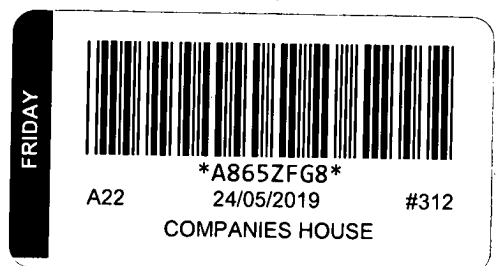


Aviation Training International Limited
Annual report and financial statements
for the year ended 31 December 2018

Registered number: 03490323



Aviation Training International Limited

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Aviation Training International Limited

Officers and professional advisers

Directors

J J Cooper
P M Woodfield

Secretary

Battens Secretarial Services Limited

Registered office

Coldharbour Business Park
Sherborne
Dorset
DT9 4JW

Registered number

03490323 (England and Wales)

Auditor

Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
BS1 6GD

Aviation Training International Limited

Strategic report

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

Business model and strategy

Aviation Training International Limited's ("ATIL") sole focus is the provision of the Attack Helicopter Training Service (AHTS) to British Army air crew, ground crew and maintenance personnel at dedicated purpose-built training centres in the UK.

Current strategic priorities, as regularly reviewed by the Board of Directors, include: sustaining high levels of customer satisfaction through continued delivery of service excellence; maintaining all equipment and facilities to the required standard; proactively supporting the customer's current and future needs.

Review of the business

ATIL has completed 15 months of its contract extension awarded in 2017 covering a six-year period of performance from October 2017 to September 2023. This contract includes a provision to extend to September 2027 if required.

The training centres continued to meet contracted requirements throughout the year to the satisfaction of the MoD and ATIL's rating as a training provider continues to be judged by students at a consistently high level in terms of customer satisfaction.

During 2018 ATIL has been delivering upon two key equipment obsolescence upgrades to maintain continuity of the training service through the contract extension period. These projects are for the simulator projection system and communications systems. ATIL has been supporting its customer on evaluating changes to its facilities in preparation for future housing of equipment for the Apache E Model aircraft.

The company's employment base reduced further during 2018 through a mixture of natural attrition, and planned reductions reflecting the revised requirements for the contract post-September 2017.

ATIL achieved certification to Cyber Essentials Plus in March 2018 and also recertified its ISO 9001:2015 and City and Guilds Training Delivery accreditations. Audits of all other standards/licences/business management and Government Furnished Equipment policies and processes were successfully completed, with no non-conformances identified.

Key performance indicators

Under the extension contract terms a performance regime has been agreed with MoD which measures the number of student failures. In the period to 31 December 2018, there were zero failures and five non-attributable failures.

Course Type / Discipline	Total Students	Passed	Failed	Removed Non-ATIL reasons
Aircrew	22	21	0	1
Groundcrew	106	104	0	2
Maintenance Technicians	152	150	0	2

Other KPIs monitored by the business are customer satisfaction as measured through customer survey feedback and simulator availability for the Wattisham training centre; performance in 2018 meets or exceeds company expectations:

Performance Indicator	2018	2017
Customer Satisfaction (Courses)	100%	100%
Customer Satisfaction (Simulators)	99.99%	100%
Simulator Availability (Wattisham)	99.04%	100%

Aviation Training International Limited

Strategic report (continued)

Performance against the financial key performance indicators for 2018 and 2017 was as follows:

Key performance indicator	Actual 2018	Actual 2017
Turnover	£12,836,000	£20,685,000
Profit for the financial year before exceptional	£2,904,000	£3,943,000
(Loss)/profit for the financial year	(£7,637,000)	£3,943,000
Operating cash (outflow)/inflow	(£9,364,000)	£19,023,000
Dividend payments	£nil	£1,000,000

Profit and Operating cash were impacted negatively in comparison to the prior year due to payment of the Flexible Apportionment Arrangement to exit the Leonardo Defined Benefit Pension Scheme; further details are covered later in the financial statements, otherwise the underlying financial performance of the company met and exceeded expectations.

The financial position of ATIL remains positive, with adequate resources to meet foreseeable operational requirements.

Future developments

Change of ownership, future events and events after the balance sheet date

On 31 December 2018 the Joint Venture Shareholders of ATIL completed on a transaction to sell the Leonardo MW Limited 50% shareholding of ATIL to Boeing Defence UK Limited; as a result of this transaction ATIL is now a wholly-owned subsidiary of the Boeing group of companies, 50% owned by The Boeing Company, 50% owned by Boeing Defence UK Limited.

Prior to completion of the share transfer ATIL entered into a Flexible Apportionment Arrangement (FAA) with the Trustees of the Leonardo Helicopters Pension Scheme Limited to enable the remaining active ATIL employees to leave the Defined Benefit pension scheme. The FAA transfers all future liabilities of the pension plan to the remaining participating employer, Leonardo MW Limited.

On 8 January 2019 Boeing Defence UK Limited (BDUK), a shareholder of ATIL, submitted a formal notification to the MoD that it wishes to novate ATIL's sole contract – H12B/657 Attack Helicopter Training Service – to BDUK.

On 1st May 2019 ATIL entered into a sub-contract agreement with BDUK to provide the full scope of services required under the H12B/657 contract whilst it awaits the customers consent to formally novate the contract.

ATIL commenced formal TUPE consultation with its employee council on 24 January 2019 to discuss the proposed contract novation and its impact upon the ATIL employees; a small number of roles have also been identified as being at risk of redundancy, the employee transfer date to BDUK was effective on 1st May 2019. A decision has also been made to close the Sherborne head office location and any transferring roles will move to the BDUK offices based in Yeovil.

Upon successful completion of these planned activities ATIL would become dormant as the entity would hold no contracts, no employees and no assets; it is the directors' intention to move towards a voluntary liquidation of the entity.

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. By way of mitigation, from time to time the company has used foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. No forward contracts or interest rate swaps have been used during the year.

Aviation Training International Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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 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) **Staffing:** a number of ATIL roles are of a highly specialist nature; given the reduction in overall manpower to reflect the revised requirements of the contract the loss of one or two key individuals could have a detrimental effect on the ability of ATIL to deliver contracted services. ATIL will mitigate this risk by continuing to monitor and maintain high levels of employee engagement.
- b) **Equipment Obsolescence:** ATIL regularly monitors obsolescence of the training equipment and tracks and reports equipment performance trend to ensure stability of the equipment in order to deliver contracted services.

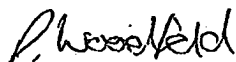
Brexit

The company has assessed the potential impact of Brexit if and when the UK leaves the European Union as being a low risk. The company contracts only with the UK MoD and its primary cash flows are in GBP; the company does import some of its spare parts from overseas that could be at risk from customs delays, but stock on hand should be sufficient to cover short-term delays.

Corporate and social responsibility

The company's Health, Safety and Environmental performance remains at a high level with no reportable accidents or incidents in 2018. ATIL continues to maintain its Sustainable Development Policy which recognises the evolving social, political and technological environmental challenges associated with meeting the needs of the present without compromising the ability of future generations to meet their own needs.

During 2018, the company made charitable donations to a number of small local charities and ABF, The Soldiers' Charity for the value of £3,100 (2017: £2,950)



P M Woodfield

Director

10 May 2019

Aviation Training International Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2018.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the strategic report on page 5 and within Note 21 and form part of this report by cross-reference.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being the period of at least 12 months from signing these financial statements. ATIL has a contract to provide the AHTS training service through to September 2023. The contract also includes a provision to extend to September 2027 if required.

However, following the acquisition of the company on 31 December 2018, the directors have decided to hive up the trade and assets of the company to Boeing Defence UK Limited ("BDUK") and to wind up the company. The contract will continue to be served by BDUK.

Due to this decision occurring after the year-end date, the directors do not believe the company to be a going concern. The decision has therefore been made to prepare the financial statements on a basis other than that of a going concern.

No adjustments were identified from ceasing to apply the going concern basis.

More information on the future outlook of the company is provided within the strategic report under Review of the business, and Future developments - change of ownership and future events.

Financial risk management objectives and policies

Under section 414C(11) of the Companies Act 2006, the directors have disclosed the information required by section 416(4) of the Act relating to financial risk management objectives and policies in the strategic report.

Dividends

The directors do not propose a dividend for 2018. The company did not pay a dividend during the year ended 31 December 2018 (2017: paid £1,000,000).

Directors

The directors, who served during the year, and subsequently, unless stated otherwise, were as follows:

D J Pitchforth	(The Boeing Company) – Chairman – resigned 31 March 2019
J J Cooper	(The Boeing Company)
P M Woodfield	(The Boeing Company)
J M M Ponsonby	(Leonardo MW Limited) – resigned 10 January 2018
S P Jones	(Leonardo MW Limited) – resigned 31 December 2018
S L Cook	(Leonardo MW Limited) – resigned 31 December 2018
G F Munday	(Leonardo MW Limited) – appointed 14 February 2018, resigned 31 December 2018

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Aviation Training International Limited

Directors' report (continued)


Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



P M Woodfield
Director
10 May 2019

Aviation Training International Limited

Directors' responsibilities statement

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the member of Aviation Training International Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Aviation Training International Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we

have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the member of Aviation Training International Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.



Sonya Butters FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

10 May 2019

Aviation Training International Limited

Profit and loss account

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	12,836	20,685
Cost of sales		(6,963)	(12,819)
Gross profit		5,873	7,866
Administrative expenses:			
Other administrative expenses		(2,227)	(2,858)
Exceptional item	4	(13,013)	-
Total administrative expenses		(15,240)	(2,858)
Other operating income		3	8
Operating (loss)/profit		(9,364)	5,016
Interest receivable and similar income	5	141	44
(Loss)/profit before taxation	6	(9,223)	5,060
Tax on (loss)/profit	8	1,586	(1,117)
(Loss)/profit for the financial year		(7,637)	3,943

All the above results relate to continuing operations.

Statement of comprehensive income

For the year ended 31 December 2018

	2018 £'000	2017 £'000
(Loss)/profit for the financial year, being total comprehensive (expense)/income	(7,637)	3,943

Aviation Training International Limited

Balance sheet

At 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	10	48	44
Current assets			
Stocks	11	70	62
Debtors due within one year	12	4,668	2,176
Cash at bank and in hand		22,729	32,955
		27,467	35,193
Creditors: Amounts falling due within one year	13	(2,594)	(2,679)
Net current assets		24,873	32,514
Total assets less current liabilities, being net assets		24,921	32,558
Capital and reserves			
Called-up share capital	15	550	550
Profit and loss account		24,371	32,008
Shareholder's funds		24,921	32,558

The financial statements of Aviation Training International Limited (registered number 03490323) were approved by the board of directors and authorised for issue on 10 May 2019. They were signed on its behalf by:



P M Woodfield

Director

Aviation Training International Limited

Statement of changes in equity At 31 December 2018

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2016	550	29,065	29,615
Total comprehensive income	-	3,943	3,943
Dividends paid on equity shares (see note 9)	-	(1,000)	(1,000)
At 31 December 2017	550	32,008	32,558
Total comprehensive expense	-	(7,637)	(7,637)
At 31 December 2018	550	24,371	24,921

Aviation Training International Limited

Cash flow statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Net cash flows from operating activities	16	(10,348)	17,101
Cash flows from investing activities			
Purchase of equipment		(27)	(36)
Interest received		149	34
Net cash flows from investing activities		122	(2)
Cash flows from financing activities			
Dividends paid		-	(1,000)
Net cash flows from financing activities		-	(1,000)
Net (decrease)/increase in cash and cash equivalents		(10,226)	16,099
Cash and cash equivalents at beginning of year		32,955	16,856
Cash and cash equivalents at end of year		22,729	32,955
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		22,729	32,955
Cash and cash equivalents		22,729	32,955

Aviation Training International Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Aviation Training International Limited is a private limited company limited by shares, incorporated in England and Wales; the United Kingdom under the Companies Act. The address of the registered office is given on page 3. The nature of the company's operations and its principal activities are set out in the strategic report on page 4 to 6.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Aviation Training International Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling.

b. Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report, together with the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Due to events occurring after the year-end date, management do not deem the entity to be seen as a going concern. The decision has therefore been made to prepare the financial statements on a basis other than that of a going concern.

No adjustments were identified from ceasing to apply the going concern basis.

More information on the future outlook of the company is provided within the strategic report under Review of the business, and Future developments - change of ownership and future events.

c. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold buildings and improvements	between 10 and 18 years or the period of the lease
Simulators and training equipment	between 3 and 18 years unless usage is guaranteed under contract in which case depreciation is provided to mirror the economic benefit under the contract
Office equipment systems and other	between 3 and 18 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

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.

Aviation Training International Limited

Notes to the financial statements **For the year ended 31 December 2018**

1. Accounting policies (continued)

d. Financial instruments

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

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

(i) Financial assets and liabilities

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

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(iii) Derivative financial instruments

The company uses derivative financial instruments from time to time to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

e. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Stocks of consumables for the simulators held prior to the end date of the original contract (i.e. 30 September 2017) have been systematically written off up to the end of the original contract period. For subsequent spares purchased for the extended contract period, provision is made for obsolete, slow-moving or defective items where appropriate. Cost is calculated using the weighted average cost method.

Aviation Training International Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

f. Impairment of assets

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

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

g. Taxation

Current tax, including UK corporation tax and foreign 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, 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 liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment is measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

h. Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of goods and services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. Where services are provided to customers in advance of invoicing, the amounts are recorded as accrued income and included as part of debtors due within one year.

Aviation Training International Limited

Notes to the financial statements For the year ended 31 December 2018

1. Accounting policies (continued)

i. Interest received

Interest income is recognised when it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

j. Long-term contracts

Amounts recoverable on long-term contracts are stated at the net sales value of the work done less amounts received.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the contract milestones.

k. Employee benefits

The company participated in the externally funded defined benefit Leonardo Helicopters Pension Scheme. This is a defined benefit scheme, the assets and liabilities of which are fully recognised in the financial statements of Leonardo MW Limited including the element of those assets and liabilities that relate to Aviation Training International Limited. In accordance with FRS 102 section 28.38 the company accounts for the scheme as if it were a defined contribution scheme. Prior to the sale of its shareholding in Aviation Training International Limited by Leonardo MW Limited to Boeing Defence UK Limited on 31 December 2018 all employees ceased to be members of the defined benefit Leonardo Helicopters Pension Scheme. A Flexible Apportionment Arrangement payment of £13,013,000 was made by the company to the pension scheme upon cessation of participation of current employees which legally transferred all liabilities from Aviation Training International Limited to Leonardo MW Limited and no further liabilities will now be incurred by the company in relation to the 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.

l. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

m. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

n. 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.

Aviation Training International Limited

Notes to the financial statements For the year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors have applied particular judgement to the carrying value of the assets and liabilities of the company in the following area:

Tangible fixed assets

The key judgement associated with tangible fixed assets relates to the timing of our assessment of the future economic life of the leasehold buildings and improvements, simulators and training equipment. Whilst the new contract was awarded by the Ministry of Defence during May 2017, we performed our assessment at the end of the current contract in September 2017. The net book value at these points was £2,412,000 and £nil respectively. We believe it appropriate to reconsider the economic life at September 2017 as this is the point when the agreement with the Ministry of Defence changed given the agreement of a new contract. Consequently, our assessment is that the assets have been fully depreciated in accordance with the original planned intent of the contract although it is recognised that the useful economic life of these assets is now deemed to be up to September 2023, as these assets support our training service delivery requirements.

3. Turnover

Turnover for the year has been derived from the one continuing principal activity undertaken in the United Kingdom.

An analysis of the company's turnover is as follows:

	2018 £'000	2017 £'000
Sale of goods	-	2,222
Rendering of services	12,836	18,463
	<u>12,836</u>	<u>20,685</u>

The sale of goods for 2017 represents the amount of work completed during the year in relation to the Wattisham training facility extension as part of the maintenance training site move from Arborfield which completed in 2017.

4. Exceptional item

Prior to the sale of its shareholding in Aviation Training International Limited by Leonardo MW Limited to Boeing Defence UK Limited on 31 December 2018 all employees ceased to be members of the defined benefit Leonardo Helicopters Pension Scheme. A Flexible Apportionment Arrangement (FAA) payment of £13,013,000 was made by the company to the pension scheme upon cessation of participation of all current employees. The FAA amount was a one-off exceptional item and no further liabilities will now be incurred by the company in relation to the defined benefit scheme. All employees have now moved over to the Boeing UK Group Pension Plan

5. Finance costs (net)

Investment income

	2018 £'000	2017 £'000
Bank deposits	<u>141</u>	<u>44</u>

Aviation Training International Limited

Notes to the financial statements For the year ended 31 December 2018

6. (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets (note 10)	23	5,437
Operating lease rentals - buildings	81	77
Operating lease rentals - other	17	44
Foreign exchange gain	(3)	(8)
Cost of stock recognised as an expense	-	432

The analysis of the auditor's remuneration is as follows:

Fees payable to the company's auditor and its associates for the audit of the company's annual accounts

Total audit fees

Taxation compliance services

Total non-audit fees

Total fees

	£'000	£'000
	32	27
	32	27
	14	10
	14	10
	46	37

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Direct staff	50	61
Indirect staff	16	17
	66	78

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	3,111	3,922
Social security costs	368	405
Other pension costs (see note 18)	785	938
Exceptional item (see note 4)	13,013	-
	17,277	5,265

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded. The directors received no remuneration from the company during the year (2017: £nil). The directors received their remuneration from the joint venture partners (note 20). It is not practicable to allocate remuneration between services to this company and other related companies of the joint venture partners.

Aviation Training International Limited

Notes to the financial statements For the year ended 31 December 2018

8. Tax on (loss)/profit

The tax (credit)/charge comprises:

	2018 £'000	2017 £'000
Current tax on (loss)/profit on ordinary activities		
UK corporation tax	-	1,734
Adjustments in respect of prior years	(47)	1
Total current tax	(47)	1,735
Deferred tax		
Origination and reversal of timing differences	(1,539)	(596)
Effect of changes in tax rates	-	(22)
Total deferred tax (see note 14)	(1,539)	(618)
Total tax on (loss)/profit on ordinary activities	(1,586)	1,117

Factors affecting tax charge

The standard rate of tax applied to reported (loss)/profit on ordinary activities is 19.00% (2017: 19.25%). The applicable tax rate changed following the substantive enactment of the Finance Act 2016.

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax to 19% from April 2017 and to 18% from 1 April 2020.

The March 2016 Budget Statement announced a further change to the UK corporation tax rate which will now reduce the main rate of corporation tax to 17% from 1 April 2020.

The differences between the total tax (credit)/charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	£'000	£'000
(Loss)/profit on ordinary activities before tax	(9,223)	5,060
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 19.00% (2017: 19.25%)	(1,752)	974
Effects of:		
- Expenses not deductible for tax purposes	2	126
- Pension contributions not allowed against current year	139	-
- Differences between capital allowances and depreciation	-	-
- Effects in changes of tax rate	(15)	16
- Movement in short-term timing differences	(9)	-
- Adjustments to tax charge in respect of prior years	49	1
Total tax (credit)/charge for year	(1,586)	1,117

Aviation Training International Limited

Notes to the financial statements For the year ended 31 December 2018

9. Dividends on equity shares

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2018 of £nil (2017: £1.82) per ordinary share	-	1,000

10. Tangible fixed assets

	Leasehold buildings and improvements £'000	Simulators and training equipment £'000	Office equipment, systems and other £'000	Total £'000
Cost				
At 1 January 2018	18,621	204,226	5,560	228,407
Additions	-	-	27	27
Disposals	(35)	-	(2,892)	(2,927)
At 31 December 2018	18,586	204,226	2,695	225,507
Depreciation				
At 1 January 2018	18,621	204,226	5,516	228,363
Charge for the year	-	-	23	23
Disposals	(35)	-	(2,892)	(2,927)
At 31 December 2018	18,586	204,226	2,647	225,459
Net book value				
At 31 December 2018	-	-	48	48
At 31 December 2017	-	-	44	44

Contributions towards the construction of assets amount to £9,800,000 (2017: £9,800,000) and were included within deferred income up to the period ended September 2017. This was released to the profit and loss account in line with the depreciation charge on the corresponding assets. £nil has been released in the year (2017: £473,000).

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

	2018 £'000	2017 £'000
Interest and fees		
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 For the year ended 31 December 2018

11. Stocks

	2018 £'000	2017 £'000
Consumables	70	62

12. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	1,034	1,075
Deferred tax	2,307	768
Corporation tax	407	-
Prepayments and accrued income	396	234
Amounts recoverable on contracts	524	99
	<u>4,668</u>	<u>2,176</u>

13. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	20	83
Corporation tax	-	820
Other taxation and social security	385	457
Accruals	2,189	1,319
	<u>2,594</u>	<u>2,679</u>

Aviation Training International Limited

Notes to the financial statements For the year ended 31 December 2018

14. Deferred tax

	£'000
At 1 January 2018	768
Credit to profit and loss account	1,539
At 31 December 2018 (see note 12)	<u>2,307</u>

Deferred tax

Deferred tax is provided as follows:

	2018 £'000	2017 £'000
Accelerated capital allowances	636	768
Pension contributions costs to carry forward for tax	1,671	-
Deferred tax asset	<u>2,307</u>	<u>768</u>

Deferred tax assets and liabilities are offset only where the company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the company.

15. Called-up share capital and reserves

	2018 £'000	2017 £'000
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>

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Each share ranks equally for voting and dividends or other distributions and we are not aware of any rights restrictions, preferences, or restrictions in relation to the shares issued or restrictions on distribution or repayment of capital.

Aviation Training International Limited

Notes to the financial statements For the year ended 31 December 2018

16. Cash flow statement

Reconciliation of operating (loss)/profit to cash generated by operations:

	2018 £'000	2017 £'000
(Loss)/profit for the financial year *	(7,637)	3,943
Adjustment for:		
Depreciation	23	5,437
Interest receivable	(141)	(44)
Taxation	(1,586)	1,117
Operating cash flow before movement in working capital	(9,341)	10,453
(Increase)/decrease in stocks	(8)	348
(Increase)/decrease in debtors	(554)	8,887
Increase/(decrease) in creditors	735	(665)
Cash generated by operations	(9,168)	19,023
Taxation paid	(1,180)	(1,922)
Net cash flows from operating activities	(10,348)	17,101

* Included within this figure is a Flexible Apportionment Arrangement (FAA) payment of £13,013,000 which was made by the company to the pension scheme upon cessation of participation of all current employees.

17. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
- within one year	78	14	78	24
- between one and five years	78	10	156	24
	156	24	234	48

Aviation Training International Limited

Notes to the financial statements

For the year ended 31 December 2018

18. Employee benefits

The company participated up to 31 December 2018, together with other Leonardo MW Limited companies, in the Leonardo Helicopters Pension Scheme, a defined benefit pension arrangement.

The company's pension contribution was based on pension costs assessed under the Scheme membership as a whole determined in accordance with advice from professionally qualified actuaries. The company did not 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. The full assets and liabilities of the Leonardo Helicopters Pension Scheme are recognised in the accounts of Leonardo MW Limited. Professionally qualified actuaries have prepared a disclosure of the valuation position of the Scheme under accounting standard IAS 19 for the financial year ended 31 December 2018 which is included in the accounts of Leonardo MW Limited.

Prior to the sale of its shareholding in the company by Leonardo MW Limited to Boeing Defence UK Limited on 31 December 2018 all employees ceased to be members of the defined benefit Leonardo Helicopters Pension Scheme. A Flexible Apportionment Arrangement (FAA) payment of £13,013,000 was made by the company to the pension scheme upon cessation of participation of current employees which legally transferred all liabilities from Aviation Training International Limited to Leonardo MW Limited and no further liabilities will now be incurred by the company in relation to the scheme.

Excluding the FAA payment the contributions to the defined benefit Leonardo Helicopters Pension Scheme by the company for the period were £564,000 (2017: £741,000). The level of Scheme funding continues to be kept under review by employers' representatives and the Scheme trustees.

Contributions to the defined contribution pension schemes amounted to £221,000 (2017: £197,000). There were no contributions outstanding at the year-end (2017: £nil).

19. Related party transactions

During the year under review the company purchased £320,000 (2017: £188,000) excluding VAT of goods and services from Leonardo MW Limited. The company also purchased US\$2,485,000 (£1,758,000) (2017: US\$572,000 (£445,000)) of goods and services from The Boeing Company.

During the year under review the company sold £76,000 (2017: £68,000) excluding VAT of services to Leonardo MW Limited. At 31 December 2018 Leonardo MW Limited owed the company £21,000 (2017: £13,000). This is included within trade debtors.

During the year under review the company sold £27,000 (2017: £nil) excluding VAT of services to Boeing Defence UK Limited.

All sales and purchases were made at arm's length on a market basis and amounts outstanding are unsecured and will be settled in cash. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

The company paid dividends of £nil (2017: £500,000) to each of Leonardo MW Limited and The Boeing Company.

We consider the key management personnel to be the directors of the company as disclosed on page 3.

Aviation Training International Limited

Notes to the financial statements

For the year ended 31 December 2018

20. Controlling party

During the year the company was jointly controlled by Leonardo MW Limited, a company registered in the United Kingdom, and The Boeing Company, a company registered in Delaware, the United States of America, by virtue of each having ownership of 50% of the issued ordinary share capital in the company. The registered address of Leonardo MW Limited is Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL. The registered office of The Boeing Company is 100 North Riverside Plaza, Chicago, Illinois, 60606, USA.

On 31 December 2018 Leonardo MW Limited sold all of its shareholding in Aviation Training International Limited to Boeing Defence UK Limited, a company registered in the United Kingdom (the share capital of which is 100% owned by The Boeing Company), and as a result the company is now a wholly-owned subsidiary within the Boeing group of companies. The registered address of Boeing Defence UK Limited is 25 Victoria Street, London, SW1H 0EX.

As at 31 December 2018 the ultimate parent and controlling party of which the company is now a member is The Boeing Company, a company incorporated in the State of Delaware, USA. Copies of the group consolidated financial statements can be obtained from The Boeing Company, 100 North Riverside Plaza, Chicago, Illinois, 60606, USA.

21. Post balance sheet events

On 8th January 2019 Boeing Defence UK Limited (BDUK), a shareholder of ATIL, submitted a formal notification to the MoD that it wishes to novate ATIL's sole contract – H12B/657 Attack Helicopter Training Service – to BDUK.

On 1st May 2019 ATIL entered into a sub-contract agreement with BDUK to provide the full scope of services required under the H12B/657 contract whilst it awaits the customers consent to formally novate the contract.

ATIL commenced formal TUPE consultation with its employee council on 24 January 2019 to discuss the proposed contract novation and its impact upon the ATIL employees; a small number of roles have also been identified as being at risk of redundancy, the employee transfer date to BDUK was effective on 1st May 2019. A decision has also been made to close the Sherborne head office location and any transferring roles will move to the BDUK offices based in Yeovil.

Upon successful completion of these planned activities ATIL would become dormant as the entity would hold no contracts, no employees and no assets; it is the directors' intention to move towards a voluntary liquidation of the entity.