

Company Registration Number 3490323

**AVIATION TRAINING INTERNATIONAL
LIMITED**

Report and Financial Statements

31 December 2008

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AVIATION TRAINING INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9

AVIATION TRAINING INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

Battens Secretarial Services Limited

REGISTERED OFFICE

Coldharbour Business Park
Sherborne
Dorset
DT9 4JW

AUDITORS

Deloitte 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 2008.

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

At the start of the year, all four of the company's training centres were in operation providing training services to the Ministry of Defence (MOD); however, in recognition that the MOD had chosen to consolidate its operational Attack Helicopter fleet at one main operating base in Wattisham, ATIL elected to relocate its field deployable simulator and associated staff from Dishforth to Wattisham. There is no impact to guaranteed revenues.

Under contract amendment, ATIL delivered a series of important changes to the training service enabling it to provide training to reflect capability enhancements in the Attack Helicopter; other contracted changes also improved the scope of weapons training ATIL was able to provide. ATIL continued to progress a series of jointly funded changes to the aircrew simulators. These changes are progressing broadly to schedule and will be rolled-out during 2009 and 2010.

With the agreement of Shareholders, ATIL also bid for and won its first non Attack Helicopter contract, namely the provision of support to Army Air Corps apprenticeships.

Operating profit for the year was £25,195,000 (2007: £25,249,000) and the cash from operations was £33,388,000 (2007: £45,534,000). The directors anticipate a modest reduction in operating profit from proportionally lower sales during 2009.

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. The counterparties are substantial UK based banks. Although the economic environment is more challenging for such banks than it has been in the past, the directors do not have any reason to believe, at the time of approving these financial statements, that the company's funds are not secure.

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 represents a business opportunity to ATIL, it does create uncertainty for our people. ATIL has set up a joint steering group with its MOD customer to ensure that any changes are managed in a controlled manner and that they 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 £11,904,000 (2007: £12,371,000).

AVIATION TRAINING INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

The company paid a dividend during the year ended 31 December 2008 of £9,000,000 (2007: £9,000,000).

CHARITABLE DONATIONS

The company made charitable donations during the year of £9,358 (2007: £9,186).

DIRECTORS

The directors at 31 December 2008 hold no interest in the company. The directors who served during the year were as follows:

Torbjorn B Sjogren (Boeing) - Chairman
Philip Schwab (Boeing)
James T Higgins (Boeing) (appointed 7 October 2008)
P Nohalty (Boeing) (resigned 6 October 2008)
Richard K Smith (WHL)
John M M Ponsonby (WHL)
Christopher J P Haynes (WHL)

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.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. A resolution to reappoint Deloitte 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 10 February 2009



Christopher J P Haynes
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 judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 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 2008 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 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 judgments 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 2008 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 information given in the Directors' Report is consistent with the financial statements.

DeLoitte LLP

DELOITTE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

12 February 2009

AVIATION TRAINING INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
TURNOVER	2	56,224	64,862
Cost of sales		(26,291)	(35,237)
GROSS PROFIT		29,933	29,625
Administrative expenses		(4,892)	(4,293)
Other operating income / (expenses)		154	(83)
OPERATING PROFIT	3	25,195	25,249
Interest receivable		2,245	2,810
Interest payable and similar charges	5	(10,703)	(12,368)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,737	15,691
Tax on profit on ordinary activities	6	(4,833)	(3,320)
PROFIT FOR THE YEAR	16	11,904	12,371

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 2008

	Notes	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	8	126,864	136,887
CURRENT ASSETS			
Stocks	9	2,293	2,841
Debtors	10	13,649	8,409
Cash at bank and in hand		32,306	40,910
		<u>48,248</u>	<u>52,160</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(34,286)</u>	<u>(30,598)</u>
NET CURRENT ASSETS		<u>13,962</u>	<u>21,562</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>140,826</u>	<u>158,449</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(95,134)	(115,688)
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(23,277)</u>	<u>(23,250)</u>
NET ASSETS		<u>22,415</u>	<u>19,511</u>
CAPITAL AND RESERVES			
Called up share capital	14	550	550
Profit and loss account	15	<u>21,865</u>	<u>18,961</u>
SHAREHOLDERS' FUNDS	16	<u>22,415</u>	<u>19,511</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors on 10 February 2009



Christopher J P Haynes
Director

AVIATION TRAINING INTERNATIONAL LIMITED

CASH FLOW STATEMENT Year ended 31 December 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	17		33,388		45,534
Returns on investment and servicing of finance					
Interest received		2,323		2,574	
Interest paid		(10,525)		(12,066)	
Net cash outflow from return on investments and servicing of finance			(8,202)		(9,492)
Taxation					
UK corporation tax paid			(2,764)		(767)
Capital expenditure					
Payments to acquire tangible fixed assets			(4,127)		(4,982)
Equity dividends paid			(9,000)		(9,000)
Net cash inflow before financing			9,295		21,293
Financing					
Repayments of long term borrowing			(17,899)		(27,235)
Decrease in cash in the year	19		(8,604)		(5,942)

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

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 are recognised evenly over the length of each course, while turnover and profit on other contracted services are 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

Contributions towards fixed assets

Contributions received relating to plant and equipment are treated as deferred income and released to the profit and loss account over the useful lives of the assets concerned.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or, if appropriate, at the forward contract rate. Monetary assets and liabilities denominated at foreign currencies at the balance sheet date are reported at the rates of exchange ruling at that date or, if appropriate, the forward contract rate.

Where the company has ringfenced specific amounts of its foreign currency cash to settle future liabilities denominated in those foreign currencies, the gain or loss on translation of that cash at year end is deferred, and released to the profit and loss account as the related liabilities are settled.

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

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.

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.

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

2. TURNOVER

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

3. OPERATING PROFIT

	2008 £'000	2007 £'000
The operating profit is stated after charging:		
Depreciation on owned assets	14,692	14,892
Operating lease rentals - other	154	151
Foreign exchange gain	154	83
Profit on disposal of fixed assets	-	612
Auditors' remuneration:		
- audit	25	25
- non-audit services:		
- other services related to taxation	11	8
- all other services	-	7
	<u>14,941</u>	<u>15,770</u>

4. STAFF COSTS

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

	2008 No.	2007 No.
On-site staff	96	94
Administration - Headquarters	26	23
	<u>122</u>	<u>117</u>
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	4,961	4,546
Social security costs	499	473
Other pension costs	1,004	903
	<u>6,464</u>	<u>5,922</u>

The directors received no remuneration from the company during the year (2007: £nil). It is not practicable to allocate remuneration between services to this company and other related companies.

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

5.	INTEREST PAYABLE AND SIMILAR CHARGES	2008 £'000	2007 £'000
	Bank loans	7,129	8,530
	Shareholder loans	3,397	3,661
	Amortisation of loan issue costs	177	177
		<u>10,703</u>	<u>12,368</u>

6.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2008 £'000	2007 £'000
	Current tax		
	UK Corporation tax charge	<u>4,806</u>	<u>843</u>
	Deferred tax		
	Origination and reversal of timing differences	11	2,477
	Adjustment in respect of prior year	<u>16</u>	<u>-</u>
	Total deferred tax	<u>27</u>	<u>2,477</u>
	Total tax on profit on ordinary activities	<u>4,833</u>	<u>3,320</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2007: 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>16,737</u>	<u>15,691</u>
	£'000	£'000
Tax at 28.5% (2007: 30%) thereon	4,770	4,707
Expenses not deductible for tax purposes	46	269
Difference between capital allowances and depreciation	1,854	586
Movement in short term timing differences	12	2
Utilisation of tax losses	<u>(1,876)</u>	<u>(4,721)</u>
Total actual amount of current tax	<u>4,806</u>	<u>843</u>

The tax rate for the current year is a blended rate of 30% to 31 March 2008 and 28% from 1 April 2008

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

7.	DIVIDENDS	2008 £'000	2007 £'000		
	Dividends paid on equity shares of £9,000,000 (2007: £9,000,000) £16.36 per share	9,000	9,000		
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 2008	9,070	27,670	190,484	5,268	232,492
Additions	4,346	13	-	310	4,669
Disposals	-	-	-	(123)	(123)
Transfers	(696)	696	-	-	-
At 31 December 2008	12,720	28,379	190,484	5,455	237,038
Accumulated depreciation					
At 1 January 2008	-	11,525	80,032	4,048	95,605
Charge for the year	-	1,725	12,458	509	14,692
Disposals	-	-	-	(123)	(123)
At 31 December 2008	-	13,250	92,490	4,434	110,174
Net book value					
At 31 December 2008	12,720	15,129	97,994	1,021	126,864
At 31 December 2007	9,070	16,145	110,452	1,220	136,887

Contributions towards the construction of assets amount to £4.7m (2007: £1.5m) and are included within deferred income. The income will be released to the profit and loss account in line with the depreciation charged on the assets.

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

	2008 £'000	2007 £'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
	25,458	25,458

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

9. STOCKS	2008	2007
	£'000	£'000
Consumables	2,293	2,841
When assessing net realisable value of stock items, the remaining duration of the existing contract with the company's main customer has been considered.		
10. DEBTORS	2008	2007
	£'000	£'000
Due within one year:		
Trade debtors	4,216	74
Prepayments and accrued income	9,433	8,335
	13,649	8,409
11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008	2007
	£'000	£'000
Bank loans	16,980	14,528
Other loans	3,576	3,196
Trade creditors	583	3,701
Corporation tax	2,494	452
Other creditors including taxation and social security	1,478	2,177
Accruals and deferred income	9,175	6,544
	34,286	30,598
12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2008	2007
	£'000	£'000
Bank loans	72,945	89,924
Other loans	22,189	25,764
	95,134	115,688
The loans, excluding amounts due within one year, are repayable as follows:		
	£'000	£'000
Amounts falling due:		
- between one and two years	21,160	20,731
- between two and five years	58,015	60,379
- after more than five years	16,843	35,639
	96,018	116,749
Less: issue costs to be recognised over the term of the loan	(884)	(1,061)
	95,134	115,688

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

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

The bank loans, excluding amounts due within one year, are repayable as follows:	2008	2007
	£'000	£'000
Amounts falling due:		
- between one and two years	17,156	17,155
- between two and five years	42,887	46,871
- after more than five years	13,786	26,959
	<hr/>	<hr/>
	73,829	90,985
Less: issue costs to be recognised over the term of the loan	(884)	(1,061)
	<hr/>	<hr/>
	72,945	89,924

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

	£'000	£'000
Amounts falling due:		
- between one and two years	4,004	3,576
- between two and five years	15,128	13,508
- after more than five years	3,057	8,680
	<hr/>	<hr/>
	22,189	25,764

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 12 consecutive semi-annual repayments payable on and from June 2009 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 2008	23,250
Deferred tax movement	27
	<hr/>
At 31 December 2008	23,277

The liability for deferred taxation is analysed as follows:	2008	2007
	£'000	£'000
Accelerated capital allowances	23,305	25,117
Tax losses available	(28)	(1,867)
	<hr/>	<hr/>
	23,277	23,250

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

14. SHARE CAPITAL	2008	2007
	£'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	2008	2007
	£'000	£'000
At beginning of the year	18,961	15,590
Profit for the year	11,904	12,371
Dividends paid	(9,000)	(9,000)
At end of the year	<u>21,865</u>	<u>18,961</u>
16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2008	2007
	£'000	£'000
Opening shareholders' funds	19,511	16,140
Profit for the financial year	11,904	12,371
Dividends paid on equity shares	(9,000)	(9,000)
Closing shareholders' funds	<u>22,415</u>	<u>19,511</u>
17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2008	2007
	£'000	£'000
Operating profit	25,195	25,249
Depreciation	14,692	14,892
Loss on disposal of assets	-	612
(Increase) / Decrease in debtors	(5,319)	1,356
Decrease in stocks	548	641
(Decrease) / Increase in creditors	(1,728)	2,784
Net cash inflow from operating activities	<u>33,388</u>	<u>45,534</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

18. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2008 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 December 2008 £'000
Cash at bank and in hand	40,910	(8,604)	-	32,306
Debt due after one year	(115,688)	-	20,554	(95,134)
Debt due within one year	(17,724)	17,899	(20,731)	(20,556)
	<u>(92,502)</u>	<u>9,295</u>	<u>(177)</u>	<u>(83,384)</u>

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

	2008 £'000	2007 £'000
Net debt at beginning of year	(92,502)	(113,618)
Decrease in cash in the year	(8,604)	(5,942)
Repayments of long-term borrowing	17,899	27,235
Amortisation of loan issue costs	(177)	(177)
Net debt at end of year	<u>(83,384)</u>	<u>(92,502)</u>

20. FINANCIAL COMMITMENTS

	2008 £'000	2007 £'000
At year end the company had capital commitments as follows:		
Contracted for but not provided for	<u>1,655</u>	<u>5,589</u>

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

	2008		2007	
	Buildings £'000	Others £'000	Buildings £'000	Others £'000
Expiry date:				
Within one year	-	5	-	4
Between one and five years	-	66	-	58
After five years	<u>77</u>	<u>-</u>	<u>81</u>	<u>-</u>
	<u>77</u>	<u>71</u>	<u>81</u>	<u>62</u>

AVIATION TRAINING INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

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 £2,966,000. (2007: £8,192,000). The fair value of these forward exchange contracts at 31 December 2008 was an asset of £843,000 (2007: a liability of £237,000).

The company also had two interest rate swaps for its bank loans. The fair value of these interest rate swaps at 31 December 2008 was a liability of £8,127,000 (2007: a liability of £3,454,000).

21. PENSIONS

The company participates, together with other AgustaWestland UK companies, in the Westland Pension Scheme, a defined benefit pension arrangement. The company's pension contribution is based on pension costs assessed under the Scheme membership as a whole 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 arrangement.

Professionally qualified actuaries have prepared a disclosure of the valuation position under accounting standard IAS 19 for the financial year ended on 31 December 2008 which is included in the accounts of Westland Helicopters Limited. The aggregate market value of assets at the assessment date was £527.2 million and the estimated funding level was 86%.

Contributions to the scheme by the company for the period were £948,000 (2007: £896,000). 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.

Contributions in to defined contribution pension schemes amounted to £56,000 (2007: £7,000). There were no contributions outstanding at year end (2007: £nil)

22. RELATED PARTY TRANSACTIONS

During the year under review the company purchased £2,345,778 (2007: £1,267,338) excluding VAT of goods and services from Westland Helicopters Limited. The company also purchased US\$13,817,557 (£7,344,131) (2007: US\$42,261,710 (£22,089,124)) of goods and services from The Boeing Company. At 31 December 2008 the company owed Westland Helicopters Limited £107,868 (2007: £14,826) and The Boeing Company US\$nil (£nil) (2007: US\$6,500,000 (£3,293,037)).

During the year under review the company sold £110,989 (2007: £238,998) excluding VAT of goods and services to Westland Helicopters Limited. The company also sold \$60,479 (£40,194) (2007: \$181,437 (£94,068)) goods and services to The Boeing Company. At 31 December 2008 Westland Helicopters Limited owed the company £nil and The Boeing Company owed the company \$71,063 (£47,228).

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.