

**BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX
AEROSPACE SOLUTIONS II LIMITED)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 11 MONTHS ENDED 31 DECEMBER 2018



BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

COMPANY INFORMATION

Directors	J A Cuomo (resigned 12 December 2018) R M Franks (resigned 9 October 2018) T P McCaffrey (resigned 9 October 2018) Sir M A Arthur (appointed 11 December 2018, resigned 18 July 2019) Sir M E Donnelly (appointed 18 July 2019) P M Woodfield (appointed 18 September 2019)
Company secretary	Hackwood Secretaries Limited (resigned 6 December 2018)
Registered number	00446288
Registered office	25 Victoria Street London SW1H 0EX
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG
Bankers	Bank of America Financial Centre 2 King Edward Street London EC1A 1HQ

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

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BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

STRATEGIC REPORT FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

Introduction

The directors present their strategic report for the 11 month period ended 31 December 2018.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activity

The principal activity of Boeing Distribution Services III Limited (*formerly KLX Aerospace Solutions II Limited*) ("the company") is the supply of sales and marketing support to fellow group undertakings.

Business review and future development

The company provides sales, marketing and logistics support to Boeing Distribution Services Inc's (*formerly KLX Inc's*) customers for which it receives remuneration by way of operational support and customer support fees.

The company's revenues for the period were £9,773,725 (*31 January 2018: £9,101,878*). The directors expect revenue growth in line with historical increases.

The cash position of the company as at 31 December 2018 is £10,640,955 (*31 January 2018: £9,691,136*). The increase in the cash position during the period is a result of the period's profits and collection of outstanding receivables.

Principal risks and uncertainties

The market for the distribution of products to the aviation industry is highly competitive. To be an attractive intermediary between customers and manufacturers, distribution must be able to deliver the right combination of a broad product range and added value services must be offered.

Demand for the products and services the group offers are tied to the cyclical nature of the aerospace industry. During periods of economic expansion, when capital spending normally increases, we generally benefit from greater demand for our products. During periods of economic contraction, when capital spending normally decreases, we generally are adversely affected by declining demand for our products and services. Aerospace industry conditions are impacted by numerous factors over which we have no control, including political, regulatory, economic and military conditions, environmental concerns, weather conditions and fuel pricing. Any prolonged cyclical downturn could have an adverse impact on our operating results.

We depend on manufacturing firms to support our operations through the timely supply of products. Our suppliers may experience capacity constraints that may result in their inability to supply us with products in a timely fashion, with adequate quantities or at a desired price. Factors affecting the manufacturing sector can include labour disputes, general economic issues, and changes in raw material and energy costs. Natural disasters such as earthquakes or hurricanes, as well as political instability and terrorist activities, may negatively impact the production or delivery capabilities of our suppliers as well. These factors could lead to increased prices for our inventory, curtailment of supplies and the unfavourable allocation of product by our suppliers, which could reduce our revenues and profit margins and harm our customer relations. Significant disruptions in our supply chain could negatively impact our results of operations and financial condition.

Boeing Distribution Services III Ltd (BDS III Ltd) mainly provides services to the business of its parent company Boeing Distribution Services Inc. (BDS Inc.). The main Brexit implications on the business will affect the business of BDS Inc. but also indirectly BDS III Ltd. Due to the fact that the parent entity is obliged to cover all related cost as part of the Transfer pricing compensation, BDS III has only a limited risk for losses. That does not exclude the need to adjust the level of services, if this is required by the BDS Inc.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**STRATEGIC REPORT (CONTINUED)
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

Financial key performance indicators

The company measures its financial performance by reference to profitability and turnover based on the strategies set out above and the key performance measures are set out below:

	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
Turnover	9,774	9,102
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	282	3,007

General: Due to the Transfer Pricing contract in place all arising cost of BDS III Ltd, which are related to the business of the parent entity will be compensated.

Turnover: As per internal forecast we expected the turnover to grow given the companies efforts to extend business, as a result of the acquisition by the Boeing Company.

EBITDA: EBITDA decreased this year to £282k (prior year: £3,007k). This is a result of multiple one time effects relating to prior and current periods. The prior year impact was attributed to dividend income of £1,000k in 2017/2018 and an additional impairment charge of £1,358k in the 11 months to December 2018.

This report was approved by the board on 30 October 2019 and signed on its behalf.



P M Woodfield
Director

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**DIRECTORS' REPORT
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the 11 months ended 31 December 2018.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk; liquidity risk; interest rate risk and foreign currency risk.

Given the size of the company, the directors have not delegated the responsibility for monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the company's finance department.

Credit risk

During the period the company provided sales, marketing and logistics support to Boeing Distribution Services Inc.'s customers for which it receives remuneration by way of operational support and customer service fees.

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. These credit checks are continually updated throughout the contract period. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed when necessary. Deposits of cash funds are made exclusively with banks with a high credit rating.

Liquidity risk

The company maintains cash balances and monitors its liquidity to ensure that there are sufficient funds available for operations and planned expansions.

Interest rate risk

The company has interest bearing assets and no interest bearing liabilities. Interest bearing assets are cash balances. Therefore the company is not exposed to interest rate risk.

Foreign currency risk

Revenues are invoiced in Euro's and some expenses in US Dollars and Euro which are subject to exchange rate fluctuations. Management monitors the company's exposure to these fluctuations on a regular basis.

Payments to suppliers

The company agrees to the terms and conditions under which business transactions with its suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

Qualifying third party indemnity provisions

The company's ultimate parent undertaking maintains liability insurance for the company's directors and officers, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This insurance was in force throughout the period and at the time of signing the financial statements.

Going concern

The directors have considered the appropriateness of the going concern assumption for the company. In doing so, they have considered forecasts for the company's trading activities as well as for its subsidiary in the context of the group structure in which it sits. Based on these facts and the directors' review of the forecasts of the company and its subsidiary, the directors have concluded that the company has sufficient funds to continue in operational existence for a period not less than 12 months from the date of these financial statements. Thus the going concern basis of preparation is considered appropriate.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**DIRECTORS' REPORT (CONTINUED)
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

Results and dividends

The profit for the 11 months, after taxation, amounted to £459k (2018: £2,082k).

The directors do not recommend the payment of a final dividend (2018: £Nil).

Directors

The directors who served during the 11 months, and thereafter, were:

J A Cuomo (resigned 12 December 2018)

R M Franks (resigned 9 October 2018)

T P McCaffrey (resigned 9 October 2018)

Sir M A Arthur (appointed 11 December 2018, resigned 18 July 2019)

Sir M E Donnelly (appointed 18 July 2019)

P M Woodfield (appointed 18 September 2019)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 and 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.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**DIRECTORS' REPORT (CONTINUED)
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

Post balance sheet events

A simplification project is being undertaken by Boeing to settle a number of intercompany balances and loans between various entities within the European group structure acquired from KLX Aerospace on 9. October 2018, the following transactions will impact upon the financial statements of Boeing Distribution Services III Limited in 2019.

On 18 October 2019 the company performed a capital reduction which cancelled and extinguished the entire amount of the share premium account of the company being the amount of GBP 20,987,291.63 and credited the sum of GBP 20,987,291.63 to profit and loss reserves.

On 23 October 2019 the company received an interim dividend from its subsidiary Boeing Distribution Services SAS, to the value of EUR 18,000,000.

On 25 October 2019 the company paid an interim dividend of GBP 23,710,656.26 to its parent, Boeing Distribution Services II Limited.

Disclosure of information to auditor

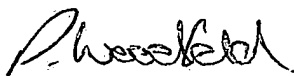
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 October 2019 and signed on its behalf.



P M Woodfield
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

Opinion

We have audited the financial statements of Boeing Distribution Services III Limited (formerly KLX Aerospace Solutions II Limited) (the 'company') for the 11 months ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 state of the company's affairs as at 31 December 2018 and of its profit for the 11 months 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. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED) (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial 11 months for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOEING DISTRIBUTION SERVICES III
LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED) (CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on pages 4 to 5, 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.

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

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.



Christopher Raab ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

30 October 2019

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

	Note	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
Turnover	4	9,774	9,102
Gross profit		9,774	9,102
Distribution costs		(4,227)	(3,836)
Administrative expenses		(4,370)	(4,095)
Other operating income	5	4	257
Operating profit	6	1,181	1,428
Impairment loss		(1,358)	-
Investment income		-	1,000
(Loss)/profit before tax		(177)	2,428
Tax on (loss)/profit	11	636	(346)
Profit for the financial 11 months		459	2,082

All results included in statement of comprehensive income are derived from continuing operations.

There was no other comprehensive income for 2018 (31 January 2018: Nil).

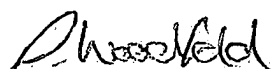
The notes on pages 12 to 30 form part of these financial statements.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)
REGISTERED NUMBER:00446288

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		31 December 2018 £000	31 January 2018 £000
	Note		
Fixed assets			
Intangible assets	12	2,117	2,408
Tangible assets	13	357	411
Investments	14	14,461	15,819
		16,935	18,638
Current assets			
Debtors: amounts falling due after more than one year	15	106	106
Debtors: amounts falling due within one year	15	2,026	1,400
Cash at bank and in hand	16	10,641	9,691
		12,773	11,197
Creditors: amounts falling due within one year	17	(813)	(1,399)
Net current assets		11,960	9,798
Total assets less current liabilities		28,895	28,436
Net assets		28,895	28,436
Capital and reserves			
Called up share capital	20	81	81
Share premium account	21	20,986	20,986
Retained earnings	21	7,828	7,369
		28,895	28,436

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P M Woodfield
Director

Date: 30 October 2019

The notes on pages 12 to 30 form part of these financial statements.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**STATEMENT OF CHANGES IN EQUITY
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 February 2018	81	20,986	7,369	28,436
Comprehensive income for the 11 months				
Profit for the 11 months	-	-	459	459
Total comprehensive income for the 11 months	-	-	459	459
Total transactions with owners	-	-	-	-
At 31 December 2018	81	20,986	7,828	28,895

**STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTHS ENDED 31 JANUARY 2018**

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 February 2017	81	20,986	5,287	26,354
Comprehensive income for the year				
Profit for the year	-	-	2,082	2,082
Total comprehensive income for the year	-	-	2,082	2,082
Total transactions with owners	-	-	-	-
At 31 January 2018	81	20,986	7,369	28,436

The notes on pages 12 to 30 form part of these financial statements.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

1. General information

Boeing Distribution Services III Limited (formerly KLX Aerospace Solutions II Limited) is a private company limited by shares and registered in England and Wales. The change in name was effective from 18 December 2018.

After completion of the sale of the KLX Aerospace Solutions group to The Boeing Company on 9 October 2018, there were also the following changes made:

1. Change in the registered address from Charles Avenue, Burgess Hill, West Sussex, RH15 9TQ to 25 Victoria Street, London SW1H 0EX effective 12 December 2018.
2. Change of the fiscal year to coincide with the calendar year and the financial year of The Boeing Company. This results in the current 11 month period from 1 February 2018 to 31 December 2018.
3. Resignation of Hackwood Secretaries Limited as Company Secretary effective 6 December 2018. These tasks are now performed internally.
4. Changes in the directors as disclosed in the Director's report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23.

This information is included in the consolidated financial statements of The Boeing Company as at 31 December 2018 and these financial statements may be obtained from 100 North Riverside Plaza, Chicago, Illinois, 60606, USA.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.3 Consolidation policy

The Company has taken advantage of Section 401 of the Companies Act 2006 - Exemption for company including in EEA group accounts of larger group - as it is itself a wholly owned subsidiary of The Boeing Group, which parent undertaking prepares consolidated accounts in which the Company is included and are publicly available.

These accounts thus provide information about the Company as an individual undertaking.

2.4 Going concern

The directors have considered the appropriateness of the going concern assumption for the company. In doing so, they have considered forecasts for the company's trading activities as well as for its subsidiary in the context of the group structure in which it sits. Based on these facts and the directors' review of the forecasts of the company and its subsidiary, the directors have concluded that the company has sufficient funds to continue in operational existence for a period not less than 12 months from the date of these financial statements. Thus the going concern basis of preparation is considered appropriate.

2.5 Turnover

Turnover comprises the fair value of the consideration received or receivable for the sales commissions owed to the company in accordance with its intercompany agreement as well as costs incurred that are recharged to other group companies at a mark up in accordance with its intercompany agreement. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises revenue when:

- The amount revenue can be reliably measured.
- It is probable that future economic benefits will flow to the entity.
- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Computer equipment and software	- 15% per annum
Motor vehicles	- 25% per annum
Fixtures, fittings and equipment	- 10% - 46% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Amounts due from group undertakings

Amounts due from group undertakings represent receivables due from other group companies in respect of sales commissions and cost recharges.

Amounts due from group undertakings are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of amounts due from group undertakings is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.11 Financial instruments

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

Financial liabilities and equity instruments are classified accounting to the substances of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

2.12 Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transactions costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding the transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.13 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the assets has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determined reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on pro-rata basis and then to any goodwill allocated to the CGU.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment loss, the impairment loss is the difference between the asset's 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.

2.14 Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2.15 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.16 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.17 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.18 Current and deferred taxation

The tax expense for the 11 months comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Share capital

Ordinary share capital are classified as equity. Equity instruments are measured at the fair value of the case or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2.20 Dividends

Dividends distribution to the Company's shareholder is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

2.21 Transactions with group undertakings

Assets transferred to the Company from group undertakings are reported in the financial statements of the Company at the net book value recorded in the group undertakings. Assets transferred are accounted as the consideration for the issue of shares. The excess of the considerations over the par value of the shares issues is reported as the share premium.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgments, 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 to be 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.

Critical judgments in applying the company's accounting policies

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Investment carrying value

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of investments in subsidiaries within the next fiscal year: future financial estimations, terminal growth rate and discount rate. See note 14 for more detail.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
United Kingdom	9,774	9,102

5. Other operating income

	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
Miscellaneous other operating income	4	257

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

6. Operating (loss)/profit

The operating profit is stated after charging / (crediting):

	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
Depreciation of tangible fixed assets	168	253
Amortisation of intangible assets, including goodwill	291	326
Foreign exchange differences	(4)	(32)
Other operating lease rentals	34	10
Operating lease rentals - plant and machinery	485	450
	<u> </u>	<u> </u>

7. Auditor's remuneration

	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	45	45
	<u> </u>	<u> </u>
Fees payable to the company's auditor and its associates in respect of:		
Financial statement preparation	3	3
	<u> </u>	<u> </u>

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

8. Employees

Staff costs were as follows:

	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
Wages and salaries	3,892	3,854
Social security costs	325	383
Share-based payment expenses	256	130
Cost of defined contribution scheme	306	310
	<u>4,779</u>	<u>4,677</u>

The average number of employees, including directors, during the period was 113 (31 January 2018: 177).

9. Director's remuneration

There were no emoluments paid to the directors during the period ended 31 December 2018 (31 January 2018: £Nil).

The emoluments of the directors of the company, who are also named executive officers of the ultimate parent company, are disclosed in the ultimate parent company's financial statements in respect to their services to the group as a whole. No recharges have been made to the company relating to the remuneration of directors during the year (31 January 2018: £Nil) as it is not possible to make any apportionment of these emoluments to Boeing Distribution Services III Limited (formerly KLX Aerospace Solutions II Limited).

The number of directors for whom retirement benefits are accruing under defined contribution pension schemes amounted to Nil for the period ended 31 December 2018 (31 January 2018: Nil).

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

10. Income from investments

	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
Dividend income	-	1,000

11. Taxation

	11 months ended 31 December 2018 £000	12 months ended 31 January 2018 £000
Corporation tax		
Current tax on profits for the year	(636)	346
Total current tax	(636)	346
Deferred tax		
Total deferred tax	-	-
Taxation on (loss)/profit on ordinary activities	(636)	346

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

11. Taxation (continued)

Factors affecting tax charge for the 11 months/year

The tax assessed for the 11 months is lower than (31 January 2018: lower than) the standard rate of corporation tax in the UK of 19% (31 January 2018: 19.25%). The differences are explained below:

	11 months ended 31 December 2018 £000.	12 months ended 31 January 2018 £000.
(Loss)/profit on ordinary activities before tax	(177)	2,428
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (31 January 2018: 19.25%)	(34)	465
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation	190	23
Capital allowances for 11 months/year in excess of depreciation	-	20
Adjustments to tax charge in respect of prior periods	(792)	28
Franked investment income	-	(190)
Total tax (credit)/charge for the 11 months/year	(636)	346

Factors that may affect future tax charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the statement of financial position date.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

12. Intangible assets

	Goodwill £000
Cost	
At 1 February 2018	10,738
At 31 December 2018	10,738
Amortisation	
At 1 February 2018	8,330
Charge for the year	291
At 31 December 2018	8,621
Net book value	
At 31 December 2018	2,117
At 31 January 2018	2,408

On 2 October 2015, the company acquired the trade and assets of Boeing Distribution Services II Limited (formerly KLX Aerospace Solutions Limited). As a result of that transfer, the company reported the goodwill in its financial statements.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

13. Tangible fixed assets

	Fixtures, fittings and equipment £000	Computer equipment £000	Total £000
Cost			
At 1 February 2018	1,262	1,129	2,391
Additions	75	39	114
At 31 December 2018	1,337	1,168	2,505
Depreciation			
At 1 February 2018	988	992	1,980
Charge for the 11 months on owned assets	107	61	168
At 31 December 2018	1,095	1,053	2,148
Net book value			
At 31 December 2018	242	115	357
At 31 January 2018	274	137	411

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018

14. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 February 2018	15,819
At 31 December 2018	15,819
Impairment	
Charge for the period	1,358
At 31 December 2018	1,358
Net book value	
At 31 December 2018	14,461
At 31 January 2018	15,819

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The recoverable amount of the company's investments in subsidiaries has been determined based on the results of the income approach (discounted cash flow("DCF"), this included a long-term growth rate of 3% in the terminal value calculations. Specifically, the income Approach incorporated the use of the DCF method, which uses cash flow projections covering a five-year period and a discount rate that varied by entity (10%-12%).

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Boeing Distribution Services SAS (formerly BKLX Aerospace Solutions II SAS)	Distribution of parts and materials to the aviation industry	Ordinary	100%
Boeing Distribution Services IV Limited (formerly Interturbine Aviation Logistics Ltd)	Distribution of parts and materials to the aviation industry	Ordinary	100%

Country of incorporation and registered office of Boeing Distribution Services SAS is France and UK for Boeing Distribution Services IV Limited.

15. Debtors

	31 December 2018 £000	31 January 2018 £000
Due after more than one year		
Deferred tax asset	106	106
	<hr/>	<hr/>
	31 December 2018 £000	31 January 2018 £000
Due within one year		
Trade debtors	-	22
Amounts owed by group undertakings	1,318	782
Other Taxation and social security	272	237
Other debtors	116	-
Prepayments and accrued income	226	225
Tax recoverable	94	134
	<hr/> 2,026 <hr/>	<hr/> 1,400 <hr/>

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

16. Cash and cash equivalents

	31 December 2018 £000	31 January 2018 £000
Cash at bank and in hand	10,641	9,691

17. Creditors: Amounts falling due within one year

	31 December 2018 £000	31 January 2018 £000
Trade creditors	195	72
Amounts owed to group undertakings	26	34
Corporation tax	-	861
Other taxation and social security	118	205
Other creditors	19	21
Accruals and deferred income	455	206
	813	1,399

18. Financial instruments

	31 December 2018 £000	31 January 2018 £000
Financial assets		
Cash	10,641	9,691
Financial assets that are debt instruments measured at amortised cost	1,589	873
	12,230	10,564
Financial liabilities		
Financial liabilities measured at amortised cost	(808)	(333)

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

19. Deferred taxation

	2018 £000	2018 £000
At beginning of year	106	115
Credited to profit or loss	-	(9)
At end of year	106	106

The deferred tax asset is made up as follows:

	31 December 2018 £000	31 January 2018 £000
Accelerated capital allowances	106	106

20. Share capital

	31 December 2018 £000	31 January 2018 £000
Allotted, called up and fully paid		
81,004 (2018: 81,004) ordinary shares of £1 each	81	81

The company has one class of ordinary shares which carry no right to fixed income.

21. Reserves**Share premium account**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Retained Earnings

Includes all current and prior period retained profits and losses.

BOEING DISTRIBUTION SERVICES III LIMITED (FORMERLY KLX AEROSPACE SOLUTIONS II LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11 MONTHS ENDED 31 DECEMBER 2018**

22. Pension commitments

The company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the company in independently administered funds. Pension costs charged in the period amounted to £305,846 (31 January 2018: £319,481).

23. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2018 £000	31 January 2018 £000
Not later than 1 year	542	454
Later than 1 year and not later than 5 years	1,525	1,673
	<u>2,067</u>	<u>2,127</u>

24. Related party transactions

The company has taken advantage of the exemption under FRS 102 Section 33.1a from disclosing transactions with other group companies wholly owned within the group.

25. Post balance sheet events

A simplification project is being undertaken by Boeing to settle a number of intercompany balances and loans between various entities within the European group structure acquired from KLX Aerospace on 9. October 2018, the following transactions will impact upon the financial statements of Boeing Distribution Services III Limited in 2019.

On 18 October 2019 the company performed a capital reduction which cancelled and extinguished the entire amount of the share premium account of the company being the amount of GBP 20,987,291.63 and credited the sum of GBP 20,987,291.63 to profit and loss reserves.

On 23 October 2019 the company received an interim dividend from its subsidiary Boeing Distribution Services SAS, to the value of EUR 18,000,000.

On 25 October 2019 the company paid an interim dividend of GBP 23,710,656.26 to its parent, Boeing Distribution Services II Limited.

**NOTES TO THE FINANCIAL STATEMENTS
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26. Controlling party

The immediate parent undertaking is Boeing Distribution Services II Limited (formerly KLX Aerospace Solutions Limited), incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent undertaking and controlling party is The Boeing Company also incorporated in Delaware and with its international headquarters at 100 North Riverside Plaza, Chicago, Illinois, 60606, USA.

The Boeing Company is the parent of the largest and smallest group of undertakings to consolidate these financial statements for the period ended 31 December 2018. The consolidated financial statements of The Boeing Company can be obtained from 100 North Riverside Plaza, Chicago, Illinois, 60606, USA.