

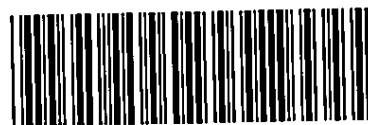
Company Registration Number 3490323

**AVIATION TRAINING INTERNATIONAL
LIMITED**

Report and Financial Statements

31 December 2007

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AVIATION TRAINING INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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AVIATION TRAINING INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Richard K Smith (WHL) - Chairman
John M M Ponsonby (WHL)
Christopher J P Haynes (WHL)
Philip Schwab (Boeing)
Torbjorn B Sjogren (Boeing)
Patrick J Nohalty (Boeing)

SECRETARY

Battens Secretarial Services Limited

REGISTERED OFFICE

Coldharbour Business Park
Sherborne
Dorset
DT9 4JW

AUDITORS

Deloitte & Touche LLP
Bristol

AVIATION TRAINING INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

All four of the company's training centres are in operation providing the contracted training services to the Ministry of Defence (MoD). Aviation Training International Limited (ATIL) was also contracted to develop and deliver a variety of additional training courses. During the second half of 2007, the MoD moved the two Apache squadrons at Dishforth to Wattisham. This reduced the ATIL activity at Dishforth and increased it at Wattisham but did not affect guaranteed revenues.

Under contract amendment, ATIL developed and implemented the third of a series of significant enhancements to the training service. During 2006, ATIL had identified an obsolescence risk with the visual systems of its simulators. An innovative solution was developed whereby ATIL and its customer the MoD jointly funded a combined programme of capability enhancement and technology insertion. This integrated programme made excellent progress throughout 2007 and is now half way through its design and development phase, the programme is on schedule and no significant technical risks have been encountered. However, it is a complex undertaking and will be closely managed through to implementation.

Operating profit for the year was £25,249,000 (2006 £24,319,000) and the cash flow from operations was £45,534,000 (2006 £40,211,000). The directors anticipate a modest reduction in operating profit from proportionately projected lower sales during 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

Cash Flow Risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Credit Risk

The company's principal financial assets are bank balances, cash and trade receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant credit risk, with its main customer being the MoD.

Operational Risks

A variety of MoD initiatives are creating uncertainty around the long term location of some of ATIL's training centres. Whilst this presents a business opportunity to ATIL, it does create uncertainty for our people. ATIL is working closely with its MoD customer to ensure any changes are managed in a controlled manner and have no adverse commercial consequence to ATIL.

RESULTS

The profit and loss account of the company for the year shows a profit after interest and taxation of £12,371,000 (2006 £8,773,000).

AVIATION TRAINING INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

The company paid a dividend during the year ended 31 December 2007 of £9,000,000 (2006 £nil)

CHARITABLE DONATIONS

The company made charitable donations during the year of £9,186 (2006 £6,463)

DIRECTORS

The directors at 31 December 2007 hold no interest in the company The directors who served throughout the year were as follows

John M M Ponsonby (WHL) (appointed 14 November 2007)
Albert G Brookes (WHL) (resigned 21 September 2007)
Richard K Smith (WHL) - Chairman
C Haynes (WHL) (appointed 2 January 2007)
Torbjorn B Sjogren (Boeing)
Philip Schwab (Boeing)
P Nohalty (Boeing) (appointed 2 January 2007)

There are no disclosable interests under the Companies Act 1985

AUDITORS


Each of the directors of the company holding office at the date of approval of this report confirm that

- 1 so far as each of the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2 so far as each of the directors are aware they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

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 on 15 February 2008


Patrick J Nohalty
Director

AVIATION TRAINING INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT 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 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 23. 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

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you on the consistency of the directors' report 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

27 February 2008

AVIATION TRAINING INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2007

	Note	2007 £'000	2006 £'000
TURNOVER	2	64,862	55,847
Cost of sales		(35,237)	(28,238)
GROSS PROFIT		29,625	27,609
Administrative expenses		(4,293)	(3,307)
Other operating (expenses)/income		(83)	17
OPERATING PROFIT	3	25,249	24,319
Interest receivable		2,810	2,156
Interest payable and similar charges	5	(12,368)	(13,795)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,691	12,680
Tax on profit on ordinary activities	6	(3,320)	(3,907)
PROFIT FOR THE YEAR	16	12,371	8,773

All of the results above relate to continuing operations

There were no recognised gains and losses for the year other than those in the profit and loss account above, and accordingly no separate statement of total recognised gains and losses is presented

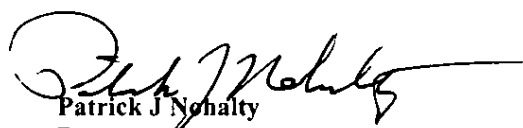
AVIATION TRAINING INTERNATIONAL LIMITED

BALANCE SHEET At 31 December 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		136,887		143,178
CURRENT ASSETS					
Stocks	9	2,841		3,482	
Debtors	10	8,409		9,723	
Cash at bank and in hand		40,910		46,852	
		<u>52,160</u>		<u>60,057</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(30,598)</u>		<u>(23,535)</u>	
NET CURRENT ASSETS			<u>21,562</u>		<u>36,522</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			158,449		179,700
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		(115,688)		(142,787)
PROVISIONS FOR LIABILITIES AND CHARGES	13		<u>(23,250)</u>		<u>(20,773)</u>
NET ASSETS			<u>19,511</u>		<u>16,140</u>
CAPITAL AND RESERVES					
Called up share capital	14		550		550
Profit and loss account	15		18,961		15,590
SHAREHOLDERS' FUNDS	16		<u>19,511</u>		<u>16,140</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors on 15 February 2008


Patrick J. Nohalty
Director

AVIATION TRAINING INTERNATIONAL LIMITED

CASH FLOW STATEMENT **Year ended 31 December 2007**

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	17		45,534		40,211
Returns on investment and servicing of finance					
Interest received		2,574		2,132	
Interest paid		<u>(12,066)</u>		<u>(13,590)</u>	
Net cash outflow from return on investments and servicing of finance			(9,492)		(11,458)
Taxation					
UK corporation tax paid			(767)		(560)
Capital expenditure					
Payments to acquire tangible fixed assets			(4,982)		(997)
Equity dividends paid			<u>(9,000)</u>		<u>-</u>
Net cash inflow before financing			21,293		27,196
Financing					
Repayments of long term borrowing			<u>(27,235)</u>		<u>(15,391)</u>
(Decrease)/increase in cash in the year	19		<u><u>(5,942)</u></u>		<u><u>11,805</u></u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, which have been applied consistently throughout the year

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 and profit for training courses is recognised evenly over the length of each course, while turnover and profit on other contracted services is recognised in accordance with the contract milestones

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, except assets in the course of construction, at rates calculated to write off their cost, 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

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

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

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 substantively 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. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year.

2. TURNOVER

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

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

3. OPERATING PROFIT

	2007 £'000	2006 £'000
The operating profit is stated after charging		
Depreciation on owned assets	14,892	14,814
Operating lease rentals - other	151	133
Profit/(loss) on foreign exchange	83	(16)
Loss on disposal of fixed assets	612	-
Auditors' remuneration		
- audit	25	37
- non-audit services		
- other services related to taxation	8	7
- all other services	7	5
	<u> </u>	<u> </u>

4. STAFF COSTS

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

	2007 No.	2006 No.
On-site staff	94	93
Administration - Headquarters	23	24
	<u>117</u>	<u>117</u>

	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	4,546	4,224
Social security costs	473	449
Other pension costs	903	701
	<u>5,922</u>	<u>5,374</u>

The directors received no remuneration from the company during the year (2006 £nil) It is not practicable to allocate remuneration between services to this company and other related companies

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Bank loans	8,530	10,015
Shareholder loans	3,661	3,609
Other	-	(5)
Amortisation of loan issue costs	177	176
	<u>12,368</u>	<u>13,795</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

6.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2007 £'000	2006 £'000
	Current tax		
	UK Corporation tax charge	843	646
	Adjustment in respect of prior year	-	(5)
	Total current tax	<u>843</u>	<u>641</u>
	Deferred tax		
	Origination and reversal of timing differences	2,477	3,431
	Adjustment in respect of prior year	-	(165)
	Total deferred tax	<u>2,477</u>	<u>3,266</u>
	Total tax on profit on ordinary activities	<u>3,320</u>	<u>3,907</u>

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 year differs from the standard rate for the reasons set out in the following reconciliation

	£'000	£'000
Profit on ordinary activities before tax	<u>15,691</u>	<u>12,680</u>
	£'000	£'000
Tax at 30% thereon	4,707	3,804
Expenses not deductible for tax purposes	269	273
Difference between capital allowances and depreciation	586	(140)
Movement in short term timing differences	2	-
Utilisation of tax losses	(4,721)	(3,291)
Adjustment in respect of prior year	-	(5)
Total actual amount of current tax	<u>843</u>	<u>641</u>

7	DIVIDENDS	2007 £'000	2006 £'000
	Dividends paid on equity shares of £9,000,000 (2006 £nil) £16.36 per share	<u>9,000</u>	<u>-</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

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 2007	78	27,641	190,387	7,506	225,612
Additions	9,070	29	19	95	9,213
Disposals	-	-	-	(2,333)	(2,333)
Transfers	(78)	-	78	-	-
At 31 December 2007	9,070	27,670	190,484	5,268	232,492
Accumulated depreciation					
At 1 January 2007	-	9,838	67,558	5,038	82,434
Charge for the year	-	1,687	12,474	731	14,892
Disposals	-	-	-	(1,721)	(1,721)
At 31 December 2007	-	11,525	80,032	4,048	95,605
Net book value					
At 31 December 2007	9,070	16,145	110,452	1,220	136,887
At 31 December 2006	78	17,803	122,829	2,468	143,178

Included in cost above are interest and fees capitalised in prior periods as follows

	2007 £'000	2006 £'000
Interest and fees		
Short leasehold buildings and improvements	3,094	3,094
Simulators and training equipment	21,722	21,722
Office equipment and systems	642	642
	<u>25,458</u>	<u>25,458</u>

9. STOCKS	2007 £'000	2006 £'000
Consumables	<u>2,841</u>	<u>3,482</u>

When assessing net realisable value of stock items, the remaining duration of the existing contract with the company's main customer has been considered

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

10. DEBTORS

	2007 £'000	2006 £'000
Due within one year		
Trade debtors	74	6,920
Prepayments and accrued income	8,335	2,803
	<u>8,409</u>	<u>9,723</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank loans	14,528	14,832
Other loans	3,196	2,851
Trade creditors	3,701	81
Corporation tax	452	377
Other creditors including taxation and social security	2,177	2,013
Accruals and deferred income	6,544	3,381
	<u>30,598</u>	<u>23,535</u>

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

	2007 £'000	2006 £'000
Bank loans	89,924	113,827
Other loans	25,764	28,960
	<u>115,688</u>	<u>142,787</u>

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

	£'000	£'000
Amounts falling due		
- between one and two years	20,731	19,205
- between two and five years	60,379	66,426
- after more than five years	35,639	58,394
	<u>116,749</u>	<u>144,025</u>
Less issue costs to be recognised over the term of the loan	(1,061)	(1,238)
	<u>115,688</u>	<u>142,787</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

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

The bank loans, excluding amounts due within one year, are repayable as follows	2007	2006
	£'000	£'000
Amounts falling due		
- between one and two years	17,155	16,009
- between two and five years	46,871	54,364
- after more than five years	26,959	44,692
	<hr/>	<hr/>
	90,985	115,065
Less issue costs to be recognised over the term of the loan	(1,061)	(1,238)
	<hr/>	<hr/>
	89,924	113,827
	<hr/>	<hr/>

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

	£'000	£'000
Amounts falling due		
- between one and two years	3,576	3,196
- between two and five years	13,508	12,062
- after more than five years	8,680	13,702
	<hr/>	<hr/>
	25,764	28,960
	<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 14 consecutive semi-annual repayments payable on and from June 2008 until December 2014. The interest rates applicable to the bank loan outstanding is LIBOR plus a variable margin of between 0.75% and 1.00%. 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 taxation	£'000
At 1 January 2007	20,773
Deferred tax movement at 30%	4,139
Effect of change in corporation tax rate to 28%	(1,662)
	<hr/>
At 31 December 2007	23,250
	<hr/>

The liability for deferred taxation is analysed as follows	2007	2006
	£'000	£'000
Accelerated capital allowances	25,117	27,501
Tax losses available	(1,867)	(6,728)
	<hr/>	<hr/>
	23,250	20,773
	<hr/>	<hr/>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

14. SHARE CAPITAL	2007	2006
	£'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	2007	2006
	£'000	£'000
At beginning of the year	15,590	6,817
Profit for the year	12,371	8,773
Dividends paid	(9,000)	-
At end of the year	<u>18,961</u>	<u>15,590</u>
16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2007	2006
	£'000	£'000
Opening shareholders' funds	16,140	7,367
Profit for the financial year	12,371	8,773
Dividends paid on equity shares	(9,000)	-
Closing shareholders' funds	<u>19,511</u>	<u>16,140</u>
17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2007	2006
	£'000	£'000
Operating profit	25,249	24,319
Depreciation	14,892	14,814
Loss on disposal of assets	612	-
Decrease/(increase) in debtors	1,356	(1,165)
Decrease in stocks	641	300
Increase in creditors	2,784	1,943
Net cash inflow from operating activities	<u>45,534</u>	<u>40,211</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2007 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2007 £'000
Cash at bank and in hand	46,852	(5,942)	-	40,910
Debt due after one year	(142,787)	10,000	17,099	(115,688)
Debt due within one year	(17,683)	17,235	(17,276)	(17,724)
	<u>(113,618)</u>	<u>21,293</u>	<u>(177)</u>	<u>(92,502)</u>

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £'000	2006 £'000
Net debt at beginning of year	(113,618)	(140,638)
(Decrease)/increase in cash in the year	(5,942)	11,805
Repayments of long-term borrowing	27,235	15,391
Amortisation of loan issue costs	(177)	(176)
Net debt at end of year	<u>(92,502)</u>	<u>(113,618)</u>

20. FINANCIAL COMMITMENTS

	2007 £'000	2006 £'000
At year end the company had capital commitments as follows		
Contracted for but not provided for	<u>5,589</u>	<u>-</u>

Annual commitments under non-cancellable operating leases are as follows

	2007		2006	
	Buildings £'000	Others £'000	Buildings £'000	Others £'000
Expiry date				
Within one year	-	4	-	11
Between one and five years	-	58	-	61
After five years	81	-	81	-
	<u>81</u>	<u>62</u>	<u>81</u>	<u>72</u>

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20. FINANCIAL COMMITMENTS (continued)

Other commitments

The company is committed under forward foreign exchange contracts to the purchase of foreign currency to the value of £8,192,000 (2006 £7,093,000). The fair value of these forward exchange contracts at 31 December 2007 was a liability of £237,000 (2006 a liability of £678,000).

The company also had two interest rate swaps for its bank loans. The fair value of these interest rate swaps at 31 December 2007 was a liability of £3,454,000 (2006 a liability of £4,218,000).

21. 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. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Professionally qualified actuaries made an independent actuarial assessment of the Westland Pension Scheme at 5 April 2006 using the projected unit method. The aggregate market value of assets at the assessment date was £458 million and the estimated funding level on an on-going basis was 85%.

The market value related basis for funding purposes assumes investment returns pre-retirement of 6.3% per annum, which exceeds the annual rate of increases in pensionable salaries by 2.3% with investment returns post-retirement of 4.8% per annum, which exceeds pension increases by 1.9%.

The level of Scheme funding continues to be kept under review by employers' representatives and the Scheme trustees and further increases will be considered as necessary.

Particulars of the valuations and full disclosures 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.

22. RELATED PARTY TRANSACTIONS

During the year under review the company purchased £1,267,338 (2006 £1,143,091) excluding VAT of goods and services from Westland Helicopters Limited. The company also purchased US\$42,261,710 (£22,089,124) (2006 US\$16,343,882 (£7,636,908)) of goods and services from The Boeing Company. At 31 December 2007 the company owed Westland Helicopters Limited £14,826 (2006 £554) and The Boeing Company US\$6,500,000 (£3,293,037) (2006 US\$nil (£nil)).

The company has equal loan balances due to Westland Helicopters Limited and The Boeing Company. The aggregate amount is analysed in note 12.

23. CONTROLLING PARTIES

The company is jointly 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.