

**Boeing UK Training and Flight Services Limited**

**Annual report and financial statements**

**for the year ended 31 December 2018**

Registered number: 03802219



# **Boeing UK Training and Flight Services Limited**

## **Annual report and financial statements for the year ended 31 December 2018**

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# **Boeing UK Training and Flight Services Limited**

## **Officers and professional advisers**

### **Directors**

A Golder  
Sir M Donnelly  
C Wolter  
P Woodfield

### **Secretary**

S H Jones

### **Registered office**

Boeing House  
Crawley Business Quarter  
Manor Royal  
Crawley  
West Sussex  
RH10 9AD

### **Bankers**

Barclays Bank Plc  
Level 28  
1 Churchill Place  
Canary Wharf  
London  
E14 5HP

### **Solicitors**

Eversheds LLP  
Eversheds House  
70 Great Bridgewater Street  
Manchester  
M1 5ES

### **Independent auditor**

Deloitte LLP  
Statutory Auditor  
Bristol  
United Kingdom

# **Boeing UK Training and Flight Services Limited**

## **Strategic report**

### **Principal activity**

The principal activity of Boeing UK Training and Flight Services Limited (the Company) is the provision of flight simulator training services. The Company provides flight crew training, specialising in type rating for Boeing aircraft. This activity is principally conducted at the Gatwick campus which houses eight full flight simulators and other training devices, and a further two simulators at a third party facility. The Company also conducts some training at customer facilities and has agreements in place to market capacity in third party facilities in the Europe, Middle East and Africa region.

The Company also provides aircraft maintenance training courses for Boeing aircraft at the Gatwick campus and at customer facilities.

### **Review of the business**

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements.

Turnover increased by £5.4m from £25.1m to £30.5m, primarily due to growth in B787 revenue.

The profit before taxation has increased by £6.4m from £2.0m to £8.4m. The profit after taxation is £6.6m for 2018 (£1.7m 2017).

Cost of sales decreased by £2.0m from £17.5m in 2017 to £15.5m in 2018. Foreign exchange gains were £1.6m compared to losses of £1.8m in the previous year, mainly due to US Dollar currency movements. This represented a £3.4m year on year reduction to cost of sales, but was offset by a £1.4m increase in simulator lease costs and external simulator hire to support the additional revenue. There was an increase of £0.5m in administration costs from £6.0m in 2017 to £6.5m in 2018. This was principally due to the additional costs of the new leased building at Gatwick which was acquired to accommodate expansion of the business and has space for up to four simulators. The building is situated close to the existing campus building and became operational in the fourth quarter of 2018.

The Company continues to benefit from strong demand for B787 training, and now operates four B787 simulators and three B787 flight training devices. In addition, the Company continued to invest in upgrades to existing simulators at Gatwick and has installed two simulators for B737 MAX training.

### **Key performance indicators**

The key performance indicators for the business are operating margin and simulator utilisation. The directors consider operating margin and utilisation statistics for the company's simulator assets to be commercially sensitive and have therefore decided not to disclose this information.

## **Boeing UK Training and Flight Services Limited**

### **Strategic report (continued)**

#### **Principal risks and uncertainties**

Turnover is supported by The Boeing Company which is the largest customer and accounts for most of the revenue for current production model aircraft. This significantly reduces the risk to the Company's earnings as The Boeing Company has back orders for aircraft which will support production volumes several years ahead, and these future deliveries will generate further demand for aircrew training.

The Company is also at risk from variations in revenue generated by direct sale to third party customers, however this market is driven by regulatory requirements for type rating of pilots and their recurrent training, and the Company has a well-established position in this market.

The Company is also subject to financial risks, of which details can be found in the Directors' Report on page 4.

#### **Future developments and events after the balance sheet date**

Demand for B787 training continues to be strong with customers in the EMEA region and the Company has a substantial investment in capacity to support this market, including two B787-9 simulators and two B787-8 devices. The existing orders for this aircraft will support production for several years ahead and that in turn will support demand for training. The company has installed two B737 MAX simulators to support the introduction into service of this new aircraft type. The Company is also providing training courses for flight crew and maintenance engineers to support the introduction into service of the B737 MAX.

The B737 MAX was grounded on 13 March 2019 and The Boeing Company is working to return this airplane to service at the earliest opportunity in 2019. Return date will be determined by the regulatory authorities and The Boeing Company will work closely with them, our customers and the entire global aviation community to support the airplanes safe return to service.

In March 2019 the Company loaned USD20m to The Boeing Company which is repayable in December 2019. Interest is charged on this loan at a rate of 2.7%.

The Company has assessed the potential impact of Brexit if and when the UK leaves the European Union and mitigated all known major risks which have been identified as regulatory, barriers to trade, and supply chain.

Approved by the Board and signed on its behalf by:



**Angela Golder**

**Director**

23 September 2019

Boeing House, Crawley Business Quarter, Manor Royal  
Crawley, West Sussex, RH10 9AD

# **Boeing UK Training and Flight Services 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 3 and form part of this report by cross-reference.

### **Going concern**

Throughout the year, the Company met its day-to-day working capital requirements through cash generated from operations. The Company made a profit for the year, and the balance sheet is solvent with an increase in net assets to £81.1m (2017: £74.5m).

Cash reserves at the end of 2018 were £29.8m (2017: £30.0m) and are more than adequate to meet current liabilities of £22.0m (2017: £13.1m). Most of the increase in current liabilities relates to amounts owed to other group companies.

The directors have reviewed the Company's future working capital, cash requirements and revenue projections for a period of at least 12 months from the date of approval of these financial statements, the sensitivities of which have been reviewed against the current uncertain economic climate. They are of the opinion that the 2019-20 forecasts, which take into account possible changes in trading performance in the current economic environment, show that the Company should be able to operate within its current level of cash and working capital, without the requirement for any external finance.

Accordingly the directors continue to adopt a going concern basis in preparing the financial statements.

### **Financial risk management objectives and policies**

During 2018 the Company continued to concentrate on its operations at the Gatwick Campus together with offering suitable third party locations in the EMEA region. The Company benefits from a stable core business of providing training for customers of The Boeing Company with a focus on current production aircraft types although some legacy aircraft types are also supported to meet continuing customer requirements.

The Company's activities expose it to a number of financial risks including cash flow risk and credit risk. The departure of the UK from the EU adds a political risk.

#### *Foreign exchange risk*

The Company has a substantial USD exposure and its reported profits are affected by changes in foreign currency exchange rates. Hedging against movements in foreign currencies is done at group level by its ultimate parent The Boeing Company.

#### *Cash flow risk*

With regard to financial risk and forecast cash flow, the Company continues to generate positive cash flow and holds large positive cash reserves.

#### *Credit risk*

The Company's principal financial assets are bank balances, cash, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Credit risk is monitored and controlled on a regular basis and there has been an increase in trade receivables to £9.8m (2017: £5.0m).

Collection activity is managed on a centralised basis for the entire Boeing group. The Company expects that substantial progress will be made in recovery in 2019.

## **Boeing UK Training and Flight Services Limited**

### **Director's report (continued)**

The directors are aware of the risk to cash funds deposited with banks and The Boeing Company monitors the credit ratings of the banks that we deposit with on a regular basis. Should the credit ratings deteriorate then the directors will seek alternative institutions with which to deposit funds.

#### **Political risk**

The Company has assessed the potential impact of Brexit if and when the UK leaves the European Union and mitigated all known risks which have been identified as regulatory, barriers to trade, and supply chain.

#### **Dividends**

No interim dividend was paid and the directors recommend no final dividend for the period (2017: £nil).

#### **Directors**

The directors who served throughout the year and subsequently, except as noted, were as follows:

Sir M A Arthur (resigned 18 July 2019)  
Sir M Donnelly (appointed 18 July 2019)  
A J Golder  
M A Townsend-Smith (resigned 9 September 2019)  
P Woodfield (appointed 17 September 2019)  
T Watson (resigned 13 June 2019)  
C J Wolter

#### **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.

#### **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 they ought to have taken as a director in order to make themselves 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.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



**Angela Golder**

**Director**

23 September 2019

Boeing House, Crawley Business Quarter, Manor Royal  
Crawley, West Sussex, RH10 9AD

## **Boeing UK Training and Flight Services 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 FRS102 "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.



## **Boeing UK Training and Flight Services Limited**

### **Independent auditor's report to the members of Boeing UK Training and Flight Services Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Boeing UK Training and Flight Services 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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 balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## **Boeing UK Training and Flight Services Limited**

### **Independent auditor's report to the members of Boeing UK Training and Flight Services Limited (continued)**

#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **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](http://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.

## **Boeing UK Training and Flight Services Limited**

### **Independent auditor's report to the members of Boeing UK Training and Flight Services Limited (continued)**

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



Sonya Butters FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

23 September 2019

## Boeing UK Training and Flight Services Limited

### Profit and loss account For the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Turnover</b>	3	<b>30,473,137</b>	<b>25,074,547</b>
Cost of sales		(15,524,357)	(17,534,088)
<b>Gross profit</b>		<b>14,948,780</b>	<b>7,540,459</b>
Administrative expenses		(6,544,504)	(6,000,932)
Other operating income		928	372,429
<b>Operating profit</b>		<b>8,405,204</b>	<b>1,911,956</b>
Finance income (net)	4	33,270	98,058
<b>Profit before taxation</b>	5	<b>8,438,474</b>	<b>2,010,014</b>
Tax on profit	8	(1,863,261)	(335,515)
<b>Profit for the financial year attributable to the equity shareholder of the Company</b>		<b>6,575,213</b>	<b>1,674,499</b>

All results have been derived from continuing operations.

There have been no recognised gains and losses either in the current or the preceding year other than those shown above, and on this basis no separate statement of comprehensive income has been prepared.

# Boeing UK Training and Flight Services Limited

## Balance sheet As at 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	9	59,607,793	46,465,803
<b>Current assets</b>			
Debtors	11	15,575,884	11,718,352
Cash at bank and in hand		29,757,206	29,976,621
		<b>45,333,090</b>	41,694,973
Creditors: amounts falling due within one year	12	(21,970,527)	(13,126,198)
<b>Net current assets</b>		<b>23,362,563</b>	28,568,775
<b>Total assets less current liabilities</b>		<b>82,970,356</b>	75,034,578
Provisions for liabilities	13	(1,910,565)	(550,000)
<b>Net assets</b>		<b>81,059,791</b>	74,484,578
<b>Capital and reserves</b>			
Called up share capital	14	14,874,758	14,874,758
Other reserve		88,573,595	88,573,595
Profit and loss account		(22,388,562)	(28,963,775)
<b>Total shareholder's funds</b>		<b>81,059,791</b>	74,484,578

The financial statements of Boeing UK Training and Flight Services Limited, registered number 03802219, were approved by the Board of Directors and authorised for issue on 23 September 2019. They were signed on its behalf by:



**Angela Golder**  
Director

# Boeing UK Training and Flight Services Limited

## Statement of changes in equity As at 31 December 2018

	Called up share capital	Other reserve	Profit and loss account	Total
	£	£	£	£
<b>At 1 January 2017</b>	<b>14,874,758</b>	<b>88,573,595</b>	<b>(30,638,274)</b>	<b>72,810,079</b>
Profit and total comprehensive income for the financial year	-	-	1,674,499	1,674,499
<b>At 31 December 2017</b>	<b>14,874,758</b>	<b>88,573,595</b>	<b>(28,963,775)</b>	<b>74,484,578</b>
Profit and total comprehensive income for the financial year	-	-	6,575,213	6,575,213
<b>At 31 December 2018</b>	<b>14,874,758</b>	<b>88,573,595</b>	<b>(22,388,562)</b>	<b>81,059,791</b>

# Boeing UK Training and Flight Services Limited

## Notes to the financial statements

### 1 Accounting policies

The Company's principal accounting policies, which have been applied consistently in the current and preceding year, are summarised below.

#### a. General Information and basis of accounting

Boeing UK Training and Flight Services Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

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 the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement, related party transactions, financial instruments and remuneration of key management personnel.

#### b. Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position, and assessment of financial risk management objectives and policies are set out within the Strategic and Directors reports on pages 2 to 5.

The directors have reviewed future working capital and cash requirements and revenue projections for the next twelve months from the date of approval of these financial statements and are confident that the Company has sufficient cash resources to meet its liabilities as they fall due, without the requirement for external finance. The Company has also obtained a letter of support from its ultimate parent The Boeing Company.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

#### c. Tangible fixed assets

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

Leasehold improvements	Over the period of the lease
Furniture, fixtures and computer equipment	10% to 25% straight line
Simulators	5.56% to 7.14% straight line (*)
Freehold buildings	2.5% straight line

(\*) Flight simulators are depreciated over a period of 14 to 18 years straight line with residual value calculated on an individual model basis. Simulator spares are depreciated at 12.5% straight line with nil residual value.

## **Boeing UK Training and Flight Services Limited**

### **Notes to the financial statements**

#### **1 Accounting policies (continued)**

Additions to simulators may be depreciated at higher rates over the remaining life of the host simulator and simulator depreciation policy may vary for individual simulators based on impairment reviews.

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.

##### **d. Financial instruments**

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

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 unless the arrangement constitutes a financing transaction.

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, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

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

##### **e. 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.

###### *Non-financial assets*

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

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired 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.

###### *Financial assets*

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

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.



# **Boeing UK Training and Flight Services Limited**

## **Notes to the financial statements**

### **1 Accounting policies (continued)**

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.

#### **f. 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 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.

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.

#### **g. Turnover**

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a service contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. 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.

# **Boeing UK Training and Flight Services Limited**

## **Notes to the financial statements**

### **1 Accounting policies (continued)**

#### **h. Employee benefits**

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

#### **i. 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 translated at the rates ruling at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

#### **j. Leases**

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Any contingent rent is taken to the profit and loss account in the period in which it occurs.

#### **k. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

# Boeing UK Training and Flight Services Limited

## Notes to the financial statements

### 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 reviewed the key sources of estimation and none are considered sufficiently material to require disclosure.

#### *Critical judgements in applying the Company's accounting policies*

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

#### *Recoverability of debtors*

Overdue customer debts are provided for where there is no activity on the customer account for more than six months. Additional provision was made for some accounts with significant doubtful balances. The trade debtor balance at the year-end was £9,767,707 net of a provision for doubtful debts of £1,446,382.

#### *Key sources of estimation uncertainty*

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

#### *Consideration of simulator impairment*

Determining whether a simulator is impaired requires an estimate of the value in use of the asset. The value in use calculation requires the Company to make an estimate of the future cash flows expected to arise from the simulator over its useful life, and a suitable discount rate in order to calculate present value. The carrying value of the simulators at the year-end was £37,855,769.

### 3 Turnover

An analysis of the Company's turnover by geographical market is set out below:

	2018	2017
Turnover:	£	£
United Kingdom	29,534,172	24,245,248
Rest of World	938,965	829,299
	30,473,137	25,074,547

# Boeing UK Training and Flight Services Limited

## Notes to the financial statements

### 3 Turnover (continued)

An analysis of the Company's revenue (including turnover) by category is as follows:

	2018	2017
	£	£
Rendering of services	30,473,137	25,074,547

### 4 Finance income (net)

	2018	2017
	£	£
Interest receivable	47,998	47,382
Investment income	-	50,676
Unwinding of discounts on provisions (note 13)	(14,728)	-
Net finance income	33,270	98,058

### 5 Profit before taxation

	2018	2017
	£	£
Profit before taxation is stated after charging/(crediting):		
Depreciation – owned assets	3,967,337	3,910,997
(Gain)/loss on disposal of fixed assets	-	(511)
Rentals under operating leases:		
– plant and machinery	2,241,771	1,828,901
– leasehold property expense / (credit)	309,174	(6,534)
Foreign exchange (gain) / loss	(1,560,692)	1,836,169
Auditor's remuneration– for the audit of the financial statements	108,800	70,503

# Boeing UK Training and Flight Services Limited

## Notes to the financial statements

### 6 Staff numbers and costs

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

	2018	2017
	No.	No.
Management and executives	3	3
Professional and administrative staff	79	74
	<b>82</b>	<b>77</b>

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	5,117,432	5,243,542
Social security costs	594,328	580,283
Other pension costs	361,031	329,516
	<b>6,072,791</b>	<b>6,153,341</b>

The Company operates a defined contribution pension scheme. The total cost charged to profit and loss for the year was £361,031 (2017: £329,516).

### 7 Directors' remuneration and transactions

	2018	2017
	£	£
Directors' remuneration		
Aggregate emoluments	411,134	353,481
Contributions to money purchase pension schemes	31,255	29,149
	<b>442,389</b>	<b>382,630</b>

The number of directors for whom pension contributions are paid is: 3 (2017: 3).

	2018	2017
	£	£
Highest paid director		
Aggregate emoluments and benefits	175,303	147,696
Contributions to defined contribution pension schemes	13,433	12,206
	<b>188,736</b>	<b>159,902</b>

Directors' emoluments are allocated based on services provided to the Company.

# Boeing UK Training and Flight Services Limited

## Notes to the financial statements

### 8 Tax on profit

	2018	2017
	£	£
<b>Analysis of tax charge in the year</b>		
<b>Current tax on profit</b>		
UK corporation tax	1,035,401	89,288
Adjustments in respect of prior periods	(89,288)	59,073
<b>Total current tax</b>	<b>946,113</b>	<b>148,361</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	625,865	229,288
Adjustments in respect of prior periods	291,283	(42,134)
Effect of changes in tax rates	-	-
<b>Total deferred tax (see note 10)</b>	<b>917,148</b>	<b>187,154</b>
<b>Total tax on profit</b>	<b>1,863,261</b>	<b>335,515</b>

The main rate of corporation tax reduced from 20% to 19% effective from 1 April 2017 and a further rate reduction to 17% will be effective from 1 April 2020. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax asset as at 31 December 2018 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

The tax charge for the period differs from the standard rate of corporation tax in the UK of 19% for the reasons set out in the following reconciliation:

	2018	2017
	£	£
Profit before tax	8,438,474	2,010,014
Tax on profit at standard UK corporation tax rate of 19% (2017: 19.25%)	1,603,310	386,928
<b>Factors affecting tax charge for the year:</b>		
Expenses not deductible for tax purposes	140,703	33,688
Capital allowances in excess of depreciation	-	(259,635)
Utilisation of losses	(9,116)	(71,693)
Prior period adjustments	201,995	16,939
Effect of changes in tax rate	(73,631)	-
Movement on deferred tax in period	-	229,288
<b>Total tax charge for the year</b>	<b>1,863,261</b>	<b>335,515</b>

# Boeing UK Training and Flight Services Limited

## Notes to the financial statements

### 9 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Furniture, fixtures and computer equipment	Simulators	Assets under construction	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2018	13,452,706	-	6,251,111	50,402,730	2,902,217	73,008,764
Additions	-	5,880,816	-	-	11,228,511	17,109,327
Transfers	-	640,310	-	9,139,660	(9,779,970)	-
<b>At 31 December 2018</b>	<b>13,452,706</b>	<b>6,521,126</b>	<b>6,251,111</b>	<b>59,542,390</b>	<b>4,350,758</b>	<b>90,118,091</b>
<b>Accumulated depreciation</b>						
At January 2018	2,991,411	-	5,042,405	18,509,145	-	26,542,961
Charge for the year	280,010	163,177	366,674	3,177,476	-	3,967,337
<b>At 31 December 2018</b>	<b>3,251,421</b>	<b>163,177</b>	<b>5,409,079</b>	<b>21,686,621</b>	<b>-</b>	<b>30,510,298</b>
<b>Net book value:</b>						
<b>At 31 December 2018</b>	<b>10,201,285</b>	<b>6,357,949</b>	<b>842,032</b>	<b>37,855,769</b>	<b>4,350,758</b>	<b>59,607,793</b>
At 31 December 2017	10,461,295	-	1,208,706	31,893,585	2,902,217	46,465,803

The net book value of freehold land and buildings comprises:

	2018	2017
	£	£
Freehold land	3,345,915	3,345,915
Freehold buildings	6,855,370	7,115,380
	<b>10,201,285</b>	<b>10,461,295</b>

All leasehold buildings are short leasehold (less than 50 years).

# Boeing UK Training and Flight Services Limited

## Notes to the financial statements

### 10 Deferred taxation

	2018	2017
	£	£
<b>Movement on deferred tax in the year</b>		
Opening balance	(480,246)	(293,092)
Movement to the profit and loss account (see note 8)	(917,148)	(187,154)
<b>Closing liability</b>	<b>(1,397,394)</b>	<b>(480,246)</b>

	2018	2017
	£	£
<b>Deferred tax is provided as follows:</b>		
Depreciation in excess of capital allowances	(1,409,688)	(490,377)
Other short-term timing differences	12,294	10,131
<b>Closing asset</b>	<b>(1,397,394)</b>	<b>(480,246)</b>

A deferred tax asset of £912,206 (2017: £937,072) has not been recognised which relates to a loan relationship deficit. It is not possible to determine whether there will be any suitable taxable gains available in the foreseeable future. Therefore the extent of recognition of the deferred tax asset is considered to be appropriate.

### 11 Debtors

	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	9,767,707	4,908,269
Amounts owed by group undertakings repayable within one year	435,347	3,796,846
VAT debtor	2,624,841	161,167
Corporation Tax	578,853	1,171,615
Other debtors	-	1,674
Prepayments and accrued income	2,169,136	1,678,781
	<b>15,575,884</b>	<b>11,718,352</b>

All debtors are unsecured, interest free, have no fixed date of repayment and are repayable on demand.



## Boeing UK Training and Flight Services Limited

### Notes to the financial statements

#### 12 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	1,059,371	278,891
Amounts owed to group undertakings	16,090,753	9,826,496
Other taxation and social security	259,516	257,370
Corporation tax payable	-	-
Accruals and other deferred income	3,091,333	2,223,595
Defined contribution pension scheme accrual	72,230	59,600
Deferred taxation	1,397,324	480,246
	<b>21,970,527</b>	<b>13,126,198</b>

All creditors are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

#### 13 Provisions for liabilities

	Dilapidations
	£
At 1 January 2018	550,000
Additions	1,345,837
Unwinding discount	14,728
At 31 December 2018	<b>1,910,565</b>

The above provision relates in full to dilapidations provisions related to leasehold properties

#### 14 Called up share capital and reserves

	2018	2017
	£	£
<b>Called up, allotted and fully paid</b>		
Ordinary shares of £1 each	14,874,758	14,874,758

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

The Company's other reserves are as follows:

The other reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss account represents cumulative profits or losses, net of other adjustments.

## Boeing UK Training and Flight Services Limited

### Notes to the financial statements

#### 15 Financial commitments

Capital commitments are as follows:

	2018	2017
	£	£
Capital expenditure contracted for	3,243,959	7,748,073

#### 16 Operating Lease commitments

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

	Land and buildings 2018	Other 2018	Land and buildings 2017	Other 2017
	£	£	£	£
Within one year	388,983	260,659	-	986,948
Between one and five years	1,711,760	-	1,679,955	143,091
After five years	3,953,098	-	4,717,022	-
	6,053,841	260,659	6,396,977	1,130,039

#### 17 Subsequent events

In March 2019 the Company loaned USD20m to The Boeing Company which is repayable in December 2019. Interest is charged on this loan at a rate of 2.7%.

## **Boeing UK Training and Flight Services Limited**

### **Notes to the financial statements**

#### **18 Ultimate parent company and controlling party**

The company is a wholly-owned subsidiary of Boeing US Training and Flight Services LLC, a company incorporated in Delaware, United States of America. This is the smallest group that the company belongs to for which consolidated accounts are drawn up. Consolidated accounts are available for Boeing US Training and Flight Services LLC from its registered address, care of the Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19805, USA.

The Boeing Company, a corporation registered in Delaware, United States of America, owns a 100% shareholding in Boeing US Training and Flight Services LLC and is considered to be the ultimate parent company and controlling party. This is the largest group that the company belongs to and for which consolidated accounts are drawn up. Copies of these consolidated accounts are available from its registered address, 100 North Riverside Plaza, Chicago, Illinois, 60606-1596, USA.