

AVIATION TRAINING INTERNATIONAL LIMITED

Report and Financial Statements

31 December 2003



REPORT AND FINANCIAL STATEMENTS 2003

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AVIATION TRAINING INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Incorporated in England on 8 January 1998 under Precis (1618) Ltd - name changed to Aviation Training International Limited on 21 July 1998.

DIRECTORS

Albert G Brookes (GWHL) , Chairman
Ronald D Hancock (Boeing)
Keith R Hertenberg (Boeing)
Richard K Smith (GWHL)

SECRETARY

Battens Secretarial Services Limited

REGISTERED OFFICE

Coldharbour Business Park
Sherborne
Dorset
DT9 4JW

AUDITORS

Deloitte & Touche LLP
Bristol

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company is to provide the British Army with non-airborne training for helicopter aircrew, groundcrew and maintenance personnel.

BUSINESS REVIEW

All of the Company's training centres are now open and staffed, and training services to the Ministry of Defence were provided as planned. During the year two contractual obligations were completed on schedule, namely a demonstration of simulator network connectivity and a demonstration of simulator deployability. The Ministry gave initial contractual authority to proceed, on a final price to be agreed basis, with a major enhancement to the training service to bring it in line with the evolving technical specification of the aircraft. Operating profit for the year was £25,972,000 and the cash inflow from operations was £39,546,000. The directors expect the current level of activity to continue into 2004.

RESULTS

The profit and loss account of the company for the year shows a profit after interest and taxation of £7,235,000 (2002: £2,954,000).

DIVIDENDS

A dividend of £7,000,000 was paid on 31 December 2003 (2002: £nil).

DIRECTORS

The directors at 31 December 2003 hold no interest in the company. The directors who served in the year were as follows:

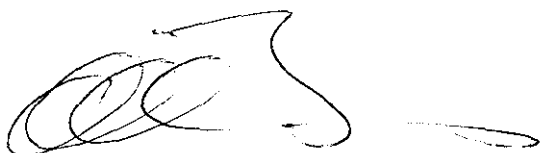
Albert G Brookes (GWHL)
Martin C Fausset (GWHL) (resigned 21 February 2003)
Ronald D Hancock (Boeing)
Keith R Hertenberg (Boeing)
Richard K Smith (GWHL) (appointed 21 February 2003)

There are no disclosable interests under the Companies Act 1985.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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



Albert G Brookes
Director, Chairman

4 February 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
AVIATION TRAINING INTERNATIONAL LIMITED**

We have audited the financial statements of Aviation Training International Limited for the year ended 31 December 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2003 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol

10 February 2004

AVIATION TRAINING INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
TURNOVER	2	53,458	34,792
Cost of sales		(24,513)	(14,065)
GROSS PROFIT		28,945	20,727
Administrative expenses		(2,980)	(2,574)
Other operating income (expenses)		7	(41)
OPERATING PROFIT	3	25,972	18,112
Interest receivable		813	431
Interest payable and similar charges	5	(15,930)	(14,008)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,855	4,535
Tax on profit on ordinary activities	6	(3,620)	(1,581)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING PROFIT FOR THE FINANCIAL YEAR		7,235	2,954
Dividends paid on equity shares	7	(7,000)	-
RETAINED PROFIT FOR THE YEAR		235	2,954

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	7,235	2,954
Prior year adjustment (as explained in note 6)	-	103
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS	7,235	3,057

AVIATION TRAINING INTERNATIONAL LIMITED

BALANCE SHEET
At 31 December 2003

	Note	2003 £'000	£'000	2002 £'000	£'000
FIXED ASSETS					
Tangible assets	8		185,219		198,187
CURRENT ASSETS					
Stocks	9	3,437		3,398	
Debtors	10	7,694		7,566	
Cash at bank and in hand		31,273		17,776	
		42,404		28,740	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(15,939)		(48,379)	
NET CURRENT ASSETS/(LIABILITIES)			26,465		(19,639)
TOTAL ASSETS LESS CURRENT LIABILITIES			211,684		178,548
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		(198,610)		(170,679)
PROVISIONS FOR LIABILITIES AND CHARGES	13		(10,468)		(5,498)
NET ASSETS			2,606		2,371
CAPITAL AND RESERVES					
Called up share capital	14		550		550
Profit and loss account	15		2,056		1,821
EQUITY SHAREHOLDERS' FUNDS	16		2,606		2,371

These financial statements were approved by the Board of Directors on 4 February 2004.

Signed on behalf of the Board of Directors



Albert G Brookes
Director, Chairman

CASH FLOW STATEMENT
Year ended 31 December 2003

	Note	2003 £'000	£'000	2002 £'000	£'000
Net cash inflow from operating activities	17		39,546		25,734
Returns on investment and servicing of finance					
Interest received		930		311	
Interest paid		(16,107)		(15,780)	
Net cash outflow from return on investments and servicing of finance			(15,177)		(15,469)
Taxation					
UK corporation tax			2,850		2,520
Capital expenditure					
Payments to acquire tangible fixed assets			(992)		(16,991)
Equity dividends paid			(7,000)		-
Net cash inflow/(outflow) before financing			19,227		(4,206)
Financing					
Repayments of long term borrowing			(5,730)		-
Increase/(decrease) in cash in the year			13,497		(4,206)
Reconciliation of net cash flow to movement in net debt					
		2003 £'000		2002 £'000	
Net debt at beginning of year		(199,420)		(195,214)	
Increase/(decrease) in cash in the year		13,497		(4,206)	
Repayments of long term borrowing		5,730		-	
Net debt at end of year	18	(180,193)		(199,420)	

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover also includes amounts receivable in lieu of lost revenues as provided for in Private Finance Initiative (PFI) arrangements.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Interest payable and fees incurred in relation to the production of tangible assets are capitalised on an asset by asset basis using the applicable rate of interest charged on the related debt.

Interest is capitalised on each asset up until each asset is ready for its intended use and is capable of generating revenues.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs of fixed assets, less their estimated residual value, over their expected useful lives as follows:

Short leasehold buildings and improvements	between 10 and 18 years or the period of the lease if shorter
Simulators and training equipment	between 3 and 18 years, unless usage is guaranteed under contract in which case depreciation is provided at guaranteed usage rates
Office equipment and systems and other	between 3 and 18 years

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or, if hedged, at the rate in the forward contract.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction except in instances where those transactions are provided for at a hedged rate of exchange. Exchange differences are taken into account in arriving at the operating profit.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. *Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.*

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in the period.

Finance costs

Finance costs of debt are recognised over the term of such instruments at a constant rate on the carrying amount.

Pension costs

The Company participates in the externally funded defined benefit Westland Pension Scheme. The amount charged to the profit and loss account (the regular pension cost) is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from regular cost are allocated to the profit and loss account on a prudent basis over a period not exceeding employees' average remaining service lives. Any difference between the amounts charged in the profit and loss account and paid to the pension fund is shown in the balance sheet as a liability or asset.

2. TURNOVER

The turnover was derived from the company's principal activity which was carried out wholly in the UK.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

3. OPERATING PROFIT

	2003	2002
	£'000	£'000
The operating profit is stated after charging:		
Depreciation on owned assets	13,481	10,879
Operating lease rentals:		
- land and buildings	51	40
- other	36	27
Loss on foreign exchange	-	63
Auditors' remuneration:		
- audit	18	14
- non-audit services	16	8
	<u> </u>	<u> </u>

4. STAFF COSTS

The average number of staff employed by the company during the year (including directors) was as follows:

	2003	2002
	No.	No.
On-site staff	71	53
Administration - Headquarters	20	18
	<u> </u>	<u> </u>
	91	71

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	3,030	2,199
Social security costs	310	199
Other pension costs	277	192
	<u> </u>	<u> </u>
	3,617	2,590

The directors received no remuneration from the company during the year (2002: nil).

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£'000	£'000
Bank loans	14,179	15,775
Shareholder loans	1,910	-
Amortisation of loan issue costs	177	177
	<u> </u>	<u> </u>
	16,266	15,952
Less: interest capitalised	(336)	(1,944)
	<u> </u>	<u> </u>
	15,930	14,008

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES	2003 £'000	2002 £'000
Current tax		
Amounts received for surrendered tax losses at 30%:		
- current year	(1,350)	(3,300)
- adjustment in respect of prior year	-	(720)
Total current tax	(1,350)	(4,020)
Deferred tax		
Origination and reversal of timing differences	5,059	5,601
Adjustment in respect of prior year	(89)	-
Total deferred tax	4,970	5,601
Total tax on profit on ordinary activities	3,620	1,581

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax assessed for the period differs from the standard rate for the reasons set out in the following reconciliation.

	£'000	£'000
Profit on ordinary activities before tax	10,855	4,535
	£'000	£'000
Tax at 30% thereon	(3,256)	(1,361)
Expenses not deductible for tax purposes	(553)	(220)
Capital allowances in excess of depreciation	4,907	8,662
Utilisation of tax losses	(2,548)	(3,781)
Capitalisation of interest	100	-
Adjustment in respect of prior year	-	720
Total actual amount of current tax	(1,350)	4,020

In the prior year, adoption of FRS19 required a change in the method of accounting for deferred tax. As a result, the comparative for the tax on profit on ordinary activities for 2001 was restated from the previously reported amount of £nil to £661,000, giving rise to a deferred tax asset of £103,000.

7. DIVIDENDS	2003 £'000	2002 £'000
Dividends paid on equity shares of £12.73 (2002: £nil) per share	7,000	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

8. TANGIBLE FIXED ASSETS

	Assets in the course of construction £'000	Short leasehold buildings and improvements £'000	Simulators and training equipment £'000	Office equipment, systems and other £'000	Total £'000
Cost					
At 1 January 2003	22,980	27,561	165,495	6,690	222,726
Additions	-	-	320	194	514
Disposals	-	-	-	(3)	(3)
Transfers	(22,980)	-	22,980	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	27,561	188,795	6,881	223,237
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At 1 January 2003	-	3,130	19,553	1,856	24,539
Charge for the year	-	1,675	11,025	781	13,481
Disposals	-	-	-	(2)	(2)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	4,805	30,578	2,635	38,018
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2003	-	22,756	158,217	4,246	185,219
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	22,980	24,431	145,942	4,834	198,187
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Interest and fees are capitalised in so far as they are directly attributable to the acquisition, construction or production of an asset at the effective rate of 7.35%. The amounts capitalised are as follows:

	2003 £'000	2002 £'000
Interest and fees		
Short leasehold buildings and improvements	3,094	3,094
Simulators and training equipment	21,722	21,386
Office equipment and systems	642	642
	<hr/>	<hr/>
	25,458	25,122
	<hr/>	<hr/>

9. STOCKS

	2003 £'000	2002 £'000
Consumables	3,437	3,398
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

10. DEBTORS

	2003	2002
	£'000	£'000
<i>Due within one year:</i>		
Trade debtors	3,450	3,721
Prepayments and accrued income	4,244	2,323
Other debtors	-	1,522
	<u>7,694</u>	<u>7,566</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£'000	£'000
Bank loans	8,880	44,395
Shareholder loans	2,031	-
Trade creditors	2,614	1,263
Other creditors including taxation and social security	738	442
Accruals and deferred income	1,676	2,279
	<u>15,939</u>	<u>48,379</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003	2002
	£'000	£'000
Bank loans	161,976	170,679
Shareholder loans	36,634	-
	<u>198,610</u>	<u>170,679</u>

The loans, excluding amounts due within one year, are repayable as follows:

Amounts falling due:		
- between one and two years	13,994	8,880
- between two and five years	75,196	41,380
- after more than five years	111,365	122,541
	<u>200,555</u>	<u>172,801</u>
Less: issue costs to be recognised over the term of the loan	(1,945)	(2,122)
	<u>198,610</u>	<u>170,679</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The bank loans, excluding amounts due within one year, are repayable as follows:	2003	2002
	£'000	£'000
Amounts falling due:		
- between one and two years	11,721	8,880
- between two and five years	66,599	41,380
- after more than five years	85,601	122,541
	<hr/>	<hr/>
	163,921	172,801
Less: issue costs to be recognised over the term of the loan	(1,945)	(2,122)
	<hr/>	<hr/>
	161,976	170,679
	<hr/>	<hr/>

The shareholder loans, excluding amounts due within one year, are repayable as follows:	2003	2002
	£'000	£'000
Amounts falling due:		
- between one and two years	2,273	-
- between two and five years	8,597	-
- after more than five years	25,764	-
	<hr/>	<hr/>
	36,634	-
	<hr/>	<hr/>

The bank loans outstanding are secured by a first fixed charge over all the assets of the company, assignment of insurance policies and projected contracts and first fixed and floating charges over bank accounts. These debts are due to be repaid by 24 consecutive semi-annual repayments payable on and from June 2003 until December 2014. The interest rates applicable to the bank loan outstanding is LIBOR plus 0.90% bank margin on the additional debt outstanding. An additional Mandatory Liquid Assets cost is applied to all outstanding debts.

The shareholder loans are unsecured, and are due to be repaid by semi-annual repayments payable until December 2014, and bear interest at LIBOR plus 6.0%.

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax	£'000
At 1 January 2003	5,498
Charged to the profit and loss account	4,970
	<hr/>
A 31 December 2003	10,468
	<hr/>

The liability for deferred taxation is analysed as follows:	2003	2002
	£'000	£'000
Accelerated capital allowances	22,309	16,052
Tax losses available	(11,841)	(10,554)
	<hr/>	<hr/>
	10,468	5,498
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

14. SHARE CAPITAL	2003	2002
	£'000	£'000
Authorised, allotted, called up and fully paid		
275,000 Ordinary class 'A' shares of £1 each	275	275
275,000 Ordinary class 'B' shares of £1 each	275	275
	<u>550</u>	<u>550</u>

Class 'A' and Class 'B' shares carry the same rights. All shares were allotted at nominal value.

15. PROFIT AND LOSS ACCOUNT	2003	2002
	£'000	£'000
At beginning of year	1,821	(1,133)
Retained profit for the year	235	2,954
At end of year	<u>2,056</u>	<u>1,821</u>

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	2003	2002
	£'000	£'000
Opening equity shareholders' surplus (deficit)	2,371	(583)
Profit for the financial year	7,235	2,954
Dividends paid on equity shares	(7,000)	-
Closing equity shareholders' funds	<u>2,606</u>	<u>2,371</u>

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2003	2002
	£'000	£'000
Operating profit	25,972	18,112
Depreciation	13,481	10,879
Increase in debtors	(1,636)	(4,758)
Increase in stocks	(39)	(819)
Increase in creditors	1,768	2,320
Net cash inflow from operating activities	<u>39,546</u>	<u>25,734</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

18. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2003 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2003 £'000
Cash at bank and in hand	17,776	13,497	-	31,273
Debt due after one year	(172,801)	(39,600)	11,846	(200,555)
Debt due within one year	(44,395)	45,330	(11,846)	(10,911)
	<u>(199,420)</u>	<u>19,227</u>	<u>-</u>	<u>(180,193)</u>

19. FINANCIAL COMMITMENTS

	2003 £'000	2002 £'000
At year end the company had capital commitments as follows:		
Contracted for but not provided for	<u>44</u>	<u>1,026</u>

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
Expiry date	Buildings £'000	Others £'000	Buildings £'000	Others £'000
Within one year	57	30	40	31
Between one and five years	228	64	160	38
After five years	175	-	57	-
	<u>460</u>	<u>94</u>	<u>257</u>	<u>69</u>

20. PENSIONS

The Company participates, together with other AgustaWestland UK companies, in the Westland Pension Scheme, a defined benefit pension scheme. The Company's pension cost is based on pension costs assessed under the scheme membership as a whole as is the Company's pension contribution which is determined in accordance with advice from professionally qualified actuaries.

Professionally qualified actuaries made an independent actuarial assessment of the Westland Pension Scheme at 5 April 2003 using the projected unit method. The aggregate market value of assets at the assessment date was £221 million and the estimated funding level on an on-going basis was 96%. The market value related basis for funding purposes assumes investment returns pre-retirement of 6.7% per annum, which exceeds the annual rate of increases in pensionable salaries by 3.1% with investment returns post-retirement of 5.7% per annum, which exceeds pension increases by 3.1%. Following recommendations by the Scheme actuary, an increase in employer contribution rates has been agreed with effect from 1 January 2004 in order to eliminate the funding deficit over a 5 year period.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

20. PENSIONS (continued)

Particulars of the valuations and the disclosures required by FRS17 are included in the accounts of Westland Helicopters Limited. It is not practical to split the assets and liabilities of the Scheme between the participating companies

21. RELATED PARTIES

The Company is controlled by Westland Helicopters Limited and The Boeing Company by virtue of each having ownership of 50% of the issued ordinary share capital in the company.

In July 2000, GKN plc of the UK and Finmeccanica of Italy announced their intention to merge Westland Helicopters Ltd and Agusta to form the jointly owned AgustaWestland. Under the terms of the agreement, Finmeccanica and GKN now each own 50% of the AgustaWestland joint venture. In part consideration for its 50% interest in AgustaWestland, GKN have contributed its 50% interest in the company. On 12 February 2001 the completion of the merger was announced.

During the year under review the company purchased £2,521,013 (2002: £2,834,443) excluding VAT of goods and services from Westland Helicopters Limited. The company also purchased US\$7,032,655 (£4,413,524) (2002: US\$25,565,747 (£15,941,101)) of goods and services from The Boeing Company. At 31 December 2003 the company owed Westland Helicopters Limited £1,903,550 (2002: £10,275) and The Boeing Company US\$754,400 (£470,142) (2002: US\$1,828,259 (£1,125,754)).

During the year under review the company invoiced Westland Helicopters Limited £33,277 (2002: £3,580,566) and The Boeing Company £15,387 (2002: £47,499) excluding VAT, for indemnification for delays and goods and services. At 31 December 2003 the company was owed £nil (2002: £50,008) from Westland Helicopters Limited and £15,387 (2002: £nil) from The Boeing Company.

On 30 June 2003 Westland Helicopters Limited and The Boeing Company each loaned £19,800,000 to the Company (see note 12).