

**NATNav Limited**  
Financial statements  
for the year ended 31 March 2009

Company Number: 4164590

**Report of the directors**

The directors present their report and audited accounts for the year ended 31 March 2009.

**Principal activities and business review**

The company is a member of the European Satellite Service Providers (ESSP). This was previously constituted through a European Economic Interest Grouping (EEIG) set up to review the feasibility of satellite based solutions to air traffic control service provision. The company contributed funds and provided services to the EEIG. The EEIG was disbanded in the year.

The company continues to be involved in this European funded project and has invested in its next phase. During the year the company acquired a 16.67% shareholding in ESSP SAS, a French private limited company. The objective of the ESSP SAS is to become the certified service provider for the European Geostationary Navigation Overlay Service (EGNOS), the European satellite based augmentation to GPS for aviation under the Single European Sky regulations.

The company's parent undertaking, NATS (Services) Limited, (NSL), has agreed to provide such support as is necessary to enable NATSNav Limited to continue trading and to meet its liabilities as they fall due for a period of

not less than 12 months from 25 June 2009.

An inter-company loan agreement between the company and its immediate parent undertaking (NSL) is in place, whereby subject to the terms and conditions of that agreement, NSL has provided the company with an aggregate sterling loan facility of up to £824,000. The agreement restricts the utilisation of the loan facility to meeting the company's funding obligations in respect of the former EEIG ESSP.

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

**Results and dividends**

The results for the period are shown in the income statement on page 6. The Board recommends that no dividend be paid (2008: £nil).

**Directors and their interests**

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

Paul Barron

Nigel Fotherby

Lawrence Hoskins

John Devaney (appointed 27 November 2008)

Ian Mills (appointed 27 November 2008)

Anne Lambert (appointed 26 March 2009)

None of the directors had any interests in the share capital of the company. The following directors held interests in ordinary shares of the company's ultimate parent undertaking NATS Holdings Limited: Paul Barron – 634 and Nigel Fotherby - 1,777.

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

**Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the accounts. The Directors have prepared the accounts for the company in accordance with International Financial Reporting Standards (IFRS).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial

performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- ◆ 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 IFRS is 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
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which comply with the requirements of the Companies Act 1985.

Each of the Directors at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

The financial statements have been prepared on a going concern basis, as explained in note 3 to the accounts.

### **Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board



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Andrew Picton

Secretary  
25 June 2009

Registered office  
5th Floor, Brettenham House South,  
Lancaster Place, London WC2E 7EN

Registered in England and Wales

Company Number: 4164590

### Independent auditors' report to the members of NATSNav Limited

We have audited the financial statements of NATSNav Limited for the year ended 31 March 2009 which comprise the income statement, the balance sheet, the cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records,

if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the directors' report and the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report

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### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

### Separate opinion in relation to IFRS

As explained in note 2 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended.



### Deloitte LLP

*Chartered Accountants and Registered Auditors  
Southampton, United Kingdom  
25 June 2009*

**Income Statement**

for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £	Year ended 31 March 2008 £
<b>Revenue</b>		650,967	430,845
<b>Operating costs</b>			
ESSP contributions		(19,653)	(86,263)
Other operating charges - external charges		(53,980)	(103,852)
Other operating charges - intra-group		(439,630)	(321,659)
Other operating income		29,021	30,456
<b>Net operating costs</b>	4	(484,242)	(481,318)
<b>Operating profit/(loss)</b>		166,725	(50,473)
Investment revenue	5	1,129	2,809
<b>Profit/(Loss) before tax</b>		167,854	(47,664)
Tax	6	(148,096)	14,618
<b>Profit/(Loss) for the year transferred to reserves</b>	10	19,758	(33,046)

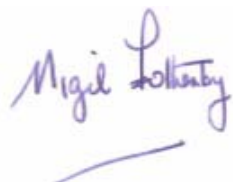
All operations are continuing. There were no recognised gains or losses except as disclosed in the income statement. Accordingly no separate statement of recognised income and expense has been provided.

**Balance sheet**

at 31 March 2009

	Notes	2009 £	2008 £
<b>Non-current assets</b>			
Investments	14	<u>134,548</u>	<u>-</u>
<b>Current assets</b>			
Trade and other receivables	7	283,312	247,066
Current tax receivable		-	14,618
Cash and cash equivalents	7	630,920	197,904
		<u>914,232</u>	<u>459,588</u>
<b>Total assets</b>		1,048,780	459,588
<b>Current liabilities</b>			
Trade and other payables	8	(1,388,756)	(952,800)
Current tax liabilities		(133,478)	-
		<u>(1,522,234)</u>	<u>(952,800)</u>
<b>Net current liabilities</b>		<u>(608,002)</u>	<u>(493,212)</u>
<b>Total liabilities</b>		<u>(1,522,234)</u>	<u>(952,800)</u>
<b>Net liabilities</b>		<u>(473,454)</u>	<u>(493,212)</u>
<b>Equity</b>			
Called up share capital	9	1	1
Deficit on retained earnings	10	(473,455)	(493,213)
<b>Equity shareholder's deficit</b>		<u>(473,454)</u>	<u>(493,212)</u>

The accounts were approved by the Board of directors and authorised for issue on 25 June 2009 and signed on their behalf by


**Nigel Fotherby**

**Cash flow statement**

for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £	Year ended 31 March 2008 £
<b>Net cash inflow/(outflow) from operating activities</b>	11	<u>566,435</u>	<u>(176,326)</u>
<b>Cash flows from investing activities</b>			
Interest received		1,129	2,809
Acquisition of an investment		<u>(134,548)</u>	<u>-</u>
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(133,419)</u>	<u>2,809</u>
<b>Increase/(Decrease) in cash and cash equivalents during the year</b>		433,016	(173,517)
Cash and cash equivalents at 1 April		<u>197,904</u>	<u>371,421</u>
<b>Cash and cash equivalents at 31 March</b>		<u><u>630,920</u></u>	<u><u>197,904</u></u>

## 1 General Information

NATSNav Limited is a private company limited by shares, incorporated under the Companies Act 1985 and domiciled in the United Kingdom. The address of the registered office is on page 3. The nature of the company's operations and its principal activities are set out in the Report of the Directors.

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

## 2 Accounting policies

The financial information has been prepared on the historical cost basis and in accordance with International Financial Reporting Standards. The principal accounting policies adopted are set out below.

### a) Revenue

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

### b) Operating profit

Operating profit is stated before investment income and finance costs.

### c) Foreign currencies

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

### d) 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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

### e) International Financial Reporting Standards and interpretations issued and adopted

Two interpretations issued by the International Financial Reporting Interpretations Committee become effective for this period. These are: IFRIC 12: *Service Concession Arrangements* and IFRIC 14: *The Limit on a Defined Benefit Asset, Minimum Funding requirements and their interaction*. The adoption of these Interpretations has not led to any changes in the company's accounting policies.

In addition, NATSNav Limited adopted IFRS 8: *Operating segments* for the first time in 2008. This has no effect upon the financial statements or accounting policies of NATSNav Limited. The following Interpretations have also been adopted in advance of their effective date and have no effect on the accounting policies of the company: IFRIC 13: *Customer loyalty Programmes*; Amendments to IFRS1 and IAS27: *Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate*; Amendments to IFRS2: *Share based Payment - Vesting Conditions and Cancellations*; Revisions to IFRS3 and IAS 27: *Business combination and Consolidated and Separate Financial Statement*; Amendments to IAS32 and IAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*; IFRIC 15: *Agreements for the Construction of Real Estate*; IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*; Amendments to IAS 39: *Eligible Hedged Item*; IFRIC 17: *Distributions of Non-cash Assets to Owners*; Improvements to IFRSs (May 2008); amendments to IFRIC 9 and IAS 39: *embedded derivatives* and Revisions to IAS39 and IFRS 7: *Reclassification of financial asset (updated)*.

### f) Investments

The investment has been accounted for as an associate at cost with an annual review for impairment. See note 14.

### g) 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 13.

### h) Financial assets

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

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

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

### i) 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 less any impairment.

### j) Impairment of financial assets

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

**2 Accounting policies (continued)****k) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**l) 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".

**m) Equity**

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

**3 Critical judgments and key sources of estimation uncertainty**

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

**4 Operating costs****a) Directors' remuneration**

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

**b) Staff costs**

The company has no employees. However during the year the company had an agreement with the European Satellite Service Provider (ESSP) for the secondment of personnel for which the ESSP paid the company an agreed fee. The income received is included within revenue. The seconded personnel are provided by another group company and the costs are recharged to this company.

**c) Auditors' remuneration**

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

**5 Investment revenue**

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Interest receivable	1,129	2,809

**6 Tax on profit/(loss) on ordinary activities****a) Analysis of charge/(credit) in year**

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
<i>Current tax:</i>		
UK corporation tax at 28% (2008: 30%)	133,478	-
Adjustment for corporation tax in respect of prior years	14,618	(14,618)
Current tax charge/(credit) on profit/(loss) on ordinary activities	148,096	(14,618)

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

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	2009 £	2008 £
Profit/(Loss) on ordinary activities before tax	167,854	(47,664)
Tax on profit/(loss) on ordinary activities at standard rate in the UK of 28% (2008: 30%)	46,999	(14,299)
Effects of:		
Share of results of joint ventures and association	48,805	-
Expenses not deductible for tax purposes	-	23,036
Goodwill transferred to ESSP SAS	37,674	-
Share of European Satellite Service Provider's losses	-	(39,771)
Deferred tax asset not recognised on losses carried forward	-	31,034
Adjustment for corporation tax in respect of prior years	14,618	(14,618)
Total tax charge/(credit) for year	148,096	(14,618)

**7 Financial and other assets**

	2009 £	2008 £
<b>Trade and other receivables</b>		
Receivable from customers	219,508	203,300
Prepayments and accrued income	63,803	22,006
Other debtors	-	21,759
Called up share capital not paid due from parent undertaking	1	1
	<u>283,312</u>	<u>247,066</u>

All balances are non-interest bearing. Receivables in respect of customers are provided for where there is an identified loss event, such as administration, receivership or liquidation, which is evidence of a reduction in the recoverability of the cash flows. In April 2009, the company received €226,744 (£210,033) from customers. Accordingly, the directors believe that no allowance for doubtful debts is required.

	2009 £	2008 £
<b>Ageing of past due but not impaired trade receivables</b>		
30 - 90 days	197,108	19,129
90 - 365 days	-	42,477
more than 365 days overdue	-	40,589
	<u>197,108</u>	<u>102,195</u>

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

**Cash and cash equivalents**

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

**8 Financial and other liabilities**

	2009 £	2008 £
Loan from parent company (unsecured)	671,634	671,634
Amounts due to other group undertakings	626,989	261,233
Accruals and deferred income	90,133	19,933
	<u>1,388,756</u>	<u>952,800</u>

In 2002 NATSNav Limited entered into a loan facility, repayable on demand, in an aggregate principal amount of £824,000 with NATS (Services) Limited. The amount outstanding under this loan facility at 31st March 2009 was £671,634 (2008: £671,634).

**9 Called up share capital**

	2009 £	2008 £
<b>Authorised</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>
<b>Called up and allotted</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>
<b>10 Retained deficit</b>		£
Deficit at 1 April 2007		(460,167)
Loss for the year		(33,046)
Deficit at 1 April 2008		<u>(493,213)</u>
Profit for the year		19,758
Deficit at 31 March 2009		<u>(473,455)</u>

**11 Notes to the cash flow statement**

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
<b>Operating profit/(loss) from continuing operations</b>	166,725	(50,473)
Increase in trade and other receivables	(36,246)	(7,254)
Increase/(Decrease) in trade and other payables	435,956	(72,216)
<b>Cash inflow/(outflow) from operations</b>	<u>566,435</u>	<u>(129,943)</u>
Tax paid	-	(46,383)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>566,435</u>	<u>(176,326)</u>

**12 Related parties**

During the year or in the prior year there were no material transactions or amounts owed or arising with any of the directors or members of their close family. Transactions with other group undertakings are described in the Report of the Directors. Amounts outstanding are shown in notes 7 and 8.

**13 Financial instruments****Capital risk management**

The company manages its capital to ensure that it is able to continue as a going concern, to meet its obligations and to provide returns to stakeholders.

**Significant accounting policies**

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

**Categories of financial instruments**

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

**Financial assets**

	2009 £	2008 £
Loans and receivables (including cash and cash equivalents)	<u>850,429</u>	<u>437,582</u>

**Financial liabilities**

Amortised cost	<u>(1,432,101)</u>	<u>(932,867)</u>
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**Financial risk management objectives**

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

**Market risk**

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

**Interest rate risk management**

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

**Interest rate sensitivity analysis**

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

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

	2009 Impact £	2008 Impact £
Cash on Deposit (2009: £630,920, 2008: £197,904)	<u>6,309</u>	<u>1,979</u>

**Foreign currency risk management**

The company's financial exposure to foreign currency transaction risk in the year was in relation to its transactions with the EEIG ESSP. The company earned revenue from the ESSP in Euros and contributed to the funding of the ESSP in Euros. The company's revenue and contributions were both in Euros, providing a hedge against changes in exchange rates. The carrying amount of the NATSNav foreign currency denominated monetary assets and liabilities at 31 March is detailed in the table below.

	Assets		Liabilities	
	2009 £	2008 £	2009 £	2008 £
Euro	<u>850,428</u>	<u>422,390</u>	<u>(90,133)</u>	<u>(19,933)</u>

**13 Financial instruments (continued)****Foreign currency sensitivity analysis**

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

	<b>2009 Impact £</b>	<b>2008 Impact £</b>
Euro	<u>(76,029)</u>	<u>(40,246)</u>

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company's exposure to credit risk arises from the risk of default by its customers and from risk of a failure of a financial institution in which funds are invested for return or held for trading purposes. The risk of loss from default by customers and the mitigations against this risk are explained in note 7. 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 and Moody's investors Service.

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 rating agencies. Where there is a difference in the rating then the lower of the two ratings is applied.

Currently, the company's investments take the form of bank time deposits. Investments in bank time deposits with maturities up to 3 months and between 3 and 6 months are only entered into with institutions holding a long term minimum credit rating of A- and A+ respectively from Standard & Poor's and A3 and A1 respectively from Moody's.

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

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

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

Rating (Standard & Poor's)	Number of institutions	2009 £	By Credit rating %	Number of institutions	2008 £	By Credit rating %
AA	-	-	-	1	197,904	100.0%
A+	1	630,920	100.0%	-	-	-
		<u>630,920</u>	<u>0.0%</u>		<u>197,904</u>	<u>100.0%</u>

**Liquidity risk management**

The responsibility for liquidity risk management rests with the Board with oversight provided by the Treasury Committee. NATSNav Limited is a wholly owned subsidiary of NATS (Services) Limited. NATSNav Limited was incorporated for the purpose of holding shares in a European Economic Interest Grouping (EEIG) called European Satellite Service Provider (the ESSP EEIG). In order to fund its obligations to the ESSP EEIG, in 2002 NATSNav Limited entered into a loan facility, repayable on demand, in an aggregate principal amount of £824,000 with NATS (Services) Limited. The amount outstanding under this loan facility at 31 March 2009 was £671,634 (2008: £671,634). As at 31 March, the company held cash of £630,920 (2008: £197,904).

**Maturity of financial liabilities**

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

	2009	2008
	Total unsecured loans	Total unsecured loans
	£	£
Due within one year or less or on demand	<u>671,634</u>	<u>671,634</u>

**Fair Value of financial instruments**

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

	2009		2008	
	Book Value £	Fair Value £	Book Value £	Fair Value £
Loans and receivables (including cash & cash equivalents)	<u>850,429</u>	<u>850,429</u>	<u>437,582</u>	<u>437,582</u>
Amortised cost	<u>(1,432,101)</u>	<u>(1,432,101)</u>	<u>(932,867)</u>	<u>(932,867)</u>

**14 Investments**

	Year ended 31 March 2009	Year ended 31 March 2008
	£	£
Investments	<u>134,548</u>	<u>-</u>

During the year the company acquired a 16.67% shareholding in ESSP SAS, a French private limited company, for cash consideration.

**15 Parent undertaking**

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

The largest and smallest group into which the accounts of the company are consolidated is that of NATS Holdings Limited. The consolidated accounts of NATS Holdings Limited can be obtained from the company's secretary, at its registered office, 5th Floor, Brettenham House South, Lancaster Place, London WC2E 7EN.