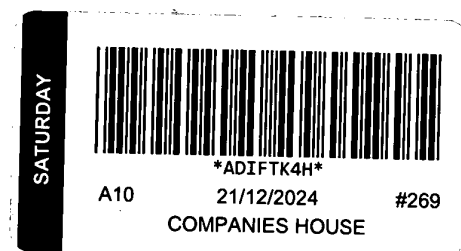


Company registration no. 09256777

**Aquila Air Traffic Management Services Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2024**



**Aquila Air Traffic Management Services Limited**  
**Annual Report and Financial Statements**

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**Aquila Air Traffic Management Services Limited**  
**Annual Report and Financial Statements**

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**Company Information**

**For the year ended 31 March 2024**

|                     |  |
|---------------------|--|
| Directors           | G A Adams<br>A C K Cresswell<br>M J Rolfe<br>C A J P Rivierre<br>P W Hitchcock |
| Registered address  | 350 Longwater Avenue<br>Green Park<br>Reading<br>RG2 6GF                       |
| Registration number | 09256777   |
| Auditor             | Forvis Mazars LLP<br>30 Old Bailey<br>London<br>EC4M 7AU                       |

## **Strategic Report**

**For the year ended 31 March 2024**

The Directors present their Strategic Report for Aquila Air Traffic Management Services Limited for the year ended 31 March 2024, 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, being the operation of air traffic management services under a concession contract (Programme 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). Consistent with the growth strategy of the business, other related projects and technical services outside of Marshall have been introduced into the portfolio and are being delivered.

### **Review of developments and financial performance during the year**

The Company continued to deliver high levels of service availability (> 99%) throughout the year. The transition from legacy equipment continues and by 31<sup>st</sup> March 2024 86% of the equipment has been installed and accepted into service. Activity outside the core Marshall contract was principally in the provision of on-site equipment support for UK Defence systems with similar technical characteristics to those being supplied and supported under Marshall.

Revenue for the year was £88.9m (2023 £100.8m), of which £66.2m (2023 £79.2m) relates to Capital Milestone payments and Service Charges attributable to the Marshall contract. The remaining £22.7m (2023 £21.6m) relates to agreed changes to the Marshall contract (£11.6m), costs incurred on behalf of the MoD and recharged (£2.4m), and new business (£8.7m).

With continued pressure on inflationary costs within a contractually agreed Marshall framework to 2037, the company has prudently reviewed its long-term business plan. This has resulted in an adjustment to the long-term financial forecast, resulting in the declaration of a Loss after Tax of £32.8m in the year. Going forward, tight control of costs and improved forecasting processes will mitigate the need for future large corrections to profitability.

The financial statements show a gross loss of £6.0m (2023 gross profit of £9.4m). The Directors anticipate that current levels of activity will continue over the next few years as the transition phase of the Marshall contract continues through until a planned completion in 2025, and other contracts develop.

The Company's financial performance during the year to 31 March 2024 can be summarised as follows:

## **Strategic Report (Continued)**

**For the year ended 31 March 2024**

|                         | <b>31 March<br/>2024<br/>£m</b> | <b>31 March<br/>2023<br/>£m</b> |
|-------------------------|---------------------------------|---------------------------------|
| Revenue                 | 88.9                            | 100.8                           |
| Gross (Loss)/Profit     | (6.0)                           | 9.4                             |
| (Loss)/Profit after tax | (32.8)                          | 0.9                             |
| <br>                    |                                 |                                 |
| Borrowings              | 37.6                            | 17.7                            |
| <br>                    |                                 |                                 |
| Retained Earnings       | (21.2)                          | 11.6                            |
| <br>                    |                                 |                                 |
| Average headcount       | 342hds                          | 356hds                          |

The Company arranges for external assurance of its management systems. During financial year 2023 - 2024, the Company maintained its accreditation by the Military Aviation Authority (MAA) under its Air Traffic Management Equipment Approved Organisation Scheme (AAOS), maintained its certification to ISO 14001:2015 (Environmental Management Standard) and OHSAS 18001 (Occupational Health & Safety Management Standard), maintained its accreditation by Defence Assurance and Information Security, and maintained its certification to ISO 9001:2015 (Quality Management Standard).

### **Key performance indicators**

Aquila uses a mix of trailing and leading KPIs to measure business performance:

- (i) Financial performance
- (ii) Service performance
- (iii) Project performance
- (iv) New business

### **Financial position at the reporting date**

The Company had total assets of £45.4m as at 31 March 2024 (2023 £52.6m). Of this, £0.3m (2023 £1.0m) relates to cash at bank, and £17.1m (2023 £7.9m) represents trade receivables. There are £3.0m (2023 £2.6m) of fixed assets (capitalised IT hardware, IT software and Plant & Machinery), £4.6m (2023 £1.6m) of right-of-use assets held under IFRS 16 (accounting for leases), and £2.7m of assets in the course of construction (2023 £2.0m). The remaining balance of £17.6m (2023 £37.4m) represents the contract financial asset, a future receivable, held under the application of interpretation 12 of the International Financial Reporting Interpretations Committee (IFRIC12) and also IFRS15.

### **Future developments**

The Company continues to work closely with UK MOD and the renewable energy industry to identify cost-effective approaches to mitigate the impact of onshore and offshore windfarms on Air Traffic Management services.

### **Principal risks and uncertainties**

Aquila's principal strategic risk relates to the number of bases at which it provides its services, several of which are outside the United Kingdom. Aquila is therefore exposed to potential reductions in its service

## **Strategic Report (Continued)**

**For the year ended 31 March 2024**

volume if the decision is taken to close or consolidate operations on bases. This risk is mitigated by contract change mechanisms and by a close working relationship with its customer and supply chain.

Aquila's principal operating risk is the availability of suitably qualified and experienced personnel to perform its operations to the accredited standards required under contract. This is achieved by a training and compliance programme within the company's Quality Management System. Furthermore, the shareholders of the company are world leaders in the provision of Airspace Management Systems and provision of Air Navigation Services. Aquila can access the extensive knowledge and experience of its shareholders through sub-contracted work and/or personnel on fixed term secondment. The Company has continued to maintain its air safety accreditation from the Military Aviation Authority and there have been no significant safety events or issues during the year.

Aquila's principal technology risks are cybersecurity and obsolescence of equipment and systems during the life of the contract. The company mitigates the former by a continuous Network and Security monitoring service provided by Thales. The obsolescence of equipment and systems is mitigated through a refresh programme at a fixed value over the life of the Marshall contract. Worst case estimates for the total cost of the refresh programme exceed the customer funding and existing levels of risk and contingency. A strategy and plan to mitigate this risk has been developed and is being actively managed. The current level of risk funding is consistent with the Companies view of the most likely achievable outcome. This will be adjusted in future periods if planned mitigations are not adequate.

Aquila's primary financial instruments are a shareholder loan at a fixed interest rate together with short term bank deposits. The shareholder loan exists to fund day to day operating activities and is expected to be repaid prior to completion of the Marshall contract (current Contract expiry forecast as 31 March 2037). This shareholder loan is flexible with notice, and repayable on demand. The facility has a maximum borrowing of £50m and an interest rate of 3.75 % per annum.

The Marshall contract is a capped price contract with agreement of fixed prices for five-year periods. Contract profitability is therefore subject to cost inflation risk in excess of the contractual inflation clauses as well as timely agreement of contract change proposals and settlement of any claims or disputes. This risk is partially mitigated by flow down of the contractual inflation clause in key contracts in Aquila's supply chain.

The fixed price for the Marshall Contract in the five-year period from April 2022 through to March 2027 was set in a significantly lower inflationary environment. Mitigation of this inflation risk is through implementing operating efficiencies and seeking compensation for the impacts of inflation through an uplift to Marshall revenues in subsequent pricing periods.

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, and another is partly paid in US Dollars. To meet the regular payments required under these contracts, the Company has a £21m currency exchange facility with Thales SA (an ultimate parent undertaking) so that, on a quarterly basis, functional currency is exchanged for Euros and US Dollars to meet current liabilities. As a result of this arrangement, a small amount of Euros and US Dollars may be held by the Company.

### **Directors' Section 172 Statement**

#### ***The likely consequence of any decision in the long term***

The Aquila business is guided by a Strategic Plan and an associated Business Plan, together with an Integrated Risk Management Process that allows the Company to manage risks and devise and then implement strategies as appropriate. The risks are captured in our Risk Management Plan. The Aquila Executive Team monitors, measures and manages the risks in the plan which are agreed with, and reported to, the Aquila Board of Directors. Underpinning the business and enabling us to consistently deliver value

## **Strategic Report (Continued)**

**For the year ended 31 March 2024**

to our customers are our defined and monitored processes, policies and procedures. These are defined within the Aquila Management System (AMS). Aquila is accredited to ISO9001. This accreditation demonstrates our commitment to meet all our stakeholders needs and systematically improve our performance.

Additionally in 2024 the Company took benefit of its shareholder Thales' Corporate Internal Audit Department to review the company's business plans and the effectiveness of its management processes resulting in an additional layer of assurance.

### ***The interests of the Company's employees***

We communicate openly and honestly, actively listen to our people, and respect the contribution of others. We ensure that the activity of our employees is aligned with the overall mission of the organisation by communicating the linkage between individual, functional, and corporate objectives as defined in our Strategic Plan.

To ensure we are monitoring the overall mood of the organisation we run regular polls as well as an annual Employee Survey. The results of these polls and surveys - and required actions - are captured in an action plan which is reported back to our employees.

Our employees' interests are represented through an Employee Forum that meets regularly where issues and concerns can be tabled for action by the management team. In addition to regular functional, team and individual performance and development meetings, our all-employee Team Briefings provide another opportunity for Aquila employees to raise questions directly to the management team.

### ***The need to foster the Company's business relationships with suppliers, customers and others***

The need to sustain a highly performing and collaborative supply chain is central to Aquila's business model.

We have developed a drumbeat of regular contact and collaboration with various touchpoints across the Aquila stakeholder community. With our Ministry of Defence customer, we ensure regular communication and joint decision-making on all aspects of Programme Marshall through a structured governance process that reflects best practices from ISO 44001. This includes running an annual Customer Satisfaction Survey.

Our Supply Chain Management Team works in close liaison with all suppliers and partners on Programme Marshall and other contracts. We adopt collaborative working practices, communicate in an open and transparent fashion, share information and best practices, and operate to the highest ethical standards in order to develop and sustain ongoing and long-term relationships.

All suppliers to Aquila are required to annually demonstrate compliance with all contractual, company and legal requirements on a wide range of topics including the Modern Slavery Act, Health and Safety, Security, Data Protection and Environmental Controls.

NATS and Thales are key stakeholders in Aquila, as sponsors, shareholders and principal subcontractors. As parent organisations, regular contact between Aquila, NATS and Thales continues at many functional and management levels, with strong governance and reporting links. In addition, strong collaboration between Aquila, NATS and Thales as subcontractors continues on a daily basis as would be expected during the ongoing new equipment deployment phase of the Marshall contract.

**Strategic Report (Continued)**

**For the year ended 31 March 2024**

*The impact of the Company's operations on the community and the environment*

The safety of our people and our customers and partners is always our top priority. For this reason, 'Relentless about Safety' is at the top of our four core values. Throughout the year Aquila has continued to provide safe and reliant services to our customer and a safe working environment for our employees. Aquila is certified to international health and safety standard (ISO). Aquila operates a clear internal procedure for reporting safety concerns and has a strict programme of Health and Safety training and regular updates to all staff.

Aquila recognises its responsibility in managing our own and our customers' environmental impact. We have an ISO 14001 certified management system to ensure our services meet compliance obligations, environmental best practice and MoD policy requirements and processes. Aquila employees are actively encouraged to play their part in protecting the environment and promoting sustainability.

As a supporter of the Armed Forces and veteran's communities, Aquila is a gold status holder of the Armed Forces Corporate Covenant Enterprise Recognition Scheme.

Aquila is driven to be an organisation where our employees want to work and with whom our customers want to do business. Our culture is based on our relentless focus on assuring the safety of our people, our products, and our services. Equally, our business and growth strategies are built on our commitment to drive the delivery of excellence through all our business operations. We work collaboratively with all our stakeholders and openly share our vision and values and our Code of Conduct to ensure that all parties representing us are equally committed to the highest standards of performance and business conduct.

*The need to act fairly between members of the Company*

The Aquila Code of Conduct describes our core values and the principles, standards and behaviours that are expected of all Aquila's directors, employees, consultants, contractors, and members of the Board. The booklet is given to all new employees and is available to download from the Company intranet site.

We are totally committed to maintaining a harassment-free workplace. This includes going far beyond the legislation detailed in the Equality Act of 2010. Aquila will not accept discrimination of any type including (but not limited to) Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex (gender) and Sexual Orientation



.....  
Approved on behalf of the board on 20<sup>th</sup> December 2024

P Hitchcock  
Chief Executive

## **Directors' Report**

**For the year ended 31 March 2024**

The Directors present their Directors' Report and the audited financial statements for the year ended 31 March 2024. An analysis of the business during the year, key performance indicators as well as principal risks and uncertainties facing the business are not shown in the Directors' Report as this information is included within the Strategic report under s414C(II) of the Companies Act 2006.

### **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 Programme Marshall.

On 28 October 2014, the Company was awarded the Programme 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 (Programme Marshall) to the UK public sector (MoD). Revenue for the period was £88.9m (2023 £100.8m), with a gross loss of £6.0m (2023 £9.4m). 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.

### **Going Concern**

The accounts have been prepared on a going concern basis. In coming to this conclusion, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this assessment, the Directors have considered primarily that the Marshall Contract is a Government-backed contract of 22 years duration. The Company is backed by strong parent organisations (NATS and Thales), who provide funding support in the form of shareholder loan, and future cash projections show no current requirement to increase the size of the facilities.

Therefore the Directors reach the conclusion that the Company has sufficient funding to cover the next 12 months from date of approval of these Financial Statements.

### **Post Balance Sheet events**

With continued pressure on inflationary costs within a contractually agreed Marshall framework to 2037, the company has prudently reviewed its long-term business plan and lowered the forecast level of growth outside of the Marshall Contract and updated the forecast interest payable on its working capital.

This has resulted in a loss after tax of £32.8m in the year, and therefore the equivalent deterioration of the net asset.

## **Directors' Report**

**For the year ended 31 March 2024**

### **Dividends**

The results for the year under review are summarised in the Company's Statement of Comprehensive Income, where the loss retained is £32.8m (2023 Profit of £0.9m). 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 2024, the Company has current assets of £35.1m (2023 £46.4m), including a contract asset receivable under the concession contract of £17.6m (2023 £37.5m) and trade and other receivables of £17.1m (2023 £7.9m). The Company has financial liabilities of £66.4m (2023 £40.8m) including amounts owed to parent companies of £4.7m (2023 £5.4m), and loans from the same of £37.6m (2023 £17.7m).

### **Directors**

The Directors of the Company who served during the year to the date of this report are (unless otherwise stated) as follows:

G A Adams  
C A J P Rivierre  
A C K Cresswell  
M J Rolfe  
M P Stoller (resigned 1<sup>st</sup> August 2024)  
P W Hitchcock (appointed 1<sup>st</sup> August 2024)

### **Disclosure of information to Forvis 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 Forvis Mazars LLP will therefore continue in office.

Approved on behalf of the board on 20<sup>th</sup> December 2024



.....  
Peter Hitchcock  
Chief Executive

## **Statement of Directors' Responsibilities**

For the year ended 31 March 2024

The Strategic Report, 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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

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;
- (b) made judgement and accounting estimates that are reasonable and prudent;
- (c) followed applicable UK-adopted international 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 2024.

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

**For the year ended 31 March 2024**

### **Opinion**

We have audited the financial statements of Aquila Air Traffic Management Services Limited (the 'company') for the year ended 31 March 2024 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 material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its loss for the year then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards; 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.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit,

## **Independent Auditor's Report to the members of Aquila Air Traffic Management Services Limited (Continued)**

**For the year ended 31 March 2024**

or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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.

### **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 10, 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.

## **Independent Auditor's Report to the members of Aquila Air Traffic Management Services Limited (Continued)**

**For the year ended 31 March 2024**

### **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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;

**Independent Auditor's Report to the members of Aquila Air Traffic Management Services Limited (Continued)**

**For the year ended 31 March 2024**

- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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.

  
Gavin Barclay (Dec 20, 2024 11:10 GMT)

Gavin Barclay (Senior Statutory Auditor) for and on behalf of Forvis Mazars LLP

Chartered Accountants and Statutory Auditor

30 Old Bailey

London

EC4M 7AU

Date: 20 December 2024

**Aquila Air Traffic Management Services Limited**  
**Annual Report and Financial Statements**

**Statement of Comprehensive Income**

For the year ended 31 March 2024

|  | Notes | 31 March<br>2024<br>£'000 | 31 March<br>2023<br>£'000 |
|--|-------|---------------------------|---------------------------|
| Revenue  | 3     | 88,938                    | 100,822                   |
| Cost of sales                                    |       | (94,968)                  | (91,428)                  |
| <b>Gross (loss)/profit</b>                       |       | <u>(6,030)</u>            | <u>9,394</u>              |
| Administrative expenses                          |       | (7,807)                   | (7,000)                   |
| Contract Asset Impairment                        | 4     | (17,567)                  | -                         |
| <b>Operating (loss)/profit</b>                   | 5     | <u>(31,404)</u>           | <u>2,394</u>              |
| Finance income                                   | 8     | 84                        | 25                        |
| Finance costs                                    | 9     | (1,791)                   | (1,129)                   |
| <b>(Loss)/Profit before taxation</b>             |       | <u>(33,111)</u>           | <u>1,290</u>              |
| Taxation   | 10    | 320                       | (336)                     |
| <b>(Loss)/Profit for the period</b>              |       | <u>(32,791)</u>           | <u>954</u>                |
| <b>Other comprehensive income:</b>               |       | -                         | -                         |
| <b>Total comprehensive income for the period</b> |       | <u>(32,791)</u>           | <u>954</u>                |

The notes on pages 19 to 48 form an integral part of these financial statements.

All operations are classed as continuing.

**Aquila Air Traffic Management Services Limited**  
**Annual Report and Financial Statements**  
**Company number 09256777**

**Statement of Financial Position**

As at 31 March 2024

|  | Notes | 31 March<br>2024<br>£'000 | 31 March<br>2023<br>£'000 |
|--|-------|---------------------------|---------------------------|
| <b>ASSETS</b>                                    |       |                           |                           |
| <b>Non-current assets</b>                        |       |                           |                           |
| Property, plant and equipment                    | 11    | 6,574                     | 3,676                     |
| Intangible assets                                | 12    | 3,708                     | 2,535                     |
|  |       | <u>10,282</u>             | <u>6,211</u>              |
| <b>Current assets</b>                            |       |                           |                           |
| Contract asset (service concession arrangements) | 13    | 17,600                    | 37,482                    |
| Trade and other receivables                      | 14    | 17,130                    | 7,923                     |
| Current tax asset                                |       | 30                        | -                         |
| Cash and cash equivalents                        |       | 394                       | 1,019                     |
|  |       | <u>35,154</u>             | <u>46,424</u>             |
| <b>Total assets</b>                              |       | <u><b>45,436</b></u>      | <u><b>52,635</b></u>      |
| <b>LIABILITIES</b>                               |       |                           |                           |
| <b>Current liabilities</b>                       |       |                           |                           |
| Trade and other payables                         | 15    | 20,843                    | 21,065                    |
| Current tax liabilities                          |       | -                         | 17                        |
| Lease liabilities                                | 11    | 1,247                     | 1,020                     |
| Borrowings                                       | 16    | 37,598                    | 17,679                    |
|  |       | <u>59,688</u>             | <u>39,781</u>             |
| <b>Non-current liabilities</b>                   |       |                           |                           |
| Lease liabilities                                | 11    | 3,245                     | 569                       |
| Onerous contract provision                       | 17    | 3,310                     | -                         |
| Deferred Tax                                     | 19    | 174                       | 475                       |
|  |       | <u>6,729</u>              | <u>1,044</u>              |
| <b>Total liabilities</b>                         |       | <u><b>66,417</b></u>      | <u><b>40,825</b></u>      |
| <b>Net (liabilities)/assets</b>                  |       | <u><b>(20,981)</b></u>    | <u><b>11,810</b></u>      |
| <b>EQUITY</b>                                    |       |                           |                           |
| Share capital                                    | 21    | 200                       | 200                       |
| Retained earnings                                |       | (21,181)                  | 11,610                    |
| <b>Total equity</b>                              |       | <u><b>(20,981)</b></u>    | <u><b>11,810</b></u>      |

The financial statements were approved by the Board of Directors and authorised for issue on 20th December 2024 and signed on their behalf by:



P Hitchcock  
**Chief Executive**

The notes on pages 19 to 48 form an integral part of these financial statements.

**Aquila Air Traffic Management Services Limited**  
**Annual Report and Financial Statements**

**Statement of Changes in Equity**

for the year ended 31 March 2024

|                                   | Share<br>capital<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|-----------------------------------|---------------------------|-------------------------------|--------------------------|
| <b>Brought forward</b>            | 200                       | 10,656                        | 10,856                   |
| Profit for the period             | -                         | 954                           | 954                      |
| Other comprehensive income        | -                         | -                             | -                        |
| <b>Total comprehensive income</b> | -                         | 11,610                        | 11,810                   |
| Dividends paid                    | -                         | -                             | -                        |
| <b>At 31 March 2023</b>           | <b>200</b>                | <b>11,610</b>                 | <b>11,810</b>            |

for the year ended 31 March 2024

|                                   | Share<br>capital<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|-----------------------------------|---------------------------|-------------------------------|--------------------------|
| <b>Brought forward</b>            | 200                       | 11,610                        | 11,810                   |
| Loss for the period               | -                         | (32,791)                      | (32,791)                 |
| Other comprehensive income        | -                         | -                             | -                        |
| <b>Total comprehensive income</b> | <b>200</b>                | <b>(21,181)</b>               | <b>(20,981)</b>          |
| Dividends paid                    | -                         | -                             | -                        |
| <b>At 31 March 2024</b>           | <b>200</b>                | <b>(21,181)</b>               | <b>(20,981)</b>          |

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

The notes on pages 19 to 48 form an integral part of these financial statements.

## Statement of Cash Flows

for the year ended 31 March 2024

|  | Notes | 31 March<br>2024<br>£'000 | 31 March<br>2023<br>£'000 |
|--|-------|---------------------------|---------------------------|
| <b>Cash flow from operating activities</b>                     |       |                           |                           |
| (Loss)/Profit for the period before taxation                   |       | (33,111)                  | 1,290                     |
| <i>Adjustment for:</i>   |       |                           |                           |
| Depreciation of property, plant and equipment                  | 11    | 2,132                     | 2,150                     |
| Amortisation of intangible assets                              | 12    | 298                       | 292                       |
| Gain on disposal of property, plant and equipment              | 11    | -                         | -                         |
| Increase in Onerous contract provision                         |       | 3,110                     | -                         |
| Finance income   | 8     | (84)                      | (10)                      |
| Finance costs  | 9     | 1,791                     | 1,129                     |
| <i>Changes in working capital:</i>                             |       |                           |                           |
| (Increase)/decrease in trade and other receivables             | 14    | (9,207)                   | 11,542                    |
| Decrease in service concession arrangements receivable         | 13    | 19,882                    | 1,381                     |
| Decrease in trade and other payables                           | 15    | (20)                      | (16,314)                  |
| <b>Cash (used in)/ generated from operations</b>               |       | <b>(15,209)</b>           | <b>1,460</b>              |
| Bank charges/interest paid                                     |       | (5)                       | (7)                       |
| Income tax paid  |       | (28)                      | (214)                     |
| <b>Net cash (used in)/ generated from operating activities</b> |       | <b>(15,242)</b>           | <b>1,239</b>              |
| <b>Cash used in investing activities</b>                       |       |                           |                           |
| Capital expenditure  |       | (2,430)                   | (1,817)                   |
| <b>Net cash used in investing activities</b>                   |       | <b>(2,430)</b>            | <b>(1,817)</b>            |
| <b>Cash flow from financing activities</b>                     |       |                           |                           |
| Proceeds from borrowings                                       | 16    | 24,700                    | 25,000                    |
| Repayment of borrowings  | 16    | (6,000)                   | (24,000)                  |
| Lease payments – right-of-use assets, net of accreted interest | 11    | (1,737)                   | (1,490)                   |
| <b>Net cash generated from/(used in) financing activities</b>  |       | <b>16,963</b>             | <b>(490)</b>              |
| <b>Decrease in cash and cash equivalents</b>                   |       |                           |                           |
|  |       | <b>(709)</b>              | <b>(1,069)</b>            |
| Cash and cash equivalents brought forward                      |       | 1,019                     | 2,072                     |
| Effect of foreign exchange rate movements                      | 8     | 84                        | 15                        |
| <b>Cash and cash equivalents at end of the period</b>          |       | <b>394</b>                | <b>1,019</b>              |

The notes on pages 19 to 48 form an integral part of these financial statements.

## **Notes to the Financial Statements**

**for the year ended 31 March 2024**

### **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***

The Company has prepared its financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

##### ***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. In arriving at this assessment, the Directors have considered primarily that the Marshall Contract is a Government-backed contract of 22 years duration. In addition, over the past year work has been ongoing within Aquila to mitigate known risks and to introduce cost efficiencies. The Company has also been successful during the year at attracting new orders of c. £11m as part of its strategy for growth. Despite the forecast loss, the Company continues to be backed by strong parent organisations (NATS and Thales), who provide funding support in the form of shareholder loan, and future cash projections show no current requirement to increase the size of the facilities, so future liquidity is assured.

##### ***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 2024**

### **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 and US Dollar, the Company has a £21m, five-year currency exchange facility with Thales SA, a related party, whereby Euros and Dollars are swapped with the functional currency according to a quarterly schedule to make payments to key suppliers, Frequentis and Harris, and other suppliers on an ad hoc basis. At any given time, a small amount of Euro and US Dollar currency may be held. Euro and Dollar 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 2024**

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 2024

### **2.7 Lease transactions**

#### ***Leases***

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### ***Short-term leases and leases of low-value assets***

The company applies the short-term lease recognition exemption to its short-term leases of machinery, equipment and properties (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### ***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease when the Company, as a lessee, has the right to use an underlying asset for the lease term. Right-of-use assets are measured at cost, less accumulated depreciation, and adjustment for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amounts of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line-basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Plant and equipment (vehicles) - 3 years

Property – between 2 years and 7 years

If any impairment of right-of-use assets is identified, the value of the asset is amended with a corresponding charge to the income statement.

#### ***Lease liabilities***

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. As permitted by IFRS 16, the Group uses an incremental borrowing rate, from an external provider, to calculate the lease liabilities for plant and equipment (vehicles), and its own incremental borrowing rate in respect of leases for properties. The rate used in respect of vehicles is 2.80%, and for properties the rate is 3.75%. The lease payments are fixed in the Company's current portfolio.

### **2.8 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 financial assets at amortised cost; 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. Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

## **Notes to the Financial Statements**

**for the year ended 31 March 2024**

If there is objective evidence that there is an impairment loss on financial assets at amortised cost, 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 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. Expected losses on contracts are fully recognised as a provision as soon as they are identified.

## **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.

## **Notes to the Financial Statements**

for the year ended 31 March 2024

### ***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.

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.

### ***Provisions***

Accounting for provisions is based on estimates of the extent and probability of occurrence of future events. As far as possible, these are also based on experience or external opinions. Certain provisions, such as those relating to contract costs, can be subject to significant estimation uncertainty. This is due to the complexity involved in determining the range and value of possible outcomes. A significant change in projected or actual outcomes versus the assumptions currently made might have a significant impact on the financial statements. Further details on provisions are disclosed in Note 4.

### ***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.

## **Notes to the Financial Statements**

for the year ended 31 March 2024

### **Standards, amendments and interpretations adopted in the current financial period ended 31 March 2024**

During the year to 31 March 2023, the following UK-adopted accounting standards, amendments or interpretations were required to be recognised by the Company:

| <b>UK-adopted and EU-endorsed</b>   | <b>Effective Date:<br/>Account periods<br/>beginning on or after</b> |
|---|--|
| IAS 16 Property, Plant and Equipment (Amendment): Proceeds Before Intended Use  | 01 January 2022  |
| IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts - Cost of Fulfilling a Contract                       | 01 January 2022  |
| IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework   | 01 January 2022  |
| Annual Improvements to IFRSS (2018-2020 cycle)  | 01 January 2022  |
| IFRS 17 Insurance Contracts and Amendments to IFRS 17   | 01 January 2023  |
| IFRS 17 Insurance Contracts (Amendment): Initial Application of IFRS 17 and IFRS 9 Comparative Information  | 01 January 2023  |
| IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendment): Disclosure of Accounting Policies | 01 January 2023  |
| IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Accounting Estimates                                 | 01 January 2023  |
| IAS 12 Income Taxes (Amendment): Deferred Tax related to Assets and Liabilities arising from a Single Transaction                                     | 01 January 2023  |
| IAS 12 Income Taxes (Amendment): International Tax Reform - Pillar Two Model Rules  | 01 January 2023  |

## **Notes to the Financial Statements**

for the year ended 31 March 2024

### **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.

|  | <b>Effective Date:<br/>Account periods<br/>beginning on or<br/>after</b> |
|--|--|
| <b>UK-adopted and EU-endorsed</b>  |  |
| IFRS 16 Leases (Amendment): Lease Liability in a Sale and Leaseback  | 01 January 2024  |
| IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Non-current Liabilities with Covenants | 01 January 2024  |
| IAS 7 Statement of Cash Flows and IFRS7 Financial Instruments Disclosures (Amendment): Supplier Finance Arrangements   | 01 January 2024  |
| <b>EU-endorsed (not UK-adopted)</b>  |  |
| None   |  |
| <b>UK Adopted (not EU endorsed)</b>  |  |
| IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment): Lack of exchangeability   | 1 January 2025   |
| <b>Subject to UK adoption and EU endorsement</b>   |  |
| IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (Amendment): Classification and Measurement of Financial Instruments                              | 01 January 2026  |
| Annual Improvements to IFRS accounting Standards – Volume 11   |  |
| IFRS 1 – First Time Adoption of International Financial Reporting Standards  | 01 January 2026  |
| IFRS 7 – Financial Instruments: Disclosures  |  |

**Aquila Air Traffic Management Services Limited**  
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**Notes to the Financial Statements**

for the year ended 31 March 2024

**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:

|                                      | <b>31 March</b> | <b>31 March</b> |
|--------------------------------------|-----------------|-----------------|
|                                      | <b>2024</b>     | <b>2023</b>     |
|                                      | <b>£'000</b>    | <b>£'000</b>    |
| Service concession contract revenues | 66,191          | 79,169          |
| Contractual change and sundry income | 22,747          | 21,653          |
|                                      | <u>88,938</u>   | <u>100,822</u>  |

**Disaggregation of Revenue**

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

**Major Goods/Service Lines**

|  | <b>31 March</b> | <b>31 March</b> |
|--|-----------------|-----------------|
|  | <b>2024</b>     | <b>2023</b>     |
|  | <b>£'000</b>    | <b>£'000</b>    |
| Capital Milestones                         | 15,953          | 24,195          |
| Service Charge                             | 50,237          | 54,974          |
| Pass Through and Sundry Income             | 5,694           | 3,547           |
| Contract Change Income                     | 8,370           | 12,823          |
| Windfarm Studies and Other External Income | 8,684           | 5,283           |
|  | <u>88,938</u>   | <u>100,822</u>  |

**Timing of Revenue Recognition**

Revenue has been recognised in line with the long-term financial forecast and adjusted in year by £13.2m for the Marshall Contract.

|   | <b>31 March</b> | <b>31 March</b> |
|---|-----------------|-----------------|
|   | <b>2024</b>     | <b>2023</b>     |
|   | <b>£'000</b>    | <b>£'000</b>    |
| Services transferred over time (IFRIC 12)         | 66,191          | 79,169          |
| Goods and Services transferred at a point in time | 22,747          | 21,653          |
|   | <u>88,938</u>   | <u>100,822</u>  |

**Notes to the Financial Statements**

for the year ended 31 March 2024

**3. Revenue (continued)**

**Revenue expected to be recognised on the Service Concession Contract with the UK Ministry of Defence as at 31st March 2024**

|                    | <b>Within 1<br/>Year<br/>£'000</b> | <b>Between 2 – 5<br/>Years<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------|------------------------------------|--|------------------------|
| Capital Milestones | 16,749                             | 4,900                                    | 21,649                 |
| Service Charge     | 73,566                             | 229,126                                  | 302,692                |
|                    | <u>90,315</u>                      | <u>234,026</u>                           | <u>324,341</u>         |

**4. Contract Asset Impairment**

With continued pressure on inflationary costs within a contractually agreed Marshall framework to 2037, the company has prudently reviewed its long-term business plan.

This has resulted in an overall provision in year of £34m, as follows:

|                                      |               |
|--------------------------------------|---------------|
|                                      | <b>£'000</b>  |
| Revenue Adjustment (Note 3)          | 13,184        |
| Financial Asset Impairment (Note 13) | 17,568        |
| Onerous Provision (Note 17)          | <u>3,310</u>  |
| Total                                | <u>34,062</u> |

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for the year ended 31 March 2024

**5. Operating (loss)/profit**

|  | 31 March 2024 | 31 March 2023 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Operating profit is stated after charging/(crediting): |               |               |
| Depreciation of property, plant and equipment          | 646           | 762           |
| Depreciation of right-of-use assets (IFRS 16)          | 1,486         | 1,388         |
| Amortisation of Intangible Assets                      | 298           | 292           |
| Foreign exchange (gain)/loss                           | (84)          | (15)          |
| Auditor's remuneration:                                |               |               |
| Statutory audit  | 60            | 49            |
| Other Assurance services                               | -             | 3             |
| Redundancy costs                                       | 71            | 1             |

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

**6. Employees**

**Number of employees**

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

|  | 31 March<br>2024<br>Number | 31 March<br>2023<br>Number |
|--|----------------------------|----------------------------|
| Administrative staff (including Directors) | 67                         | 65                         |
| Operational staff                          | 275                        | 291                        |
|  | <u>342</u>                 | <u>356</u>                 |

**Employment costs**

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

|                       | 31 March<br>2024<br>£'000 | 31 March<br>2023<br>£'000 |
|-----------------------|---------------------------|---------------------------|
| Wages and salaries    | 24,431                    | 23,052                    |
| Social security costs | 1,975                     | 2,191                     |
| Other pension costs   | 1,158                     | 1,110                     |
|                       | <u>27,564</u>             | <u>26,353</u>             |

Wages and salaries include redundancy costs of £71k (2023 £1k - refer to Note 5 above), amounts paid to contractors of £2,483k (2023 £2,170k), and amounts paid in respect of secondees from both Thales UK Limited and NATS (Services) Limited of £695k (2023 £1,021k). The Company is responsible for paying

## **Notes to the Financial Statements**

**for the year ended 31 March 2024**

to Thales UK Limited and NATS (Services) Limited 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.

### **7. Directors' remuneration**

All Directors at the date of these financial statements are employed by the Company's parent organisations, NATS and Thales, and receive remuneration from these organisations. The costs of their services to the Company are paid via a Management Fee which is part of the Company's Administrative expenses.

## Notes to the Financial Statements

for the year ended 31 March 2024

### 8. Finance income

|                      | <b>31 March<br/>2024<br/>£'000</b> | <b>31 March<br/>2023<br/>£'000</b> |
|----------------------|------------------------------------|------------------------------------|
| Other finance income | 84                                 | 25                                 |
|                      | <u>84</u>                          | <u>25</u>                          |

### 9. Finance costs

|  | <b>31 March<br/>2024<br/>£'000</b> | <b>31 March<br/>2023<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| Interest charge on service concession arrangements | 465                                | 277                                |
| Interest payable to parent undertakings            | 1,219                              | 768                                |
| Bank charges                                       | 15                                 | 7                                  |
| Interest on lease liabilities (IFRS 16)            | 92                                 | 77                                 |
|  | <u>1,791</u>                       | <u>1,129</u>                       |

### 10. Income tax

|                                      | <b>31 March<br/>2024<br/>£'000</b> | <b>31 March<br/>2023<br/>£'000</b> |
|--------------------------------------|------------------------------------|------------------------------------|
| <b>Current tax</b>                   |                                    |                                    |
| Current year                         | -                                  | 313                                |
| Adjustment in respect of prior years | <u>(19)</u>                        | <u>(126)</u>                       |
|                                      | (19)                               | 187                                |
| <b>Deferred tax (see note 19)</b>    |                                    |                                    |
| Current year                         | (261)                              | 149                                |
| Adjustment in respect of prior years | <u>(40)</u>                        | <u>-</u>                           |
|                                      | (301)                              | 149                                |
| <b>Total tax (credit)/expense</b>    | <u>(320)</u>                       | <u>336</u>                         |

The tax rate used for the reconciliation is the corporate tax rate of 25% 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 2024

### Income Tax (continued)

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

|  | 31 March<br>2024<br>£'000 | 31 March<br>2023<br>£'000 |
|--|---------------------------|---------------------------|
| (Loss)/Profit before taxation            | (33,111)                  | 1,290                     |
| Income tax calculated at 25% (2023: 19%) | (8,278)                   | 245                       |
| Effects of:                              |                           |                           |
| Expenses not deductible for tax purposes | 16                        | 70                        |
| Difference in overseas tax rates         |                           | (2)                       |
| Deferred tax                             | -                         | 149                       |
| Adjustment in respect of prior years     | (59)                      | (126)                     |
| Amounts not recognised                   | 8,001                     | -                         |
| Total tax (credit)/expense               | (320)                     | 336                       |

### 11. Property, plant and equipment

|                            | Property,<br>Plant &<br>Equipment<br>£'000 | IT<br>Equipment<br>£'000 | Assets under<br>construction<br>£'000 | Total<br>£'000 |
|----------------------------|--|--------------------------|---------------------------------------|----------------|
| <b>Cost</b>                |  |                          |                                       |                |
| Brought forward            | 8,778                                      | 428                      | 40                                    | 9,246          |
| Additions                  | 1,338                                      | 72                       | -                                     | 1,410          |
| Disposals                  | (1,086)                                    | -                        | -                                     | (1,086)        |
| Capitalised                | 40   | -                        | (40)                                  | -              |
| <b>As at 31 March 2023</b> | <b>9,070</b>                               | <b>500</b>               | <b>-</b>                              | <b>9,570</b>   |
| <b>Depreciation</b>        |  |                          |                                       |                |
| Brought forward            | 4,542                                      | 305                      | -                                     | 4,847          |
| Charge                     | 2,045                                      | 105                      | -                                     | 2,150          |
| Disposals                  | (1,103)                                    | -                        | -                                     | (1,103)        |
| <b>As at 31 March 2023</b> | <b>5,484</b>                               | <b>410</b>               | <b>-</b>                              | <b>5,894</b>   |
| <b>Carrying amount</b>     |  |                          |                                       |                |
| <b>As at 31 March 2023</b> | <b>3,586</b>                               | <b>90</b>                | <b>-</b>                              | <b>3,676</b>   |

## **Notes to the Financial Statements**

for the year ended 31 March 2024

### **11. Property, plant and equipment (continued)**

|                            | <b>Property,<br/>Plant &amp;<br/>Equipment</b> | <b>IT<br/>Equipment</b> | <b>Total</b>  |
|----------------------------|--|-------------------------|---------------|
|                            | <b>£'000</b>                                   | <b>£'000</b>            | <b>£'000</b>  |
| <b>Cost</b>                |  |                         |               |
| Brought forward            | 9,070  | 500                     | 9,570         |
| Additions                  | 5,070  | 161                     | 5,231         |
| Disposals                  | (4,200)  | -                       | (4,200)       |
| <b>As at 31 March 2024</b> | <u>9,940</u>                                   | <u>661</u>              | <u>10,601</u> |
| <b>Depreciation</b>        |  |                         |               |
| Brought forward            | 5,484  | 410                     | 5,894         |
| Charge                     | 2,070  | 62                      | 2,132         |
| Disposals                  | (3,999)  | -                       | (3,999)       |
| <b>As at 31 March 2024</b> | <u>3,555</u>                                   | <u>472</u>              | <u>4,027</u>  |
| <b>Carrying amount</b>     |  |                         |               |
| <b>As at 31 March 2024</b> | <u>6,385</u>                                   | <u>189</u>              | <u>6,574</u>  |

PPE includes £4.6m relating to right-of-use assets at 31st March 2024 as set out in note 11.2 below.

#### **11.1 Right-of-use assets and right-of-use lease liabilities**

The Company has lease contracts for property, plant and machinery (vehicles) used in its operations. The lease terms for property range between two and seven years, while plant and machinery (vehicles) have lease terms of three years. The Company applies judgement in evaluating whether or not to exercise any options to renew or terminate any lease. The current portions of the leases have been determined to be the interest and principal payments due over the next 12 months.

#### **11.2 Right-of-use assets**

Right-of-use assets are recognised when the Company, as a lessee, has the right to an underlying asset for the lease term. The right-of-use assets are depreciated on a straight-line basis over the lease term.

## **Notes to the Financial Statements**

for the year ended 31 March 2024

The carrying amounts of the right-of-use assets recognised and the movements during the period are as follows:

|                            | <b>Property</b> | <b>Plant and<br/>equipment<br/>(vehicles)</b> | <b>Total</b> |
|----------------------------|-----------------|---|--------------|
|                            | <b>£'000</b>    | <b>£'000</b>                                  | <b>£'000</b> |
| As at 1 April 2022         | 1,636           | 312   | 1,948        |
| Additions                  | 527             | 488   | 1,015        |
| Depreciation expense       | (1,112)         | (276)   | (1,388)      |
| <b>As at 31 March 2023</b> | <b>1,051</b>    | <b>524</b>                                    | <b>1,575</b> |

|                            | <b>Property</b> | <b>Plant and<br/>equipment<br/>(vehicles)</b> | <b>Total</b> |
|----------------------------|-----------------|---|--------------|
|                            | <b>£'000</b>    | <b>£'000</b>                                  | <b>£'000</b> |
| As at 1 April 2023         | 1,051           | 524   | 1,575        |
| Additions                  | 4,511           | 15  | 4,527        |
| Depreciation expense       | (1,235)         | (251)   | (1,486)      |
| Disposals                  | (54)            | (5)   | (59)         |
| <b>As at 31 March 2024</b> | <b>4,274</b>    | <b>283</b>                                    | <b>4,556</b> |

### **11.3 Lease liabilities**

The carrying amounts of the lease liabilities and the movements during the period are as follows:

|                            | <b>Property</b> | <b>Plant and<br/>equipment<br/>(vehicles)</b> | <b>Total</b> |
|----------------------------|-----------------|---|--------------|
|                            | <b>£'000</b>    | <b>£'000</b>                                  | <b>£'000</b> |
| As at 1 April 2022         | 1,713           | 298   | 2,011        |
| Additions                  | 527             | 488   | 1,015        |
| Accretion of interest      | 45              | 9   | 54           |
| Payments                   | (1,187)         | (304)   | (1,491)      |
| <b>As at 31 March 2023</b> | <b>1,098</b>    | <b>491</b>                                    | <b>1,589</b> |
| Current                    | 675             | 345   | 1,020        |
| Non-current                | 423             | 146   | 569          |
| <b>As at 31 March 2023</b> | <b>1,098</b>    | <b>491</b>                                    | <b>1,589</b> |

## Notes to the Financial Statements

for the year ended 31 March 2024

|                            | Property     | Plant and<br>equipment<br>(vehicles) | Total        |
|----------------------------|--------------|--------------------------------------|--------------|
|                            | £'000        | £'000                                | £'000        |
| As at 1 April 2023         | 1,098        | 491                                  | 1,589        |
| Additions                  | 4,512        | 15                                   | 4,528        |
| Accretion of interest      | 83           | 9                                    | 92           |
| Disposals                  | (187)        | (5)                                  | (192)        |
| Payments                   | (1,281)      | (243)                                | (1,524)      |
| <b>As at 31 March 2024</b> | <b>4,225</b> | <b>267</b>                           | <b>4,492</b> |
| Current                    | 1,003        | 177                                  | 1,180        |
| Non-current                | 3,222        | 90                                   | 3,312        |
| <b>As at 31 March 2024</b> | <b>4,225</b> | <b>267</b>                           | <b>4,492</b> |

### 11.4 Impact of leases on statement of comprehensive income

|  | 31 March<br>2024 | 31 March<br>2023 |
|--|------------------|------------------|
|  | £'000            | £'000            |
| The following are the amounts recognised in the statement of comprehensive income: |                  |                  |
| Depreciation expense of right-of-use assets  | 1,486            | 1,388            |
| Interest expense on lease liabilities  | 92               | 54               |
| Expenses relating to short-term leases (included in Administrative Expenses)       | 3                | -                |
| Variable lease expenses (included in Cost of Sales)                                | 4                | 4                |
| <b>Total amount recognised in the statement of Comprehensive Income</b>            | <b>1,586</b>     | <b>1,446</b>     |

### 12. Intangible Assets

|                                    | Acquired<br>Software<br>Licences | Internally<br>Developed<br>Software | Intangible<br>Assets under<br>construction | Total        |
|------------------------------------|----------------------------------|-------------------------------------|--|--------------|
|                                    | £'000                            | £'000                               | £'000                                      | £'000        |
| <b>Cost</b>                        |                                  |                                     |  |              |
| Balance as at 1 April 2022         | 111                              | 1,348                               | 1,007                                      | 2,466        |
| Additions - internally developed   | -                                | -                                   | 1,619                                      | 1,619        |
| Disposal                           | -                                | -                                   | (571)                                      | (571)        |
| Capitalised                        | -                                | 38                                  | (38)                                       | -            |
| <b>Balance as at 31 March 2023</b> | <b>111</b>                       | <b>1,386</b>                        | <b>2,017</b>                               | <b>3,514</b> |
| <b>Amortisation and impairment</b> |                                  |                                     |  |              |
| Balance as at 1 April 22           | 52                               | 635                                 | -  | 687          |
| Amortisation                       | 21                               | 271                                 | -  | 292          |
| <b>As at 31 March 2023</b>         | <b>73</b>                        | <b>906</b>                          | <b>-</b>                                   | <b>979</b>   |
| <b>Carrying amount</b>             |                                  |                                     |  |              |
| <b>As at 31 March 2023</b>         | <b>38</b>                        | <b>480</b>                          | <b>2,017</b>                               | <b>2,535</b> |

## Notes to the Financial Statements

for the year ended 31 March 2024

|                                  | Acquired<br>Software<br>Licences | Internally<br>Developed<br>Software | Intangible<br>Assets<br>under<br>construction | Total        |
|----------------------------------|----------------------------------|-------------------------------------|---|--------------|
|                                  | £'000                            | £'000                               | £'000   | £'000        |
| <b>Cost</b>                      |                                  |                                     |   |              |
| Balance as at 1 April 2023       | 111                              | 1,386                               | 2,017   | 3,514        |
| Additions - internally developed | -                                | -                                   | 1,755   | 1,755        |
| Disposal                         | -                                | -                                   | (284)   | (284)        |
| Capitalised                      | -                                | 743                                 | (743)   | -            |
| <b>As at 31 March 2024</b>       | <b>111</b>                       | <b>2,129</b>                        | <b>2,745</b>                                  | <b>4,985</b> |
| <b>Depreciation</b>              |                                  |                                     |   |              |
| Brought forward                  | 73                               | 906                                 |   | 979          |
| Charge                           | 20                               | 278                                 |   | 298          |
| Disposals                        |                                  |                                     |   | -            |
| <b>As at 31 March 2024</b>       | <b>93</b>                        | <b>1,184</b>                        |   | <b>1,277</b> |
| <b>Carrying amount</b>           |                                  |                                     |   |              |
| <b>As at 31 March 2024</b>       | <b>18</b>                        | <b>945</b>                          | <b>2,745</b>                                  | <b>3,708</b> |

Against a closing balance at 31<sup>st</sup> March 2024 of £2,745k of Intangible Assets under construction, a decision was made in September 2024 to terminate an internally developed project. This will result in an impairment of Intangible Assets in the following year to the value of £2,208k.

### 13. Contract asset

|  | 31 March<br>2024 | 31 March<br>2023 |
|--|------------------|------------------|
|  | £'000            | £'000            |
| Contract asset (service concession arrangements) | 16,594           | 35,578           |
| Work in Progress                                 | 1,006            | 1,904            |
|  | <u>17,600</u>    | <u>37,482</u>    |

No revenue was recognised in the year (2023: £nil) from performance obligations satisfied in the previous period.

Against an opening contract asset (service concession arrangements) balance of £35.6m at 31 March 2023, an impairment review was undertaken and projected future cashflows showed that an impairment of £17.6m was required. The remaining £16.6m relates solely to the Asset Provision Contract.

**Notes to the Financial Statements**

for the year ended 31 March 2024

**14. Trade and other receivables**

|                                     | <b>31 March<br/>2024</b> | <b>31 March<br/>2023</b> |
|-------------------------------------|--------------------------|--------------------------|
|                                     | <b>£'000</b>             | <b>£'000</b>             |
| Trade receivables                   | 14,005                   | 6,649                    |
| Amounts owed by parent undertakings | 823                      | 729                      |
| Other receivables                   | 2,302                    | 545                      |
|                                     | <u>17,130</u>            | <u>7,923</u>             |

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

Amounts owed by parent undertakings represent sales invoices that are outstanding as at 31<sup>st</sup> March 2024. They are unsecured, interest free and payable within 30 days.

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 2024 are irrecoverable.

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

|             | <b>Total</b>  | <b>Neither<br/>past due<br/>nor<br/>impaired</b> | <b>Less<br/>than 60<br/>days</b> | <b>60 to<br/>120 days</b> | <b>More<br/>than 120<br/>days</b> |
|-------------|---------------|--|----------------------------------|---------------------------|-----------------------------------|
|             | <b>£'000</b>  | <b>£'000</b>                                     | <b>£'000</b>                     | <b>£'000</b>              | <b>£'000</b>                      |
| <b>2023</b> | <u>7,378</u>  | <u>5,832</u>                                     | <u>939</u>                       | <u>106</u>                | <u>501</u>                        |
|             | <b>Total</b>  | <b>Neither<br/>past due<br/>nor<br/>impaired</b> | <b>Less<br/>than 60<br/>days</b> | <b>60 to<br/>120 days</b> | <b>More<br/>than 120<br/>days</b> |
|             | <b>£'000</b>  | <b>£'000</b>                                     | <b>£'000</b>                     | <b>£'000</b>              | <b>£'000</b>                      |
| <b>2024</b> | <u>14,828</u> | <u>12,197</u>                                    | <u>1,925</u>                     | <u>53</u>                 | <u>653</u>                        |

## Notes to the Financial Statements

for the year ended 31 March 2024

### 15. Trade and other payables

|                                     | <b>31 March</b> | <b>31 March</b> |
|-------------------------------------|-----------------|-----------------|
|                                     | <b>2024</b>     | <b>2023</b>     |
|                                     | <b>£'000</b>    | <b>£'000</b>    |
| Trade payables                      | 2,675           | 2,830           |
| Amounts owed to parent undertakings | 4,719           | 6,256           |
| VAT payable                         | 1,935           | 1,855           |
| Accruals                            | 9,510           | 5,489           |
| Contract liability                  | 2,004           | 4,436           |
|                                     | <u>20,843</u>   | <u>20,866</u>   |

The Directors consider that the carrying amount of trade and other payables approximates to their fair values. Amounts payable to parent undertakings are interest free and repayable on demand.

#### Contract liability

The contract liability effectively represents amounts received in advance on non-Marshall contracts and other contracts, for which obligations are met typically in the twelve months following the period end. During the reporting period, £3.5m of the balance of the contract liability at 31 March 2023 was recognised as income as delays to programmes have meant that some revenues have remained deferred.

### 16. Borrowings

|   | <b>31 March</b> | <b>31 March</b> |
|---|-----------------|-----------------|
|   | <b>2024</b>     | <b>2023</b>     |
|   | <b>£'000</b>    | <b>£'000</b>    |
| <b>Amounts falling due within one year:</b> |                 |                 |
| Loans from parent undertakings              | 37,598          | 17,679          |
|   | <u>37,598</u>   | <u>17,679</u>   |

The loan (balance £37.6m at 31 March 2024 (2023 £17.7m)) exists to fund day to day operating activities. The loan is flexible, carrying a 3.75% interest rate, and can be drawn and repaid as cash flow permits. It has a maximum drawing level of £50m. It is forecast that this loan will be repaid in 2036/37, the facility is expected to remain in place for the duration of the Marshall contract (current Contract expiry forecast as 31 March 2037). This shareholder loan is repayable on demand.

## **Notes to the Financial Statements**

for the year ended 31 March 2024

### **17. Onerous Contract Provision**

|                                  | <b>Contract costs</b> |
|----------------------------------|-----------------------|
|                                  | <b>£'000</b>          |
| At March 2023                    | 200                   |
| Additional provision in the year | 3,310                 |
| Utilisation in the year          | (200)                 |
| At 31 March 2024                 | <u>3,310</u>          |

An onerous contract provision has been recognised in line with the long-term financial forecast within the contractually agreed Marshall framework to 2037, resulting in a £3.3m provision in year. It is anticipated that the amounts provided for will be utilised over the life of the contract to the current contract end in 2037. The utilisation of the provision during the year relates to the cost of work performed on all of the Company's loss-making contracts.

### **18. Financial instruments**

#### ***Capital risk management***

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. During the year to 31 March 2024, the Company continued to utilise a short-term loan facility from its parent undertakings. The short-term, flexible facility is capped at £50m (balance at 31 March 2024 £37.6m). The Company's overall strategy in relation to borrowings remains unchanged since the year to 31 March 2023.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising of issued capital, reserves, and retained earnings.

The Company is not subject to any externally imposed capital requirements.

The Company's strategy is to ensure availability of capital and match the profile of the Company's expenditures. To date the Company has relied upon equity and debt funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation, but controls over expenditure are carefully managed.

#### ***Classification***

All financial assets have been classified as financial assets at amortised cost, 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.

## **Notes to the Financial Statements**

**for the year ended 31 March 2024**

### ***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, and another partly in US Dollars. To meet the regular payments required under this contract, the Company has a £21m currency exchange facility with Thales SA (an ultimate parent undertaking), so that on a quarterly basis, functional currency is exchanged for Euros and US Dollars to meet current liabilities. As a result of this arrangement, a small amount of Euros and Us Dollars may be held by the Company, valued according to the rate employed in the latest transaction under the facility.

## **Notes to the Financial Statements**

**for the year ended 31 March 2024**

### ***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 a short-term loan, repayable on demand. The facility bears a fixed, 3.75% interest rate.

### **Interest rate sensitivity analysis**

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

### ***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 £35.1m.

### ***Liquidity risk***

The Company actively maintains 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 significantly 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.

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

| <b>Financial assets</b>             | <b>Demand and less than 3 months<br/>£'000</b> | <b>From 3 to 12 months<br/>£'000</b> | <b>From 12 months to 2 years<br/>£'000</b> | <b>From 2 to 5 years<br/>£'000</b> | <b>More than 5 years<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-------------------------------------|--|--------------------------------------|--|------------------------------------|------------------------------------|------------------------|
| Contract assets                     | 37,482   | -                                    | -  | -                                  | -                                  | 37,482                 |
| Trade receivables                   | 6,649  | -                                    | -  | -                                  | -                                  | 6,649                  |
| Amounts owed by parent undertakings | 729  | -                                    | -  | -                                  | -                                  | 729                    |
| VAT recoverable                     | -  | -                                    | -  | -                                  | -                                  | -                      |
| Other receivables                   | 545  | -                                    | -  | -                                  | -                                  | 545                    |
| Cash and cash equivalents           | 1,019  | -                                    | -  | -                                  | -                                  | 1,019                  |
| <b>As at 31 March 2023</b>          | <b>46,424</b>                                  | <b>-</b>                             | <b>-</b>                                   | <b>-</b>                           | <b>-</b>                           | <b>46,424</b>          |

| <b>Financial assets</b>             | <b>Demand and less than 3 months<br/>£'000</b> | <b>From 3 to 12 months<br/>£'000</b> | <b>From 12 months to 2 years<br/>£'000</b> | <b>From 2 to 5 years<br/>£'000</b> | <b>More than 5 years<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-------------------------------------|--|--------------------------------------|--|------------------------------------|------------------------------------|------------------------|
| Contract assets                     | 17,600   | -                                    | -  | -                                  | -                                  | 17,600                 |
| Trade receivables                   | 14,005   | -                                    | -  | -                                  | -                                  | 14,005                 |
| Amounts owed by parent undertakings | 823  | -                                    | -  | -                                  | -                                  | 823                    |
| VAT recoverable                     | -  | -                                    | -  | -                                  | -                                  | -                      |
| Other receivables                   | 2,302  | -                                    | -  | -                                  | -                                  | 2,302                  |
| Cash and cash equivalents           | 394  | -                                    | -  | -                                  | -                                  | 394                    |
| Current tax asset                   | 30   | -                                    | -  | -                                  | -                                  | 30                     |
| <b>As at 31 March 2024</b>          | <b>35,154</b>                                  | <b>-</b>                             | <b>-</b>                                   | <b>-</b>                           | <b>-</b>                           | <b>35,154</b>          |

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**18. Financial instruments (Continued)**

| <b>Financial liabilities</b>        | <b>Demand and less than 3 months</b> | <b>From 3 to 12 months</b> | <b>From 12 months to 2 years</b> | <b>From 2 to 5 years</b> | <b>More than 5 years</b> | <b>Total</b>  |
|-------------------------------------|--------------------------------------|----------------------------|----------------------------------|--------------------------|--------------------------|---------------|
|                                     | <b>£'000</b>                         | <b>£'000</b>               | <b>£'000</b>                     | <b>£'000</b>             | <b>£'000</b>             | <b>£'000</b>  |
| Trade payables                      | 2,829                                | -                          | -                                | -                        | -                        | 2,829         |
| Amounts owed to parent undertakings | 6,256                                | -                          | -                                | -                        | -                        | 6,256         |
| VAT payable                         | 1,855                                | -                          | -                                | -                        | -                        | 1,855         |
| Corporation tax                     | 17                                   | -                          | -                                | -                        | -                        | 17            |
| Provision for contract losses       | 199                                  | -                          | -                                | -                        | -                        | 199           |
| Accruals                            | 5,489                                | -                          | -                                | -                        | -                        | 5,489         |
| Deferred tax                        | 475                                  | -                          | -                                | -                        | -                        | 475           |
| Contract liability                  | 4,436                                | -                          | -                                | -                        | -                        | 4,436         |
| Lease liability (IFRS 16)           | 465                                  | 555                        | 315                              | 235                      | 19                       | 1,589         |
| Loans from parent undertakings      | 17,679                               | -                          | -                                | -                        | -                        | 17,679        |
| <b>As at 31 March 2023</b>          | <b>39,700</b>                        | <b>555</b>                 | <b>315</b>                       | <b>235</b>               | <b>19</b>                | <b>40,824</b> |

| <b>Financial liabilities</b>        | <b>Demand and less than 3 months</b> | <b>From 3 to 12 months</b> | <b>From 12 months to 2 years</b> | <b>From 2 to 5 years</b> | <b>More than 5 years</b> | <b>Total</b>  |
|-------------------------------------|--------------------------------------|----------------------------|----------------------------------|--------------------------|--------------------------|---------------|
|                                     | <b>£'000</b>                         | <b>£'000</b>               | <b>£'000</b>                     | <b>£'000</b>             | <b>£'000</b>             | <b>£'000</b>  |
| Trade payables                      | 2,675                                | -                          | -                                | -                        | -                        | 2,675         |
| Amounts owed to parent undertakings | 4,719                                | -                          | -                                | -                        | -                        | 4,719         |
| VAT payable                         | 1,935                                | -                          | -                                | -                        | -                        | 1,935         |
| Provision for contract losses       | 3,310                                | -                          | -                                | -                        | -                        | 3,310         |
| Accruals                            | 9,510                                | -                          | -                                | -                        | -                        | 9,510         |
| Deferred tax                        | 174                                  | -                          | -                                | -                        | -                        | 174           |
| Contract liability                  | 2,003                                | -                          | -                                | -                        | -                        | 2,003         |
| Lease liability (IFRS 16)           | 328                                  | 852                        | 1,041                            | 2,271                    | -                        | 4,492         |
| Loans from parent undertakings      | 37,598                               | -                          | -                                | -                        | -                        | 37,598        |
| <b>As at 31 March 2024</b>          | <b>62,293</b>                        | <b>958</b>                 | <b>1,146</b>                     | <b>2,020</b>             | <b>-</b>                 | <b>66,417</b> |

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### 18. Financial instruments (Continued)

#### Reconciliation of liabilities arising from financial activities

|  | As at 1<br>April 2022 | IFRS 16<br>Additions | IFRS16<br>Disposals | Cash<br>Flows | Effective<br>Interest | Foreign<br>Exchange | As at 31<br>March<br>2023 |
|--|-----------------------|----------------------|---------------------|---------------|-----------------------|---------------------|---------------------------|
|  | £'000                 | £'000                | £'000               | £'000         | £'000                 | £'000               | £'000                     |
| Lease liabilities –<br>IFRS16                                    | 2,010                 | 1,015                | -                   | (1,513)       | 77                    | -                   | 1,589                     |
| Loans from parent<br>undertakings                                | 15,911                | -                    | -                   | 1,000         | 768                   | -                   | 17,679                    |
| <b>Total other interest-<br/>bearing loans and<br/>borrowing</b> | <b>17,921</b>         | <b>1,015</b>         | <b>-</b>            | <b>(513)</b>  | <b>845</b>            | <b>-</b>            | <b>19,268</b>             |

|  | As at 1<br>April 2023 | IFRS 16<br>Additions | IFRS16<br>Disposals | Cash<br>Flows | Effective<br>Interest | Foreign<br>Exchange | As at 31<br>March<br>2024 |
|--|-----------------------|----------------------|---------------------|---------------|-----------------------|---------------------|---------------------------|
|  | £'000                 | £'000                | £'000               | £'000         | £'000                 | £'000               | £'000                     |
| Lease liabilities –<br>IFRS16                                    | 1,589                 | 4,528                | (192)               | (1,524)       | 92                    | -                   | 4,492                     |
| Loans from parent<br>undertakings                                | 17,679                | -                    | -                   | 18,700        | 1,219                 | -                   | 37,598                    |
| <b>Total other interest-<br/>bearing loans and<br/>borrowing</b> | <b>19,268</b>         | <b>4,528</b>         | <b>(192)</b>        | <b>17,176</b> | <b>1,311</b>          | <b>-</b>            | <b>42,090</b>             |

#### Fair values

The carrying value of financial assets of the Company are materially the same as the fair value, as the assets are all short-dated or liquid cash. Similarly, the financial liabilities of the Company aside from the loans and leases are materially all short-dated. Therefore, the carrying value of the trade payables and accruals are also materially the same as their fair value.

## Notes to the Financial Statements

for the year ended 31 March 2024

### 19. Deferred tax

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

|  | Accelerated<br>capital<br>allowances<br>£'000 | Other<br>temporary<br>differences<br>£'000 | Total<br>£'000                     |
|--|---|--|------------------------------------|
| Brought forward                            | (326)   | -  | (326)                              |
| Deferred tax charge to profit or loss      | (149)   | -  | (149)                              |
| <b>Balance as at 31 March 2023</b>         | <b>(475)</b>                                  | <b>-</b>                                   | <b>(475)</b>                       |
|  | Accelerated<br>capital<br>allowances<br>£'000 | Other<br>temporary<br>differences<br>£'000 | Total<br>£'000                     |
| Brought forward                            | (475)   | -  | (475)                              |
| Adjustment in respect of prior years       | 40  | -  | 40                                 |
| Deferred tax charge to profit or loss      | 261   | -  | 261                                |
| <b>Balance as at 31 March 2024</b>         | <b>(174)</b>                                  | <b>-</b>                                   | <b>(174)</b>                       |
| <b>Net deferred tax asset/(liability):</b> |   | <b>31 March<br/>2024<br/>£'000</b>         | <b>31 March<br/>2023<br/>£'000</b> |
| Deferred tax liabilities                   |   | (174)                                      | (475)                              |
|  |   | <u>(174)</u>                               | <u>(475)</u>                       |

The company has £8m in unrecognised deferred tax assets. The Directors have taken the decision to not recognise at this time, based on the uncertainty of available future taxable profits against which to utilise the asset.

### 20. Pensions

The amount recognised as an expense for the period amounted to £1,158k (year to 31 March 2023 £1,110k). There were no unpaid contributions at 31<sup>st</sup> March 2024, other than for payroll and all related costs owed to Thales UK Limited and included in payables.

## **Notes to the Financial Statements**

for the year ended 31 March 2024

### **21. Share capital**

|   | <b>31 March<br/>2024<br/>£'000</b> | <b>31 March<br/>2023<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| <b>Authorised, called up and fully paid</b><br>200,000 Ordinary shares of £1 each | <u>200</u>                         | <u>200</u>                         |

### **22. Contingent liabilities**

At 31 March 2024, the Company had no contingent liabilities.

### **23. 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 of which are met from revenues generated from that contract.

**Notes to the Financial Statements**

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**24. 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 7 for details of the Directors' remuneration.

*Transactions and balances with other related parties*

|   | <b>31 March<br/>2024<br/>£'000</b> | <b>31 March<br/>2023<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Purchases (including accrued amounts) from Thales companies during the period | 53,309                             | 59,080                             |
| Purchases (including accrued amounts) from NATS companies during the period   | 14,665                             | 14,530                             |
| Invoices raised on Thales companies during the period                         | 807                                | 601                                |
| Invoices raised on NATS companies during the period                           | 405                                | 768                                |

Amounts invoiced to NATS and Thales during the period represent sundry cost recharges.

Receivable balances with other related parties are as follows:

|                         | <b>31 March<br/>2024<br/>£'000</b> | <b>31 March<br/>2023<br/>£'000</b> |
|-------------------------|------------------------------------|------------------------------------|
| NATS (Services) Limited | 433                                | 197                                |
| Thales UK Limited       | 390                                | 532                                |
|                         | <u>823</u>                         | <u>729</u>                         |

## **Notes to the Financial Statements**

for the year ended 31 March 2024

### **24. Related party relationships and transactions (continued)**

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

|                          | <b>31 March</b> | <b>31 March</b> |
|--------------------------|-----------------|-----------------|
|                          | <b>2024</b>     | <b>2023</b>     |
|                          | <b>£'000</b>    | <b>£'000</b>    |
| NATS (Services) Limited  | 1,975           | 2,267           |
| NATS En-route Plc        | 978             | -               |
| Thales UK Limited        | 5,029           | 3,855           |
| Thales USA Inc           | 20              | -               |
| Thales Italia S.p.A.     | 66              | -               |
| Thales LAS France        | 151             | 134             |
| Thales Air Systems S.A.S | 67              | -               |
|                          | <u>8,286</u>    | <u>6,256</u>    |

The receivable and payable balances disclosed above are unsecured, interest free and repayable on demand.

### **25. Events after the reporting period**

There are no significant events after the period-end.

### **26. 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.