

AIR TRAFFIC SERVICES LICENCE
for
NATS (EN ROUTE) PLC

This consolidated version includes all modifications as at 24 October 2021

UK Civil Aviation Authority

Part I – Terms of the Licence

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AIR TRAFFIC SERVICES LICENCE

PART I TERMS OF THE LICENCE

1. The Secretary of State, in exercise of the powers conferred by section 6 of the Transport Act 2000 (the “Act”) and of all other powers exercisable by him for that purpose, hereby grants to NATS (En Route) Limited (the “Licensee”) a licence authorising the Licensee:
 - (a) to provide air traffic services in and in respect of the Licensed Area designated in Schedule 1 (“the En route (UK) Area”) from the date specified in paragraph 5 and for the period specified in paragraph 6, subject to the Conditions set out in Parts II and III of this Licence and the terms in Schedule 3; and
 - (b) to provide air traffic services in and in respect of the Licensed Area designated in Schedule 2 (“the En route (Oceanic) Area”) from the date specified in paragraph 5 and for the period specified in paragraph 7, subject to the Conditions set out in Parts II and III of this Licence and the terms in Schedule 3.
2. Without prejudice to the general authorisation conferred by paragraph 1, the Licensee is hereby authorised to provide the UK En route Air Traffic Control Service and Oceanic En route Air Traffic Control Service in respect of each relevant Licensed Area, subject to the Conditions set out in Parts II and III of this Licence and the terms in Schedule 3.
3. The authorisation conferred by paragraph 1 shall be exclusive to the Licensee in respect of the Core Services for a period of ten years from the date of the coming into effect of this Licence.
4. The Conditions set out in Parts II and III of this Licence are subject to modification or amendment in accordance with their terms or with sections 11-19 of the Act, but such modification or amendment shall not have the effect of reducing to a material extent the scope of the authorisation conferred by paragraph 2. This Licence is further subject to the terms as to revocation specified in Schedule 3.
5. This Licence shall have effect from such time as property, rights or liabilities of National Air Traffic Services Limited (registered in England under number 3155567) are transferred to the Licensee by a transfer scheme made by the CAA under section 43 of the Act or a transfer scheme made by the Secretary of State under section 45 of the Act.
6. In so far as it authorises the provision of air traffic services in respect of the En route (UK) Area, unless revoked in accordance with the terms of Schedule 3 this Licence shall continue to have effect until determined by not less than fifteen years’ notice in writing given by the Secretary of State to the Licensee following consultation with the CAA.
7. In so far as it authorises the provision of air traffic services in respect of the En route (Oceanic) Area, unless revoked in accordance with the terms of Schedule

3, this Licence shall have effect until determined by not less than fifteen years' notice in writing given by the Secretary of State to the Licensee following consultation with the CAA.

Minister of State for Transport

28 March 2001

PART II THE GENERAL CONDITIONS

Condition 1: Interpretation and construction

1. Unless the contrary intention appears or the context otherwise requires, words and expressions used in the Conditions shall be construed as if they were in an Act of Parliament and the Interpretation Act 1978 applied to them and references to an enactment shall include any statutory modification or re-enactment thereof after the date of the coming into effect of this Licence.
2. Any word or expression defined for the purposes of any provision of Part I of the Act shall, unless the contrary intention appears, have the same meaning when used in the Conditions.
3. In the Conditions unless the context otherwise requires:

“Act” means the Transport Act 2000.

“Advisory Control Service” means the giving of instructions or advice to aircraft flying on those advisory routes and areas described in the AIP to the extent undertaken by the Licensee as at the date of the coming into effect of this Licence:

- (a) for the purpose of preventing, or assisting in the prevention of, collisions between aircraft; and
- (b) with a view to facilitating the flow of air traffic for the purpose of expediting and maintaining an orderly flow of air traffic where appropriate in consultation with the CAA or any other provider of air traffic services or any international body responsible for co-ordinating air traffic services

but excluding any Airfield Service.

“affiliate” in relation to the Licensee, means any holding company of the Licensee, any subsidiary of the Licensee or any subsidiary of a holding company of the Licensee in each case within the meaning of Sections 1159, 1160 and Schedule 6 of the Companies Act 2006.

“AIP” means the United Kingdom Aeronautical Information Publication as amended from time to time unless otherwise specified.

“Airfield Service”	means an Air Traffic Control Service in respect of any aircraft: (a) on the manoeuvring area or apron of the aerodrome in respect of which the service is being provided; or (b) in the process of arriving at or departing from the aerodrome in respect of which the service is being provided; or (c) in the vicinity of the aerodrome in respect of which the service is being provided.
“Air Traffic Control Service”	means the giving of instructions or advice to aircraft, whether in flight or on the manoeuvring area or apron of an aerodrome, for the purpose of: (a) preventing, or assisting in the prevention of, collisions between aircraft; and (b) managing the flow of air traffic for the purpose of expediting and maintaining an orderly flow of air traffic where appropriate in consultation with the CAA or any other provider of air traffic services or any international body responsible for co-ordinating air traffic services to which instructions the recipient aircraft are required to submit, save to avoid immediate danger.
“air traffic services”	includes but is not limited to the Core Services.
“Auditors”	means the Licensee’s auditors for the time being holding office in accordance with the requirements of the Companies Act 2006.
“Condition”	means a provision of this licence which is expressed as a condition.
“Controlled Airspace”	means airspace which has been notified as Class A, Class B, Class C, Class D or Class E airspace under the AIP.

“Core Services”	means the: (a) UK En route Air Traffic Control Service; (b) Oceanic En route Air Traffic Control Service; (c) Advisory Control Service; and (d) London Approach Service as amended from time to time pursuant to the Conditions of this Licence or sections 11-19 of the Act.
“En route (UK) Area”	means the Licensed Area designated in Schedule 1.
“En route (Oceanic) Area”	means the Licensed Area designated in Schedule 2.
“En route Businesses”	means the En route (UK) Business and the En route (Oceanic) Business.
“En route (UK) Business”	means the Licensee’s business which consists of the provision by the Licensee of the UK En route Air Traffic Control Service, the Advisory Control Service, the London Approach Service and the Specified Services.
“En route (Oceanic) Business”	means the Licensee’s business which consists of the provision by the Licensee of the Oceanic En route Air Traffic Control Service.
“financial year”	means both the financial year in respect of which the Licensee prepares its accounts for the purposes of the Companies Act 2006.
“holding company”	has the meaning given to it in Section 1159 of the Companies Act 2006.
“Licence”	means this Air Traffic Services Licence and includes its Schedules.
“Licensed Area”	means an area as designated in Schedule 1 or Schedule 2 to this Licence.
“Licensee”	means NATS (En Route) PLC (registered in England under number 4129273) (formerly NATS (En Route) Limited)

“London Approach Service”	means, in respect of Heathrow, Gatwick, London City, Luton and Stansted airports, the Airfield Service other than such element of service as is provided to an aircraft on its final approach path or initial departure path or on the manoeuvring area or apron of the aerodrome.
“notice”	means (unless otherwise specified) notice given in writing.
“Oceanic En route Air Traffic Control Service”	means the provision of an Air Traffic Control Service other than an Airfield Service in respect of the En route (Oceanic) Area.
“parent undertaking”	has the meaning given to it in Section 1162 of the Companies Act 2006.
“Permitted Purpose”	means the purpose of all or any of the following: (a) the En route (UK) Business, the En route (Oceanic) Business or any business or activity within the limits of Condition 5.9 to 5.12; (b) without prejudice to the generality of paragraph (a), any payment or transaction lawfully made or undertaken by the Licensee for a purpose within sub-paragraphs (i) to (vii) of paragraph 19(b) of Condition 5.
“regulatory year”	means the period of 12 months commencing on 1 January in respect of which the Licensee prepares its accounts for the purposes of Condition 6.
“related undertaking”	in relation to the Licensee means any undertaking in which the Licensee has a participating interest construed in accordance with paragraph 8 of Schedule 8 to The Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008.
“Relevant Company”	means: (a) the Licensee; or (b) a parent undertaking in relation to the Licensee.

“Retail Price Index”	means the general index of retail prices published by the Office for National Statistics each month in respect of all items or: (a) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the CAA may after consultation with the Licensee determine to be appropriate in the circumstances; or (b) if there is a material change in the basis of the index, such other index as the CAA may after consultation with the Licensee determine to be appropriate in the circumstances.
“Separate Business”	means each of the En route (UK) Business and the En route (Oceanic) Business taken separately from one another and from any other business of the Licensee, but so that where all or any part of such business is carried on by an affiliate or related undertaking of the Licensee such part of the business as is carried on by that affiliate or related undertaking shall be consolidated with any such business of the Licensee (and of any other affiliate or related undertaking) so as to form a single Separate Business.
“shares”	has the meaning given to it in Section 540 of the Companies Act 2006, and the term “shareholding” is to be construed accordingly.
“Specified Services”	means the services set out in Schedule 4.
“subsidiary”	means a subsidiary within the meaning of Section 1159 of the Companies Act 2006.
“UK En route Air Traffic Control Service”	means an Air Traffic Control Service in respect of the En route (UK) Area other than any Airfield Service or the London Approach Service.

“ultimate holding company”

means each of:

- (a) a holding company of the Licensee which is not itself a subsidiary of another company;
- (b) where a holding company of the Licensee which is not a subsidiary of another company has entered into an agreement affecting the exercise of voting rights in or the appointment or removal of directors of the Licensee or any company of which the Licensee is a subsidiary, every party to that agreement; and
- (c) where the exercise of voting rights in or the appointment or removal of directors of a holding company of the Licensee which is not a subsidiary of another company is controlled by agreement, every party to that agreement.

“undertaking”

has the meaning given to it in Section 1161 of the Companies Act 2006.

“User”

in that capacity only, means an owner or operator of an aircraft who uses any of the air traffic services provided by the Licensee under this Licence or who wishes to use such services.

- 4. Unless otherwise specified, any reference to a numbered Condition (with or without a suffix letter) or Schedule is a reference to the Condition or Schedule bearing that number in this Licence, and any reference to a numbered paragraph (with or without a suffix letter) is a reference to the paragraph bearing that number in the Condition or Schedule in which the reference occurs.
- 5. In construing the provisions of this Licence, the heading or title of any Part, Section, Condition, Schedule or paragraph shall be disregarded.
- 6. Where any obligation of the Licensee is required to be performed by a specified date or within a specified period, and where the Licensee has failed so to perform, such obligation shall continue to be binding and enforceable after the specified date or after the expiry of the specified period (but without prejudice to all rights and remedies available against the Licensee by reason of the Licensee’s failure to perform by that date or within the period).
- 7. The provisions of section 100 of the Act shall apply for the purposes of the delivery or service of any documents, directions or notices to be delivered or served pursuant to any Condition or Schedule, and directions issued by the CAA pursuant to any Condition or Schedule shall be delivered or served as aforesaid.
- 8. For the purpose of the Licence, an Air Traffic Control Service shall be provided in respect of an area where it is provided to assist and/or control the movement

of the aircraft in that area whether or not the aircraft concerned is in that area when the service is provided.

Condition 2: General obligation to provide Core Services and Specified Services

1. Without prejudice to the general power conferred under this Licence, the Licensee shall make available:
 - (a) the Core Services so as to be capable of meeting on a continuing basis any reasonable level of overall demand for such services; and
 - (b) the Specified Services.
2. The Licensee shall at all times develop and maintain its assets, personnel, systems and other parts of its business:
 - (a) so as to be able to comply with its obligations under paragraphs 1 and 5; and
 - (b) having regard to the objective of permitting access to controlled airspace on the part of all Users while making the most efficient overall use of airspace.
3. The Licensee shall be relieved of its obligations in paragraph 1 above to the extent that the CAA, in response to a written request from the Licensee, notifies the Licensee in writing that it is satisfied that any requirement is or is to be met by other means and that accordingly it would not be reasonable in the circumstances to require the Licensee to provide the services specified in the notice.
4. In determining what is reasonable for the purposes of paragraph 1(a), regard shall be had to:
 - (a) the level of overall demand reasonably expected to be met at the relevant time on the basis of capacity to be made available in accordance with the Service and Investment Plan provided by the Licensee pursuant to Condition 10; and
 - (b) the effect on overall demand of changes in legal or regulatory requirements made subsequent to the provision of such Plan, provided that the Licensee has taken all reasonable steps to meet the resulting changed demand.
5. Without extending the obligation as to the overall level of services to be provided under paragraph 1(a), the Licensee shall meet each request for the provision of the Core Services reasonably made by any person.
6. For the purposes of paragraph 5 above, a person shall be held to have reasonably made a request for the relevant services where:
 - (a) the Licensee has been notified of, and has not rejected, a legitimate flight plan from the commander of an aircraft or a recognised flight plan processing centre to a bona fide flight which is required by applicable standards, rules and safety requirements to submit to the instructions of a person providing air traffic control in the relevant area; or

- (b) that person is in control of an aircraft in flight which has entered or is about to enter Controlled Airspace in respect of a Licensed Area either:
 - (i) with the approval of the Licensee; or
 - (ii) otherwise where the Licensee is or ought reasonably to be aware of the fact and where the person responsible for such aircraft has had no reasonable opportunity to seek such approval and unforeseen circumstances have arisen where failure to provide the services would endanger the safety of any person; or
 - (c) in such other circumstances as the Licensee acting reasonably considers appropriate having regard to the safety of any person.
7. In providing services under paragraph 1 the Licensee shall not unduly prefer or discriminate against any person or class of person in respect of the operation of the Licensee's systems, after taking into account the need to maintain the most expeditious flow of air traffic as a whole without unreasonably delaying or diverting individual aircraft or such other criteria as the Licensee may apply from time to time with the approval of the CAA.
 8. Subject to paragraph 7, the Licensee shall not unduly discriminate against or give preferential treatment to any person or class of persons in respect of the terms on which services are provided, to the extent that such terms have or are intended to have or are likely to have the effect of preventing, restricting or distorting competition in any market.
 9. The Licensee shall, within nine months of this paragraph 9 coming into force, submit to the CAA a Resilience Plan in accordance with any relevant guidance issued by the CAA.
 10. The Resilience Plan shall set out the principles, policies and processes by which the Licensee will comply with its obligations under Paragraph 2 and its duties under section 8 of the Act, with regard to Resilience, Contingency and Business Continuity.
 11. The Licensee shall submit a Resilience Plan Certificate with the Resilience Plan.
 12. The form, scope and level of detail of the Resilience Plan shall be as reasonably approved by the CAA and shall take into account the views of Users consulted in accordance with Condition 16.
 13. At least every 24 months or when so directed by the CAA, the Licensee shall review and, if necessary and following consultation, revise its Resilience Plan to ensure continued compliance with Paragraph 2. Following each review the Licensee shall submit any revised plan, or a letter confirming that no revision was required, to the CAA with a Resilience Plan Certificate.
 14. The CAA may appoint a person (the Independent Reviewer) to review the Resilience Plan and any revisions to ensure continued compliance with

Paragraph 2. The CAA will publish the conclusions reached by the Independent Reviewer. Unless the CAA directs otherwise, the Independent Reviewer will be paid for by the Licensee.

15. No CAA guidance, whether produced within the timeframe envisaged in Paragraph 9 or thereafter, or CAA direction under Paragraph 13, shall have effect unless the CAA has first consulted the Licensee and other relevant parties. If the CAA issues guidance at any time within the nine month period mentioned in paragraph 9, that nine month period will be extended accordingly.

16. Definitions

a) Business Continuity means the capability of an Air Navigation Service Provider (ANSP) to continue delivery of Air Traffic Management Services at a pre-agreed level of service following a disruptive event, including provision for both resilience and contingency;

b) Contingency means the capability of an ANSP to resume operation from an alternative site within a defined time period and at pre-defined levels following a catastrophic disruptive incident;

c) Resilience means the capability of an ANSP's assets, networks, people and procedures to anticipate, prevent, absorb and adapt to a disruptive event with any disruption or degradation of service managed in alignment with pre-agreed performance standards and to safely and rapidly recover to normal services;

d) A Resilience Plan Certificate means a certificate addressed to the CAA, approved by a resolution of the board of directors of the Licensee and signed by a director of the Licensee pursuant to that resolution in the following form:

"The Licensee has developed and reviewed its Resilience Plan. In the opinion of the directors of the Licensee the Resilience Plan is fit for purpose and complies with its obligations under its Licence".

Condition 3: Modification to Core Services and Specified Services

1. This Condition applies where the CAA or the Licensee reasonably considers it necessary or appropriate to seek:
 - (a) a modification to the scope of a Core Service (other than one which would have the effect of materially reducing the scope of the UK En route Air Traffic Control Service or the Oceanic En route Air Traffic Control Service);
 - (b) the addition of a service to the list of Specified Services; or
 - (c) a modification to the scope of an Infrastructure Service which would have the effect of materially increasing or reducing the scope of that service or the cost to the Licensee of providing that service to an extent that would be material in the context of that service

as a direct result of:

- (i) technical or operational change;
- (ii) an actual or anticipated change in the patterns of demand for air traffic services in the Licensed Areas;
- (iii) changes in obligations binding on the United Kingdom by virtue of its being a member of an international organisation or a party to an international agreement; or
- (iv) changes in competitive market conditions

and the CAA, subject to paragraph 2, after consultation with the Licensee serves notice on the Licensee requiring it to implement, or the Licensee, subject to paragraph 4, after consultation with the CAA serves notice on the CAA notifying the CAA of the Licensee's intention to implement such an amendment, in each case within a time specified in the notice being a period of not less than four months.

2. If in the opinion of the Licensee it is impracticable for it to take the steps specified in a notice referred to in paragraph 1 given to it by the CAA, or that to do so would have a significantly adverse effect on its finances, the Licensee may within one month of the date of the notice issue a counter notice stating that the Licensee is unable to comply with the terms of the notice and giving detailed reasons and justification for that opinion. If such a counter notice is served, the notice served by the CAA shall not take effect save as provided in paragraph 3.
3. If within four months from the date of the counter notice served by the Licensee pursuant to paragraph 2, the CAA has, in response to the counter notice, neither:
 - (a) modified the Licence pursuant to section 11 of the Act in accordance with such counter notice served by the Licensee; nor

- (b) following a Reference to Members, made a reference to the Competition and Markets Authority pursuant to section 12 of the Act relating to the counter notice served by the Licensee,

the Licensee will be under no obligation to comply with the notice.

4. If the CAA opposes an amendment proposed by the Licensee under a notice referred to in paragraph 1 served by the Licensee on the grounds that the amendment would adversely affect air traffic services operating efficiency or the performance of the United Kingdom's international obligations in respect of air traffic services, and the CAA serves on the Licensee, not later than four months from the date of the notice served by the Licensee, a counter notice setting out in detail the reasons for its objections, the notice served by the Licensee shall not take effect save as provided in paragraph 5.
5. If within six months of the date of the notice served by the Licensee pursuant to paragraph 1, the CAA has not in response to the Licensee's notice:
 - (a) modified the Licence pursuant to section 11 of the Act in accordance with such notice served by the Licensee;
 - (b) served a counter notice on the Licensee proposing that an alternative change should be made which counter notice shall be deemed to be a notice for the purposes of paragraph 1;
 - (c) served a counter notice on the Licensee rejecting any change and, following a Reference to Members, made a reference to the Competition and Markets Authority pursuant to section 12 of the Act to that effect; or
 - (d) following a Reference to Members, made a reference to the Competition and Markets Authority pursuant to section 12 of the Act relating to the notice served by the Licensee,

the Licensee may implement the changes set out in its notice and the Licence will be deemed to have been modified by agreement between the CAA and the Licensee to the extent necessary to allow implementation of such changes pursuant to section 11 of the Act.

6. In this Condition:

“Infrastructure Service”

means each of the following services as described in Schedule 4 of this Licence:

- (i) Navigational Infrastructure Service; and
- (ii) Surveillance Infrastructure Service.

“Reference to Members”

means a reference by the CAA to the Members pursuant to the Civil Aviation Authority Regulations 1991, or such other legislative instrument as may supersede the Civil Aviation Authority Regulations 1991 in this respect, of the question

whether or not the CAA should make a reference to the Competition and Markets Authority under Section 12 of the Act in respect of the matters considered under this Condition (on which question a written decision by the Members shall be definitive).

“Members”

means the members of the CAA appointed pursuant to the Civil Aviation Act 1982.

Condition 4: Further Provisions Relating to the Modification of Specified Services

1. This Condition applies where the CAA or the Licensee reasonably considers it necessary to seek:
 - (a) a modification to the scope of a Specified Service other than one to which Condition 3 applies; or
 - (b) the removal of a service from the list of Specified Services.

and the CAA, subject to paragraph 2, after consultation with the Licensee serves notice on the Licensee requiring it to implement, or the Licensee, subject to paragraph 4, after consultation with the CAA serves notice on the CAA notifying the CAA of the Licensee's intention to implement, as the case may be, such an amendment within a time specified in the notice, being a period of not less than four months.

2. If in the opinion of the Licensee it is impracticable for it to take the steps specified in a notice given to it by the CAA under paragraph 1, or that they would have a significantly adverse effect on its finances, the Licensee may within one month of the date of the notice issue a counter notice stating that the Licensee is unable to comply with the terms of the notice and giving detailed reasons and justification for that opinion. If such a counter notice is served, the notice served by the CAA shall not take effect save as provided in paragraphs 3 and 6.
3. If within three months from the date of the counter notice served by the Licensee pursuant to paragraph 2, the CAA has not, in response to the notice, referred the matter as to whether such notice should be implemented for determination by the Members pursuant to the Civil Aviation Authority Regulations 1991 or such other legislative instrument as may supersede the Civil Aviation Authority Regulations 1991 in this respect, the Licensee will be under no obligation to comply with the notice.
4. If the CAA opposes an amendment proposed by the Licensee under a notice served by the Licensee under paragraph 1 on the grounds that the amendment would adversely affect air traffic services operating efficiency or the performance of the United Kingdom's treaty obligations in respect of air traffic services, and the CAA serves on the Licensee, not later than four months from the date of the notice served by the Licensee, a counter notice setting out in detail the reasons for its objections, the notice served by the Licensee shall not take effect save as provided in paragraphs 5 and 6.
5. If the CAA has not:
 - (a) within four months from the date of the notice served by the Licensee pursuant to paragraph 1, served a counter notice on the Licensee pursuant to paragraph 4; or
 - (b) within eight months of the date of the notice served by the Licensee pursuant to paragraph 1, following a written request by the Licensee made within one month of receipt of a counter notice from the CAA issued pursuant to paragraph 4 above, made a determination by the Members

pursuant to the Civil Aviation Authority Regulations 1991 or such other legislative instrument as may supersede the Civil Aviation Authority Regulations 1991 in this respect as to whether such notice should be implemented,

the Licensee may implement the changes set out in its notice.

6. Where a reference is made for determination by the Members as to whether a notice referred to in paragraphs 3 or 5 should be implemented, a written decision of the CAA or the Secretary of State on appeal, as the case may be, shall be definitive and the Licensee shall act upon it as soon as practicable provided that:

- (a) the requirements that apply to hearings under the Civil Aviation Authority Regulations 1991 are, so far as appropriate, complied with in respect of the reference; and
- (b) the written decision addresses the substantive matters set out in the notices of the CAA and the Licensee including the financial effects of the matters the subject of the reference.

7. If the written decision of the CAA or the Secretary of State as referred to in paragraph 6 provides for a variation or removal of a Specified Service, the Licence shall be deemed to be modified by agreement between the CAA and the Licensee to the extent necessary to give effect to such variation or removal accordingly pursuant to section 11 of the Act.

8. In this Condition:

“Members”

means the members of the CAA appointed pursuant to the Civil Aviation Act 1982.

Condition 5: Availability of Resources and Financial Ring-Fencing

1. The objectives of this Condition are to set out measures which, inter alia:-
 - (a) require the Licensee to act in a manner calculated to secure that it has available to it sufficient resources to perform its Licence obligations and that it informs the CAA about the resources available to it and its compliance with certain conditions of this Licence;
 - (b) limit the scope of activities which the Licensee undertakes which are outside the En route (UK) Business and the En route (Oceanic) Business;
 - (c) create an effective financial ring-fence around the En route (UK) Business and the En route (Oceanic) Business and promote transparency;
 - (d) require the Licensee to make the CAA aware of any material steps proposed to be taken under the Finance Documents;
 - (e) require the Licensee to notify the CAA on the occurrence of certain events which might prejudice the licensees' financial stability;
 - (f) control the disposal of relevant assets, and place certain restrictions on the ability of the Licensee to incur debt;
 - (g) require the ultimate holding company to undertake not to act, or cause any subsidiary to act, in such a way as to cause the Licensee to breach the Licence;
 - (h) prohibit the Licensee from entering into any agreement or arrangement with any affiliate or related undertaking except on an arm's length basis and on normal commercial terms unless otherwise permitted;
 - (i) require the Licensee to use all reasonable endeavours to maintain at all times an investment grade issuer credit rating; and
 - (j) establish a financial gearing target and cap.

This paragraph 1 provides a descriptive summary of the provisions which follow in this Condition. This paragraph 1 is not part of the Condition nor is it intended to add to the provisions which follow and, for the purposes of interpretation, it is the detailed provisions which prevail.

Availability of Resources

2. The Licensee shall at all times act in a manner calculated to secure that it has available to it sufficient resources including (without limitation) financial, management and staff resources, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights as shall ensure that at all times it is able to:

- (a) carry out its Permitted Purpose activities; and
- (b) comply in all respects with its obligations under the Act and this Licence including, without limitation, its duties under section 8 of the Act.

Compliance Certificates in relation to financial resources

3. With effect from 1 April 2016, the Licensee shall submit a Compliance Certificate to the CAA within four months of the end of the Licensee's financial year in one of the following forms:

(a) Certificate 1F

"After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation that the Licensee will have available to itself, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the Licensee, any amounts of principal and interest due under any loan facilities and any actual or contingent risks which could reasonably be material to their consideration, sufficient financial resources and financial facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate."

or

(b) Certificate 2F

"After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation, subject to what is said below, that the Licensee will have available to itself, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the Licensee, any amounts of principal and interest due under any loan facilities, and any actual or contingent risks which could reasonably be material to their consideration, sufficient financial resources and financial facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the Licensee to carry on the permitted Purpose activities and to comply with its obligations under the Act and under such Licence for that period."

or

(c) Certificate 3F

"In the opinion of the directors of the Licensee, the Licensee will not have available to itself sufficient financial resources and financial facilities to carry on the Permitted Purpose activities and to comply with its obligations under the Act

and under this Licence (as amended from time to time) for a period of two years from the date of this certificate.”

4. The Licensee shall ensure that the Compliance Certificate given to the CAA under paragraph 3 is accompanied by a statement of the main factors that the Licensee’s directors have taken into account in giving that certificate including reference to:

- (a) the systems and processes established by the Licensee to support the giving of the certificate by the directors;
- (b) the main financial resources and financial facilities available to the Licensee; and
- (c) the most recent management projected cash flows of the Licensee.

together with a report prepared by its Auditors stating whether or not the Auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it and, on the other hand, any information which they obtained during their audit of the relevant year end accounts of the Licensee.

Compliance Certificate in relation to operational resources

5. With effect from 1 April 2016, the Licensee shall submit a Compliance Certificate to the CAA within four months of the end of the Licensee’s financial year in one of the following forms:

(a) **Certificate 1R**

“After making enquiries, the Licensee’s directors have a reasonable expectation that the Licensee will have sufficient operational resources available to itself, including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate.”

or

(b) **Certificate 2R**

““After making enquiries, the Licensee’s directors have a reasonable expectation, subject to what is explained below, that the Licensee will have sufficient operational resources available to itself, including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate.

However, the directors of the Licensee would like to draw attention to the following factors, which may cast doubt on the Licensee's ability to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence *[followed by a description of the factors concerned]*."

or

(c) Certificate 3R

"In the opinion of the Licensee's directors, the Licensee will not have available to itself sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities to enable the Licensee to carry on the Permitted Purpose activities and to comply with its obligations under the Act and under this Licence (as amended from time to time) for a period of two years from the date of this certificate."

6. The Licensee shall ensure that the Compliance Certificate given to the CAA under paragraph 5 is accompanied by a statement of the systems and processes established by the licensee to support the giving of the certificate by the directors and the main factors that the Licensee's directors have taken into account in giving that certificate.

Compliance Certificate in relation to certain Conditions

7. With effect from 1 April 2016, the Licensee shall submit a Compliance Certificate to the CAA with four months of the end of the Licensee's financial year in one of the following forms:

(a) Certificate 1C

"After making enquiries, the Licensee's directors consider that, at the time of their approval of this certificate, the Licensee is in compliance in all material respects with all of the obligations imposed on it by Condition 17 (Provision of information to the CAA for regulatory purposes), Condition 5 (Availability of resources and Financial Ring Fencing) and Condition 9 (Prohibition of cross-subsidies)."

or

(b) Certificate 2C

"In the opinion of the Licensee's directors, the Licensee is not at the time of their approval of this certificate in compliance in all material respects with all of the obligations imposed on it by Condition 17 (Provision of information to the CAA for regulatory purposes), Condition 5 (Availability of resources and Financial Ring Fencing) and Condition 9 (Prohibition of cross-subsidies) *[followed by a description of the way in which the Licensee is not complying]*."

8. The Licensee shall inform the CAA in writing as soon as reasonably practicable if:
- (a) the directors of the Licensee become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent certificate given under paragraph 3(a), 3(b), 5(a) or 5(b); or

- (b) the directors of the licensee consider that any adverse factors that caused them to give the CAA a Compliance Certificate in the form of under paragraph 3(b), 3(c), 5(b) or 5(c) and referred to in that certificate have materially worsened.

Certificates for the CAA in relation to dividends

- 8A. Subject to paragraph 8D, the directors of the Licensee shall not declare or recommend a dividend, and the Licensee shall not make any other form of distribution within the meaning of sections 829, 830, 849 and 850 of the Companies Act 2006, or redeem or repurchase any share capital of the Licensee, unless before declaring, recommending, or making the distribution, redemption, or repurchase (as the case may be) the licensee has given the CAA a Compliance Certificate that complies in all respects with the two requirements set out in paragraphs 8B and 8C.
- 8B. The first requirement is that the Compliance Certificate shall be in the following form:
- “After making enquiries, the directors of the Licensee are satisfied:
- (a) that, at the time of their approval of this certificate, the Licensee is in compliance in all material respects with all of the obligations imposed on it by Condition 17 (Provision of information to the CAA for regulatory purposes), Condition 5 (Availability of resources and Financial Ring Fencing) and Condition 9 (Prohibition of cross-subsidies);
- and
- (b) that the making of a distribution, redemption, or repurchase of [value] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the Licensee to be in breach to a material extent of any of those obligations in the future.”
- 8C. The second requirement is that the Compliance Certificate shall have been approved by the Licensee’s board of directors not more than 14 days before the date on which the declaration, recommendation, or payment is to be made.
- 8D. The Licensee need not give the CAA a Compliance Certificate of the type required by paragraph 8A in circumstances where:
- (a) during the six months preceding the declaration or recommendation of a dividend, the making of any other form of distribution or the redemption or repurchase of share capital, it has given the CAA a Compliance Certificate in the form of Certificate 1C under the requirement set out in paragraph 7 of this Condition; and
- (b) that certificate includes an appropriate addendum using the wording given at paragraph 8B(b) of this Condition.
- 8E. Where the Compliance Certificate given under paragraph 8A, or relied upon under paragraph 8D, relates to the declaration or recommendation of a dividend, the Licensee is under no obligation to issue a further Compliance Certificate

before paying that dividend so long as such payment is made within six months of the date on which the Compliance Certificate was given.

Restriction on Activity and Financial Ring-Fencing

9. Save as required under this Licence or as provided by paragraphs 11 and 12 below, neither the Licensee nor any related undertaking of the Licensee shall conduct any business or carry on any activity other than the En route (UK) Business and the En route (Oceanic) Business.
10. The Licensee shall not without the written consent of the CAA acquire shares in any undertaking except:
 - (a) in any body corporate which was a subsidiary of the Licensee prior to the date of this Licence coming into effect;
 - (b) in a body corporate which conducts business only for a Permitted Purpose; or
 - (c) acquired in order to avoid dilution of a shareholding in a body corporate in which the Licensee holds shares in conformity with this Licence.

If the Licensee does so acquire shares, it shall do so subject to the provisions of paragraph 2.

11. Nothing in paragraph 9 of this Condition shall prevent:
 - (a) any affiliate or related undertaking of the Licensee from conducting any businesses or carrying on any activity;
 - (b) the Licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this Licence;
 - (c) the Licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or
 - (d) the Licensee from carrying on any business or conducting any activity to which the CAA has given its consent in writing.
12. Nothing in paragraph 9 of this Condition shall prevent the Licensee conducting any business complying with the following limitations:
 - (a) the business consists of all or any of:
 - i) the collection of route charges on behalf of other air traffic service providers pursuant to an international agreement;
 - ii) activities required by any contract with the CAA or with the Crown related to services required by the Licence;

- iii) transactions which the En route (UK) Business and the En route (Oceanic) Business make with each other;
 - iv) transactions with its affiliates which comply with paragraph 19;
 - v) the provision of air traffic services in conjunction with other air traffic service providers in a Functional Airspace Block established in accordance with Regulation (EC) No.551/2004 of 10 March 2004 on the organisation and use of airspace in the single European sky (as amended) or established in substantially similar arrangements but not associated with the single European sky; and
 - vi) any other business not otherwise permitted pursuant to any of paragraphs 11 and 12(a)(i) to (v) inclusive of this Condition and which is a Connected Business, provided the turnover of such business when aggregated with that of any related undertaking of the Licensee does not in any regulatory year of the Licensee exceed four and a half per cent of the aggregate turnover of the En route Businesses;
- (b) the aggregate amount of all investments by the Licensee in the businesses described in sub-paragraph 12(a)(vi) above does not at any time exceed one per cent of the share of capital in issue, share premium and consolidated reserves of the Licensee as shown by its most recent audited historic cost financial statements then available.

13. [Paragraph deleted]

Amendments to the Finance Documents

14. The Licensee shall:-

- (a) not amend, vary, supplement or modify or concur in the amendment, variation, supplementation or modification of any of the finance documents (whether in each case in the form of a written instrument, agreement or document or otherwise) (a "Variation") unless it has given prior written notice thereof to the CAA. The Licensee shall, as soon as reasonably practicable:
 - i) notify the CAA of the possibility of any such Variation;
 - ii) provide to the CAA a copy of any written instrument, agreement or document proposed to be executed to give effect to any such Variation; and
 - iii) provide to the CAA a copy of any executed written instrument, agreement or document giving effect to any such Variation.

The provisions of this Condition 5(14)(a) shall not apply to any administrative or procedural Variation;

- (b) not seek any consent to a waiver or release of, or cancel, terminate, suspend or surrender, or seek any consents under any of, the finance documents (whether in each case in the form of a written instrument, agreement or document or otherwise) (a "Consent") unless it gives written notice thereof to the CAA simultaneously with seeking such Consent. The Licensee shall, as soon as reasonably practicable, provide to the CAA a copy of any executed written instrument, agreement or document giving effect to any such Consent. The provisions of this Condition 5(14)(b) shall not apply to any Consent which will not cause a material increase in financial risk to the Licensee;
- (c) promptly notify the CAA in writing upon becoming aware of any default (howsoever described) under the finance documents other than:
 - i) any default of a technical, administrative or minor nature which is capable of remedy and which is either being remedied by the Licensee or in respect of which, whether or not capable of remedy, compliance has been waived under the finance documents; or
 - ii) any default in respect of which the CAA has received notice of a Variation under Condition 5(14)(a) or a Consent under 5(14)(b);
- (d) promptly notify the CAA in writing upon becoming aware of any event of default or trigger event (howsoever described) under the finance documents;
- (e) notify the CAA in writing at the same time as any party under the finance documents is notified, of the occurrence of any event of default in relation to third parties;
- (f) provide to the CAA at the time of providing them to any party under the finance documents:-
 - i) copies of any details delivered by it to any party under the finance documents setting out details of the occurrence of any event which would be reasonably likely to have a material adverse effect (however described in the finance documents); and
 - ii) following the occurrence of a trigger event (howsoever described in the finance documents) which is subsisting, all information given to any party to the finance documents under the requirements of the finance documents as a consequence of the occurrence of such trigger event, at the same time as it is given to such other party;

- (g) promptly notify the CAA if at any time the Licensee receives notice that a rating agency with which, at that time, it has a credit rating, is likely to or is considering reducing that rating.

Disposal of Relevant Assets and Indebtedness

15. The Licensee shall not:

- (a) dispose of any interest which it holds in; or
- (b) relinquish operational control which it has over

any relevant asset otherwise than in accordance with the following paragraphs 16 to 20 of this Condition.

16. Save as provided in paragraph 17, the Licensee shall give to the CAA not less than three months' prior written notice of its intention to dispose of or relinquish operational control over any relevant asset, and shall supply such further information as the CAA may reasonably request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions of which the Licensee is aware or could reasonably be expected to make itself aware in regard thereto of the person proposing to acquire such asset or operational control over such asset where that asset is to remain a relevant asset.

17. Notwithstanding paragraphs 15 and 16, the Licensee may dispose of or relinquish operational control over any relevant asset:

- (a) where:
 - i) the CAA has issued directions for the purposes of paragraphs 16 to 20 containing a general consent (whether or not subject to conditions) to:
 - (aa) transactions of a specified description; or
 - (bb) the disposal of or relinquishment of operational control over relevant assets of a specified description; and
 - ii) the transaction or the relevant assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject; or
- (b) where the disposal or relinquishment of operational control in question is required by or under any enactment or subordinate legislation.

18. Notwithstanding paragraph 15, the Licensee may dispose of or relinquish operational control over any relevant asset as is specified in any notice given under paragraph 16 in circumstances where:
- (a) the CAA confirms in writing that it consents to such disposal or relinquishment (such consent not to be unreasonably delayed, but which may be made subject to the acceptance by the Licensee or any third party in favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as the CAA may reasonably specify); or
 - (b) the CAA does not inform the Licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in paragraph 16.
19. Without prejudice to paragraphs 15 to 18, the Licensee shall not without the written consent of the CAA (such consent not to be unreasonably delayed) after the disclosure of all facts of which the Licensee is aware and reasonably considers to be material:
- (a) create any mortgage, charge, pledge, lien or other form of security or encumbrance of whatsoever form, undertake any indebtedness to any other person or enter into any liability in respect of any obligation of another person in any such case otherwise than:
 - (i) on an arm's length basis;
 - (ii) on normal commercial terms;
 - (iii) for a Permitted Purpose; and
 - (iv) if the transaction is within the ambit of paragraph 15, in accordance with paragraphs 17 and 18;
 - (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the Licensee otherwise than by way of:
 - (i) a dividend or other distribution out of distributable reserves;
 - (ii) repayment of capital;
 - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
 - (iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis and on normal commercial terms;

- (v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);
 - (vi) payments for group corporation tax relief or for the surrender of Advance Corporation Tax calculated on a basis not exceeding the value of the benefit received; or
 - (vii) an acquisition of shares in conformity with paragraph 10 made on an arm's length basis and on normal commercial terms;
- (c) enter (directly or indirectly) into any agreement or arrangement with any affiliate or related undertaking other than on an arms length basis, and on normal commercial terms;
 - (d) subject to sub-paragraph 19(f) below, enter into an agreement or incur a commitment incorporating a cross-default obligation; or
 - (e) subject to sub-paragraph 19(f) below, continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation subsisting at the date of the coming into effect of this Licence,
 - (f) no written consent of the CAA shall be required under sub-paragraph 19(d) or 19(e) (as the case may be) in circumstances where the cross default obligation in such agreement or commitment is a restatement of a cross default obligation to which the CAA has given its written consent (which is subsisting) under paragraph 19 and the potential liability of the Licensee is not increased thereby;

which in each case causes a material increase in risk to the Licensee whether assessed alone or with any other such transactions as have occurred or are intended.

20. The provisions of sub-paragraphs 19(d) and (e) shall not prevent the Licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph 19(a).

Ultimate Holding Company Undertaking

21. The Licensee shall procure from each company or other person which is at any time an ultimate holding company of the Licensee a legally enforceable undertaking in favour of the Licensee in the form specified by the CAA that that ultimate holding company ("the Covenantor") will:
- (a) refrain from any action, and procure that every subsidiary of the Covenantor (other than the Licensee and its subsidiaries) will refrain from

any action, which would then be likely to cause the Licensee to breach any of its obligations under the Act or this Licence;

- (b) promptly upon request by the CAA (specifying the information required) provide to the CAA (with a copy to the Licensee) information of which they are aware and which the CAA reasonably considers necessary in order to enable the Licensee to comply with this Licence.

Such undertaking shall be obtained within seven days of the company or other person in question becoming an ultimate holding company of the Licensee and shall remain in force for so long as the Licensee remains the holder of this Licence and the Covenantor remains an ultimate holding company of the Licensee.

22. The Licensee shall:

- (a) deliver to the CAA, within seven days of obtaining the undertaking required by paragraph 21, a copy of such undertaking;
- (b) inform the CAA as soon as practicable in writing if the directors of the Licensee become aware that the undertaking has ceased to be legally enforceable or that its terms have been breached; and
- (c) comply with any direction from the CAA to enforce any such undertaking; and shall not, save with the consent in writing of the CAA, enter (directly or indirectly) into any agreement or arrangement with any affiliate or related undertaking of the Licensee where there is a breach of the Licensee's obligations under paragraph 22 of this Condition in respect of which the CAA has taken steps to issue an order for securing compliance under the Act by publishing a notice under Section 22 of the Act.

Credit rating of Licensee

23. The Licensee shall use all reasonable endeavours to ensure that the Licensee maintains at all times an investment grade issuer credit rating.

Financial Indebtedness

24. The Licensee shall use its reasonable endeavours to ensure that at 31 March and 30 September of each year (each a "measurement date") the total amount of Gearing (defined in paragraph 29) of the Licensee and any related undertakings, shall not exceed 65 per cent.

25. If, despite the reasonable endeavours of the Licensee, Gearing of the Licensee and any related undertakings, exceeds 65 per cent at the measurement date, or its best estimate for Gearing at any of the next four measurement dates exceeds 65 per cent, which in itself would not constitute a contravention of a licence condition for the purpose of section 20 of the Act, and the Licensee has not obtained the written consent of the CAA to that limit being exceeded, then the Licensee and any related undertakings:

- (a) may not without the prior written consent of the CAA (following disclosure of all material facts) declare or pay dividends and may not transfer, lease,

license or lend any sum or sums, asset, right or benefit to any affiliate, otherwise than by way of:

- (i) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the circumstances described in paragraph 25 arise, and which are provided on an arm's length basis and on normal commercial terms;
 - (ii) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;
 - (iii) repayment of, or payment of interest on, a loan which was contracted prior to the date on which the circumstances in paragraph 25 arise, provided that such payment is not made earlier than the original due date for payment in accordance with its terms;
 - (iv) further loans to employees in respect of the £25 million facility provided by NSL to the licensee for the purpose of funding employee relocation property transactions; and
 - (v) payments for group Corporation Tax relief calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due;
- (b) shall,
- (i) within two months of the measurement date or other such time periods as the CAA may reasonably notify as being appropriate in the circumstances, provide to the CAA details of the steps the Licensee intends to take to reduce the Gearing to 65 per cent or below or such other level that has been authorised by the CAA;
 - (ii) within six months of the measurement date or other time periods as the CAA may reasonably notify as being appropriate in the circumstances take those steps; and
 - (iii) within time periods as the CAA may reasonably notify as being appropriate in the circumstances provide to the CAA evidence that it has taken those steps.
- (c) If at any time the Licensee, in its reasonable judgement, becomes aware of any circumstance that:
- (i) means it is no longer complying with paragraph 25(a) and 25 (b); or

- (ii) causes it to have the reasonable expectation that it is no longer likely to comply with paragraph 25(a) and 25(b);

then the Licensee shall notify the CAA immediately in writing of that fact or expectation together with a written statement, with such accompanying evidence if applicable, setting out any explanation of circumstances that have caused or are likely to cause it no longer to comply, together with such further or amended steps that the Licensee proposes to take and the time period in which it proposes to take such steps, to reduce the Gearing to 65% or below. Upon receipt of such statement and any accompanying evidence, the CAA shall determine, acting reasonably, and upon further inquiry of the Licensee if appropriate, whether such further or amended steps and time periods are acceptable.

- (d) If such further or amended steps are acceptable, sub-paragraph 25(c) shall apply to those steps in the same way that it applies in relation to sub-paragraphs 25(a) and (b).
- (e) If the further or amended steps proposed by the Licensee pursuant to sub-paragraph 25(c) are not acceptable to the CAA, the CAA shall, within 15 working days of the notification by the Licensee under sub-paragraph 25(c), either notify the Licensee of such alternative steps and the relevant time periods that it considers appropriate in the circumstances or notify the Licensee of its intention to invoke sections 20 and 21 of the Act in relation to the steps notified by the Licensee pursuant to sub-paragraph 25(c).

26. The Licensee shall:

- (a) provide from time to time as reasonably requested by the CAA and in any event within 25 business days of a measurement date:
 - (i) in respect of the measurement date to which it relates, the value of Gearing and its best estimate of Gearing on each of the four subsequent measurement dates;
 - (ii) for the four subsequent measurement dates, confirmation that it is not aware of any circumstances which will result in Gearing being above 65 per cent or prevent it complying (where applicable) with paragraph 25, or if the Licensee is aware of any such circumstances disclosure of those circumstances; and
 - (iii) if so requested by the CAA, the financial model in support of that confirmation;
- (b) provide from time to time as reasonably requested by the CAA and in any event within 25 business days of 31 March every year:
 - (i) its best estimate of expected average Gearing over the period from 1 April 2020 to 31 March 2025 as a whole (as a simple arithmetic average of the ten measurement dates within that period); and