

Boeing Defence UK Limited
Annual report and financial statements
for the year ended 31 December 2018

Registered number: 01290439



Boeing Defence UK Limited

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

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Boeing Defence UK Limited

Strategic report

Business model, strategy and objectives

The principal activity of Boeing Defence UK Limited (BDUK, the "Company") is the provision of support and services for defence and security platforms, including programme management, engineering, operations, supply chain management, quality, training, maintenance and modification and flight test in support of rotary and fixed wing aircraft, unmanned aerial vehicles, and information systems.

The Company's primary customer is the UK government, specifically the UK Ministry of Defence (MoD). The Company is in a strong position to provide support and services to any current or legacy Boeing platform in support of UK customer requirements.

The Company's stated objectives include:

- satisfying its customers with reliable business performance which meets commitments, manages risk and realises opportunities;
- optimising the business and driving continuous and sustained improvement to provide demonstrated value to its customers;
- driving a world-class safety culture;
- strengthening the Company through growth in local capability whilst utilising the strength of The Boeing Company; and
- driving growth through extending service offerings to capture UK defence and security opportunities.

The Company's directors benchmark the business against others within its sector and other group companies as part of ongoing business reviews and bid submissions. The business utilises customer feedback on its key programmes as a key performance indicator (KPI) of meeting its strategy and objectives.

Review of the business

The Company continued to perform well in support of its Support Chain Information Services (SCIS) contract; this contract was signed in 2010 and covers a 10 year period of performance; the contract delivers a variety of adaptive change tasks in addition to the core service delivery contract. In 2017 the company was successful in extending the contract for 1 additional year of performance. Performance on the contract remains strong with all customer KPI's being met and/or exceeded.

In April 2016 BDUK commenced delivery of Information Services (IS) support and IS application optimisation and transformation for a new contract in support of Staffordshire Police Force. This contract covers a 10 year period of performance. The company has faced challenges in meeting its cost targets for delivery of this contract whilst maintaining service delivery to required standards. This resulted in the company revising its estimated cost at completion of this contract in 2017. In 2018 the company has maintained stability on this contract.

The Company continued to perform well in support of the Chinook Through Life Customer Support (TLCS) contract which is currently in Pricing Period 3 with a period of performance of 5 years commencing April 2015. The TLCS contract supports the UK fleet of 60 Chinook aircraft. The Boeing Company provides support to BDUK for the performance of this contract providing material parts supply and labour services. Performance on the contract remains strong with all customer KPI's being met and/or exceeded.

The Company continued to perform well in support of the Chinook Engine Support Arrangement (CESA) contract with the UK MoD. CESA is an Asset Availability Service contract for the repair and maintenance of engines and accessories to meet the Front Line Commands annual flying hours for the UK Royal Air Force Chinook fleet.

Boeing Defence UK Limited

Strategic report (continued)

Review of the business (continued)

During 2018 the Company commenced activity to build a P-8A Strategic Facility at RAF Lossiemouth which will house the nine aircraft and is scheduled for completion in 2020, the project is progressing to schedule.

Acquisition of Aviation Training International Limited

On 31 December 2018 the Company acquired a 50% shareholding in Aviation Training International Limited (ATIL) from Leonardo MW Limited (Leonardo). ATIL was a 50/50 Joint Venture between The Boeing Company and Leonardo. 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. See further comment in note 22 under Post Balance Sheet Events.

On 8 January 2019 the Company submitted a formal notification to the MoD that it wishes to novate ATIL's sole contract – H12B/657 Attack Helicopter Training Service (AHTS) – to BDUK.

On 1 May 2019 the employees of ATIL were TUPE transferred to BDUK to support the AHTS contract and 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.

On 2 May 2019, the company acquired the remaining share capital in Aviation Training International Limited (a company registered in England & Wales, no. 03490323) from The Boeing Company (the company's ultimate parent). The company increased its shareholding from 50% to 100% and now controls the company.

On 3 June 2019 the novation agreement with the MoD was signed allowing the contract to formally novate to BDUK.

On 5 September the company entered into an Asset Purchase Agreement to hive up the assets of Aviation Training International Limited into Boeing Defence UK Limited, furthermore it is the Directors' intention to liquidate the Aviation Training International Limited entity in the near future.

Key Performance Indicators

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

Key Performance Indicator	Actual 2018 £'000	Actual 2017 £'000
Turnover	305,292	307,699
Operating Profit	25,605	8,396
Cash – inflow	10,836	38,350

Turnover for the period decreased versus the prior year. Key changes in turnover resulted from higher activity on the TLCS contract for both the primary support deliverables and over and above tasking deliverables. Revenues were lower on the CESA contract deliverables. All other contract deliverables were broadly similar to the prior year.

Operating profit has increased in the period primarily due to the impact of Staffordshire Police contract losses in the prior year.

Boeing Defence UK Limited

Strategic report (continued)

Key Performance Indicators (continued)

Operating Cash flow is in line with expectations.

Key Performance Indicator	Actual 2018	Actual 2017
Permanent and contract staff headcount at year end	1,359	1,406

The permanent and contract staff headcount is in line with expectations. The business continues to perform well on its quality accreditations.

Internal audit activity is conducted against all standards, and external certification and surveillance audits are conducted by Lloyd's Register Quality Assurance throughout the year (annual surveillance / 3 yearly for recertification).

Principal risks and uncertainties

Risk	Impact on Company	Assessment of change in risk year-on-year	Mitigation of risk
Price	The Company has a mixture of competitive and sole-source programmes which require full disclosure and cost justification to the customer.	No notable change in risk.	The Company maintains the highest standard of integrity in its approach to pricing UK government work and has advanced cost accounting processes to ensure that its pricing is clear, transparent and follows the latest government costing standards.
Bad Debt Risk	Potential loss of revenues through bad debt exposure.	No notable change in risk.	The Company's current customers are limited to UK Government departments, strategic external defence customers and inter-Company arrangements with The Boeing Company and its wholly-owned subsidiaries. As a result, credit risk is deemed to be very low.
Liquidity	Inability to meet contractual obligations as they fall due.	No notable change in risk.	As a wholly-owned subsidiary, the Company has previously been supported by The Boeing Company.
Foreign currency	Volatility of profits due to fluctuations in foreign exchange rates.	No notable change in underlying transactional cash flow risk. However since the UK decision to leave the EU there has been greater market volatility of foreign currency rates. This position is likely to continue into the foreseeable future.	The Company's exposure to foreign exchange risk is minimal as the majority of the Company's contracts are denominated in GBP. Certain contracts are denominated in USD and some have a natural hedge due to high content of supplies also sourced in USD.

Boeing Defence UK Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Risk	Impact on Company	Assessment of change in risk year-on-year	Mitigation of risk
Operational performance	Loss of profits through contractual service points deductions; loss of customer goodwill through poor contract performance; potential exclusion from bidding on future contracts.	No notable change in risk.	The Company monitors its performance on its programmes closely to ensure that performance is optimal at all times including regular reviews with its primary customers. Senior management ensures that operational performance is maintained at the highest levels.
Political uncertainty	The political environment in the UK is impacted by the referendum decision to leave the EU.	On 23 June 2016 the UK voted to leave the European Union which has had knock-on impacts to the stability of government and the political parties. On 10 April 2019 the UK and EU agreed a delay to Brexit until 31 October 2019	BDUK and the wider Boeing Company continue to monitor the implications of this decision and tailor our business approach to the new situation in the UK, in Europe and worldwide. As a global business we constantly manage the effects of changes in political circumstances and we will continue to do so. The Company has assessed the potential impact of Brexit if and when the UK leaves the European Union and has mitigated all known major risks which have been identified as regulatory, barriers to trade, and supply chain.
Strategic Defence and Security Review (SDSR)	The review determines how the Armed Forces will be shaped to protect the UK against emerging and future threats.	No notable change in risk.	The Company will look to ensure it can support the government's spending on defence whilst ensuring it maximises value for money to the tax payer and supporting the government's prosperity agenda. The Company continues to identify opportunities to grow its current capabilities onto other platforms/markets to increase market share.

Boeing Defence UK Limited

Strategic report (continued)

Future developments

The Company has a positive outlook on future Orders and Revenues, of particular note are the purchase of nine P8 Maritime Surveillance aircraft, an upgrade to the UK Apache fleet to the new E model aircraft, a commitment to maintain the numbers of Chinook aircraft in service and the purchase of five E-7 Airborne Early Warning and Control aircraft, all of which drive growth opportunities for Boeing Group of companies including BDUK.

Corporate social responsibility

The Company is fully engaged in all of Boeing's corporate social responsibility programmes. Particular items of note are:

All employees undertake mandatory ethics training every 12 months to ensure the organisation as a whole maintains the highest of standards.

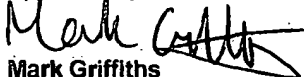
All employees are regularly trained and updated on the importance of health and safety within the workplace as part of the 'Go 4 Zero' campaign launched in 2013; this campaign remained a top priority for the business during 2018.

Employee engagement and involvement

The Company utilises employee surveys and social committees to ensure that levels of employee engagement are of the highest standard. The Company also regularly sponsors volunteering events to help support the communities within which the business operates through its Reach programme.

The Company continues to develop good practice in diversity and inclusion in the workplace.

Approved by the Board and signed on its behalf by:


Mark Griffiths
Director

16 September 2019
25 Victoria Street, London, SW1H 0EX

Boeing Defence UK 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 1 and form part of this report by cross-reference.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 22 to the financial statements.

Going concern

The Company's parent company has stated that it will continue to provide ongoing financial support to the Company for the foreseeable future, and in particular for a period of at least 12 months from the date of the signing of these accounts.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks. Details of the risks can be found in the strategic report on pages 1 to 5 and form part of this report by cross-reference.

Dividends

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

Directors

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

D J Pitchforth (Resigned 29 March 2019)	Sir M A Arthur (Resigned 18 July 2019)
R Pidsley (Resigned 19 June 2018)	N C Whitney (Resigned 16 April 2019)
R Harvey (Resigned 12 March 2019)	R Wainwright (Resigned 21 June 2018)
S Bumell	I McNeil
R Sikora	M Griffiths (Appointed 15 July 2018)
A Keeling (Appointed 12 March 2019)	A Potter (Appointed 17 June 2019)
Sir M E Donnelly (Appointed 18 July 2019)	

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.

Boeing Defence UK Limited

Directors' report (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company magazine.

Auditor

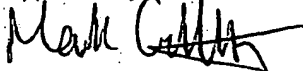
Each of the persons who is a director at the date of approval of this report confirms that:

- 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:



Mark Griffiths
Director

16 September 2019
25 Victoria Street, London, SW1H 0EX

Boeing Defence UK 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.

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.

Boeing Defence UK Limited

Independent auditor's report to the member of Boeing Defence UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Boeing Defence UK 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies
- the related notes 1 to 22

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 Defence UK Limited

Independent auditor's report to the member of Boeing Defence UK 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. This description forms part of our auditor's report.

Boeing Defence UK Limited

Independent auditor's report to the member of Boeing Defence UK Limited (continued)

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

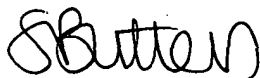
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 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

16 September 2019

Boeing Defence UK Limited

Profit and loss account For the year ended 31 December 2018

			Restated (see note 2)
	Note	2018 £'000	2017 £'000
Turnover	4	305,292	307,699
Cost of sales		(249,754)	(269,747)
Gross profit		55,538	37,952
Administrative expenses		(30,306)	(31,080)
Other operating income		373	1,524
Operating profit		25,605	8,396
Finance costs (net)	5	1,000	(531)
Profit on ordinary activities before taxation	6	26,605	7,865
Tax on profit on ordinary activities	9	(6,942)	(1,543)
Profit for the financial year attributable to the equity shareholder of the Company		19,663	6,322

All results derive from continuing operations.

Boeing Defence UK Limited

Statement of comprehensive income For the year ended 31 December 2018

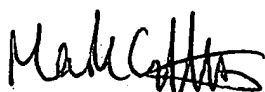
		2018 £'000	Restated 2017 £'000
	Note		
Profit for the financial year		19,663	6,322
Re-measurement of net defined benefit asset	20	(938)	6,575
Tax relating to components of other comprehensive income/(expense)	13	159	(1,118)
Other comprehensive (expense)/income		(779)	5,457
Total comprehensive income attributable to the equity shareholder of the Company		18,884	11,779

Boeing Defence UK Limited

Balance sheet As at 31 December 2018

		31/12/18 £'000	Restated 31/12/17 £'000	Restated 01/01/17 £'000
	Note			
Non-current assets				
Investment in subsidiary	11	14,705	-	-
Tangible assets	12	16,950	18,603	19,025
Defined benefit pension asset	20	3,806	5,141	-
		35,461	23,744	19,025
Current assets				
Debtors	14	103,426	145,260	201,791
Cash at bank and in hand		78,631	67,795	29,445
		182,057	213,055	231,236
Creditors: amounts falling due within one year	15	(66,885)	(100,725)	(138,414)
Net current assets		115,172	112,330	92,822
Total assets less current liabilities		150,633	136,074	111,847
Creditors: amounts falling due after more than one year	16	(15,195)	(14,981)	(17,039)
Provisions for liabilities	17	(12,804)	(17,343)	(2,837)
Net assets		122,634	103,750	91,971
Capital and reserves				
Called up share capital	18	8,783	8,783	8,783
Capital contribution		282	282	282
Profit and loss reserve		113,569	94,685	82,906
Total shareholder's funds		122,634	103,750	91,971

The financial statements of Boeing Defence UK Limited, registered number 01290439, were approved by the Board of Directors and authorised for issue on 16 September 2019. They were signed on its behalf by:



Mark Griffiths
Director

Boeing Defence UK Limited

Statement of changes in equity As at 31 December 2018

	Called up share capital £'000	Capital contribution £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2017 (as previously reported)	8,783	282	78,150	87,215
Impact of change in accounting policy (note 2)	-	-	4,756	4,756
At 1 January 2017	8,783	282	82,906	91,971
Profit for the financial year	-	-	6,322	6,322
Re-measurement of net defined benefit pension liability	-	-	6,575	6,575
Tax relating to items of other comprehensive income	-	-	(1,118)	(1,118)
At 31 December 2017	8,783	282	94,685	103,750
Profit for the financial year	-	-	19,663	19,663
Re-measurement of net defined benefit pension liability	-	-	(938)	(938)
Tax relating to items of other comprehensive income	-	-	159	159
At 31 December 2018	8,783	282	113,569	122,634

Boeing Defence UK 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 Defence UK Limited (the Company) 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 5. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 5.

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 share-based payments, related party transactions, presentation of a cash flow statement, 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 1 to 7.

The Company's parent company has stated that it will continue to provide ongoing financial support to the Company for the foreseeable future, and in particular for a period of at least 12 months from the date of the signing of these accounts.

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

Fixtures and fittings	8 - 11 years - Sum of digits method
Office equipment	7 - 8 years - Sum of digits method
Programme specific equipment	3 - 15 years - Sum of digits method
Factory machinery	13 years - Sum of digits method
Buildings	150% declining balance with straight-line switch

Assets capitalised under finance leases are depreciated over the life of the lease.

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.

Boeing Defence UK Limited

Notes to the financial statements

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.

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.

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.

Boeing Defence UK Limited

Notes to the financial statements

1 Accounting policies (continued)

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. 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 the 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.

For 3rd party contracts, we apply the percent complete approach – whereby the amount of cost incurred to date as a proportion of total estimated costs to completion is applied to the estimated total revenue to identify the proportion of revenue earned. For intercompany contracts we recognise revenue on a cost plus margin basis.

Boeing Defence UK Limited

Notes to the financial statements

1 Accounting policies (continued)

h. Long-term contracts for services rendered

Amounts recoverable on contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors due within one year as payments on account.

Actual costs incurred on long-term service contracts are recognised in line with the revenue recognition policy, reporting a consistent profit margin through the life of each project. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as amounts recoverable on contracts within debtors. For projects where the cumulative costs incurred to date are less than the value recognised, an accrual for the additional costs is held within creditors due within one year.

Each project's assessment of revenue and margin is supported by a detailed approval process on either a quarterly or annual basis, with senior management challenging the key inputs to the Estimate to Completion (EAC) model for the contract's lifecycle.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

i. Investments

Investments in subsidiaries, all of which are trading companies, are stated at cost less any provision for impairment, as described in note 3.

j. Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit asset is charged to profit or loss and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit asset) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes 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.

k. 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.

Boeing Defence UK Limited

Notes to the financial statements

1 Accounting policies (continued)

l. 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.

m. 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).

n. Share-based payments

The Company issues cash-settled share-based payments to certain employees. A liability is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

o. Research and development

The Company claims Research and Development Expenditure Credits ("RDEC") in respect of its research and development expenditure. The Company recognises the value of the RDEC net of tax as other income in the year in which the underlying research and development expenditure was incurred. The net RDEC receivable is recognised within other debtors.

Boeing Defence UK Limited

Notes to the financial statements

2 Change in accounting policies

In the current year, the company has changed its policy on turnover to apply the cost approach to all 3rd party contracts.

The percentage of completion method is used to recognise revenue from rendering services and construction contracts. Turnover is recognised based on the proportion of recoverable costs to date of the total estimated costs. Costs are recognised immediately if it is not probable that they will be recovered.

Where turnover recognised is in excess of the amount billed to a customer to date, a contract asset is recognised. Where turnover is below the amount billed to date a contract liability is recognised.

Impact on profit or loss

Impact on profit for the year ended 31 December 2017:		£'000
Revenue		
• Increase due to change to cost based revenue recognition	(1)	1,025
Cost of sales		
• Decrease due to change to cost based revenue recognition	(2)	1,806
Increase in profit for the year		2,831
Profit for the year as previously reported		3,491
Profit for the year		6,322

Impact on assets, liabilities and equity as at 1 January 2017

	As previously reported £'000	Adjustments £'000	As restated £'000
Debtors	197,035	4,756	201,791
Profit and loss reserve	78,150	4,756	82,906

Impact on assets, liabilities and equity as at 31 December 2017

	As previously reported £'000	Adjustments £'000	As restated £'000
Debtors	137,673	7,587	145,260
Profit and loss reserve	87,098	7,587	94,685

(1) Revenue accrual adjustment to cost based revenue resulted in additional Contract Assets for the difference between revenue and billing which will be cleared when milestone billing is invoiced to customer.

(2) Cost of sales adjustment resulting in increase in costs recoverable on contracts.

Boeing Defence UK Limited

Notes to the financial statements

3 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.

Critical judgements in applying the Company's accounting policies

It is the view of the Directors that there are no critical judgements in applying the Company's accounting policies.

Key source of estimation uncertainty - Asset impairment

The Company holds tangible fixed assets on the balance sheet with a net book value of £9,488,000 (2017: £11,584,000) relating to flight simulation equipment (see note 12) that supports the C17 training contracts. Key estimations were used to determine the forecast cash flows for the existing contracts, and anticipated future contracts up to 2029.

These assets have been reassessed for impairment resulting in full release of the past impairment in 2016. The key assumption was that existing contracts will roll forward through the life of the asset. Anticipated revenue estimations have been based off current contract levels, rolling forward with an annual inflationary estimate of 2% per annum. The MoD owns eight C17 aircraft and NATO own three C17 aircraft, with an expectation that these aircraft will remain within their fleets for approximately 20-30 years. Training is a pre-requisite required to support these aircraft, and the Company is the only training facility within Europe. Costs are mainly known and fixed in nature, predominately accounted for by leases or salaried labour costs. An inflationary cost rise has been applied of 2% per annum.

Boeing Defence UK Limited

Notes to the financial statements

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key source of estimation uncertainty – Onerous contracts

The revenue reported by the Company is derived from long-term service contracts, and its policies are further explained within accounting policies notes for both Turnover (note 1.g) and long-term contracts for services rendered (note 1.h). Each project's assessment of revenue and margin is supported by a detailed approval process on either a quarterly or annual basis, with senior management challenging the key inputs to the Estimate to Completion (EAC) model for the contract's lifecycle. Actual results are confirmed against those reported in the Company's accounts. Future revenue and costs require an element of judgement; management evaluate risks and opportunities and ensure they assess all areas of information available to them when approving each EAC model. If the Company has an onerous contract (where unavoidable costs of meeting an obligation exceed the economic benefits expected to be received), the present obligation under the contract should be recognised and measured as a provision.

The Company identified one contract last year as onerous and has measured the provision at the best estimate of the amount required to settle the contract obligation. The discounted future cash flows of the estimated contract loss has created the value of the provision which is held in Provision for liabilities (see note 17) at the end of the year and is valued at £9,615,000 with £5,293,000 provision utilised in the year as expected.

4 Turnover

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

	Restated	
	2018	2017
	£'000	£'000
Turnover:		
UK	279,698	280,210
USA	25,594	27,489
	305,292	307,699

	Restated	
	2018	2017
	£'000	£'000
An analysis of the Company's turnover by category is as follows:		
Rendering of services	305,292	307,699

Boeing Defence UK Limited

Notes to the financial statements

5 Finance costs (net)

	2018 £'000	2017 £'000
Bank interest receivable	618	179
Total finance income	618	179
Interest charged on finance lease agreements	(307)	(370)
Total finance cost	(307)	(370)
Unwinding of discounts on provisions (see note 17)	559	(287)
Net interest on defined benefit pension liability	130	(53)
Other finance income/(costs)	689	(340)
Net finance income/(costs)	1,000	(531)

6 Profit on ordinary activities before taxation

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation – owned assets	3,822	2,710
Depreciation – assets held under finance lease agreements	1,442	1,599
Provision for onerous contract	-	22,280
Rentals under operating leases:		
– land and buildings	3,721	4,214
– other	545	558
Foreign exchange loss	3,110	1,231
Research and development expenditure credit	(373)	(1,524)
Auditor's remuneration – audit fees	200	182

Impairments and reversal of impairments of fixed assets are included in administrative expenses.

Boeing Defence UK Limited

Notes to the financial statements

7 Staff numbers and costs

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

	2018	2017
	No.	No.
Management and executives	112	120
Professional and administrative staff	1,079	1,062
	1,191	1,182

Their aggregate remuneration comprised:

	2018	2017
	£'000	£'000
Wages and salaries	70,531	61,600
Social security costs	8,374	6,616
Other pension costs	5,214	5,576
	84,119	73,792

8 Directors' remuneration and transactions

	2018	2017
	£'000	£'000
Directors' remuneration		
Aggregate emoluments	3,361	2,230
Contributions to defined contribution pension schemes	31	54
	3,392	2,284

The number of directors for whom pension contributions are paid is: 5 (2017: 5).

	2018	2017
	£'000	£'000
Highest paid director		
Aggregate emoluments and benefits	1,222	848
Contributions to defined contribution pension schemes	-	-
	1,222	848

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

Boeing Defence UK Limited

Notes to the financial statements

9 Tax on profit on ordinary activities

	2018	Restated 2017
	£'000	£'000
Analysis of tax charge in the year		
Current tax on profit on ordinary activities		
UK corporation tax	7,006	1,241
Adjustments in respect of prior periods	122	411
Total current tax	7,128	1,652
Deferred tax		
Origination and reversal of timing differences	(508)	(102)
Adjustments in respect of prior periods	252	59
Effect of changes in tax rates	70	(66)
Total deferred tax (see note 11)	(186)	(109)
Total tax on profit on ordinary activities	6,942	1,543

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% (2017: 19.25%) for the reasons set out in the following reconciliation:

	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	26,605	7,865
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.25%)	5,055	1,514
Factors affecting tax charge for the year:		
Impact of changes in accounting policy	1,441	(545)
Expenses not deductible for tax purposes	21	23
Capital allowances in excess of depreciation	431	(37)
Short-term timing differences	58	287
Prior period adjustments	122	470
Movement on deferred tax in period	(186)	(169)
Total tax charge for the year	6,942	1,543

Boeing Defence UK Limited

Notes to the financial statements

10 Share-based payments

The Company issues cash-settled share-based payments to certain employees, as part of the long term incentive programme, which requires the Company to pay the intrinsic value of these share-based payments to the employee at the date of exercise.

The Company recorded total expenses in the year of £638,798 (2017: £1,280,078). The carrying value of the associated liability was £1,514,896 (2017: £1,497,710), of which £696,128 is within accruals and other deferred income and £818,768 is reported within Creditors: amounts falling due after more than one year (see note 16).

The Company has two arrangements of shared-based payments, which are the Restricted Stock Units (RSU) and the Performance-based Restricted Stock Units (PBRSU).

Restricted Stock Units

RSUs are valued based on Boeing stock, but stock is not issued at the time the award is granted or at the end of the performance period. The RSUs are paid out in cash by the local country entity. The target RSU value granted is calculated based on a percentage of prior December 31 annual base salary in local currency. The number of RSUs awarded is fixed on the grant date but earn dividend equivalents.

The RSUs have time-based vesting only, and after the three year performance period, or earlier upon termination of employment due to retirement, death, disability or layoff, the RSUs are 100% vested, and the Company pays the distribution in cash to the recipient.

Performance-based Restricted Stock Units

PBRsUs are valued in terms of Boeing stock, but stock is not issued at the time the award is granted or at the end of the performance period. The PBRsUs are paid out in cash by the local country entity. The annual target PBRsU value granted is calculated based on a percentage of prior December 31 base salary in local currency. The number of PBRsUs awarded is fixed on the grant date but earn dividend equivalents.

PBRsUs are restricted stock units that vest based on the achievement of relative Total Shareholder Return (TSR) over the three year performance period, as measured against the performance of a peer group of companies, along with a three year service requirement for vesting unless service ends earlier due to retirement, death, disability or layoff.

Boeing Defence UK Limited

Notes to the financial statements

11 Investment in Subsidiary

	2018	2017
	£'000	£'000
Cost of subsidiary undertakings	14,705	-

The Company has investments in the following subsidiary undertakings:

	Principal activity	Country of incorporation	Registered office address	Holding	%
Aviation Training International Ltd	Attack Helicopter Training Service	United Kingdom	25 Victoria Street, London, England, SW1H 0EX	Ordinary shares	50%

On 31 December 2018 the company acquired a 50% shareholding in Aviation Training International Ltd from Leonardo MW Limited.

The company subsequently increased its shareholding from 50% to 100% in May 2019, and now controls the company (see note 22).

Boeing Defence UK Limited

Notes to the financial statements

12 Tangible fixed assets

	Land and buildings £'000	Fixtures and fittings £'000	Factory machinery £'000	Office equipment £'000	Programme specific equipment £'000	Assets under construction £'000	Total £'000
Cost							
At 1 January 2018	9,540	1,454	-	9,273	21,529	1,043	42,839
Additions	-	-	-	-	-	3,688	3,688
Transfers	1,779	1	507	723	-	(3,010)	-
Disposals	-	-	-	-	-	(77)	(77)
At 31 December 2018	11,319	1,455	507	9,996	21,529	1,644	46,450
Accumulated depreciation							
At January 2018	4,981	1,017	-	6,197	12,041	-	24,236
Charge for the year	2,028	128	57	1,170	1,881	-	5,264
Disposals	-	-	-	-	-	-	-
At 31 December 2018	7,009	1,145	57	7,367	13,922	-	29,500
Net book value:							
At 31 December 2018	4,310	310	450	2,629	7,607	1,644	16,950
At 31 December 2017	4,559	437	-	3,076	9,488	1,043	18,603

Land is not depreciated.

Assets held under finance leases

The Company has leased flight simulator training equipment on a lease which is considered to meet the definition of a finance lease and has been accounted for accordingly. Specific leasing arrangements include a fixed and firm monthly lease rate denominated in US Dollars for the duration of the agreement, and a termination for convenience schedule should the Company serve notice against this agreement before the end of the term in 2027.

Leased assets included in programme specific equipment:

Net book value:

At 31 December 2018	-	-	-	-	5,938	-	5,938
At 31 December 2017	-	-	-	-	7,381	-	7,381

Boeing Defence UK Limited

Notes to the financial statements

13 Deferred taxation

	2018 £'000	2017 £'000
Movement on deferred tax asset/(liability) in the year		
Opening balance	(96)	913
Movement to the profit and loss account (see note 8)	186	109
Changes in tax rates relating to pension asset/(liability)	159	(1,118)
Closing asset/(liability)	249	(96)
	2018 £'000	2017 £'000
Deferred tax is provided as follows:		
Depreciation in excess of capital allowances	799	666
Deferred tax arising in relation to retirement benefit obligations	(647)	(874)
Other short-term timing differences	97	112
Closing asset/(liability)	249	(96)

During the year beginning 1 January 2019, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £385,000 (2017: £345,000 decrease). This primarily relates to the reversal of timing differences on acquired tangible assets and capital allowances through depreciation.

14 Debtors

	2018 £'000	Restated 2017 £'000
Amounts falling due within one year:		
Trade debtors	22,274	11,508
Amounts owed by group undertakings	-	213
Amounts recoverable on contracts	54,697	116,846
Pre contract costs	12,654	7,899
VAT receivable	3,779	1,496
Other debtors	4,363	2,194
Corporation tax receivable	-	2,862
Deferred tax (see note 11)	249	-
Prepayments and other accrued income	4,202	2,242
	102,218	145,260
Amounts falling due after one year:		
Amounts recoverable on contracts	1,208	-

Boeing Defence UK Limited

Notes to the financial statements

14 Debtors (continued)

All inter-company debtors are unsecured, interest free and are repayable on demand.

15 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	2,254	1,893
Amounts owed to group undertakings	8,415	2,102
Payments received on account	30,641	62,792
Obligations under finance leases	1,440	1,330
Deferred tax payable (see note 13)	-	98
Corporation tax payable	115	-
Other taxation and social security	1,814	2,045
Other creditors	15,669	15,474
Accruals and other deferred income	6,537	14,993
	66,885	100,725

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

16 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Obligations under finance leases	12,193	12,875
Accruals and other deferred income	1,759	1,409
Liability for shared-based payments (see note 10)	1,243	697
	15,195	14,981

Included within accruals and other deferred income is £1,092,000 (2017: £312,000) relating to bonuses due after more than one year.

The finance lease expires in August 2027.

Boeing Defence UK Limited

Notes to the financial statements

16 Creditors: amounts falling due after more than one year (continued)

Finance leases are repayable as follows:

	2018 £'000	2017 £'000
Minimum lease payments		
Within one year	1,734	1,637
In the second to fifth inclusive	6,936	6,550
After five years	6,358	7,641
	15,028	15,828
Less: future finance charges	(1,394)	(1,623)
Present value of lease obligations	13,634	14,205

	2018 £'000	2017 £'000
Present value of minimum lease payments		
Within one year	1,440	1,330
In the second to fifth inclusive	6,098	5,630
After five years	6,096	7,245
	13,634	14,205

17 Provisions for liabilities

	Onerous Contract £'000	Dilapidations £'000	Total £'000
At 1 January 2018	14,908	2,435	17,343
Charged to profit and loss account	-	754	754
Utilisation of provision	(5,293)	-	(5,293)
At 31 December 2018	9,615	3,189	12,804

The onerous contract provision is based on the discounted cash flows of the expected future loss and will be utilised over the remainder of the contract.

Boeing Defence UK Limited

Notes to the financial statements

18 Called up share capital and reserves

	2018	2017
	£'000	£'000
Called up, allotted and fully paid		
8,783,089 Ordinary shares of £1 each	8,783	8,783

The Company's other reserves are as follows:

The capital contribution contains the premium arising on issue of equity shares, net of issue expenses.

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

19 Financial 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
	£'000	£'000	£'000	£'000
Within one year	4,327	333	4,259	493
Between one and five years	9,896	219	12,154	342
After five years	4,043	-	5,066	-
	18,266	552	21,479	835

Total future minimum lease rental income under non-cancellable operating leases is as follows:

	2018	2017
	£'000	£'000
Within one year	476	476
Between one and five years	714	1,190
	1,190	1,666

Contingent rental income for the year was £79,000 (2017: £90,000).

The Company holds a bank guarantee facility of £1,500,000 (2017: £1,500,000).

Boeing Defence UK Limited

Notes to the financial statements

20 Employee benefits

Defined contribution schemes

The Company operates three defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are held separately from those of the Company in a Group Stakeholder Scheme.

The total cost charged to profit and loss of £3,999,000 (2017: £3,893,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

The Company became an Admitted Body in the Staffordshire Local Government Pension Scheme as a result of contract award in April 2016 and commenced contributions for the staff that transferred under TUPE protection. The Company has secured a deficit liability risk mitigation agreement and has a fixed annual contribution on the annual payroll. The total cost charged to the profit and loss account was £322,000 (2017: £424,000).

Defined benefit schemes

The Company operates defined benefit schemes for qualifying employees, who were previously employees of the UK Ministry of Defence. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2017 by Mr. Mat Backus, Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The Prudential Platinum Pension scheme actuary is Mr Chris Harden of Xafinity Consulting Limited.

	2018	2017
	%	%
Key assumptions and dates used for measurements:		
Discount rate	3.1	2.8
Price inflation (RPI)	3.4	3.4
Pensionable salary increase	2.9	3.9
Future pension increases	3.1	3.1
Deferred pensioner revaluation	3.4	3.4
Scheme participant census date	31 Dec 18	31 Dec 17

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Company's defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates.

Boeing Defence UK Limited

Notes to the financial statements

20 Employee benefits (continued)

	2018 Years	2017 Years
The assumed life expectations on retirement at age 65 are:		
Retiring today:		
Males	21.8	21.7
Females	23.7	23.6
Retiring in 15 years:		
Males	22.5	22.5
Females	24.6	24.5
The asset arising from the Company's obligations in respect of its defined benefit retirement schemes is as follows:	2018 £'000	2017 £'000
Present value of defined benefit obligations	(29,677)	(29,749)
Fair value of scheme assets	33,483	34,890
Net asset recognised in the balance sheet	3,806	5,141
Movements in the present value of defined benefit obligations were as follows:	2018 £'000	2017 £'000
At 1 January	(29,749)	(32,158)
Service cost	(1,285)	(1,794)
Interest cost	(856)	(876)
Actuarial gains and losses	2,068	4,570
Contributions from scheme participants	(51)	(64)
Benefits paid	1,009	573
Termination benefits	(813)	-
At 31 December	(29,677)	(29,749)
Movements in the fair value of scheme assets were as follows:	2018 £'000	2017 £'000
At 1 January	34,890	31,252
Interest income	986	823
Return on scheme assets (excluding amounts included in net interest cost)	(3,006)	2,004
Contributions from the sponsoring Company	1,681	1,429
Contributions from scheme participants	51	64
Benefits paid	(1,009)	(573)
Administrative expenses paid	(110)	(109)
At 31 December	33,483	34,890

Boeing Defence UK Limited

Notes to the financial statements

20 Employee benefits (continued)

The analysis of the scheme assets at the balance sheet date was as follows:

	2018 £'000	2017 £'000
Fair value of assets		
Equity securities	15,302	15,945
Debt securities	17,512	18,282
Other	669	663
	33,483	34,890

21 Ultimate parent company and controlling party

The immediate and ultimate parent company, controlling party and smallest and largest group of which the Company is a member for which group accounts are prepared is The Boeing Company, a company incorporated in the State of Delaware, USA. Copies of the group consolidated accounts can be obtained from the registered address of The Boeing Company, 100 North Riverside Plaza, Chicago, Illinois, 60606, USA..

22 Post Balance Sheet Event

On 8 January 2019 the Company submitted a formal notification to the MoD that it wishes to novate ATIL's sole contract – H12B/657 Attack Helicopter Training Service (AHTS) – to BDUK.

On 1 May 2019 the employees of ATIL were TUPE transferred to BDUK to support the AHTS contract and 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.

On 2 May 2019, the company acquired the remaining share capital in Aviation Training International Limited (a company registered in England & Wales, no. 03490323) from The Boeing Company (the company's ultimate parent). The company increased its shareholding from 50% to 100% and now controls the company.

On 3 June 2019 the novation agreement with the MoD was signed allowing the contract to formally novate to BDUK.

On 5 September the company entered into an Asset Purchase Agreement to hive up the assets of Aviation Training International Limited into Boeing Defence UK Limited, furthermore it is the Directors' intention to liquidate the Aviation Training International Limited entity in the near future.