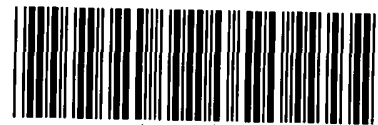


THE AIRLINE GROUP LIMITED

Report and Financial Statements

Year ended 31 July 2021

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REPORT AND FINANCIAL STATEMENTS 2021

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REPORT AND FINANCIAL STATEMENTS 2021

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Campbell (Chairman)
H Bush
H McConnellogue
G Merchant
L Street
L Dubourg-Hrachovec

SECRETARY

Andrew Picton

REGISTERED OFFICE

Brettenham House South 5th Floor
Lancaster Place
London
WC2N 7EN

LEGAL ADVISORS

Norton Rose LLP
3 More London Riverside
London
SE1 2AQ

BANKERS

National Westminster Bank Plc
City of London Office
PO Box 12258
1 Princes Street
London
EC2R 8BP

AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 July 2021. The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

PRINCIPAL ACTIVITY

The Airline Group Limited ("the Company") is a vehicle for British Airways, easyJet, Lufthansa, Pension Protection Fund, Alix Partners, TUI Airways, Virgin Atlantic and USS Sherwood Limited to hold their investments in NATS Holdings Limited ('NATS'), the provider of air traffic control services within UK airspace, and to exercise their obligations collectively as the Government's private sector partner.

The Company is a holding company for the investment in NATS and provides certain professional services.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £51,000 (2020: loss of £67,362,000).

During the year, no dividends were paid (2020: £12,163,000).

No political contributions have been paid during the year (2020: £nil).

POST BALANCE SHEET EVENTS

As of 31 July 2021 the final stage of COVID restrictions had been lifted in England, abolishing social distancing rules, with no limits on how many people can meet or attend events, while the wearing of face coverings is recommended but no longer required by law. However, despite the relaxation on restrictions on international travel, ongoing impacts of COVID-19 have continued to generate a high level of uncertainty around UK air traffic volumes and therefore future dividend cash flows. As such a range of different recovery scenarios for traffic dependent on vaccination progress and revenue associated with the traffic risk sharing mechanism were assessed as part of the impairment testing. This was presented to the Directors and indicated no impairment of the investment in NATS for 2021.

The Directors are not aware of any other events occurring post balance sheet date that give rise to disclosure in this set of financial statements.

DEVELOPMENTS AND FUTURE PROSPECTS

The Company received no dividends from NATS during the year (2020: £12,163,000). The Directors expectation of future income has been materially affected by COVID-19 which resulted in an impairment against the fixed asset investment in 2020. Dividend assumptions remain consistent with those in 2020 and no further impairment charge was recognised in 2021.

GOING CONCERN

As the Company is primarily an investment vehicle, the annual profit or loss is materially impacted by dividends received from NATS.

The Company's balance sheet shows that the value of the investment in NATS significantly exceeds the outstanding value of any liabilities and therefore a substantial net asset position exists.

The financial objective of the Company is to earn a return, in the form of dividend income, on the investment in NATS. In preparing the financial statements for the Company for the year ended 31 July 2021, the Directors reviewed the available financial information from NATS and various traffic forecast scenarios. Having reviewed this information, the current assessment is that dividends are unlikely to be paid until 2025 depending on the traffic recovery profile post the COVID-19 pandemic.

However, the Company is not dependent on dividend income to be able to settle its liabilities for administrative expenses. The Company earns fees for the provision of Directors' services to NATS and has available cash funds to meet its liabilities as they fall due for the foreseeable future.

As a result of the enquiries made in this regard, the Directors have satisfied themselves that the Company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. Therefore, the preparation of the financial statements on a going concern basis is considered appropriate.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year and to the date of this report, apart from as noted, were as follows:

M Campbell
H Bush
G Merchant
L Street
H McConnellogue
L Dubourg-Hrachovec

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

The Company's auditor Ernst & Young LLP will be automatically reappointed, as per section 487 of the Companies Act 2006.

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



M Campbell
Director
23 December 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AIRLINE GROUP LIMITED

Opinion

We have audited the financial statements of The Airline Group Limited (the 'Company') for the year ended 31 July 2021 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 July 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 below. 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 the provisions available for small entities, in the circumstances set out in note 1 to the financial statements, 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 Directors' 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 twelve months from the date 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Directors' Report set out on pages 2-3, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AIRLINE GROUP LIMITED (CONTINUED)

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

Matters on which we are required to report by exception

In the 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 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
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AIRLINE GROUP LIMITED (CONTINUED)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those related to the reporting framework (United Kingdom Generally Accepted Accounting Practice) and the relevant tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation and those laws and regulations relating and employee matters.
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We assessed the entity level controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and journal entry testing with a focus on manual journals or unusual transactions based on our understanding of the business.

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

Use of our 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.

Ernst & Young LLP

JI Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 December 2021

THE AIRLINE GROUP LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 July 2021

PROFIT AND LOSS ACCOUNT	2021 £'000	2020 £'000
Turnover	219	208
Administrative expenses	(270)	(205)
Operating (loss) / profit	(51)	3
Income from fixed asset investment	-	12,163
Impairment of fixed asset investment	-	(79,532)
Loss on ordinary activities before interest	(51)	(67,366)
Interest receivable	-	4
Loss before tax	(51)	(67,362)
Tax	-	-
Loss for the year	(51)	(67,362)

All results derive from continuing operations.

There were no items of other comprehensive income and accordingly no statement of other comprehensive income has been presented.

THE AIRLINE GROUP LIMITED

BALANCE SHEET At 31 July 2021

	Note	2021 £000's	2020 £000's
FIXED ASSETS			
Investments	8	207,290	207,290
CURRENT ASSETS			
Debtors: amounts falling due within one year	9	154	91
Cash at bank and on hand		299	341
CREDITORS: amounts falling due within one year	10	453 (98)	432 (26)
NET CURRENT ASSETS		355	406
TOTAL ASSETS LESS CURRENT LIABILITIES		207,645	207,696
NET ASSETS		207,645	207,696
CAPITAL AND RESERVES			
Called up share capital	11	77	77
Revaluation reserve		146,890	146,890
Profit and loss account		60,678	60,729
TOTAL SHAREHOLDERS' FUNDS		207,645	207,696

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements of The Airline Group Limited, registered company number 03931711, were approved by the Board of Directors and authorised for issue on 23 December 2021.

Signed on behalf of the Board of Directors.



M Campbell
Director

STATEMENT OF CHANGES IN EQUITY

At 31 July 2021

	Called-up share capital £000's	Revaluation reserve £000's	Profit and loss account £000's	Total £000's
At 1 August 2019	77	226,422	60,722	287,221
Loss for the financial year	-	-	(67,362)	(67,362)
Total comprehensive loss	-	-	(67,362)	(67,362)
Transfer of reserves	-	(79,532)	79,532	-
Dividends paid on equity shares	-	-	(12,163)	(12,163)
At 31 July 2020	77	146,890	60,729	207,696
Loss for the financial year	-	-	(51)	(51)
Total comprehensive loss	-	-	(51)	(51)
Transfer of reserves	-	-	-	-
Dividends paid on equity shares	-	-	-	-
At 31 July 2021	77	146,890	60,678	207,645

The Company's reserves are as follows:

The profit and loss account represents cumulative profits or losses, net of dividends paid.

The revaluation reserve represents the cumulative effects of revaluations of the investment in NATS.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2021

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and in the preceding year.

General information and basis of preparation

The Airline Group Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activity of the Company is a vehicle for British Airways, easyJet, Lufthansa, Pension Protection Fund, Alix Partners, Thomson Airways, Virgin Atlantic and USS Sherwood Limited to hold their investments in NATS Holdings Limited ('NATS'), the provider of air traffic control services within UK airspace, and to exercise their obligations collectively as the Government's private sector partner.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates and are rounded to the nearest £'000.

The Airline Group Limited meets the definition of a qualifying entity under FRS 102. Accordingly, these financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', applying Section 1A (Small Entities).

Going concern

As the Company is primarily an investment vehicle, the annual profit or loss is materially impacted by dividends received from NATS.

The Company's balance sheet shows that the value of the investment in NATS significantly exceeds the outstanding value of any liabilities and therefore a substantial net asset position exists.

The financial objective of the Company is to earn a return, in the form of dividend income, on the investment in NATS. In preparing the financial statements for the Company for the year ended 31 July 2021, the Directors reviewed the available financial information from NATS and various traffic forecast scenarios. Having reviewed this information, the current assessment is that dividends are unlikely to be paid until 2025, depending on the traffic recovery profile post the COVID-19 pandemic. However, the Company is not dependent on dividend income to be able to settle its liabilities for administrative expenses. The Company earns fees for the provision of Directors' services to NATS and has available cash funds to meet its liabilities as they fall due for the foreseeable future.

As a result of the enquiries made in this regard the Directors have satisfied themselves that the Company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. Therefore, the preparation of the financial statements on a going concern basis is considered appropriate.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Investments

The Directors took the transition exemption available on adoption of FRS 102, to value the Company's investment in NATS at the date of transition at fair value, and to use that fair value as deemed cost going forward.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2021

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

The investment in NATS is assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account by calculating the difference between the assets carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Turnover

Turnover represents the amounts invoiced to third parties, exclusive of VAT and relates to the provision of Directors services. Where a service has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value. All turnover is derived within the United Kingdom.

Interest receivable

Interest receivable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Current taxation

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

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax is recognised to the extent that it is regarded as more likely than not that it will be recovered. Deferred tax assets and liabilities are not discounted.

2. KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2021

2. KEY SOURCES OF ESTIMATION AND UNCERTAINTY (CONTINUED)

Key source of estimation uncertainty – investment impairment

Since transition to FRS102 the investment is recorded at deemed cost and considered for impairment annually. Determining whether the investment is impaired requires an estimation of the value in use of the cash flows expected to be received from the investment. The value in use calculation requires an entity to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. The outcome of this estimation has resulted in no impairment charge to the carrying amount of the investment at the balance sheet date (see note 8).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2021

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The aggregate remuneration for the year, including remuneration of one Director was as follows:

	2021 £000's	2020 £000's
Wages and salaries	122	115
Social security costs	11	7
	<u>133</u>	<u>122</u>

The average number of employees during the year was two (2020: two). £90,000 of Directors' emoluments were paid in the year (2020: £85,500). The other Directors received no remuneration for their services as a Director of the Company. No pension payments were made in either the current or preceding financial year.

4. OPERATING PROFIT

	2021 £000's	2020 £000's
Operating profit is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	22	17
Fees payable to the Company's auditor and their associates for taxation compliance services to the Company	6	6
	<u>28</u>	<u>23</u>

5. INCOME FROM FIXED ASSET INVESTMENT

	2021 £000's	2020 £000's
Dividends received from NATS	-	12,163
	<u>-</u>	<u>12,163</u>

6. INTEREST RECEIVABLE

	2021 £000's	2020 £000's
Interest receivable:		
Bank interest	-	4
	<u>-</u>	<u>4</u>
Interest receivable	<u>-</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2021

7. TAX ON (LOSS)/PROFIT

The tax charge comprises:

	2021	2020
	£000's	£000's
Current tax:		
Total current tax per income statement	-	-

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

	2021	2020
	£000's	£000's
Loss on ordinary activities before tax:	(51)	(67,362)
Tax on profit at standard UK tax rate of 19% (2020: 19%)	(10)	(12,799)
Effects of:		
Income not taxable	-	(2,311)
Non-deductible expenses	-	15,111
Deferred tax not provided	10	(11)
Current tax charge	-	-

A deferred tax asset has not been recognised in respect of tax losses carried forward of £96,652,000 (2020: £96,608,000) as there is insufficient evidence that the losses will be recovered in future periods.

The Finance Act 2016 enacted a reduction to 17% with effect from 1 April 2020. Following the budget resolution on 17 March 2020, the main UK corporation tax rate remained at 19% from 1 April 2020.

The UK Budget 2021 on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is effective from 1 April 2023.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2021

8. INVESTMENTS HELD AS FIXED ASSETS

	2021	2020
	£000's	£000's
Investment in NATS:		
Cost	286,822	286,822
Impairment	(79,532)	(79,532)
Net book value	<u>207,290</u>	<u>207,290</u>

On 26 July 2001, the Company purchased a 46% stake in NATS, a company incorporated in Great Britain, by subscribing to 60,260,003 £1 ordinary shares in that company for a consideration of £50,000,000 plus related costs of £10,400,000. As a result of the refinancing of NATS which occurred during 2003, the Company's holding was diluted to 41.94%. The principal activity of NATS is the provision of air traffic control and commercial services for the UK and North Atlantic. The registered office of NATS is 4000 Parkway, Whiteley, Fareham, Hampshire PO15 7FL.

The Airline Group Limited continues to rebut the presumption that it exercises significant influence and has a participating interest in NATS. Despite its holding, it has no membership of the Executive Board of NATS and therefore has no influence over the operational, strategic and financial decisions taken on a daily basis. It therefore continues to account for this holding as a fixed asset investment.

The investment in NATS was revalued by the Directors to £286,822,000 using the alternative valuations rules under the previous UK GAAP. On adoption of FRS 102 in the year ended 31 July 2016, the Directors took the transition exemption available, to value the Company's investment in NATS at the date of transition at fair value, and to use that fair value as deemed cost going forward.

As at 31 July 2020, the investment in NATS was impaired by £79,532,000. Uncertainty around the profile of re-opening of international travel and also the traffic risk sharing mechanism by which NATS is able to recover lost revenue in the future were factored into the analysis undertaken. A range of potential dividend distribution scenarios were assessed based on potential traffic recoveries to determine the value in use in accordance with FRS 102 and these were then tested against the sensitivity of the discount rate and long-term growth rate. A further impairment test was conducted for the year ended 31 July 2021 which resulted in no change to the carrying value of the asset.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£000's	£000's
Other debtors	<u>154</u>	<u>91</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£000's	£000's
Accruals	<u>98</u>	<u>26</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2021

11. CALLED UP SHARE CAPITAL

	2021	2020
	£000's	£000's
Called up, allotted and fully paid:		
77,000 ordinary shares of £1 each	77	77
	<u>77</u>	<u>77</u>

12. RELATED PARTY TRANSACTIONS

The Airline Group Limited recognised turnover of £219,000 during the year from NATS (2020: £208,000) and no dividend income (2020: £12,163,000) as disclosed in note 5. There was a debtor outstanding at 31 July 2021 from NATS of £154,000 (2020: £91,000) which was settled after the year end. Remuneration for key management personnel has been disclosed in note 3.

13. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At the year-end date, The Airline Group Limited was owned by five shareholder airlines who together own 35.7% of the entity. The remaining shareholders are USS Sherwood Limited who owns a 49.9% shareholding, The Pension Protection Fund who owns 13.2% and Alix Partners who own 1.2%. The Directors consider that there is no single party which holds a controlling interest.

The Directors are not aware of any other events occurring post balance sheet date that give rise to disclosure in this set of financial statements.