NATSNav Limited
Financial statements
for the year ended 31 March 2012

Company Number: 04164590

Report of the directors

The directors present their report and audited accounts for the year ended 31 March 2012.

Principal activities and business review

The company has a 16.67% shareholding in ESSP SAS, a French private limited company. The objective of ESSP SAS is to become the certified service provider for the European Geostationary Navigation Overlay Service (EGNOS), the European satellite based augmentation to the global positioning system for aviation under the Single European Sky regulations.

NATSNav was a party to an agreement dated 4 April 2001 which established the ESSP European Economic Interest Grouping (EEIG). The purpose of the EEIG was the provision of multi-modal satellite based services to members and third parties, including the provision of EGNOS. On 26 April 2011, a motion was passed by the Belgian President of the Commercial Court approving and giving effect to the voluntary winding up of the EEIG. The company received a share of the residual assets of the EEIG which were distributed to its members during the year.

The company's parent undertaking, NATS (Services) Limited (NATS Services), has agreed to provide such support as is necessary to enable the company to continue trading and to meet its liabilities as they fall due for a period of not less than 12 months from 28 June 2012.

A full description of the NATS group's principal activities and business review is contained in the accounts of NATS Holdings Limited.

Results and dividends

The results for the period are shown in the statement of comprehensive income on page 6. The Board recommends that no dividend be paid (2011: £nil).

Policy and practice on payment of creditors

It is the company's policy to pay suppliers within the payment terms of the contract, which is normally 30 to 60 days, based upon the timely receipt of an accurate invoice.

Directors and their interests

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

Richard Deakin
Nigel Fotherby
John Devaney
Paul Reid (appointed 27 May 2011)
Anne Lambert

None of the directors had any interests in the share capital of the company. The following directors held interests in ordinary shares of the company's ultimate parent undertaking, NATS Holdings Limited at 31 March 2012:

Richard Deakin – 400;
Nigel Fotherby – 2,377;
Paul Reid – 2,377;
Anne Lambert - 600.

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

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Each of the directors at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint Deloitte will be proposed at the Annual General Meeting.

By order of the Board

R C-Col

Richard Churchill-Coleman
Secretary

28 June 2012

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

Registered in England and Wales
Company Number: 04164590

Independent auditor's report to the members of NATSNav Limited

We have audited the financial statements of NATSNav Limited for the year ended 31 March 2012 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 15. The financial reporting that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

John Clennett

John Clennett, Senior Statutory Auditor

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

28 June 2012

Statement of comprehensive income
for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Revenue		886,172	1,023,018
Operating costs			
Other operating charges - external charges		(12,282)	(100,183)
Other operating charges - intra-group		(886,934)	(871,374)
	4	(899,216)	(971,557)
Operating (loss)/profit		(13,044)	51,461
Investment revenue	5	545	704
Proceeds of liquidation of investment	13	36,918	-
Profit before tax		24,419	52,165
Tax	6	1,655	(16,292)
Profit for the year		26,074	35,873
Other comprehensive income for the year		-	-
Total comprehensive income for the year		26,074	35,873

Balance sheet
at 31 March 2012

	Notes	2012 £	2011 £
Non-current assets			
Investments	13	134,548	134,548
Current assets			
Trade and other receivables	7	240,721	591,332
Cash and cash equivalents	12	237,471	45,434
		478,192	636,766
Total assets		612,740	771,314
Current liabilities			
Trade and other payables	8	(930,031)	(1,113,024)
Current tax liabilities		(12,951)	(14,606)
		(942,982)	(1,127,630)
Net current liabilities		(464,790)	(490,864)
Total liabilities		(942,982)	(1,127,630)
Net liabilities		(330,242)	(356,316)
Equity			
Called up share capital	9	1	1
Deficit on retained earnings		(330,243)	(356,317)
Equity shareholder's deficit		(330,242)	(356,316)

The financial statements (Company number: 04164590) were approved by the Board of directors and authorised for issue on 28 June 2012 and signed on their behalf by:

Chairman John Devaney

Finance Director Nigel Fotherby

Nigel Fotherby

Statement of changes in equity
for the year ended 31 March 2012

	Share capital £	Retained deficit £	Total £
At 1 April 2010	1	(392,190)	(392,189)
Profit for the year	-	35,873	35,873
At 31 March 2011	1	(356,317)	(356,316)
At 1 April 2011	1	(356,317)	(356,316)
Profit for the year	-	26,074	26,074
At 31 March 2012	1	(330,243)	(330,242)

Cash flow statement
for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Net cash inflow/(outflow) from operating activities	10	176,418	(1,090,518)
Cash flows from investing activities			
Interest received		545	704
Proceeds of liquidation of investment	13	15,074	-
Net cash inflow from investing activities		15,619	704
Cash flows from financing activities			
Additional funding from parent company		-	1,686
Net cash inflow from financing activities		-	1,686
Increase/(decrease) in cash and cash equivalents during the year		192,037	(1,088,128)
Cash and cash equivalents at 1 April		45,434	1,133,562
Cash and cash equivalents at 31 March		237,471	45,434

1. General information

NATSNav is a private 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 3. The nature of the company's operations and its principal activities are set out in the Report of the Directors.

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

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation and accounting

The financial statements have been prepared on the going concern basis. For further detail please refer to note 3. The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs and International Financial Reporting Interpretation Committee (IFRIC) interpretations as endorsed by the European Union and therefore the company financial statements comply with Article 4 of the EU IAS Regulation.

In the current year, the following new and revised Standards and Interpretations have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IAS 1: *Presentation of Financial Statements* - this amendment clarified the position in circumstances where additional information is provided within the financial statements, requiring this information to be presented in accordance with IFRSs.

IAS 32: *Financial Instruments: Presentation* - the amendment states that income tax relating to distributions to holders of an equity instrument and income tax relating to transaction costs of an equity transaction should be accounted for in accordance with IAS 12: *Income Taxes.*

As part of the Improvements to IFRSs (2010) the following amendments to Standards have been adopted:

Amendment to IFRS 3: *Business Combinations* - IFRS 3 has been amended such that only those non-controlling interests which are current ownership interests and which entitle their holders to a proportionate share of net assets upon liquidation can be measured at either fair value or the proportionate share of net identifiable assets. Other non-controlling interests are measured at fair value, unless another measurement basis is required by IFRSs. This will apply to the ESSP investment. This investment will be measured at the proportionate share of net identifiable assets if it meets the requirements of the amended Standard, therefore the adoption of this amendment has not had any significant impact on the amounts reported in these financial statements.

Amendment to IFRS 7: *Financial Instruments*: Disclosures - the amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets.

Amendments to IFRS 1: *Limited Exemption from Comparative IFRS 7 Disclosures for First-time adopters* - provides a limited exemption for first-time adopters from providing comparative fair value hierarchy disclosures under IFRS 7.

Amendments to IAS 1: *Presentation of Financial Statements* - the amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements. Within these financial statements, the analysis of other comprehensive income is presented within the statement of changes in equity.

IAS 24 (2009): *Related Party Disclosures*, the revised Standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.

The following Standards have been adopted early in the current year and have had no significant impact on these financial statements and are not expected to significantly impact on the financial statements of the company in future periods:

IFRS 7: *Financial Instruments: Disclosures*. This amendment requires additional disclosures around transactions with financial assets, where an entity retains an interest in the financial asset. The company does not hold any retained interest in financial assets, so no additional disclosure is required.

Amendment to IAS 24: *Related party disclosures*. The revision provides an exemption for government controlled or joint government controlled entities from disclosing related party transactions with other government controlled entities. The ultimate controlling party of the group is The Airline Group, hence the company is not able to apply the exemption.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue, but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (Amended): *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

IFRS 9: *Financial Instruments*

IFRS 10: *Consolidated Financial Statements*

IFRS 11: *Joint Arrangements*

IFRS 12: *Disclosures of Interests in Other Entities*

IFRS 13: *Fair Value Measurement*

IAS 1 (Amended): *Presentation of Items of Other Comprehensive Income*

IAS 12 (Amended): *Deferred Tax: Recovery of Underlying Assets*

IAS 27 (Revised): *Separate Financial Statements*

IAS 28 (Revised): *Investments in Associates and Joint Ventures*

2. Accounting policies (continued)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods, except as follows:

IFRS 9: *Financial Instruments* – this will impact both the measurement and disclosures of the financial instruments within the company.

IFRS 12: *Disclosure of Interests in Other Entities* – will increase the disclosures documenting the basis of control conclusions around company entities.

IAS 1: *Presentation of Financial Statements* – will result in separate disclosure for other comprehensive income items that will be reclassified as profit and loss in the future and those items that will not affect future profit and loss and the relative separate deferred tax impact of these items.

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

Revenue

Revenue represents the amounts, excluding VAT, received and receivable in respect of services provided to customers. Revenue is recognised in accordance with contracts. All revenue is derived within the European Union.

Operating profit

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

Foreign currencies

Foreign currency monetary assets and liabilities are translated into sterling at the rates ruling at the balance sheet date. Exchange differences are dealt with through the income statement. Other transactions in foreign currencies are recorded in sterling at the rates ruling at the dates of the transactions.

Taxation

The tax expense represents the sum of the tax currently payable.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying value 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 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 in 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 company has no deferred tax assets or liabilities.

On 26 March 2012 under the Provisional Collection of Taxes Act, the corporation tax rate was reduced to 24% with effect from 1 April 2012. The Government has also indicated that it intends to enact future reductions in the main UK tax rate of 1% each year down to 22% by 1 April 2014. The future 1% main tax rate reductions are expected to have a similar impact on the company's financial statements as outlined above, subject to the impact of other developments in the company's tax position which may reduce the beneficial effect of this in the company's tax rate. As the further reductions in UK corporate tax rates have not been substantively enacted at the balance sheet date, this is considered a non-adjusting event in accordance with IAS 10 and no adjustments have been made. The impact of any further reduction will be taken into account at subsequent reporting dates, once the change has been substantively enacted.

Investments

Investments have been accounted for as an associate at cost with an annual review for impairment. See note 13. The company does not prepare consolidated financial statements. The associate is equity accounted within the ultimate parent company accounts, NATS Holdings Limited.

Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Detailed disclosures are set out in note 12.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories:

- Loans and receivables
- Financial assets at fair value through the profit and loss
- Available for sale financial assets
- Held to maturity investments

Financial assets are assigned to different categories on initial recognition. The classification depends upon the nature and purpose of the financial asset. A financial instrument's category is relevant to the way it is measured and whether the resulting income is recognised through the income statement or directly in equity. Subsequent to initial recognition financial assets are measured at either fair value or at amortised cost according to the category in which they are classified.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

Impairment of financial assets

Financial assets are rigorously assessed for indicators of impairment at half year and year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Impairment losses on trade receivables are recognised using allowance accounts. When a trade receivable is considered irrecoverable, it is written off against the allowance account and any subsequent recoveries are credited to the allowance account. Changes in the allowance account are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other highly liquid investments (with a maturity of 3 months or less) that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

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

Equity

Equity instruments are also classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Reporting segments

The operations of the company all take place within one industry and one geographical segment and as such there is no segmental information presented in the notes to the financial statements.

3. Critical judgments and key sources of estimation uncertainty

Since the company is reliant upon its parent NATS (Services) Limited for support (in the form of an intercompany loan) its going concern assumption relies upon that of the group. The company has received notification from its parent company that it is willing to continue to provide ongoing financial support to enable the company to trade and meet its obligations as they fall due.

4. Operating costs

a. Directors' remuneration

The Report of the Directors on page 1 includes details of the directors of the company. None of these directors received any fees in the year or in the prior year for their services as directors of this company.

b. Staff costs

The company has no employees.

c. Auditors' remuneration

The auditors' remuneration is borne by another group company. Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

5. Investment revenue

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Interest receivable	545	704

6. Tax on profit on ordinary activities

a. Analysis of credit/(charge) in the year

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Current tax:		
UK corporation tax at 26% (2011: 28%)	(6,349)	(14,606)
Adjustments for corporation tax in respect of prior years (see note 6b. below)	8,004	(1,686)
Current tax credit/(charge) on profit on ordinary activities	1,655	(16,292)

b. Factors affecting tax credit/(charge) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	24,419	52,165
Tax on profit on ordinary activities at standard rate in the UK of 26% (2011: 28%)	(6,349)	(14,606)
Adjustments for corporation tax in respect of prior years:		
Finalisation of NATSNav share of EEIG results	13,822	(1,686)
Proceeds of liquidation of investment	(5,818)	-
Total tax credit/(charge) for the year	1,655	(16,292)

The financial statements for the year ended 31 March 2011 included an estimate for the taxable loss for the EEIG as the final accounts were not available. The prior year adjustment reflects the difference between this estimate and the final accounts which included adjustments in respect of the liquidation.

7. Financial and other assets

	2012 £	2011 £
Trade and other receivables		
Receivable from customers	218,876	591,331
Accrued income (see note 13)	21,844	-
Called up share capital not paid due from parent undertaking	1	1
	240,721	591,332

All balances are non-interest bearing. Receivables in respect of customers are provided for where there is an identified loss event, such as administration, receivership or liquidation, which is evidence of a reduction in the recoverability of the cash flows.

Receivables from customers is fully attributable to NATSNav's single customer, ESSP SAS. The balance was settled in May 2012.

Ageing of past due but not impaired trade receivables	2012 £	2011 £
30 - 90 days	-	359,129

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the company at year end. The directors consider that the carrying amount of this asset approximates to its fair value.

Overall, the maximum credit risk for the items discussed above would be £478,192 (2011: £636,766).

8. Financial and other liabilities

	2012 £	2011 £
Loan from parent company (unsecured)	676,339	673,320
Amounts due to other group undertakings (NATS (En Route) plc)	253,692	436,685
Accruals and deferred income	-	3,019
	930,031	1,113,024

In 2002 NATSNav entered into a loan facility, repayable on demand, in an aggregate principal amount of £824,000 with NATS (Services) Limited. The amount outstanding under this loan facility at 31 March 2012 was £676,339 (2011: £673,320).

9. Called up share capital

	2012 £	2011 £
Authorised		
1 ordinary share of £1	1	1
Called up and allotted		
1 ordinary share of £1	1	1

10. Notes to the cash flow statement

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Operating (loss)/profit from continuing operations	(13,044)	51,461
Decrease/(increase) in trade and other receivables	372,455	(126,560)
(Decrease)/increase in accruals and deferred income	(3,019)	3,019
Decrease in amounts due to other group companies	(179,974)	(1,016,752)
Cash inflow/(outflow) from operations	176,418	(1,088,832)
Tax paid	-	(1,686)
Net cash inflow/(outflow) from operating activities	176,418	(1,090,518)

11. Related Parties

During the year or in the prior year there were no material transactions or amounts owed or arising with any of the directors or members of their close family. Transactions with other group undertakings are described in the Report of the Directors and note 8 above.

12. Financial instruments

Capital risk management

The company manages its capital to ensure that it is able to continue as a going concern, to meet its obligations and to provide returns to stakeholders. The capital structure of the company consists of cash and cash equivalents, intercompany loans and equity attributable to shareholders as disclosed in this note and the statement of changes in equity.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Categories of financial instruments

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

	2012	2011
	£	£
Financial assets		
Trade and other receivables, excluding prepayments and accrued income	218,877	591,332
Cash and cash equivalents	237,471	45,434
	456,348	636,766
Financial liabilities		
Amortised cost	(930,031)	(1,110,005)

Amortised cost includes trade and other payables, excluding accruals and deferred income, and amounts owed to other group undertakings.

Financial risk management objectives

The NATS group treasury function is mandated by the Board of NATS Holdings Limited to manage financial risks that arise in relation to underlying business needs. The function provides services to the business, co-ordinates access to financial markets, monitors and manages financial risks relating to the operations of the company. The function has clear policies and operating parameters. The Treasury Committee provides oversight and meets quarterly 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 risk arising from NATSNav's activities include market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

Market risk

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

Interest rate risk management

The company is not exposed to any interest rate risk on borrowings as the loan from NATS (Services) Limited is interest free. However, the company maintains cash deposits on which it earns a return.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on cash deposits. The analysis is prepared assuming the amount of cash deposits at the balance sheet date were in place for the whole year. A 1% increase or decrease is considered to represent management's assessment of the reasonably possible change in interest rates.

The following table shows the effect of a 1% increase in the interest rates on the company's cash deposits on profit and equity for the year. A positive number represents an increase in profit and equity and a negative number a decrease in profit and equity. There would be an equal and opposite impact on profit and equity if interest rates fall by 1%.

	2012 Impact	2011 Impact
	£	£
Cash on Deposit: 2012: £237,471 (2011: £45,434)	2,375	454

Foreign currency risk management

The company's financial exposure to foreign currency transaction risk in the year was in relation to its transactions with the ESSP SAS. The company earned revenue from the ESSP SAS in euros. The carrying amount of foreign currency denominated monetary assets and liabilities at 31 March is detailed in the table below.

	Assets		Liabilities	
	2012	2011	2012	2011
	£	£	£	£
Euro	478,191	636,765	-	-

12. Financial instruments (continued)

Foreign currency sensitivity analysis

The table details the company's sensitivity to a 10% increase or decrease in the value of sterling against the euro. 10% is the sensitivity rate that represents management's assessment of the reasonably possible change in the sterling euro exchange rate in a financial year. The sensitivity analysis includes all euro cash balances, trade receivables and trade payables and adjusts their translation at the period end for a 10% strengthening of sterling. A positive number below indicates an increase in profit and a negative number a reduction in profit. There would be an equal and opposite impact on profit if sterling devalues by 10% against the euro.

	2012 Impact £	2011 Impact £
Euro	(47,819)	(63,677)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's exposure to credit risk arises from the risk of default by its customers and from risk of a failure of a financial institution in which funds are invested for return or held for trading purposes. The risk of loss from default by the customer is mitigated through comprehensive credit checks and credit control procedures being enforced. With regard to funds or contracts held with financial institutions, the company's policy is to transact with counterparties that hold a minimum credit rating as supplied by independent rating agencies, Standard and Poor's, Moody's Investors Service and Fitch ratings agencies.

The NATS group policy is to allocate limits to the value of investments, foreign exchange transactions and interest rate hedging transactions that may be entered into with a bank or financial institution and to allocate an aggregate credit risk limit. The limits are based upon the institution's credit rating with Standard and Poor's, Moody's and Fitch ratings agencies. Where there is a difference in the rating then the lowest of the ratings is applied.

Currently, the company's investments take the form of bank time deposits. Investments in bank time deposits with maturities up to three months and between three and six months are only entered into with institutions holding a long-term minimum credit rating of A- and A+ respectively from Standard and Poor's or Fitch and A3 and A1 respectively from Moody's.

The table below sets out the group's limits that are applied to each institution based on credit rating and the balances held at 31 March with those institutions:

Rating (Standard and Poor's/Moody's)	Limit per Institution £m
AAA/Aaa	50.0
AA+/Aa1	40.0
AA/Aa2	30.0
AA-/Aa3	20.0
A+/A1	15.0
A/A2	10.0
A-/A3	7.5

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

Rating (Standard and Poor's)	Number of institutions	2012 £	By Credit rating %	Number of institutions	2011 £	By Credit rating %
A+	-	-	-	1	45,434	100
A	1	237,471	100	-	-	-

Liquidity risk management

The responsibility for liquidity risk management rests with the Board with oversight provided by the Treasury Committee. NATSNav is a wholly owned subsidiary of NATS (Services) Limited. In 2002 NATSNav entered into a loan facility, repayable on demand, in an aggregate principal amount of £824,000 with NATS (Services) Limited. The amount outstanding under this loan facility at 31 March 2012 was £676,339 (2011: £673,320). As at 31 March 2012, the company held cash of £237,471 (2011: £45,434).

Maturity of financial liabilities

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

	2012			2011		
	Unsecured loans £	Other liabilities £	Total £	Unsecured loans £	Other liabilities £	Total £
Due within one year or less or on demand	676,339	253,692	930,031	673,320	436,685	1,110,005

12. Financial instruments (continued)

Fair Value of financial instruments

The book values of the financial asset and financial liabilities are stated at amortised cost and are considered to be the same as their fair values.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	£	£	£	£
Trade and other receivables, excluding prepayments and accrued income	218,877	218,877	591,332	591,332
Cash and cash equivalents	237,471	237,471	45,434	45,434
	456,348	456,348	636,766	636,766
Amortised cost	(930,031)	(930,031)	(1,110,005)	(1,110,005)

13. Investments

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
Investments	134,548	134,548

During the year ended 31 March 2009 the company acquired a 16.67% shareholding in ESSP SAS, a French private limited company. NATSNav had a 16.67% share in the ESSP EEIG consortium which has now been dissolved, with a motion being passed on 26 April 2011 by the Belgian President of the Commercial Court permitting the voluntary winding up of the EEIG. During the year ended 31 March 2012 NATSNav received €18,182 (£15,074) and has accrued income for a further €26,208 (£21,844) due in January 2013, in relation to its share of the residual cash balance of ESSP EEIG currently being retained by the entity to fund potential contingent liabilities.

14. Financial Commitments

Guarantees

All shareholders of ESSP SAS, including NATSNav Limited, have provided two joint and several shareholder guarantees up to the amount of €20 million in favour of the European Commission. The terms of the first guarantee relates to ESSP's performance under the EGNOS Service Provision Contract. This guarantee expires on discharge of ESSP's obligations under the contract or following its termination. The second guarantee relates to ESSP's repayment of the pre-financing amount (€10 million) up to the point in time that service payments made by the Commission to ESSP SAS exceed the pre-financing amount.

15. Parent Undertaking

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

The company's ultimate controlling party is the Airline Group, a company incorporated in Great Britain and registered in England and Wales.

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