the company and its joint venture and associate, which are related parties, are disclosed below and in note 35.

Notes forming part of the consolidated accounts

34. Related party transactions (continued)

Trading transactions

During the year, group companies entered into the following transactions with related parties.

	Sales		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m	**Year ended 31 March 2026 £m**	Year ended 31 March 2025 £m	**Year ended 31 March 2026 £m**	Year ended 31 March 2025 £m	**Year ended 31 March 2026 £m**	Year ended 31 March 2025 £m
LHR Airports Limited	**56.4**	55.1	**1.0**	1.0	**4.2**	4.6	**-**	-
Ministry of Defence (MOD)	**52.3**	47.0	**2.1**	2.4	**0.8**	0.3	**15.4**	14.0
The Airline Group Limited	**-**	-	**0.4**	0.2	**-**	0.2	**-**	-
Department for Transport (DfT)	**0.9**	1.3	**-**	-	**0.3**	0.3	**-**	-
Meteorological Office	**0.3**	0.3	**0.7**	0.8	**-**	-	**-**	0.2
European Satellite Services Provider SAS	**0.2**	0.1	**-**	-	**1.5**	-	**-**	-
Aquila Air Traffic Management Services Limited	**8.4**	14.2	**0.6**	0.9	**2.2**	1.2	**0.2**	-

Sales are made to related parties at the group's usual rates and purchases at market prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. Amounts owed by our joint venture do not include the loan and accumulated interest of £20.2m (2025: £22.1m). No expected credit loss provisions (2025: £nil) have been made in respect of amounts owed by related parties above, however an impairment of our net joint venture investment in Aquila was recognised in the year ended 31 March 2024, see note 35.

Remuneration of key management personnel

The remuneration of key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24: *Related Party Disclosures*. Key management includes the Board of directors of the company and the group's principal subsidiaries. Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Committee report.

	2026 £m	2025 £m
Short-term employee benefits	**13.7**	11.9
Post-employment benefits	**0.7**	0.7
Termination benefits	**0.5**	0.9
	14.9	13.5

Notes forming part of the consolidated accounts

35. Subsidiaries, joint venture and associate

The group's subsidiaries at 31 March 2026, all of which have been consolidated in these accounts were:

Name of company or partnership	Principal activity	Proportion of ordinary shares and voting rights held	Country of registration	Country of operation
Direct holding:				
NATS Limited*	Corporate services	100%	England and Wales	United Kingdom
Indirect holding:				
NATS (En Route) plc*	En route air traffic services	100%	England and Wales	United Kingdom
NATS (Services) Limited*	Airport air traffic services	100%	England and Wales	United Kingdom
NATS Solutions Limited*	Airport and airfield air traffic services	100%	England and Wales	United Kingdom
NATSNav Limited*	Satellite based navigation	100%	England and Wales	United Kingdom
NATS Employee Sharetrust Limited*	Corporate trustee of employee share plan	100%	England and Wales	United Kingdom
National Air Traffic Services Limited*	Dormant	100%	England and Wales	United Kingdom
NATS Services DMCC *515 – 518 Building B2, Dubai South Business Park, PO Box 450622, Dubai, United Arab Emirates*	ATM consultancy	100%	UAE	UAE
NATS Services LLC (in liquidation) *PO Box 533, Ruwi, PC 112, Muscat, Sultanate of Oman*	ATM consultancy	70%	Oman	Oman
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 (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
Searidge Technologies Inc *19 Camelot Drive, Nepean, Ontario, K2G 5W6, Canada*	Digital airport air traffic services	100%	Canada	Canada
NATS Services (India) LLP *501 & 502, 5th Floor, Eros Corporate Tower, Nehru Place, New Delhi 110019, India*	Airport and ATM consultancy	100%	India	India

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

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

Notes forming part of the consolidated accounts

35. Subsidiaries, joint venture and associate (continued)

The group had one associate and one joint venture as at 31 March 2026, details are as follows:

Name of company	Principal activity	Date of acquisition	Proportion of ordinary shares held	Country of incorporation
European Satellite Services Provider SAS *18, Avenue Edouard Belin - BPI 602, 31 401 Toulouse Cedex 9, France*	Satellite based navigation	1 September 2008	16.67%	France
Aquila Air Traffic Management Services Limited *350 Longwater Avenue, Green Park, Reading, RG2 6GF, United Kingdom*	Asset provision and ATM services to UK MOD	9 October 2014	50.00%	United Kingdom

The associate and joint venture are indirectly held by NATS Holdings Limited. The investment in ESSP is held by NATSNav Limited and the investment in Aquila is held by NATS (Services) Limited.

Summarised financial information relating to the associate and joint venture

European Satellite Services Provider SAS (ESSP)

In September 2008, the group acquired 16.67% of the issued share capital of ESSP for cash consideration of €0.2m (£0.1m).

The associate is accounted for using the equity method. Pursuant to the shareholder agreement, the group has the right to cast 16.67% of the votes at shareholder meetings. The financial year end is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ESSP for the year ended 31 December 2025 have been used.

Although the group holds less than 20% of the equity shares of ESSP, the group exercises significant influence by virtue of representation on the Board of directors, participation in policy making decisions of ESSP and the provision of essential technical information to ESSP.

Summarised financial information in respect of ESSP is set out below. These amounts have been prepared in accordance with French GAAP and converted from the euro, ESSP's functional currency.

Aquila Air Traffic Management Services Limited

In October 2014, the group acquired 50% of the issued share capital of Aquila Air Traffic Management Services Limited (Aquila) for a cash consideration of £0.1m. Aquila provides air traffic management services at military airfields in the delivery of Project Marshall for the Ministry of Defence. Aquila draws up its accounts to 31 March and therefore these accounts have been used to determine its performance for the financial year. It prepares its accounts under IFRS and its functional currency is pounds sterling.

The group and its joint venture partner provide Aquila with a shareholder loan facility of up to £50m, with each party providing an equal share of the facility of £25m. At 31 March 2026, the group's share of the outstanding loan to Aquila was £20.2m (2025: £22.1m). Aquila had repaid £2.7m (net) in the year (2025: £2.5m draw down (net)).

Aquila is projecting an onerous obligation reflecting the costs to complete its Project Marshall contract. The group considers that the prospects for the recovery of its investment and shareholder loan at the end of the contract to be very low. As a result, the group is showing the carrying value of the investment at 31 March 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 to the expected recoverable amount. The group has reported an aggregate amount in the income statement of £2.5m relating to the loan facility to Aquila due to an increase in the expected recoverable amount.

Notes forming part of the consolidated accounts

35. Subsidiaries, joint venture and associate (continued)

Aquila Air Traffic Management Services Limited (continued)

	2026 £m
Legal obligation: release of provision in the year for the undrawn balance up to the expected recoverable amount	**0.6**
Reversal of impairment of loan to joint venture	**1.9**
	2.5

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.

Notes forming part of the consolidated accounts

35. Subsidiaries, joint venture and associate (continued)

The summarised financial information above is reconciled to the carrying amount recognised in the consolidated financial statements as follows:

	2026		2025	
	Associate ESSP £m	**Joint venture Aquila £m**	Associate ESSP £m	Joint venture Aquila £m
Non-current assets	**3.1**	**4.6**	2.6	6.2
Current assets[i]	**46.9**	**36.2**	45.5	41.7
Current liabilities[ii]	**(24.0)**	**(56.1)**	(26.1)	(60.9)
Non-current liabilities	**(0.1)**	**(2.6)**	(0.2)	(6.3)
Net assets/(liabilities) of associate/joint venture	**25.9**	**(17.9)**	21.8	(19.3)
Group share	**4.3**	**(9.0)**	3.7	(9.7)
Carrying amount of the group's interest in associate/joint venture[iii]	**4.3**	**-**	3.7	-
Revenue	**62.2**	**77.9**	50.8	89.7
Cost of sales	**(35.3)**	**(69.8)**	(29.8)	(76.9)
Administrative expenses, other operating costs and depreciation, amortisation and impairment[iv]	**(18.5)**	**(4.1)**	(15.6)	(8.5)
Finance income[v]	**0.5**	**-**	0.7	-
Finance costs[vi]	**(0.1)**	**(2.7)**	-	(2.6)
Profit before tax for the year	**8.8**	**1.3**	6.1	1.7
Tax	**(2.3)**	**-**	(1.4)	-
Profit after tax for the year	**6.5**	**1.3**	4.7	1.7
Group share of profit after tax	**1.1**	**0.7**	0.8	0.8
Unrecognised group share of profit after tax[iii]	**-**	**0.7**	-	0.8
Recognised group share of profit after tax[iii]	**1.1**	**-**	0.8	-
Dividends received	**(0.6)**	**-**	(0.5)	-
Other comprehensive profit/(loss)	**0.1**	**-**	(0.1)	-

(i) Includes cash and cash equivalents within ESSP of £20.2m (2025: £24.0m) and within Aquila of £0.5m (2025: £0.4m).

(ii) Includes borrowings within ESSP of £nil (2025: £nil) and within Aquila of £40.4m (2025: £44.2m).

(iii) The group's share of Aquila losses exceeds the carrying value of the investment and accordingly, the group does not recognise its share of profits or losses. In the current year, the share of results of associate and joint venture in the income statement includes a £0.6m gain in relation to the release of provision for the constructive obligation to continue to finance the Aquila joint venture based on the undrawn balance of its £25m shareholder loan facility up to the expected recoverable amount.

(iv) Includes depreciation, amortisation of property, plant, equipment, intangible and right-of-use assets within ESSP of £0.6m (2025: £0.5m) and within Aquila of £2.2m (2025: £2.1m).

(v) Includes interest income within ESSP of £0.5m (2025: £0.6m) and within Aquila of £nil (2025: £nil).

(vi) Includes interest expense within ESSP of £nil (2025: £nil) and within Aquila of £2.7m (2025: £2.4m).

Notes forming part of the consolidated accounts

36. Ultimate controlling party

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

37. Events after the reporting period

On 13 May 2026 NATS (Services) Limited entered into an agreement to sell its US subsidiary, NATS (USA) Inc. NATS (USA) Inc holds the group's investment in Aireon Holdings LLC. The impact of this proposed transaction on the carrying value of the group's investment in Aireon has been reflected in note 17.

On 21 May 2026, the Board approved an interim dividend for the year ending 31 March 2027 of 48.93 pence per share, totalling £70.0m. On 28 May 2026, the dividend was paid and NATS Employee Sharetrust Limited, that holds 5% of the share capital on trust for employees, waived its right to receiving a dividend in relation to shares that currently are not allocated to employees, equating to £0.8m.

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.

Company balance sheet

At 31 March

	Notes	2026 £m	2025 £m
Assets			
Non-current assets			
Investments	4	**141.0**	141.0
Current assets			
Intercompany receivable	5	**4.8**	4.0
Net assets		**145.8**	145.0
Equity			
Share capital	6	**140.6**	140.6
Share premium account	6	**0.4**	0.4
Retained earnings		**4.8**	4.0
Total equity		**145.8**	145.0

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own income statement for the year. For the year ended 31 March 2026 the company recognised a profit of £70.0m (2025: £175.0m).

The financial statements (Company No. 04138218) were approved by the Board of directors and authorised for issue on 25 June 2026 and signed on its behalf by:



Sir Warren East
Chair



Gary Franklin
Chief Financial Officer

Company statement of changes in equity

For the year ended 31 March

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 April 2024	140.6	0.4	-	141.0
Profit for the year	-	-	175.0	175.0
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**175.0**	**175.0**
Dividends paid	-	-	(171.0)	(171.0)
At 31 March 2025	**140.6**	**0.4**	**4.0**	**145.0**
At 1 April 2025	140.6	0.4	4.0	145.0
Profit for the year	-	-	70.0	70.0
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**70.0**	**70.0**
Dividends paid	-	-	(69.2)	(69.2)
At 31 March 2026	**140.6**	**0.4**	**4.8**	**145.8**

Notes forming part of the company accounts

1. Cash flow statement

No cash flow statement has been provided because the company does not maintain a bank account or have any cash transactions.

2. Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the UK.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are the same as those set out in note 2 to the consolidated financial statements.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Income from subsidiaries is recognised when received.

3. Profit for the year

Profit for the year has been arrived at after charging:

	2026 £m	2025 £m
Staff costs	**-**	-
Auditor's remuneration	**-**	-

Auditor's remuneration for the group is paid by NATS Limited and is disclosed in note 6 of the consolidated financial statements.

	2026 No.	2025 No.
Executive directors	**2**	2
Non-executive directors	**11**	10
	13	12

Detailed disclosure of the remuneration of the directors is provided in the Remuneraton Committee's report on pages 63 to 77.

The company incurred no charge to current or deferred taxes in the year (2025: £nil).

	2026 £m	2025 £m
Dividends		
Amounts recognised as distributions to equity holders in the period:		
First interim dividend of 48.93 pence per share (2025: 61.17 pence per share)	**69.2**	85.5
Second interim dividend of nil pence per share (2025: 61.17 pence per share)	**-**	85.5
	69.2	171.0

On 25 September 2025, the Board approved an interim dividend of 48.93 pence per share, totalling £70.0m. On 26 September 2025, the dividend was paid and NATS Employee Sharetrust Limited (NESL), that holds 5% of the share capital on trust for employees, waived its right to receiving a dividend in relation to shares that currently are not allocated to employees, equating to £0.8m.

On 21 May 2026, the Board approved an interim dividend for the year ending 31 March 2027 of 48.93 pence per share, totalling £70.0m. On 28 May 2026, the dividend was paid and the amount waived by NESL, equated to £0.8m.

Notes forming part of the company accounts

4. Investments

	Investments in subsidiary undertakings £m
Investments at 31 March 2026 and 31 March 2025	141.0

The company's investments in subsidiary undertakings are as set out in note 35 to the consolidated financial statements.

5. Intercompany receivable

	2026 £m	2025 £m
Amounts due from subsidiary company - NATS Limited	**4.8**	4.0

6. Share capital and share premium accounts

These items are disclosed in the consolidated statement of changes in equity and notes 26 and 27 of the consolidated financial statements.

7. Financial instruments

The company held no financial instruments at 31 March 2026 (2025: none).

8. Ultimate controlling party

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

Abbreviations and definitions

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

Alternative performance measures and explanatory notes

1 **Gearing:** Ratio of NERL's net debt (as defined by its licence) to its Regulatory Asset Base (RAB).

NATS (En Route) plc's (NERL) gearing is the ratio of its net debt (as defined by its licence) to regulatory assets. Net debt for this ratio differs from statutory net debt in three areas: (i) borrowings are recorded at face value, rather than net of remaining capitalised original issue discounts and issuance costs; (ii) leases are included, but only to the extent that they would have been treated as finance leases prior to application of IFRS 16; and (iii) it includes a value for NERL's RPI swaps that represents the historic accretion on the notional of the swaps. This value differs to the value of derivatives reported on the balance sheet.

The Regulatory Asset Base (RAB) represents the capital employed in the economically regulated businesses operated by NERL, and is reported annually in regulatory accounts prepared on a calendar year basis. The regulatory accounts are published at www.nats.aero. The CAA's economic regulatory framework determines the basis for measuring regulatory assets. The RAB is uplifted annually by RPI inflation and increases by capital expenditure and reduces by regulatory depreciation. The RAB excludes balances relating to tax, financing and the IAS 19 pension position. The CAA sets a net debt to RAB target and bank covenants are set on a net debt to RAB basis. At 31 December 2025 the value of NERL's RAB was £2,068.6m.

	2026 £m	2025 £m
Net debt (per note 30)	**(690.6)**	(710.7)
Inclusion of items as defined in financial covenants:		
Unamortised bond discount	**(30.6)**	(33.6)
Unamortised bond issue cost and bank facility fees	**(6.7)**	(5.7)
RPI swaps stated on a bank covenant valuation basis	**-**	(77.4)
Exclusion of items as defined in financial covenants:		
Lease liabilities recognised on adoption of IFRS 16	**13.9**	39.4
Non-NERL cash balances	**(102.7)**	(92.9)
Net debt (as defined in NERL's finance documents)	**(816.7)**	(880.9)
Regulatory Asset Base	**2,072.4**	2,074.0
Gearing	**39.4%**	**42.5%**

Alternative performance measures and explanatory notes

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

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Net cash generated from/(used in) operating activities	**365.1**	345.7	200.1	183.5	(172.5)
Net cash outflow from investing activities	**(190.4)**	(114.7)	(112.3)	(112.2)	(120.0)
Net cash (outflow)/inflow from financing activities	**(43.2)**	(232.3)	(81.7)	(59.3)	168.2
Increase/(decrease) in cash and cash equivalents during the year	**131.5**	(1.3)	6.1	12.0	(124.3)
Net bonds (issued)/repaid	**(203.9)**	90.0	-	(105.5)	(456.9)
Advances of en route charges	**-**	-	-	-	67.4
Bond and bank arrangement fees	**2.4**	1.6	0.4	1.7	9.4
Repayment of obligations under finance leases	**4.4**	6.9	10.1	6.9	7.0
Net (drawdown on)/repayment of bank facilities	**70.0**	(70.0)	65.0	135.0	195.0
Dividends paid	**69.2**	171.0	-	-	-
Index-linked swap repayment	**89.2**	11.7	10.8	8.0	61.3
Total debt adjustments	**31.3**	211.2	86.3	46.1	(116.8)
Debt-adjusted cash flow	**162.8**	**209.9**	**92.4**	**58.1**	**(241.1)**

3 **Regulatory return:** Calendar year Regulatory profit divided by Average Regulatory Asset Base (RAB). Regulatory profit represents NERL's calendar year regulatory income less costs, as prepared under the Regulatory Accounting Guidelines (RAGs), specified in NERL's licence; rather than on an IFRS accounting basis. Regulatory profit divided by the Calendar year average RAB determines regulatory return. These values are derivable from NERL's 31 December 2025 regulatory accounts.

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

Alternative performance measures and explanatory notes

4 An Airprox is a situation in which, in the opinion of a pilot or controller, the distance between aircraft as well as their relative positions and speeds have been such that the safety of the aircraft involved was or may have been compromised. The severity of these incidents is assessed periodically by the UK Airprox Board, an independent body, in the interests of enhancing flight safety. Airprox events are classified A to D on the basis only of actual risk, not potential risk. An event classified as category B - safety not assured, is an aircraft proximity in which the safety of the aircraft may have been compromised.

5 The three-dimensional inefficiency score (3Di) measures the environmental efficiency of a flight by comparing its actual radar track to an optimal profile. A lower score represents better flight efficiency. NATS has made the 3Di environmental insight tool freely available to aviation stakeholders to use to track their carbon efficiency. The 2025 calendar year score of 27.4 includes an adjustment for non-revenue flights which are not subject to an ATC charge and do not have fuel efficiency as an objective.

6 Project Marshall is a 22 year contract awarded to the Aquila joint venture to transform the military's terminal Air Traffic Control technical services. It was initiated by the MOD to modernise ATM for over 100 MOD locations, of which over 60 are airfields or ranges, including overseas. It provides the foundation to deliver efficient and cost effective terminal ATM services and ensures that this capability keeps pace with modern regulatory demands and Single European Sky standards. NATS provides services to Aquila to enable it to deliver Project Marshall.

7 The severity of ground and airborne incidents is scored against six criteria: minimum separation achieved; rate of closure; detection of potential conflict; plan to achieve required separation; execution of the plan; and recovery when separation is lost.

8 Aireon LLC provides a space-based air traffic surveillance system with global coverage capable of tracking and monitoring aircraft in real-time. This improves ATC and surveillance over regions with limited or no radar coverage and backup surveillance for regions with full radar coverage. Aireon is a private company whose investors are Iridium Communications, NAV CANADA, ENAV, IAA, Naviair and NATS.

9 Link to Pay Gap Report: https://www.nats.aero/wp-content/uploads/2026/03/NATSPayGapReport_2025.pdf

10 Link to NATS Slavery and Human Trafficking statement 2026: https://www.nats.aero/wp-content/uploads/2026/06/Modern-Slavery-Annual-Statement-May-2026.pdf

11 Link to Responsible Business policy: https://www.nats.aero/wp-content/uploads/2025/06/Responsible-Business-Policy-2025.pdf

12 Modelled enabled ATM-related CO_2 reductions represent the saving in CO_2 emissions from improvements to the ATM network, such as technical changes which enable us to provide more fuel-efficient flight profiles, based on projections of the volume of flights likely to take advantage of the improvements. The enabled reduction in emissions is reported in full in the year in which the improvement is made.

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Taxation

Country-by-Country reporting (CbCr)

The table below sets out the scale of activities in the countries we operate in.

2026	Unrelated party revenue £m	Related party revenue £m	Total revenue £m	Profit/(loss) before income tax £m	Income tax paid (on a cash basis) £m	Current tax £m	Deferred tax £m	Monthly average number of employees No.	Tangible and intangible assets other than Cash and Cash Equivalents £m	Net assets £m
United Kingdom[1]	1,056.3	91.3	1,147.6	349.8	17.4	22.7	25.0	4,773	475.6	1,399.3
Canada	6.0	2.5	8.5	(2.8)	-	-	(0.2)	90	0.3	5.9
Hong Kong	7.1	0.3	7.4	(0.1)	0.1	-	-	28	0.1	4.0
UAE	7.0	4.4	11.4	1.5	-	0.1	-	28	0.5	0.7
Singapore	1.0	1.5	2.5	0.6	-	-	-	4	0.1	(12.8)
USA[2]	-	-	-	17.3	-	(0.5)	-	-	-	41.2
Other	-	0.2	0.2	-	-	-	-	1	-	1.0
Consolidation adjustments	(1.0)	(100.2)	(101.2)	(153.3)	-	-	-	-	(0.8)	(421.9)
Total	**1,076.4**	**-**	**1,076.4**	**213.0**	**17.5**	**22.3**	**24.8**	**4,924**	**475.8**	**1,017.4**

[1] The information aggregates the activities of NATS' local legal entities and its branches. Except for employee numbers all figures are stated to the nearest £0.1m. The group operates a single third party contract in Gibraltar which is not disclosed for reasons of commercial confidentiality.

[2] NATS (USA) Inc is a holding company and profit before tax is write-back of impairment.