Company registration no. 09256777

Aquila Air Traffic Management Services Limited

Annual Report and Financial Statements

For the year ended 31 March 2018

Company Information

For the year ended 31 March 2018

Company Information

For the year ended 31 March 2018

Directors	G A Adams S M Boulton A C K Cresswell M J Rolfe M P Stoller
Registered address	350 Longwater Avenue Green Park Reading RG2 6GF
Registration number	09256777
Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

Strategic Report

For the year ended 31 March 2018

The Directors present their strategic report for Aquila Air Traffic Management Services Limited for the year ended 31 March 2018, which outlines the key issues which the Directors consider to be significant in relation to the Company's business for the year, and its current and planned future activities.

Review and analysis of the business during the current year

Since incorporation on 9 October 2014, the Company has continued to develop its principal activities throughout this year, this being the operation of air traffic management services under a concession contract (Project Marshall) with a UK public sector entity. The concession contract is split between the provision of new equipment (for which milestone charges are made) and the provision of services (for which service charges are made). In addition, other related ancillary air traffic management services are provided.

Revenue for the year was £71.7m (2017 £81.2m), of which £67.3m (2017 £77.0m) relates to Capital Milestone payments and Service Charges attributable to the concession contract. The remaining £4.4m (2017 £4.2m) relates to sundry items and other contracts, including contracts for the mitigation of the impact of proposed windfarms on air traffic management equipment, an activity primarily carried out on behalf of windfarm developers.

Development and financial performance during the year

The financial statements show a gross profit of £5.0m (2017 £5.6m). The Directors anticipate that current levels of activity will continue over the next few years as the transition phase of the Marshall contract continues, and other contracts develop.

The Company's financial performance during the year to 31 March 2018 can be summarised as follows:

	31 March 2018 £m	31 March 2017 £m
Revenue	71.7	81.2
Gross Profit	5.0	5.6
Profit after tax	0.9	1.8
Borrowings	37.2	29.7
Share Capital	0.2	0.2
Average headcount	241 hds	230 hds

The Company arranges for external assurance of its management systems. In March 2017, the Company maintained its accreditation by the Military Aviation Authority (MAA) under its Air Traffic Management Equipment Approved Organisation Scheme (AAOS). In November 2017, the Company maintained its certification to ISO 14001:2015 (Environmental Management Standard) and OHSAS 18001 (Occupational Health & Safety Management Standard). In December 2017, the Company was certified to ISO 9001:2015 (Quality Management Standard).

Strategic Report

For the year ended 31 March 2018

Key performance indicators

Management use a range of performance measures to monitor and manage the progression of the business, including the following key indicators:

(i) Financial performance – the Company's Profit after Tax for the year to March 2018 of £0.9m (year to March 2017 £1.8m) reflects the lower rate of margin earned on a lower level of revenue achieved in the year. The lower rate of margin in 2017/18 reflects the degradation in the forecast outturn profitability of the 22-year concession contract.

Revenues relating to the Service Charge for the year of £39.4m (year to March 2017 £38.1m) shows a slight increase compared to the prior period due to the prior period having marginally lower costs. Under IFRIC 12, revenue is generated as a mark-up on cost, so an increase in cost results in an increased revenue figure. This year's Service Charge is marginally under budget, due to a lower than budgeted costs, but this is compensated for by slightly higher than budgeted revenues from other contract activities. Capital Milestone revenue for the year of £27.9m (year to March 2017 £38.4m) shows a reduction due to the lower levels of payment milestones achieved in the year. This year's Milestone revenue has been significantly less than budgeted, the result of the joint decision with the customer to re-phase some of the new equipment milestones. Those new equipment milestones planned for this year, but not yet delivered, will be delivered in future years, thereby maintaining the overall milestone revenue of the contract which is a firm priced number. Milestone revenue variances are therefore entirely the result of timing differences.

(ii) Service performance - in terms of compliance with service performance (availability) targets across all its services, the Company has performed better than the contractual performance requirements through the year. The outlook remains very positive in terms of service performance into 2018/19. Importantly in the 2017/18 year Aquila commenced work with its main customer on delivery of additional Service requirements set out in the contract in support of customer TG4 resource, which were delivered successfully with very positive User feedback.

(iii) Project performance – the Company conducts monthly reviews of project performance, using recognised industry standard programme management techniques, and monitoring achievement against many contractual milestones. Overall project performance has been challenging through the year but has included notable first of type successes against important customer milestones at particular deployment locations, for example new surveillance equipment at Spadeadam and new tower equipment at Shawbury.

Throughout the year the delivery programme has received significant senior management and shareholder attention to ensure that the programme will deliver the required outcomes to the customer. This has included agreements with the customer: 1) in January 2018 to a revised programme timetable, and 2) agreement in March 2018 to a revised delivery framework to ensure the programme delivers successfully. These agreements resulted in an amended contract in March 2018 between Aquila and its customer. Aquila has continued to benefit from significant shareholder involvement, support and investment throughout the year.

(iv) Borrowings – the Company had a higher borrowing amount at March 2018 of £37.2m (March 2017 £29.7m) mainly due to the timing of costs incurred for equipment delivered to its customer during the year not being matched by cash received from the customer. That said, costs lower than budget, and the impact of income from contract changes, have also contributed to the net variance, such that the growth in borrowing this year was as forecast.

Strategic Report

For the year ended 31 March 2018

Financial position at the reporting date

The Company has a total asset balance of £54.7m at March 2018 (2017 £55.6m). Of this, £0.4m (2017 £4.1m) relates to cash at bank, £10.8m (2017 £13.7m) represents trade receivables and £1.2m (2017 £0.7m) relates to sundries. There are £1.2m (2017 £0.5m) of fixed assets (capitalised IT hardware, IT software and Plant & Machinery). The remaining balance of £40.5m (2017 £36.3m) represents the contract asset, a future receivable, held under the application of interpretation 12 of the International Financial Reporting Interpretations Committee (IFRIC12) and also IFRS15.

Principal risks and uncertainties facing the business

The Company is dependent on its concession contract (Project Marshall) with a UK public sector entity. The contract includes key deliverables, particularly programme milestones and service performance, with an overarching requirement to meet stringent safety standards.

Financial year 2017/18 has seen significant progress made on mitigating risks. A contract amendment agreed in March 2018 which secures the delivery schedule and revised operating model notably bounds and reduces risk across the delivery programme. Additionally, Aquila's main customer has re-approved the programme and is reporting improved confidence in successful delivery via its reporting mechanisms.

Whilst these were important milestones for the Company, there of course remain risks associated with the business:

(1) With regard to programme milestones, the Company faces a challenging roll out of a significant amount of new equipment and services across multiple customer sites and over a number of years, culminating in a full new suite of capabilities for the customer (Full Operating Capability) to be delivered by 2024. Given the volume of equipment, number of sites and complexity of the technical solution, there is an inherent risk in meeting all programme milestones within the contractual timescales. There have been successes and challenges over the past year however, the Directors are satisfied that the measures and plans that the Company has put in place with its customer are such that these issues can be resolved and therefore consider that this contract risk in the short and medium term is low.

(2) With regard to service performance, there are robust processes in place to ensure that the risk of not meeting customer requirements (and consequently attracting financial penalties) is mitigated to a satisfactory and low level. To date, service performance has met virtually all availability targets and the Company has performed better than the contractually specified thresholds during the year.

Given the domain in which Aquila operates, Safety Management is key. The Company has continued to maintain its air safety accreditation from the Military Aviation Authority, and implemented several recommendations from the prior year's audit. This accreditation is critical to the Company's activities. The Company has also demonstrated its commitment to safety by continuing to invest in recurring safety culture training for all employees.

The Company has two tranches of loan, both provided by parent undertakings, effectively to fund working capital requirements during the early years of the concession contract with the UK public sector entity. The first tranche of loan (balance £24.7m at 31 March 2018 (2017 £24.7m)) exists to fund day to day

Strategic Report

For the year ended 31 March 2018

operating activities. It is forecast that this will be repaid in 2027/28, however the facility is expected to remain in place for the duration of the Marshall contract. This shareholder loan is flexible with notice, and repayable on demand. The second tranche of loan is on a fixed drawdown profile (balance £12.5m at 31 March 2018 (2017 £5.0m)) and is repayable to parent undertakings after the end of the transition period of the Marshall contract.

Both tranches of loan carry a fixed interest rate, as such there is considered to be no interest rate risk in the Company. In terms of liquidity, the shareholder loan facility with parent undertakings is considered adequate to meet all normal and anticipated requirements.

Foreign currency risk

The Company has a minimal exposure to foreign currency risk, by far the majority of its assets and liabilities being denominated in its functional currency. One key supplier has a contract in Euros. To meet the regular payments required under this contract, the Company has a £3m currency exchange facility with Thales SA (an ultimate parent undertaking), so that on a six monthly basis, functional currency is exchanged for Euros to meet current liabilities. As a result of this arrangement, a small amount of Euros may be held by the Company.

Credit risk

The Company does not consider that it has material credit risk, its debt being almost exclusively with the United Kingdom public sector, and debt financing is not used.

Approval

Approved by the Board and signed on its behalf on 1 June 2018.

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M P Stoller
Chief Executive

Directors' Report

For the year ended 31 March 2018

The Directors present their Directors' report and the audited financial statements for the year ended 31 March 2018.

Principal activity

The principal activity of Aquila Air Traffic Management Services Limited is to ensure a safe, efficient and sustainable Air Traffic Management (ATM) Service for the UK Armed Forces under Project Marshall.

On 28 October 2014, the Company was awarded the Project Marshall contract by the United Kingdom Ministry of Defence (MoD), under which the Company provides ATM services at 65 MoD-operated airfields and flying ranges in the UK and overseas for a period of up to 22 years. It will also provide an out-of-area ATM capability in support of expeditionary air operations.

The Company is a joint venture between NATS, the UK's leading air navigation services provider and Thales, the world leader in air traffic management equipment and services.

Review of business and future developments

The Company's principal activity throughout this period was the operation of air traffic management services under a concession contract (Project Marshall) to the UK public sector (MoD). Revenue for the period was £71.7m (2017 £81.2m), with a gross profit of £5.0m (2017 £5.6m). The Directors anticipate that the transition programme activity will continue at current levels on the Marshall contract as milestone payments are made for new equipment.

Changes on the Marshall contract and contracts with other customers will provide additional revenue opportunities.

Dividends

The results for the year under review are summarised in the Company's Statement of Comprehensive Income, where the profit retained is £0.9m (2017 £1.8m). In line with its original business plan, the Directors do not recommend the payment of a dividend for this financial year.

Financial instruments

At 31 March 2018, the Company has financial assets of £53.0m (2017 £54.9m), including a contract asset receivable under the concession contract of £40.5m (2017 £36.3m), trade receivables of £10.8m (2017 £13.7m), financial liabilities of £50.6m (2017 £52.4m) including amounts owed to parent companies of £7.0m (2017 £12.5m), and loans from the same of £37.2m (2017 £29.7m).

Directors' responsibilities

The Director's report and the financial statements have been prepared in accordance with applicable law and regulations. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS).

The Directors acknowledge their responsibilities for:

(a) keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006; and
(b) safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing these financial statements the Directors confirm they have:

(a) selected suitable accounting policies and applied them consistently;

Directors' Report

For the year ended 31 March 2018

(b) made judgement and accounting estimates that are reasonable and prudent;
(c) followed applicable UK Accounting Standards; and
(d) prepared the financial statements on the going concern basis.

The Directors approve the financial statements on the basis they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit of the Company for the year ended 31 March 2018.

Directors

The Directors of the Company who served during the year to the date of this report are as follows:
G A Adams
S M Boulton
A C K Cresswell
M J Rolfe
D J A Wilson (Resigned 3 April 2018)
M P Stoller (Appointed 3 April 2018)

Disclosure of information to Mazars LLP, the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the auditor, the Director has taken all the steps he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

In accordance with section 487 (2) of the Companies Act 2006, the Company has not elected to re-appoint its auditors annually and Mazars LLP will therefore continue in office.

Approved on behalf of the board on 1 June 2018.

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M P Stoller
Chief Executive

Independent Auditor's Report to the members of Aquila Air Traffic Management Services Limited

For the year ended 31 March 2018

Opinion

We have audited the financial statements of Aquila Air Traffic Management Services Limited (the 'company') for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the members of Aquila Air Traffic Management Services Limited

For the year ended 31 March 2018

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's Report to the members of Aquila Air Traffic Management Services Limited

For the year ended 31 March 2018

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the members of Aquila Air Traffic Management Services Limited

For the year ended 31 March 2018

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Robert Neate (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Tower Bridge House
St Katharine's Way
London
E1W 1DD

1 June 2018

Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
Revenue	3	71,748	81,242
Cost of sales		(66,782)	(75,627)
Gross profit		4,966	5,615
Administrative expenses		(4,406)	(4,051)
Operating profit	4	560	1,564
Finance income	7	2,474	1,820
Finance costs	8	(1,921)	(1,150)
Profit before taxation		1,113	2,234
Taxation	9	(225)	(466)
Profit for the period		888	1,768
Other comprehensive income:			
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the period		**888**	**1,768**

The notes on pages 17 to 39 form an integral part of these financial statements.

All operations are classed as continuing.

Statement of Financial Position

As at 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,721	745
		1,721	745
Current assets			
Contract asset (service concession arrangements)	11	40,507	36,278
Trade and other receivables	11	12,052	14,462
Cash and cash equivalents		391	4,149
		52,950	54,889
Total assets		**54,671**	**55,634**
LIABILITIES			
Current liabilities			
Trade and other payables	12	11,980	20,687
Current tax liabilities	12	1,337	1,966
Borrowings	13	24,702	24,701
		38,019	47,354
Non-current liabilities			
Borrowings	13	12,533	5,034
Deferred tax	15	10	25
		12,543	5,059
Total liabilities		**50,562**	**52,413**
Net assets		**4,109**	**3,221**
EQUITY			
Share capital	17	200	200
Retained earnings		3,909	3,021
Total equity		**4,109**	**3,221**

The financial statements were approved by the Board of Directors and authorised for issue on 1 June 2018 and signed on their behalf by:

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M P Stoller
Chief Executive

The notes on pages 17 to 39 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
Brought forward	200	1,253	1,453
Profit for the period	-	1,768	1,768
Other comprehensive income	-	-	-
Total comprehensive income	-	1,768	1,768
Dividends paid	-	-	-
At 31 March 2017	200	3,021	3,221

for the year ended 31 March 2018

	Share capital £'000	Retained earnings £'000	Total equity £'000
Brought forward	200	3,021	3,221
Profit for the period	-	888	888
Other comprehensive income	-	-	-
Total comprehensive income	-	888	888
Dividends paid	-	-	-
At 31 March 2018	200	3,909	4,109

Retained earnings represents accumulated comprehensive income for the year and prior periods.

The notes on pages 17 to 39 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
Cash flow from operating activities			
Profit for the period before taxation		1,113	2,234
Adjustment for:			
Depreciation of property, plant and equipment	10	276	158
Finance income	7	(2,474)	(1,820)
Finance costs	8	1,921	1,150
Changes in working capital:			
Decrease/(Increase) in trade and other receivables	11	2,410	(6,027)
Increase in service concession arrangements receivable		(1,946)	(15,523)
(Decrease)/Increase in trade and other payables	12	(9,077)	3,109
Cash used in operations		(7,777)	(16,719)
Bank charges/Interest paid		(4)	(5)
Income tax paid		(499)	(301)
Net cash used in operating activities		**(8,280)**	**(17,025)**
Cash used in investing activities			
Capital expenditure		(1,252)	(620)
Interest received		-	-
Net cash used in investing activities		**(1,252)**	**(620)**
Cash flow from financing activities			
Proceeds from borrowings	13	10,584	21,051
Repayment of borrowings	13	(5,000)	-
Net cash from financing activities		**5,584**	**21,051**
(Decrease)/Increase in cash and cash equivalents		**(3,948)**	**3,406**
Cash and cash equivalents brought forward		4,149	743
Effect of foreign exchange rate movements		190	-
Cash and cash equivalents at end of the period		**391**	**4,149**

The notes on pages 17 to 39 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2018

1. Corporate information

Aquila Air Traffic Management Services Limited is a Company incorporated in the United Kingdom. The registered address of the Company is given on page 2.

The principal operations of the Company are included in the strategic report on page 3.

2. Accounting policies

2.1. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the applicable provisions of the Companies Act 2006. The Company has prepared its financial statements in accordance with IFRS.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Functional and presentational currency

The financial statements are presented in Pound Sterling. The Company's functional currency is also Pound Sterling as this is the currency of the primary economic environment in which the Company operates.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not clear from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 2.11. With regard to revenue, the Note at 2.11 discloses the significant judgements made by the directors and any sources of estimation uncertainty.

Notes to the Financial Statements

for the year ended 31 March 2018

2.2. Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. With regard to the Euro, the Company has a £3m, five year currency exchange facility with Thales SA, a related party, whereby Euros are swapped with the functional currency according to a six monthly schedule to make payments to a key supplier, Frequentis, and other suppliers on an ad hoc basis. At any given time, a small amount of Euro currency may be held. Euro denominated cash holdings at each reporting date are translated into the functional currency at the rate of the last exchange transaction, or spot exchange rate as at the reporting date where the rate has varied significantly since the exchange transaction date.

The Company has no non-monetary assets and liabilities denominated in foreign currencies at the reporting date.

Foreign currency differences arising on translation are recognised in profit or loss.

2.3. Revenue

The Company principally generates revenue from a 22 year service concession arrangement with the UK Ministry of Defence to provide construction services and operation services related to air traffic management systems. Revenue represents the amount receivable for the provision of services and the sale of goods during the year, excluding VAT and trade discounts. Revenue is recognised when (or as) the Company satisfies a performance obligation by transferring control of the promised good or service to the customer.

At Note 3 below the Company discloses the following revenue types, for which performance obligations are met as follows:

- **Revenue from long-term service concession arrangements** - Capital Milestones and Service Charge are recognised based on contractual obligations fulfilled to date, measured using an input method of accounting of cost incurred to date plus a mark-up. Where an arrangement includes more than one service, such as construction and support and maintenance of air traffic management services, revenue is recognised in proportion to the relative stand-alone selling price of each service.

  When the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, the Company presents the contract as a contract asset, excluding any amounts presented as a receivable. Receivables represent unconditional rights to consideration and are classified as financial assets (Refer to accounting policy 2.8).

  When the Company receives consideration from a customer, or has a receivable, before the Company transfers a good or service to its customer, the Company presents the contract as a contract liability.

- **Pass Through and Sundry Income** – revenue called pass through income reflects the recovery of costs incurred in the performance of obligations, in any given accounting period, for which the customer has accepted responsibility to pay. Typically, no margin is applied to this cost recovery.

- **Contract Change Income** – revenue from Contract Change reflects the agreed value (transaction price) of contract modifications, recognised as invoiced according to the fulfilment of obligations. These may be one-off, lump-sum amounts, or regular monthly amounts reflective of an ongoing service. Contract modifications are effectively treated from a revenue perspective as separate contracts within the service concession contract.

- **Windfarm Studies and Other External Income** – consideration for Windfarm activities is typically received up front to facilitate the study. A contract liability is created, and revenue is then subsequently recognised based on an input method of accounting using cost incurred to date, considered the most accurate reflection of obligations performed on each contract.

Notes to the Financial Statements

for the year ended 31 March 2018

In summary, the Company presents its revenue contracts in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Company's performance and the customer's payment.

2.4. Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amount payable by the Company to the fund in respect of the year.

2.5. Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

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 end of the reporting period.

2.6. Plant and equipment

The Company does not own any property at the reporting date. Plant and equipment, which at the reporting date comprises capitalised IT equipment and plant and machinery, is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

An item of plant and equipment that qualifies for recognition as an asset is measured at its cost. The cost of an item of plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at a rate calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

IT equipment	20% - 33% straight line
Plant and machinery	10% - 20% straight line
Software and intangibles	14.33% - 33% straight line

A full month's depreciation is provided in the month of acquisition/capitalisation.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'*.

Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 March 2018

Leases

At the reporting date, the Company does not have any finance lease arrangements in place.

The Company has operating leases for property, and amounts payable under the rental agreements are charged to income on a straight-line basis over the term of the relevant agreements.

In addition, at the reporting date, the Company has forty three (43) long-term vehicle hire agreements in place, and one hundred and fifty seven (157) licenses with Arqiva, NATS, Western Power Distribution and Ofcom for land where aerials and radio communications equipment are sited. Arqiva leases are subject to three-year agreements, which include a clause allowing for annual indexation of lease charges according to the increase in RPI.

2.7. Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

All financial assets are classified as loans and receivables; these comprise trade and other receivables and cash and cash equivalents. Trade receivables include receivables arising from revenue contracts that represent an unconditional right to consideration. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial liabilities

Financial liabilities include borrowings and trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financial assets arising from service concession arrangements

Where the provision of air traffic management services is performed through a contract with a public sector entity which controls a significant residual interest in asset infrastructure at the end of the contract, then consideration is treated as contract receivables (the contract asset), split between profit on the

Notes to the Financial Statements

for the year ended 31 March 2018

construction of assets, operation of the service and the provision of finance which is recognised in notional interest within finance income.

2.9. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation.

2.10. Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current period retained profits.

2.11. Significant management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most effect on the financial statements.

Service concession arrangements

Consideration from public sector entities for the operation of air traffic management service concessions is treated as a contract asset, derived by application of the methodology prescribed by Interpretation 12 of the International Financial Reporting Interpretations Committee (IFRIC 12). Since public sector entities simultaneously receive and consume the benefits provided by the Company's performance as the Company performs its construction and operating services, the Company recognises the related revenue over time. The Company applies an input method of accounting, whereby cost incurred to date is considered an accurate reflection of performance obligations fulfilled, which is typical of public sector service concession agreements.

Consideration relating to the contract asset is split between profit on the construction of assets, operation of the service and provision of finance recognised as interest receivable. The service concession contract comprises the following distinct performance obligations: construction service and operation service. To the extent that the contract includes the provision of finance, this is accounted for as a financial asset as disclosed in note 2.8. The construction service involves the transfer of assets and services to the customer which are treated as one performance obligation because of the high degree of interdependence between the elements, and the need for significant integration of assets and services supplied. The same approach applies to the services operation.

An effective interest rate is used to generate interest receivable on the contract asset, and this interest rate is varied to ensure the amortisation of the contract asset by the end of the contract, thereby regulating the carrying value of the contract asset.

Recognition of other revenue

Contractual changes to service concession contracts are either accounted for prospectively as separate contracts or on a cumulative catch-up basis depending on whether the changes relate to price and/or scope and whether the additional/remaining goods or services are distinct.

Notes to the Financial Statements

for the year ended 31 March 2018

The Company has also entered into contracts with third parties to undertake activities ancillary to its air traffic management services. Revenue under these contracts is recognised according to the percentage of work completed.

The Company has not made separate disclosure of obligations on third party contracts with an original expected duration of one year or less.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Other

Included in the Company's financial liabilities are accruals, which are known values based upon contractual obligations and recurring liabilities. Where management judgement is required in estimating the value of accruals, this is applied based upon operational experience.

2.12. Standards, amendments and interpretations adopted in the current financial period ended 31 March 2018

IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15') is required to be applied for accounting periods beginning on or after 1 January 2018. However, the Directors decided to early adopt IFRS 15 in the year ended 31 March 2017. Having carried out a detailed review of the requirements of IFRS 15 at that date, the Directors considered that no material change to the revenue accounting policy was or is required. Application of the new Standard has, however, resulted in additional disclosures which provide more useful information to users.

The adoption of the following mentioned amendments in the current period have not had a material impact on the Company's financial statements.

	EU effective date – periods beginning on or after
Amendment to IAS 7 *Statement of Cash Flows:* Disclosure initiative	1 January 2017
Amendment to IAS 12 *Income Taxes:* Recognition of deferred tax assets for unrealised losses	1 January 2017

2.13. Standards, amendments and interpretations in issue but not yet effective

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Company's financial statements based upon an initial review.

The Company is however continuing to assess the full impact that adopting IFRS 16 "Leases" will have on future financial statements, and therefore the full effect is yet to be determined.

	EU effective date – periods beginning on or after
IFRS 9 *Financial Instruments*	*1 January 2018*
Amendments to IFRS 9 *Financial Instruments:* Prepayment features with negative compensation	*Expected to be endorsed in 2018*
Clarifications to IFRS 15 *Revenue from Contracts with Customers*	*1 January 2018*

Notes to the Financial Statements

for the year ended 31 March 2018

IFRS 16 *Leases*	*1 January 2019*
Annual Improvements to IFRSs (2014 - 2016)	*Expected to be endorsed in 2018*
Annual Improvements to IFRSs (2015 - 2017)	*Expected to be endorsed in 2018*

Notes to the Financial Statements

for the year ended 31 March 2018

3. Revenue

Revenue is attributable to the provision, support and maintenance of air traffic management equipment to a United Kingdom public sector entity under a twenty two (22) year concession arrangement. An analysis of the Company's revenue is as follows:

	31 March 2018 £'000	31 March 2017 £'000
Service concession contract revenues	67,276	77,030
Contractual change and sundry income	4,472	4,212
	71,748	81,242

Disaggregation of Revenue

All revenue is generated from business with the UK Ministry of Defence, or related ancillary services.

Major Goods/Service Lines

	31 March 2018 £'000	31 March 2017 £'000
Capital Milestones	27,866	38,944
Service Charge	39,410	38,086
Pass Through and Sundry Income	1,409	1,565
Contract Change Income	2,096	1,512
Windfarm Studies and Other External Income	967	1,135
	71,748	81,242

Timing of Revenue Recognition

	31 March 2018 £'000	31 March 2017 £'000
Services transferred over time (IFRIC 12)	67,276	77,030
Goods and Services transferred at a point in time	4,472	4,212
	71,748	81,242

Notes to the Financial Statements

for the year ended 31 March 2018

Revenue expected to be recognised on the Service Concession Contract with the UK Ministry of Defence as at 31st March 2018

	Within 1 Year £'000	Between 2 – 5 Years £'000	Total £'000
Capital Milestones	69,764	131,223	200,987
Service Charge	47,953	207,445	255,398
	117,717	338,668	456,385

4. Operating profit

	31 March 2018 £'000	31 March 2017 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	276	158
Fixed assets written off	29	3
Foreign exchange (gains)/losses	(190)	(3)
Auditor's remuneration:		
- Statutory audit	23	23
- Other services	3	5
Redundancy costs	104	422
Amounts paid in respect of operating lease commitments:		
- Land and buildings	530	593
- Communications licenses	807	384
- Other	145	86

Redundancy costs reflect payments to staff made redundant according to arrangements commenced in line with the service concession agreement with the public sector entity.

Notes to the Financial Statements

for the year ended 31 March 2018

5. Employees

Number of employees
The average monthly number of employees (including Directors) during the period was:

	31 March 2018 Number	31 March 2017 Number
Administrative staff (including Directors)	49	45
Engineering staff	63	64
Flight Simulator Operators	36	35
Maintenance staff	93	86
	241	230

Employment costs
Salaries and staff costs, including Directors' remuneration, were as follows:

	31 March 2018 £'000	31 March 2017 £'000
Wages and salaries	12,172	12,824
Social security costs	946	819
Other pension costs	551	522
	13,669	14,165

Wages and salaries includes redundancy costs of £104k (2017 £422k - refer to Note 4 above), amounts paid to contractors £1,657k (2017 £2,446k), and amounts paid in respect of secondees from both Thales UK Ltd. and NATS (Services) Ltd. £970k (2017 £1,536k). The Company is responsible for paying to Thales UK Ltd. and NATS (Services) Ltd. amounts equal to the aggregate of costs incurred by both companies 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 number of employees stated above likewise includes the number of contract and seconded staff.

Notes to the Financial Statements

for the year ended 31 March 2018

6. Directors' remuneration

	31 March 2018 £'000	31 March 2017 £'000
Emoluments	389	650
Company contributions paid to money purchase pension schemes	-	-
	389	650

	31 March 2018 Number	31 March 2017 Number
Members of money purchase pension schemes	-	-

The amounts in respect of the highest paid Director are as follows:

	31 March 2018 £'000	31 March 2017 £'000
Emoluments	389	440
Company contributions paid to money purchase pension schemes	-	-
	389	440

Notes to the Financial Statements

for the year ended 31 March 2018

7. Finance income

	31 March 2018 £'000	31 March 2017 £'000
Interest income on service concession arrangements	2,284	1,819
Other finance income	190	1
	2,474	1,820

8. Finance costs

	31 March 2018 £'000	31 March 2017 £'000
Interest payable to parent undertakings	1,916	1,145
Bank charges	5	5
	1,921	1,150

9. Income tax

	31 March 2018 £'000	31 March 2017 £'000
Current tax		
Current year	240	446
Prior Year adjustment	-	19
	240	465
Deferred tax (see note 15)	(15)	1
Total tax expense	225	466

The tax rate used for the reconciliation is the corporate tax rate of 19% payable by corporate entities in the UK on taxable profits under UK tax law.

Notes to the Financial Statements

for the year ended 31 March 2018

9. Income Tax (continued)

The charge for the period can be reconciled to the profit for the period as follows:

	31 March 2018 £'000	31 March 2017 £'000
Profit before taxation	1,113	2,234
Income tax calculated at 19% (2017: 20%)	211	447
Effects of:		
Expenses that are not deductible	1	1
Deferred tax	15	-
Other adjustments (roundings)	(2)	(1)
Prior Year Adjustments	-	19
Total tax expense	225	466

Notes to the Financial Statements

for the year ended 31 March 2018

10. Plant and equipment

	Plant & Equipment	Software & Intangibles	IT Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Brought forward	-	110	253	-	363
Additions	225	80	114	204	623
Disposals	-	-	(3)	-	(3)
As at 31 March 2017	225	190	364	204	983
Depreciation					
On incorporation	-	27	54	-	81
Charge	10	45	103	-	158
Disposals	-	-	(1)	-	(1)
As at 31 March 2017	10	72	156	-	238
Carrying amount					
As at 31 March 2017	215	118	208	204	745

	Plant & Equipment	Software & Intangibles	IT Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Brought forward	225	190	364	204	983
Additions	305	28	212	737	1,282
Disposals	-	-	(29)	-	(29)
Transfer	63	401		(464)	-
As at 31 March 2018	593	619	547	477	2,236
Depreciation					
Brought forward	10	72	156	-	238
Charge	48	96	148	-	292
Disposals	-	-	(15)	-	(15)
As at 31 March 2018	58	168	289	-	515
Carrying amount					
As at 31 March 2018	535	451	258	477	1,721

Costs incurred (£477k) as part of the development of an Integration and Test Facility and a Service Delivery System are being held as project costs (assets in the course of construction), and will be capitalised, and depreciated, on completion of the projects.

Notes to the Financial Statements

for the year ended 31 March 2018

11. Trade and other receivables

	31 March 2018	31 March 2017
	£'000	£'000
Contract asset (service concession arrangements)	40,507	36,080
Contract asset (uninvoiced costs recoverable)	-	198
Trade receivables	10,388	13,727
Amounts owed by parent undertakings	416	-
Other receivables	1,248	735
	52,559	50,740

Contract asset

No revenue was recognised in the year (2017: £nil) from performance obligations satisfied in the previous period.

Against an opening contract asset (service concession arrangements) balance of £36.1m at 31 March 2017, invoicing of £65.3m during the year to 31 March 2018 indicates that the contract asset has been fully recovered during the period.

Trade receivables at the reporting date are shown above net of provisions.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value, and that there is no impairment of value at the reporting date. The Company does not consider that any of its trade receivables at 31 March 2018 are irrecoverable, and as such has made no provision for bad debts, nor have any write-offs been made during the accounting period (refer to note 14 below, Credit risk).

Trade receivables including amounts owed by parent undertakings are profiled below:

	Total	Neither past due nor impaired	Less than 60 days	60 to 120 days	More than 120 days
	£'000	£'000	£'000	£'000	£'000
2017	13,727	12,884	427	416	-

	Total	Neither past due nor impaired	Less than 60 days	60 to 120 days	More than 120 days
	£'000	£'000	£'000	£'000	£'000
2018	10,804	9,326	1,051	187	240

Notes to the Financial Statements

for the year ended 31 March 2018

12. Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Trade payables	577	5,246
Amounts owed to parent undertakings	7,006	12,520
VAT payable	1,335	1,705
Other taxation and social security	2	261
Accruals	3,475	2,550
Contract liability	922	371
	13,317	22,653

The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

Contract liability

The contract liability effectively represents amounts received in advance on Windfarm Studies and other external contracts, for which obligations are met typically in the twelve months following the period end.

13. Borrowings

	31 March 2018 £'000	31 March 2017 £'000
Amounts falling due within one year:		
Loans from parent undertakings	24,702	24,701
	24,702	24,701

	31 March 2018 £'000	31 March 2017 £'000
Amounts falling due after more than one year:		
Loans from parent undertakings	12,533	5,034
	12,533	5,034

Notes to the Financial Statements

for the year ended 31 March 2018

14. Financial instruments

Classification

All financial assets have been classified as loans and receivables, and all financial liabilities have been classified as other financial liabilities measured at amortised cost.

Financial risk management

The Company's operations expose it to a low level of financial risks, given that its debt is almost entirely United Kingdom public sector based, and it has a low level of funding requirement, moreover funding that is supplied from parent undertakings at fixed rates. Nonetheless, the Company has in place a risk management programme that seeks to limit the adverse effects on financial performance of the Company by monitoring levels of debt finance and the related finance costs, and by continually assessing the potential impacts of service events on service charge receivable. The Company does not use derivative financial instruments to manage interest rate costs, given that these are fixed, and as such, no hedge accounting is required.

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of Directors are implemented by the Company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage perceived financial risks.

Foreign currency risk

The Company has a minimal exposure to foreign currency risk, by far the majority of its assets and liabilities being denominated in its functional currency. One key supplier has a contract in Euros. To meet the regular payments required under this contract, the Company has a £3m currency exchange facility with Thales SA (an ultimate parent undertaking), so that on a six monthly basis, functional currency is exchanged for Euros to meet current liabilities. As a result of this arrangement, a small amount of Euros may be held by the Company, valued according to the rate employed in the latest transaction under the facility.

Interest rate risk

The Company has minimal interest rate risk. To date, no interest has been generated on its cash deposits, while the Company seeks to minimise its cash holding and return monies loaned from parent undertakings.

With regard to its borrowings, the Company has two tranches of loan, one falling due within one year, one repayable after more than one year. Both of these facilities bear a fixed, 6% interest rate.

<u>Interest rate sensitivity analysis</u>

No interest rate sensitivity analysis has been carried out at the reporting date because the Company is not subject to floating rate liabilities.

Notes to the Financial Statements

for the year ended 31 March 2018

14. Financial instruments (continued)

Credit risk

The Company does not consider that it has material credit risk, its debt being almost exclusively with the United Kingdom public sector, and debt financing is not used.

The maximum exposure to overall credit risk is the balance of cash and cash equivalents and trade and other receivables totalling £52,950k.

Liquidity risk

The Company actively maintains a mixture of long and short term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansion.

Price risk

The Company is exposed to minimal price risk as a result of its operations, given that its exposure to the United Kingdom public sector entity is a combination of firm and fixed pricing. Given that the Company has a low level of third party operations, the cost of managing exposure to price risk exceeds any potential benefits. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or in nature. The Company has no exposure to equity securities as it holds no listed or equity instruments.

Price rate sensitivity analysis

Price sensitivity analysis has not been carried out at the reporting date, nor is it considered necessary in view of the above.

Notes to the Financial Statements

for the year ended 31 March 2018

14. Financial instruments (continued)

The undiscounted contractual maturity analysis for financial instruments is as follows:

Financial assets

	Demand and less than 3 months £'000	From 3 to 12 months £'000	From 12 months to 2 years £'000	From 2 to 5 years £'000	More than 5 years £'000	Total £'000
Contract asset	36,278	-	-	-	-	36,278
Trade receivables	13,727	-	-	-	-	13,727
VAT recoverable	-	-	-	-	-	-
Other receivables	735	-	-	-	-	735
Cash and cash equivalents	4,149	-	-	-	-	4,149
As at 31 March 2017	54,889	-	-	-	-	54,889

Financial assets

	Demand and less than 3 months £'000	From 3 to 12 months £'000	From 12 months to 2 years £'000	From 2 to 5 years £'000	More than 5 years £'000	Total £'000
Contract assets	40,507	-	-	-	-	40,507
Trade receivables	10,388	-	-	-	-	10,388
Amounts owed by parent undertakings	416					416
Other receivables	1,248	-	-	-	-	1,248
Cash and cash equivalents	391	-	-	-	-	391
As at 31 March 2018	52,950	-	-	-	-	52,950

Notes to the Financial Statements

for the year ended 31 March 2018

14. Financial instruments (continued)

Financial liabilities

	Demand and less than 3 months	From 3 to 12 months	From 12 months to 2	From 2 to 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	5,246	-	-	-	-	5,246
Amounts owed to parent undertakings	12,520	-	-	-	-	12,520
VAT payable	1,705	-	-	-	-	1,705
Other taxation and social security	261	-	-	-	-	261
Accruals	2,550	-	-	-	-	2,550
Contract liability	371	-	-	-	-	371
Bank loans and overdrafts	-	-	-	-	-	-
Loans from parent undertakings	24,701	-	-	-	5,034	29,735
As at 31 March 2017	47,354	-	-	-	5,034	52,388

Financial liabilities

	Demand and less than 3 months	From 3 to 12 months	From 12 months to 2	From 2 to 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	577	-	-	-	-	577
Amounts owed to parent undertakings	7,006	-	-	-	-	7,006
VAT payable	1,335	-	-	-	-	1,335
Other taxation and social security	2	-	-	-	-	2
Accruals	3,475	-	-	-	-	3,475
Contract liability	922	-	-	-	-	922
Bank loans and overdrafts	-	-	-	-	-	-
Loans from parent undertakings	24,702	-	-	-	12,533	37,235
As at 31 March 2018	38,019	-	-	-	12,533	50,552

Fair values

The fair values of financial instruments reported in the statement of financial position materially approximate their carrying value.

Notes to the Financial Statements

for the year ended 31 March 2018

15. Deferred tax

	Accelerated capital allowances	Other temporary differences	Total
	£'000	£'000	£'000
Brought forward	43	(19)	24
Debit/(credit) to profit or loss	15	(14)	1
Balance as at 31 March 2017	58	(33)	25

	Accelerated capital allowances	Other temporary differences	Total
	£'000	£'000	£'000
Brought forward	58	(33)	25
Debit/(credit) to profit or loss	21	(36)	(15)
Balance as at 31 March 2018	79	(69)	10

Analysis of deferred tax balances (relating to accelerated capital allowances and other timing differences) for financial reporting purposes:

	31 March 2018 £'000	31 March 2017 £'000
Deferred tax asset	69	33
Deferred tax liabilities	(79)	(58)
	(10)	(25)

Reductions in the full rate of UK Corporation Tax were substantively enacted at the balance sheet date so that the rate falls to 17% by 1st April 2020. These changes are reflected in the closing deferred tax balance.

16. Pensions

The amount recognized as an expense for the period amounted to £551k (year to 31 March 2017 £522k).

17. Share capital

	31 March 2018 £'000	31 March 2017 £'000
Authorised, called up and fully paid		
200,000 Ordinary shares of £1 each	200	200

Notes to the Financial Statements

for the year ended 31 March 2018

18. Contingent liabilities

At 31 March 2018, the Company had no contingent liabilities.

19. Financial commitments

Under its service concession contract with a UK public sector entity, to provide air traffic management services, the Company is engaged to supply and install capital equipment over a seven year "transition" period, and thereafter carry on maintaining, supporting and operating that equipment. The operational period of the contract, beyond the initial seven years, runs until March 2037, and comprises three equal periods of five years. During the transitional and operational periods of the contract, the Company is committed to make payments to a wide variety of sub-contractors for the provision of both equipment and support services. All its liabilities to sub-contractors are met from revenues generated from the UK public sector entity with which the Company is contracted.

Operating lease commitments

At the reporting date, the Company had outstanding commitments under operating leases, which fall due as follows:

	31 March 2018 £'000	31 March 2017 £'000
Due within one year	1,926	1,824
Due between two and five years inclusive	4,128	6,060
Due after five years	485	-
	6,539	7,884

Refer to note 2.7 for further details of the leases held.

20. Related party relationships and transactions

Compensation of key management personnel

The key management personnel are considered to be the Board of Directors and members. Please refer to Note 6 for details of the Directors' remuneration.

Transactions and balances with other related parties

Transactions and balances with other related parties are as follows:

	31 March 2018 £'000	31 March 2017 £'000
Purchases (including accrued amounts) from Thales companies during the period	49,844	40,501
Purchases (including accrued amounts) from NATS companies during the period	21,160	32,171
Invoices raised on Thales companies during the period	350	-
Invoices raised on NATS companies during the period	230	21

Amounts invoiced to NATS and Thales during the period represent sundry cost recharges, of which £442k represents the recharge of rental costs.

Notes to the Financial Statements

for the year ended 31 March 2018

20. Related party relationships and transactions (continued)

Debtor balances with other related parties are as follows:

	31 March 2018 £'000	31 March 2017 £'000
NATS (Services) Limited	216	-
Thales UK Limited	200	-
	416	-

Creditor and accrual balances with other related parties are as follows:

	31 March 2018 £'000	31 March 2017 £'000
NATS (Services) Limited	1,428	2,415
NATS (En Route) plc	8	162
Thales UK Limited	5,570	9,942
Thales Global Services SAS	-	-
	7,006	12,519

21. Events after the reporting period

There are no significant events after the period-end.

22. Ultimate controlling party

The Company has no ultimate controlling party, being a 50:50 joint venture between Thales UK Limited and NATS (Services) Limited, both companies registered in the United Kingdom.

The financial statements of Thales UK Limited can be obtained from 350, Longwater Avenue, Green Park, Reading RG2 6GF, and those of NATS (Services) Limited can be obtained from the Corporate Technical Centre, 4,000 Parkway, Whiteley, Fareham, Hampshire PO15 7FL.