

NATS Limited
Financial statements
for the year ended 31 March 2015

Company Number: 03155567

Strategic report

Business model and principal activities

The company is a wholly-owned subsidiary of NATS Holdings Limited, the ultimate parent undertaking of the NATS group of companies. The NATS group provides air traffic control services through two principal operating subsidiaries: NATS (En Route) plc (NERL) and NATS (Services) Limited (NATS Services). NATS Limited is an intermediate holding company and the sole shareholder of NERL and NATS Services.

NERL is the sole provider of air traffic control services for aircraft flying en route in UK airspace and the eastern part of the North Atlantic. It is economically regulated by the Civil Aviation Authority (CAA) within the regulatory framework of the European Commission's (EC) Single European Sky (SES) and operates under licence from the Secretary of State for Transport. It operates from two air traffic control centres, at Swanwick in Hampshire and Prestwick in Ayrshire.

NATS Services provides Air Traffic Control (ATC) and aviation related services to a variety of customers in the UK and overseas. It also provides consultancy (including training); aviation information management services to UK and overseas customers; and services to the UK military.

NATS Holdings Limited prepares accounts which consolidate the results and financial position of the company and its subsidiaries. For this reason the company does not present consolidated accounts.

The company also acts as an employer to staff within the NATS group and incurs these staff expenses, and others, on behalf of its subsidiary companies which it recharges through Management Services Agreements (MSA).

At completion of the Public Private Partnership transaction on 26 July 2001, transfer schemes hived down the operating assets and liabilities of NATS Limited to NERL and NATS Services. In addition, the company entered into two MSAs with NERL and NATS Services on 25 July 2001. These agreements provide for the provision by the company of personnel and central services to NERL and NATS Services. The cost of central services is recharged on the basis of a fair allocation of costs taking into account the most important drivers for the services provided. NERL and NATS Services are responsible for paying to the company an amount equal to the aggregate of all costs incurred by the company in connection with the employment of the personnel together with appropriate staff related costs and expenses and disbursements.

Results and financial position

The company's performance for the year is shown in the income statement on page 9 and reflects the results of the company under the MSAs explained above. The results include the impact of a voluntary

redundancy scheme in respect of staff seconded to NATS Services; the costs of these redundancies were recharged to NATS Services. The company reported an operating profit of £nil (2014: £nil).

The company received £77.0m (2014: £62.0) in dividends in the year, £69.5m from NERL (2014: £57.0m) and £7.5m from NATS Services (2014: £5.0m).

The financial position is explained in the balance sheet on page 10. At 31 March 2015 the company had net assets of £240.1m. The company's principal assets are its investments in subsidiaries and amounts receivable from subsidiaries for the recharge of services provided. Its principal liabilities include staff-related costs relating to the NATS group's all-employee share scheme, holiday pay provisions, payroll taxes and social security costs and the remaining liabilities for voluntary redundancies.

The directors' assessment of going concern is explained in note 3.

Principal risks and uncertainties

The principal risk that NATS Limited faces is a subsidiary being unable to meet its obligations as they fall due, which would cause financial distress to the company. The company's subsidiaries have procedures in place to mitigate against market and financial risk and their financial positions are monitored to ensure these amounts due to the company are recoverable.

A full description of the NATS group's principal activities, including key risks and uncertainties, is contained in the Strategic Report section of the Annual Report and Accounts of NATS Holdings Limited.

The Strategic report was approved by the Board of directors on 25 June 2015 and signed on its behalf by:



Richard Churchill-Coleman
Secretary

Report of the directors

The directors present their report, together with the financial statements and auditor's report, for the year ended 31 March 2015.

Details of significant events since the balance sheet date are contained in note 25 to the financial statements.

Information about the use of financial instruments by the company is given in note 13 to the financial statements.

Dividends

The Board declared and paid a first interim dividend of 36.17 pence per share (totalling £51.0m) in June 2014 and a second interim dividend of 18.44 pence per share (totalling £26.0m) that was paid in December 2014. The Board recommends a final dividend for the year of £nil (2014: £nil).

In May 2015 the Board declared an interim dividend for the year ending 31 March 2016 of 38.58 pence per share (totalling £54.4m) which was paid in June 2015.

Directors

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

John Devaney (resigned 31 August 2014)
Richard Deakin (resigned 18 May 2015)
Nigel Fotherby
Martin Rolfe
Catherine Mason (appointed 29 May 2014)

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

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

Directors' indemnities

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

Employees

The company continues its commitment to the involvement of employees in the decision making process through effective leadership at all levels in the organisation. Staff are frequently involved through direct discussions with their managers, cross company work groups and local committees. Regular staff consultations cover a range of topics affecting the workforce, including such matters as unit and corporate performance and business plans. The NATS CEO maintains visibility with staff through visits to NATS locations, where he talks to them about current business issues and takes questions in an open and straightforward manner. Also, employees' views are represented through an open dialogue with Prospect and the Public and Commercial Services Union

(PCS); the recognised unions on all matters affecting employees. This is further enhanced through the 'Working Together' programme aimed at working towards partnership principles as the basis for our relationship. Formal arrangements for consultation with staff exist through a local and company-wide framework agreed with the Trades Unions.

It is the company's policy to establish and maintain competitive pay rates which take full account of the different pay markets relevant to its operations. In return, employees are expected to perform to the required standards and to provide the quality and efficiency of service expected by its customers.

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

The company is also committed to improving employment opportunities for disabled people. The company will continue to promote policies and practices which provide suitable training and retraining, and development opportunities for disabled staff, including any individuals

who become disabled, bearing in mind their particular aptitudes and abilities and the need to maintain a safe working environment. The company strives to maintain the health and safety of all employees through an appropriate culture, well-defined processes and regular monitoring. Line managers are accountable for ensuring health and safety is maintained; responsibility for ensuring compliance with both legal requirements and company policy rests with the HR Director.

Directors' responsibilities

The directors are responsible for preparing this 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 person who is a director at the date of approval of these financial statements confirms that:

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

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

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.

Directors' responsibility statement

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the company;
- the strategic report includes a fair review of the development and performance of the business and position of the company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Auditors

BDO LLP were appointed as auditor during the period. BDO LLP have expressed their willingness to continue in office as auditor and a written resolution of the sole shareholder to re-appoint BDO is expected to be signed on 30 July.

Approved by the Board of Directors and signed on behalf of the Board by:



Richard Churchill-Coleman

Secretary

25 June 2015

Registered office

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

Registered in England and Wales

Company Number: 03155567

Independent auditor's report to the members of NATS Limited

We have audited the financial statements of NATS Limited for the year ended 31 March 2015 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cashflow statement and the related notes. The financial reporting framework 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 statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2015 and of its profit for the period 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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Malcolm Thixton (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Southampton

United Kingdom

25 June 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement
for the year ended 31 March

		2015			Restated 2014		
Notes	Before exceptional items £m	Exceptional items £m	Result for the year £m	Before exceptional items £m	Exceptional items £m	Result for the year £m	
Revenue	4	459.2	9.2	468.4	472.3	513.1	
Staff costs	7(a)	(451.1)	(9.2)	(460.3)	(463.6)	(504.4)	
Services and materials		(0.4)	-	(0.4)	(0.3)	(0.3)	
Repairs and maintenance		(0.1)	-	(0.1)	(0.1)	(0.1)	
Other operating charges		(7.7)	-	(7.7)	(8.3)	(8.3)	
Other operating income		0.1	-	0.1	-	-	
Net operating costs		(459.2)	(9.2)	(468.4)	(472.3)	(513.1)	
Operating result	6	-	-	-	-	-	
Investment revenue	8	77.0	-	77.0	62.0	62.0	
Profit before tax		77.0	-	77.0	62.0	62.0	
Tax	9	-	-	-	(0.1)	(0.1)	
Profit for the year attributable to equity shareholders		77.0	-	77.0	61.9	61.9	

Statement of comprehensive income
for the year ended 31 March

	2015 £m	2014 £m
Profit for the year after tax	77.0	61.9
Items that will not be subsequently reclassified to profit and loss:		
Actuarial loss on defined benefit pension scheme	21(b) (14.1)	(1.3)
Deferred tax relating to components of other comprehensive income	16 2.8	0.3
Other comprehensive loss for the year net of tax	(11.3)	(1.0)
Total comprehensive income for the year attributable to equity shareholders	65.7	60.9

Balance sheet
 at 31 March

	Notes	2015 £m	2014 £m
Non-current assets			
Property, plant and equipment	11	-	-
Investments	23	244.6	244.6
Trade and other receivables	12	0.3	0.4
Deferred tax asset	16	3.0	0.2
		<u>247.9</u>	<u>245.2</u>
Current assets			
Trade and other receivables	12	68.3	85.1
Cash and cash equivalents	13	6.2	5.6
		<u>74.5</u>	<u>90.7</u>
Total assets		<u>322.4</u>	<u>335.9</u>
Current liabilities			
Trade and other payables	14	(55.5)	(56.1)
Provisions	15	(9.4)	(26.7)
		<u>(64.9)</u>	<u>(82.8)</u>
Net current assets		<u>9.6</u>	<u>7.9</u>
Non-current liabilities			
Trade and other payables	14	(1.1)	(0.7)
Retirement benefit obligations	21(b)	(14.6)	(0.5)
Provisions	15	(1.7)	(0.5)
		<u>(17.4)</u>	<u>(1.7)</u>
Total liabilities		<u>(82.3)</u>	<u>(84.5)</u>
Net assets		<u>240.1</u>	<u>251.4</u>
Equity			
Called up share capital	17	141.0	141.0
Other reserves		(50.0)	(50.0)
Retained earnings		149.1	160.4
Total equity		<u>240.1</u>	<u>251.4</u>

The financial statements (Company number: 03155567) were approved by the Board of directors and authorised for issue on 25 June 2015 and signed on its behalf by:

Chief Executive



Martin Rolfe

Finance Director



Nigel Fotherby

Statement of changes in equity
for the year ended 31 March

Equity attributable to equity share holders of the Company

	Share capital £m	Other reserves ¹ £m	Retained earnings £m	Total £m
At 1 April 2013	141.0	(50.0)	161.5	252.5
Profit for the year	-	-	61.9	61.9
Other comprehensive loss for the year	-	-	(1.0)	(1.0)
Total comprehensive income for the year	-	-	60.9	60.9
Dividends paid	-	-	(62.0)	(62.0)
At 31 March 2014	141.0	(50.0)	160.4	251.4
At 1 April 2014	141.0	(50.0)	160.4	251.4
Profit for the year	-	-	77.0	77.0
Other comprehensive loss for the year	-	-	(11.3)	(11.3)
Total comprehensive income for the year	-	-	65.7	65.7
Dividends paid	-	-	(77.0)	(77.0)
At 31 March 2015	141.0	(50.0)	149.1	240.1

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

Cash flow statement
for the year ended 31 March

	Notes	2015 £m	2014 £m
Net cash flow from operating activities	18	0.6	(0.2)
Cash flows from investing activities			
Dividends received		77.0	62.0
Net cash inflow from investing activities		77.0	62.0
Cash flows from financing activities			
Dividends paid		(77.0)	(62.0)
Net cash outflow from financing activities		(77.0)	(62.0)
Increase/(decrease)in cash and cash equivalents during the year		0.6	(0.2)
Cash and cash equivalents at 1 April		5.6	5.8
Cash and cash equivalents at 31 March		6.2	5.6

1. General information

NATS Limited 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 6. The nature of the company's operations and its principal activities are set out in the Report of the directors and in the Strategic report.

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

2. Accounting policies

The following accounting policies have been applied consistently both in the current and prior years 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 page 19. 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 Interpretations Committee (IFRIC) interpretations as endorsed by the European Union and therefore the company financial statements comply with Article 4 of the EU IAS Regulation.

During the year, the company has adopted the amendments to IAS 32, on offsetting financial assets and liabilities, IAS 36 on recoverable amount disclosures for non-financial assets and IAS 39, on novation of derivatives and continuation of hedge accounting. The company has also adopted IFRIC Interpretation 21 'Levies'. The adoption of these amendments and the Interpretation has not had a significant impact on the company's profit for the period, net assets or cash flows.

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 9: *Financial Instruments*

IFRS 15: *Revenue from Contracts with Customers*

IFRS 10 and IAS 28 (amendments): *Sale or Contributions of Assets Between an Investor and its Associate or Joint Venture*

IAS 1 (amendments): *Disclosure Initiative*

IAS 16 and IAS 38 (amendments): *Clarification of Acceptable Methods of Depreciation and Amortisation*

IAS 19 (amendments): *Defined Benefit Plans: Employee Contributions*

IFRS 9 *Financial Instruments* deals with classification of financial assets and liabilities, hedge accounting and introduces a new expected credit losses model. The standard is expected to have one main impact on the company: the adoption of the expected credit losses model in assessing the fair value of trade and contract receivables. The standard is effective for reporting periods beginning on or after 1 January 2018 subject to EU endorsement. The company will assess the impact of IFRS 9 closer to the implementation date.

IFRS 15 *Revenue from Contracts with Customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service. The standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017, but the IASB is currently consulting on whether to defer this date to 1 January 2018. The company will assess the impact of IFRS 15 closer

to the implementation date.

The directors do not expect that the adoption of the other standards and interpretations listed above will have a material impact on the financial statements in future periods.

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

Restatement

Prior year revenue and staff costs have been restated and increased by £43.6m, to reflect the recharge of internal labour costs (at cost) which are capitalised by the company's subsidiaries. The restatement does not impact on the previously reported result or financial position.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the NATS Executive team, who is considered to be the chief operating decision maker. An operating segment is a component of NATS Limited that engages in business activities from which it may earn revenues and incur expenses. Operating segments' operating 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, where contribution represents revenue less costs directly attributed to individual service lines. Segment results that are reported to the NATS Executive team include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Costs that are not attributed to service lines include the cost of central support functions, depreciation and amortisation (net of government grants), pension

accrual rate variances to budget, employee share scheme costs, goodwill impairment, redundancy and relocation costs, the cost of investing in business growth and any profit/(loss) on disposal of non-current assets.

Exceptional items

Items which are deemed by the directors to be exceptional by virtue of their nature or size are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the income statement to assist in understanding the financial performance of the company.

Operating profit

Operating profit is stated after charging restructuring costs but before investment income, finance costs and taxation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised as follows:

- ◆ Income from the rendering of services is recognised when the outcome can be reliably estimated and then by reference to the stage of completion of the transaction at the balance sheet date;
- ◆ Sales of goods are recognised when they are delivered and title has passed;
- ◆ Interest income is recognised on a time-proportion basis using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount;
- ◆ Dividend income is recognised when the shareholder's rights to receive payment have been established; and
- ◆ Turnover is recognised in accordance with the Management Services Agreements.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other items are classified as operating leases.

The company does not have any finance leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairments 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 as follows:

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

Deferred grants and other contributions to property, plant and equipment

Government grants as contributions to non-current assets are treated as deferred income which is

credited 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 income in the period to which they relate.

Share based payments

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

In 2001, the company established an All-Employee Share Ownership Plan 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 The Airline Group (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. 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.

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

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets 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.

Under the Finance Bill 2013 which was enacted on 17 July 2013, the corporation tax rate was reduced to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The future 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.

Foreign currency translation

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on 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.

Retirement benefit costs

The Civil Aviation Authority 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 to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Defined benefit costs are split in to three categories:

- 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 21. These include: closing the defined benefit scheme to new entrants with effect from 1 April 2009, and establishing a defined contribution scheme for new entrants from 1 April 2009, limiting the rate of increase in pensionable pay and changing the indexation reference rate for future service.

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

Provisions

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

Financial instruments

Financial assets and financial liabilities are recognised 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 notes 12 – 14.

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; and
- 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.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs.

Other than loans and receivables the company does not have financial assets in other categories.

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.

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, 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 three months or less) that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

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

Fair value through the profit and loss

Financial liabilities at fair value through the profit and loss 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 and debt securities 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 accrual 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 year in which they arise.

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 receipts over the expected life of the financial asset.

Equity instruments

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.

Investment in subsidiaries

A subsidiary is an entity in which the company has control. The existence and effect of voting rights that are currently exercisable or convertible are considered when assessing whether the company has such power over another entity.

Investment in subsidiaries is carried in the balance sheet at cost less any impairment losses.

Consolidated financial statements are not presented by the company for the year ended 31 March 2015 as they are presented by the parent undertaking NATS Holdings Limited.

3. Critical judgements and key sources of estimation uncertainty

Retirement benefits

The company accounts for its defined benefit pension scheme such that the net pension scheme asset or liability is reported on the balance sheet with actuarial gains and losses being recognised directly in equity through the statement of comprehensive income. To the extent that there is a net pension scheme asset, this assumes economic benefit will arise, at least to the extent shown, from contributions to the pension scheme at a rate below the future cost of pension benefits.

A number of key assumptions have been made in calculating the fair value of the company's defined benefit pension scheme which affects the balance sheet position and the company's reserves and income statement. Refer to note 21 of the notes to the accounts for a summary of the main assumptions. Actual outcomes may differ materially from the assumptions used and may result in volatility in the net pension scheme asset/liability.

Going concern

The company's business activities, together with the factors likely to affect its performance and the financial position of the company, its cash flows and liquidity position are explained in the Strategic report. Note 13 also describes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company had cash balances of £6.2m at the balance sheet date together with formal arrangements with its subsidiaries on the recovery of costs. As a result, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain current economic outlook.

The directors have formed a judgement that taking into account the financial resources available to the company, it has adequate resources to

continue to operate for the foreseeable future and have therefore adopted the going concern basis in the preparation of the financial statements for the year ended 31 March 2015.

4. Revenue

An analysis of the company's revenue is provided as follows:

	2015 £m	Restated 2014 £m
Services provided to NATS (En Route) plc	341.3	393.9
Services provided to NATS (Services) Limited	127.1	119.2
	<u>468.4</u>	<u>513.1</u>
Investment revenue (see note 8)	77.0	62.0
	<u>545.4</u>	<u>575.1</u>

All revenue is derived from continuing operations. Note 5 summarises the source of revenues by business and geographical segment. Other revenue is described on the face of the income statement and is included in note 8.

5. Business and geographical segments**Business segments**

For management reporting purposes, the company is currently organised into one business area.

Principal activities are as follows:

The company acts as an employer to staff within the NATS group of companies. The company seconded staff to the two principal operating companies within the group (NERL and NATS Services). It also provides central services to these two companies. The provision of these services is governed by Management Services Agreements (MSA) between the two operating companies and NATS Limited. In accordance with the MSA, NERL and NATS Services pay fees to NATS Limited for the provision of the company's services.

Segment information about the provision of these services is presented below:

	2015 Total £m	Restated 2014 Total £m
Revenue		
Revenue from internal customers	<u>468.4</u>	<u>513.1</u>
Segmental operating result	-	-
Investment revenue	<u>77.0</u>	<u>62.0</u>
Profit before tax	77.0	62.0
Tax	-	(0.1)
Profit for the year	<u>77.0</u>	<u>61.9</u>
Balance Sheet		
Segmental assets	<u>322.4</u>	<u>335.9</u>
Segmental liabilities	<u>(82.3)</u>	<u>(84.5)</u>

Geographical segments

The company's two customers (NERL and NATS Services) are both located in the UK and all company assets are also located within the UK.

All revenue is derived from the company's two customers (NERL and NATS Services).

6. Operating result for the year

Operating result for the year has been arrived at after charging:

a. Redundancy costs

NATS (Services) Limited is undertaking a reorganisation, which included voluntary redundancies in the year. Last year, NERL undertook a voluntary redundancy programme to reduce its operating costs to meet the challenging cost efficiency targets set for Reference Period 2 (RP2: 2015-2019). These costs are considered to be exceptional. The group also incurs other redundancy costs in the normal course of business. Under the MSA, the company recharges to, and recovers from, the cost of redundancies incurred by its subsidiaries.

	2015 £m	2014 £m
Exceptional redundancy costs	9.2	40.8
Other redundancy costs	1.2	0.6
	<u>10.4</u>	<u>41.4</u>

Redundancy costs include pension augmentation costs, see note 7a.

b. Other items

	2015 £m	2014 £m
Auditor's remuneration for audit services (see below)	0.1	0.2

Fees payable to BDO 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.

7. Staff costs

The company is responsible for employing the staff engaged in the activities carried out by both NERL and NATS Services. Under the terms of the respective Management Services Agreements (MSA) dated 25 July 2001 the services of certain employees are seconded to NERL and NATS Services by the company. NERL and NATS Services are responsible for paying to the company an amount equal to the aggregate of all costs incurred by the company in connection with the employment of the seconded employees (including all taxes and social security and pension costs) together with appropriate staff related costs and expenses and disbursements. The total staff costs incurred by the company for the group were:

a) Staff costs

	2015 £m	Restated 2014 £m
Salaries and staff costs, including directors' remuneration, were as follows:		
Wages and salaries	314.4	352.1
Social security costs	33.6	33.1
Pension costs (note 7(b))	112.3	119.2
	<u>460.3</u>	<u>504.4</u>

Wages and salaries include redundancy costs of £8.1m (2014: £39.5m), share-based payment charges, other allowances and holiday pay. Pension costs include £2.3m (2014: £1.9m) for redundancy related augmentation payments which staff elected to receive in lieu of severance payments.

None of the directors received remuneration for their services to the company. Director's remuneration for services provided to the NATS group are disclosed in the accounts of NATS Holdings Limited, and included in the table above.

The staff costs for the company net of the staff costs for those staff seconded to NERL and NATS Services under the respective MSAs were as follows:

	2015 £m	2014 £m
Salaries and staff costs, including directors' remuneration, were as follows:		
Wages and salaries	2.4	4.5
Social security costs	0.4	0.6
Pension costs (note 7(b))	0.7	1.3
	<u>3.5</u>	<u>6.4</u>

Wages and salaries include redundancy costs of £nil (2014: £0.1m), share based payment charges, other allowances and holiday pay. Pension costs include £nil (2014: £nil) for redundancy related augmentation payments which staff elected to receive in lieu of severance payments.

7. Staff costs (continued)**b) Pension costs (see note 21)**

	2015 £m	2014 £m
Defined benefit pension scheme costs	105.0	113.3
Defined contribution pension scheme costs	7.3	5.9
	<u>112.3</u>	<u>119.2</u>

Wages and salaries and pension costs reflect pension salary sacrifice arrangements for all staff. The pension costs for the company net of the pension costs for those staff seconded to NERL and NATS Services under the respective MSAs were as follows:

	2015 £m	2014 £m
Defined benefit pension scheme costs	0.6	1.2
Defined contribution pension costs	0.1	0.1
	<u>0.7</u>	<u>1.3</u>

c) Staff numbers

The monthly average number of employees (including secondments to NERL and NATS Services under the MSA) was:	2015 No.	2014 No.
Air traffic controllers	1,737	1,843
Air traffic service assistants	691	723
Engineers	958	996
Others	925	957
	<u>4,311</u>	<u>4,519</u>

The monthly average number of employees excluding secondments to NERL and NATS Services was:	No.	No.
Air traffic controllers	-	3
Air traffic service assistants	-	1
Engineers	4	9
Others	31	48
	<u>35</u>	<u>61</u>

8. Investment revenue

	2015 £m	2014 £m
Income from shares in group undertakings	<u>77.0</u>	<u>62.0</u>

9. Tax

	2015 £m	2014 £m
Current tax	-	-
Deferred tax charge (see note 16)	-	0.1
Effect of rate change on opening balances	-	0.1

Corporation tax is calculated at 21% (2014: 23%) of the estimated assessable profit for the year.

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

	2015 £m	%	2014 £m	%
Profit on ordinary activities before tax	77.0		62.0	
Tax on profit on ordinary activities at standard rate in the UK of 21% (2014: 23%)	(16.2)	(21.0%)	(14.3)	(23.0%)
Tax effect of dividend income not assessed in determining taxable profit	16.2	21.0%	14.3	23.0%
Tax effect of change in corporation tax rate from 21% to 20% (2014: 23% to 20%)	0.1	0.1%	-	-
Tax effect of prior year adjustments	0.1	0.1%	-	-
Other permanent differences	(0.2)	(0.2%)	0.1	0.2%
Tax charge for year at an effective tax rate of 0.0% (2014: 0.2%)	-	-	0.1	0.2%
Deferred tax credit taken directly to equity (see note 16)	2.8		0.3	

10. Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the year		
First interim dividend of 36.17 pence per share (2014: 32.98 pence per share) paid in June 2014	51.0	46.5
Second interim dividend of 18.44 pence per share (2014: 10.99 pence per share) paid in December 2014	26.0	15.5
	77.0	62.0

In May 2015 the Board declared an interim dividend for the year ending 31 March 2016 of 38.58 pence per share (totalling £54.4m), which was paid to the company's parent in June 2015.

11. Property, plant and equipment

The company has assets with an original cost of £1.0m which are fully depreciated (2014: £1.0m). The net book value of property, plant and equipment at 31 March 2015 was £nil (2014: £nil). Depreciation charges amounted to £nil (2014: £nil).

12. Financial and other assets

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

Trade and other receivables

	2015 £m	2014 £m
Non-current		
Other debtors	0.3	0.4
Current		
Other debtors	0.7	1.0
Intercompany debtors	67.0	83.2
Prepayments	0.6	0.9
	68.3	85.1

The company does not have any external customers. Its customers are subsidiaries. No allowance has been made for irrecoverable amounts on the outstanding balances. The company's subsidiaries have procedures in place to mitigate against market and financial risk and their financial positions are monitored to ensure that amounts due to the company are recoverable. The company supplies management services to its subsidiaries under the Management Services Agreement.

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 these assets approximates to their fair value.

Overall, the maximum credit risk for the items discussed above would be £74.2m (2014: £90.2m).

13. Financial instruments**Capital risk management**

The company manages its capital to ensure that it is able to continue as a going concern.

The capital structure of the company consists of cash and cash equivalents 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 instrument

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

	2015 £m	2014 £m
Financial assets		
Trade and other receivables, excluding prepayments	68.0	84.6
Cash and cash equivalents	6.2	5.6
	<u>74.2</u>	<u>90.2</u>
Financial liabilities		
Amortised cost	<u>(56.6)</u>	<u>(56.8)</u>

Amortised cost includes trade and other payables (excluding deferred income) and social security liabilities.

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 group. The function has clear policies and operating parameters. The Treasury Committee provides oversight and meets three times a year to approve strategy and to monitor compliance with Board policy. The Treasury function does not operate as a profit centre and the undertaking of speculative transactions is not permitted. The principal financial risks arising from the company's activities include market risk (cash flow interest rate risk), credit risk and liquidity risk. The company had no debt at 31 March 2015 (2014: £nil).

Market risk

The company's activities expose it to the financial risk of changes in interest rates on cash deposits. The company is not exposed to interest rate risk on borrowings. It has no material risk as a result of changes in foreign currency exchange rates as it only holds a Euro cash balance of £0.1m to make foreign currency purchases.

Interest rate risk management

The company had no debt at 31 March 2015 or 31 March 2014.

Economic interest rate exposure

The company's cash and short term deposits were as follows:

Currency	2015			Currency	2014		
	Amount £m	Economic interest rate %	Cash Average maturity days		Amount £m	Economic interest rate %	Cash Average maturity days
Sterling	6.1	0.4	1	Sterling	5.5	0.4	2
Euro	0.1	-	1	Euro	0.1	-	1
	<u>6.2</u>				<u>5.6</u>		

Interest rate sensitivity analysis

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

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

	2015 Impact £m	2014 Impact £m
Cash on deposit (2015: £6.2m, 2014: £5.6m)	<u>0.1</u>	<u>0.1</u>

13. Financial Instruments (continued)**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's exposure to credit risk arises from the risk of default by its fellow subsidiaries 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 fellow subsidiaries and the mitigations against this risk are explained in note 12. With regard to funds or contracts held with financial institutions, the company's policy is to transact with counterparties that hold a minimum credit rating as supplied by independent rating agencies, Standard & Poor's, Moody's Investors Service ("Moody's") and Fitch Ratings.

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

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 & Poor's or Fitch and A3 and A1 respectively from Moody's. However, dependent on market conditions, tighter restrictions on rating requirements and lower limits may be placed on the duration deposits. Hence, since the 2008 financial crisis, the company has restricted deposits with banks rated below AA/Aa2 to a maximum of one week.

The table below sets out the group's limits that are applied to each institution based on credit rating:

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 & Poor's):

Rating (Standard & Poor's)	2015			2014		
	Number of institutions	£m	By credit rating %	Number of institutions	£m	By credit rating %
A	1	6.0	96.8%	2	5.4	96.4%
A-	1	0.2	3.2%	1	0.2	3.6%
		<u>6.2</u>	<u>100.0%</u>		<u>5.6</u>	<u>100.0%</u>

Liquidity risk management

The responsibility for liquidity management rests with the Board with oversight provided by the Treasury Committee. The company manages liquidity by maintaining adequate reserves and borrowing facilities by monitoring actual and forecast cash flows and ensuring funding is diversified by source and maturity and is available at competitive cost. The company had no debt at the year end.

Maturity of non-derivative 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.

	2015 Other liabilities £m	2014 Other liabilities £m
Due within one year or less	55.5	56.1
Between one and two years	0.5	0.4
Due between two and five years	0.3	0.3
Due in more than five years	0.3	-
	<u>56.6</u>	<u>56.8</u>

Fair values of financial instruments

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.

14. Financial and other liabilities**Trade and other payables**

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

	2015 £m	2014 £m
Current		
Trade payables	0.8	0.4
Other payables	0.1	-
Tax and social security	10.2	10.5
Accruals and deferred income	44.4	45.2
	<u>55.5</u>	<u>56.1</u>
Non-current		
Accruals and deferred income	1.1	0.7
	<u>56.6</u>	<u>56.8</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days (2014: 25 days). The directors consider that the carrying amount of the trade payables approximates to their fair value.

15. Provisions

	Redundancy £m	Other £m	Total £m
At 1 April 2014	(26.8)	(0.4)	(27.2)
Additional provision in the year	(10.9)	-	(10.9)
Release of provision	0.5	-	0.5
Utilisation of provision	26.1	0.4	26.5
At 31 March 2015	<u>(11.1)</u>	<u>-</u>	<u>(11.1)</u>
	Redundancy £m	Other £m	Total £m
Amounts due for settlement within 12 months	(9.4)	-	(9.4)
Amounts due for settlement after 12 months	(1.7)	-	(1.7)
	<u>(11.1)</u>	<u>-</u>	<u>(11.1)</u>

The redundancy provision represents the best estimate of the future cost of redundancy payments to employees that have committed to the group's redundancy programme at 31 March 2015. The ageing of the provision reflects the expected timing of employees leaving the group.

16. Deferred tax

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

	Accelerated tax depreciation £m	Retirement benefits scheme £m	Total £m
At 1 April 2013	(0.1)	0.1	-
Charge to income	-	0.1	0.1
Credit to equity	-	(0.3)	(0.3)
At 31 March 2014	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.2)</u>
Charge to income	-	-	-
Credit to equity	-	(2.8)	(2.8)
At 31 March 2015	<u>(0.1)</u>	<u>(2.9)</u>	<u>(3.0)</u>

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2015 £m	2014 £m
Deferred tax liabilities	-	-
Deferred tax assets	3.0	0.2
	<u>3.0</u>	<u>0.2</u>

17. 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 2015 and 31 March 2014	150,000,100	150.0	141,000,005	141.0

18. Notes to the cash flow statement

	2015 £m	2014 £m
Operating result from continuing operations	-	-
Adjustments for:		
Pension scheme funding	-	(0.3)
Operating cash flows before movements in working capital	-	(0.3)
Decrease/ (increase) in trade and other receivables	16.9	(32.9)
(Decrease)/ increase in trade and other payables and provisions	(16.3)	33.0
Cash generated from operations	0.6	(0.2)
Tax	-	-
Net cash flow from operating activities	0.6	(0.2)

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.

19. Financial commitments

	2015 £m	2014 £m
Capital commitments contracted but not provided for in the accounts.	-	-
Minimum lease payments under operating leases recognised in income for the year.	0.2	0.2

At the balance sheet date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £m	2014 £m
Within one year	2.0	1.3
In the second to fifth years inclusive	1.6	1.3
After five years	0.8	1.1
	4.4	3.7

Operating lease payments represent rentals payable by the company for certain of its properties, equipment and vehicles. Leases are negotiated on varying terms depending on the type of asset leased.

20. 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 NATS Holdings Limited. The plan is administered by NATS Employee Sharetrust Limited. The scheme allows for free shares, dividend shares, partnership shares and matching shares to be awarded to employees. 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 2015	No. employee shares outstanding at 31 March 2014
Free share awards			
21 September 2001	3,353,742	376,757	443,320
20 October 2003	2,459,000	353,218	414,934
10 September 2004	1,966,000	546,818	661,039
11 January 2008	1,071,840	444,100	550,080
18 September 2009	963,200	527,371	738,820
Partnership shares			
1 March 2011	694,783	568,408	611,041
26 September 2012	714,959	628,257	672,112
30 May 2014	496,738	466,750	-
Matching shares			
1 March 2011	694,783	572,260	611,041
26 September 2012	714,959	628,257	672,112
30 May 2014	496,738	466,750	-
		5,578,946	5,374,499
Dividend shares issued on 28 June 2005	247,017	45,306	52,978
Total employee shares in issue at 31 March		5,624,252	5,427,477

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

	Movement in the no. of shares during the year ended 31 March 2015	Movement in the no. of shares during the year ended 31 March 2014
Balance at 1 April	5,427,477	5,851,028
Granted during the year	993,476	-
Forfeited during the year	(11,943)	(9,443)
Exercised during the year	(784,758)	(414,108)
Balance at 31 March	5,624,252	5,427,477

These shares are valued every six months by independent valuers using discounted cash flows and income multiple methods of valuation. As at 31 March 2015 the price of an employee share was valued at £4.30 (2014: £4.50). The liability on the balance sheet for the employee shares at 31 March 2015 was £21.8m (2014: £21.7m) included in other accruals and deferred income. The payments made to employees for the shares they exercised during the year was £3.4m (2014: £1.7m).

21. Retirement benefit scheme

Defined contribution scheme

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

The company operates a salary sacrifice arrangement whereby employees sacrifice an element of their salary in favour of contributions to the pension scheme. 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 contribution of 18%. For the year ended 31 March 2015 employer contributions of £4.9m (2014: £3.9m), excluding employee salary sacrifice contributions of £2.4m (2014: £2.0m), represented 14.1% of pensionable pay (2014: 13.6%). Employee contributions for staff employed directly by the company of £0.1m (2014: £0.1m), excluding employee salary sacrifice contributions, represented 13.2% of pensionable pay (2014: 11.2%).

The defined contribution scheme had 709 members at 31 March 2015 (2014: 672), of which 11 were company members (2014: 12).

Defined benefit scheme

NATS Limited (formerly National Air Traffic Services Limited), 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 required the assets relating to the liabilities of NATS active employees at 31 March 2001 to be separately identified within CAAPS. CAAPS was divided into two sections to accommodate this, namely the CAA section and the NATS section, and a series of common investment funds was established in which both sections participate for investment purposes. The assets and membership of the scheme prior to transfer were allocated between these sections in accordance with Statutory Instrument 2001 Number 853, Transport Act 2000 (Civil Aviation Authority Pension Scheme) Order 2001. The assets of the scheme are held in a separate trustee administered fund. CAAPS is governed by a board of Trustees which is responsible for implementing the funding and investment strategy. The board comprises 6 employer (NATS and CAA) and 6 member-nominated trustees, as well as an independent chairman.

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

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

Trustees' funding assessment

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

The last Trustees' funding assessment of the NATS' section was carried out at 31 December 2012 and used the projected unit credit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rate of increase in pensionable salaries and pensions. For the purpose of the Trustees' funding assessment, it was assumed that the annual investment returns before retirement will be 3.37% higher than the annual general increases in salaries (allowance is also made for further salary increases due to promotions) and the annual investment returns for pensions in payment will be 0.22% higher than the annual increases in pensions.

The market value of NATS section assets at 31 December 2012 was £3,527.5m. 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 £382.6m, corresponding to a funding ratio of 90.2%.

The 2012 valuation showed that, based on long-term financial assumptions, the contribution rate required to meet future benefit accrual for RPI-linked benefits was 39.0% of pensionable salaries (33.3% employers and 5.7% employees) and for CPI-linked benefits which accrue from 1 November 2013 was 34.4% of pensionable salaries (28.7% employers and 5.7% employees). In addition, NATS makes payments to the scheme to cover administration costs, including the Pension Protection Fund (PPF) levy, of 0.7% of pensionable salaries.

Contributions to the pension scheme

The company is an employer to staff in the NATS group. Staff are seconded to NERL and NATS Services under the respective Management Services Agreements (MSA) with these companies (see Strategic Report, page 1). Under the MSA, the company is obliged to pay all salaries and other benefits (including pension contributions) for the staff. NERL and NATS Services pay fees to the company for the services it provides including those of the staff. The pensions cost reported below shows the costs for both the total staff employed by the company and for the staff who work directly for the company (i.e. excluding staff seconded to NERL and NATS Services).

Following the 2012 valuation, NATS and the Trustees agreed a recovery plan which would see the funding deficit repaid by 2023. Under the schedule of contributions, normal contributions were paid at 36.7% of pensionable pay until 31 December 2014 and at 29.4% from 1 January 2015 to 31 December 2023. Deficit recovery contributions for the period 1 April 2013 until 31 December 2013 were made at £2.1m per month and at £2.2m per month for calendar year 2014. These are being made at £2.4m per month for calendar year 2015 and increase by 2.37% annually thereafter. NATS' share of deficit recovery contributions for directly employed staff is c.1%.

21. Retirement benefit scheme (continued)

As an employer to staff in the NATS group, during the year the group paid cash contributions to the scheme of £138.7m (2014: £145.4m). This amount included £15.2m (2014: £15.6m) 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 45.0% (2014: 46.0%) of pensionable pay. Contributions for staff working directly for NATS Limited were £0.6m (2014: £1.5m). This included salary sacrifice contributions of £0.1m (2014: £0.1m).

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

The estimated contributions expected to be paid to the scheme for all staff in the NATS group during the financial year ending 31 March 2016 is £123.3m, including salary sacrifice contributions estimated at £15.4m. Contributions for staff who work directly for NATS Limited are expected to be £0.9m including salary sacrifice contributions estimated at £0.1m.

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 2012, 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.

On transition to IFRS, the company elected to adopt a 'clean start' approach which recognised all actuarial gains and losses at 1 April 2004, and it has reported under an immediate recognition approach in subsequent periods. 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.

The Trustees' funding assessment was carried out as at 31 December 2012 was updated to 31 March 2015 for the company's accounting valuation under IAS 19. 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:

	2015	2014	2013
RPI inflation	2.95%	3.35%	3.35%
CPI inflation	1.85%	2.35%	2.45%
Increase in:			
- salaries	2.10%	2.60%	2.70%
- deferred pensions	2.95%	3.35%	3.35%
- pensions in payment	2.95%	3.35%	3.35%
Discount rate for net interest expense	3.35%	4.50%	4.45%

The mortality assumptions have been drawn from actuarial tables 101% S1PMA light and 99% S1PFA light with future improvements in line with CMI 2011 projections for male/female members, subject to a long term improvement of 1.5% p.a. This is unchanged from 2014. These tables assume that the life expectancy, from age 60, for a male pensioner is 29.4 years and a female pensioner is 31.0 years. Allowance is made for future improvements in longevity, such that based on the average age of the current membership (45), when these members reach retirement, life expectancy from age 60 will have increased for males to 31.1 years and for females to 32.8 years.

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

- asset volatility: for accounting purposes, scheme liabilities are determined using a discount rate set by reference to high quality corporate bond yields. If scheme assets under-perform relative to this yield, this will create a deficit. As explained below, NATS and Trustees are reviewing measures to de-risk the scheme by investing more in assets which better match the liabilities.
- changes in bond yields: a decrease in the yield on high quality corporate bonds will increase scheme obligations, although this is partly mitigated by an increase in the value of the scheme's holdings of bonds.
- inflation risk: the scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the scheme's assets (such as equities) are real in nature and so provide some inflation protection, but overall, an increase in inflation will adversely impact on the funding position.
- life expectancy (mortality): the majority of the scheme's obligations are to provide benefits for the life of a member, so an increase in life expectancy will result in an increase in the scheme's obligations.

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

Assumption:	Change in assumption:	Impact on scheme liabilities:
Discount rate	Increase/decrease by 0.5%	Decrease by 11.1%/Increase by 13.0%
Rate of inflation	Increase/decrease by 0.5%	Increase by 12.9%/Decrease by 11.0%
Rate of salary growth	Increase/decrease by 0.5%	Increase by 3.2%/Decrease by 3.0%
Rate of mortality	1 year increase in life expectancy	Increase by 2.6%

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.

21. Retirement benefit scheme (continued)**a) The pension costs of the total staff employed by NATS Limited were:**

Amounts recognised in the consolidated income statement of NATS Holdings Limited, in the staff costs line item, in respect of the defined benefit scheme are as follows:

	2015 £m	2014 £m
Current service cost	(103.5)	(113.5)
Past service cost	(2.2)	(1.9)
Net interest expense	2.6	3.9
Administrative expenses	(1.9)	(1.8)
	<u>(105.0)</u>	<u>(113.3)</u>

Remeasurements recorded in the consolidated statement of comprehensive income of NATS Holdings Limited are as follows:

	2015 £m	2014 £m
Return on plan assets (excluding amounts included in net interest expense)	308.3	71.0
Actuarial gains and losses arising from changes in financial assumptions	(751.5)	45.2
Actuarial gains and losses arising from changes in demographic assumptions	-	-
Actuarial gains and losses arising from experience adjustments	68.8	(174.6)
	<u>(374.4)</u>	<u>(58.4)</u>

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

	2015 £m	2014 £m
Present value of defined benefit obligations	(5,050.2)	(4,178.7)
Fair value of scheme assets	4,697.2	4,166.4
	<u>(353.0)</u>	<u>(12.3)</u>

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

	2015 £m	2014 £m
At 1 April	(4,178.7)	(3,859.1)
Current service cost	(103.5)	(113.5)
Past service cost	(2.2)	(1.9)
Interest expense on defined benefit scheme obligations	(185.7)	(169.6)
Actuarial gains and losses arising from changes in financial assumptions	(751.5)	45.2
Actuarial gains and losses arising from changes in demographic assumptions	-	-
Actuarial gains and losses arising from experience adjustments	68.8	(174.6)
Contributions from scheme members	(0.1)	(0.1)
Benefits paid	102.7	94.9
	<u>(5,050.2)</u>	<u>(4,178.7)</u>

The average duration of the scheme's liabilities at the end of the year is 24.0 years (2014: 24.3 years). The present value of the defined benefit obligation can be analysed by member group as follows:

	2015 £m	2014 £m
Active members	2,794.2	2,317.8
Deferred members	442.9	291.7
Pensioners	1,813.1	1,569.2
	<u>5,050.2</u>	<u>4,178.7</u>

21. Retirement benefit scheme (continued)

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

	2015 £m	2014 £m
At 1 April	4,166.4	3,873.1
Interest income on scheme assets	188.3	173.5
Return on plan assets (excluding amounts included in net interest expense)	308.3	71.0
Contributions from scheme members	0.1	0.1
Contributions from sponsoring company	138.7	145.4
Benefits paid	(102.7)	(94.9)
Administrative expenses	(1.9)	(1.8)
At 31 March	<u>4,697.2</u>	<u>4,166.4</u>

The major categories of scheme assets were as follows:

	2015 £m	2014 £m
Cash and cash equivalents	95.4	122.7
Equity instruments		
- UK	334.8	302.2
- Europe	97.0	87.8
- North America	285.5	257.0
- Japan	41.6	36.4
- Pacific (excluding Japan)	111.7	103.1
- Emerging markets	332.1	321.5
- Global	683.8	595.8
	<u>1,886.5</u>	<u>1,703.8</u>
Bonds		
- Corporate bonds	913.3	855.2
- Index-linked gilts over 5 years	1,154.7	692.6
	<u>2,068.0</u>	<u>1,547.8</u>
Other investments		
- Property	258.8	258.5
- Hedge funds	207.8	181.8
- Global tactical asset allocation	118.5	104.1
- Private equity funds	142.9	118.0
	<u>728.0</u>	<u>662.4</u>
Derivatives		
- Futures contracts	(80.7)	129.7
	<u>4,697.2</u>	<u>4,166.4</u>

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

Virtually all equity and debt instruments have 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 and bonds, although the scheme also invests in property, cash and investment (private equity and hedge) funds.

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. The strategy includes establishing trigger levels which define the rates of interest and inflation rates at which hedging transactions will be executed. In addition, and as an acceleration of the existing strategy, NATS and the Trustees agreed during 2014 to increase the level of hedging of interest rates and inflation to 50%, as measured on the Trustee funding basis. Swap transactions are executed with carefully scrutinised banks and collateral is provided in the form of index-linked gilts to protect against the unlikely event of default by a counterparty bank.

At NATS' request, Trustees have also considered further de-risking over time to protect the scheme from the impact of volatility in the value of return-seeking assets. This would involve progressively converting from return-seeking assets into hedging assets to increase the level of matching of the scheme's liabilities. As changing the mix of assets changes the returns achieved, this would impact on contributions payable. Before changing this strategy, NATS and the Trustees are likely to consult with the CAA on the implications for customers. The strategy will aim to maintain an appropriate balance between the potential impact on contributions and the reduction in volatility of return-seeking assets, and therefore reduced investment risk.

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 2015 was £496.6m (2014: £244.5m).

21. Retirement benefit scheme (continued)**b) The pension costs of the staff who work directly for NATS Limited were:**

Amounts recognised in income, in the staff costs line item, in respect of the defined benefit scheme (and reported in these accounts) are as follows:

	2015 £m	2014 £m
Current service cost	(0.5)	(1.2)
Net interest expense	-	0.1
Administrative expenses	(0.1)	(0.1)
Components of defined benefit costs recognised within operating profit	<u>(0.6)</u>	<u>(1.2)</u>

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

	2015 £m	2014 £m
Return on plan assets (excluding amounts included in net interest expense)	12.4	(0.9)
Actuarial gains and losses arising from changes in financial assumptions	(29.2)	1.9
Actuarial gains and losses arising from changes in demographic assumptions	-	-
Actuarial gains and losses arising from experience adjustments	2.7	(2.3)
	<u>(14.1)</u>	<u>(1.3)</u>

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

	2015 £m	2014 £m
Present value of defined benefit obligations	(208.5)	(178.5)
Fair value of scheme assets	<u>193.9</u>	<u>178.0</u>
Deficit in scheme	<u>(14.6)</u>	<u>(0.5)</u>

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

	2015 £m	2014 £m
At 1 April	(178.5)	(174.0)
Current service cost	(0.5)	(1.2)
Interest expense on defined benefit scheme obligations	(7.9)	(7.6)
Actuarial gains and losses arising from changes in financial assumptions	(29.2)	1.9
Actuarial gains and losses arising from changes in demographic assumptions	-	-
Actuarial gains and losses arising from experience adjustments	2.7	(2.3)
Benefits paid	4.9	4.7
At 31 March	<u>(208.5)</u>	<u>(178.5)</u>

The average duration of the scheme's liabilities at the end of the year is 24.0 years (2014: 24.3 years). The present value of the defined benefit obligation can be analysed by member group as follows:

	2015 £m	2014 £m
Active members	59.9	54.5
Deferred members	61.5	45.8
Pensioners	87.1	78.2
	<u>208.5</u>	<u>178.5</u>

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

	2015 £m	2014 £m
At 1 April	178.0	174.5
Interest income on scheme assets	7.9	7.7
Return on plan assets (excluding amounts included in net interest expense)	12.4	(0.9)
Contributions from company	0.6	1.5
Benefits paid	(4.9)	(4.7)
Administrative expenses	(0.1)	(0.1)
At 31 March	<u>193.9</u>	<u>178.0</u>

21. Retirement benefit scheme (continued)

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

	2015 £m	2014 £m
Cash and cash equivalents	3.9	5.3
Equity instruments		
- UK	13.8	12.9
- Europe	4.0	3.8
- North America	11.8	10.9
- Japan	1.7	1.6
- Pacific (excluding Japan)	4.6	4.4
- Emerging markets	13.7	13.7
- Global	28.2	25.5
	<hr/> 77.8	<hr/> 72.8
Bonds		
- Corporate bonds	37.7	36.5
- Index-linked gilts over 5 years	47.7	29.6
	<hr/> 85.4	<hr/> 66.1
Other investments		
- Property	10.7	11.0
- Hedge funds	8.6	7.8
- Global tactical asset allocation	4.9	4.5
- Private equity funds	5.9	5.1
	<hr/> 30.1	<hr/> 28.4
Derivatives		
- Futures contracts	(3.3)	5.4
	<hr/> (3.3)	<hr/> 5.4
	<hr/> <hr/> 193.9	<hr/> <hr/> 178.0

The company's share of the actual return on scheme assets for the year ended 31 March 2015 was £20.3m (2014: £6.8m).

22. Related party transactions

The NATS group has four shareholders - the Crown, The Airline Group Limited (AG), LHR Airports Limited and the NATS Employee Sharetrust

AG is a consortium of British Airways plc, Deutsche Lufthansa AG, easyJet Airline Company Limited, Monarch Airlines Retirement Benefit Plan Limited, Thomas Cook Airline Limited, Thomson 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 eight 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.

The company did not have any transactions with the shareholders of NATS Holdings Limited.

Remuneration of key management personnel

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

	2015 £m	2014 £m
Short-term employee benefits	6.6	6.4
Post-employment benefits	1.5	1.2
Other long-term benefits	0.7	0.6
Termination benefits	-	0.1
	<hr/> 8.8	<hr/> 8.3

The remuneration of key management personnel incurred directly by NATS Limited was £0.3m (2014: £0.3m).

Directors' remuneration

None of the directors receive any fees or salaries in respect of their services as directors of the company. Details of directors remuneration is provided in the annual report and accounts of NATS Holdings Limited.

23. Subsidiaries, joint ventures and associates

Name of Company	Principal activity	Proportion of ordinary shares held and voting rights	Country of Registration	Country of operation
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
NATSNV Limited	Satellite based navigation	100%	England and Wales	United Kingdom
NATS (USA) Inc	Engineering and ATM consultancy	100%	USA	USA
NATS Sverige	Airport air traffic services	100%	Sweden	Sweden
NATS Solutions Limited	Airport air traffic services	100%	England and Wales	United Kingdom
NATS Services DMCC	ATM consultancy	100%	UAE	UAE
NATS Services (Asia Pac) Pte. Limited	Airport air traffic services	100%	Singapore	Singapore
European Satellite Services Provider SAS	Satellite based navigation	16.67%	France	France
FerroNATS Air Traffic Services SA	Airport air traffic services	50%	Spain	Spain
Aquila Air Traffic Management Services Limited	Air traffic management services	50%	England and Wales	United Kingdom
				Total £m
Balance of investments at 1 April 2014 and 31 March 2015:				244.6

The company holds investments directly in NATS (En Route) plc and NATS (Services) Limited. Pursuant to a loan agreement entered into by NATS (En Route) plc, the company has granted a legal mortgage and fixed charge over its shares in NERL and a floating charge over all other assets.

24. Parent undertaking

The company's intermediate and 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 Limited, a company incorporated in Great Britain and registered in England and Wales.

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

25. Events after the reporting period

In May 2015 the Board declared an interim dividend for the year ending 31 March 2016 of 38.58 pence per share (totalling £54.4m), which was paid to the company's parent in June 2015. In June 2015, the company received dividends totalling £54.4m from its subsidiaries: NATS (En Route) plc and NATS (Services) Limited.