

**Boeing Defence UK Limited**

**Annual report and financial statements**

**for the year ended 31 December 2020**

Registered number: 01290439



## **Boeing Defence UK Limited**

### **Annual report and financial statements for the year ended 31 December 2020**

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## **Boeing Defence UK Limited**

### **Officers and Professional advisers**

#### **Directors**

S Burnell

I McNeil

R Sikora

M Griffiths

A Keeling

Sir M E Donnelly

S Parker

#### **Company secretary**

S Jones

#### **Registered office**

25 Victoria Street

London

SW1H 0EX

#### **Bankers**

Barclays Bank plc

Leicester

Leicestershire

LE87 2BB

#### **Independent auditor**

Deloitte LLP

Bristol

BS1 6GD

## **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 (TBC); 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 measure of meeting its strategy and objectives.

#### **Review of the business**

The business has performed well executing on its existing contracts and post year end has secured some significant new contracts on the P8, E7 and C17 platforms.

The Company continued to perform well on the 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. The Company continues preparation for its bid for the follow on contract.

The Company also continued to perform well in support of the Chinook Through Life Customer Support (TLCS) contract. Pricing Period 3 with a period of performance of 5 years completed in March 2020 and the follow on contract TLCS2 started up in April 2020. The TLCS2 contract, awarded under the UK MOD Single Source Regulatory Framework as a Qualifying Defence Contract (QDC), has a period of performance of 6 years. The contract supports the UK fleet of 60 Chinook aircraft. The Boeing Company provides support to BDUK for the performance of this contract providing material and labour services. Performance on the contract remains strong.

## **Boeing Defence UK Limited**

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

#### **Review of the business (continued)**

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. The initial pricing period ended on 31 March 2020 and the follow on contract commenced in April 2020 and runs for a 6 year period.

During 2020 the Company completed activity to build a Strategic Facility at RAF Lossiemouth which will house the nine P-8A aircraft. The building was completed in July 2020 and accepted by the customer. The fifth of nine P-8A aircraft touched down in February 2021. The Company began to execute the interim support contract and in April 2021 was awarded the 5 year support and training contracts.

The Company continued to facilitate the E7 contract in conjunction with its parent TBC, providing project and customer management support. In March 2020 BDUK was awarded a contract to provide five E-7 Airborne Early Warning and Control (AEW&C) aircraft to the Royal Air Force, however this has subsequently been reduced to three. The Company is currently bidding on the next stages of the infrastructure and support contracts. The first aircraft arrived in the UK on 7<sup>th</sup> January.

The Company is also in the final stages of its bid for Apache Long Term Training and Support Service (LTTSS) service for the UK MOD's fleet of 50 new Apache AH-64E attack helicopters. BDUK currently provides training on the existing D Model helicopters under the Attack Helicopter Training Service, a contract it novated from Aviation Training International Limited (ATIL) in 2020.

#### **Acquisition of Aviation Training International Limited**

On 8 December 2020 ATIL declared and paid a dividend of £163,190 to BDUK. It is management's intention to liquidate the ATIL entity which is expected to happen in the second half of 2021.

## Boeing Defence UK Limited

### Strategic report (continued)

#### Key Performance Indicators

Performance against key financial performance indicators for 2020 and 2019 was as follows:

Key Performance Indicator	Actual 2020 £'000	Actual 2019 £'000
Turnover	369,099	352,072
Operating Profit	54,153	50,975

Turnover for the period increased versus the prior year. Key changes in turnover resulted from lower activity on the P8A facility offset by increased revenue on E7 and AHTS. The TLCS contract generated more revenue year over year. Revenues were slightly higher on the CESA contract deliverables but saw an improved margin. All other contract deliverables were broadly similar to the prior year.

Operating profit has increased in the period primarily due to the improved performance on the SCIS, AHTS and CESA contracts, as well as the impact of new contracts like E7 coming online.

Key Performance Indicator	Actual 2020	Actual 2019
Permanent and contract staff headcount at year end	1,389	1,360

The permanent and contract staff headcount has increased due to the growth in the business, continued hiring is planned for 2021 in order to support the new contracts awarded and currently bidding on.

The business continues to perform well on its quality accreditations.

## Boeing Defence UK Limited

### Strategic report (continued)

#### 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 in the year.  The Company has won a number of sole-source Qualifying Defence Contracts, the mix is expected to continue to shift in the future.	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. The customers have faced impacts as a result of COVID-19, however this has not materially impacted their ability to pay. 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 is able to draw on support from The Boeing Company if necessary. The Company continues to generate significant cash, the working capital position is reviewed on a periodic basis with the Directors.
Foreign currency	Volatility of profits due to fluctuations in foreign exchange rates.	As a result of new contracts an increasing proportion of costs and revenues are denominated in United States Dollar (USD) and Australian Dollars (AUS).	The Company's exposure to foreign exchange risk is minimised by matching foreign denominated costs and revenues. The majority of the Company's contracts are predominantly denominated in GBP. In some circumstances hedges are taken out to mitigate the risk.

## 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.
COVID-19	The global pandemic has resulted in a number of social distancing and cleaning requirements for businesses, BDUK has been able to continue to operate under these requirements with minimal impact to servicing its contracts. Employees have been encouraged to work from home wherever possible.	The future impact of COVID-19 is uncertain, the rollout of the vaccine program in the UK has meant that restrictions have gradually eased.	BDUK and the wider Boeing Company continue to monitor the situation. BDUK started a task force that has tracked the government guidance closely, monitored employees with actual or suspected cases of COVID-19, put in place measures to operate under social distancing at all sites, encouraged all employees to work from home where possible and engaged with the customer to ensure there are no impacts to contracts or service delivery.
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. Relatively minor impact to BDUK.	The Integrated Review was published on 16 March 2021. 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:

- Support and training contracts for the fleet of nine P8 Maritime Surveillance aircraft stationed at RAF Lossiemouth were awarded in April 2021
- Bidding on training and support contracts for the new UK Apache E model fleet
- BDUK has begun executing the TLCS2 contract in April 2020, a Qualifying Defence Contract
- BDUK has begun executing the follow on CESA contract
- BDUK was awarded the next stage of the infrastructure (at RAF Lossiemouth alongside the P8 Fleet) and support contracts to support the purchase of five E-7 Airborne Early Warning and Control aircraft, and continues to bid of future stages.
- Preparing the bid for customer requirements following the end of the SCIS contract
- BDUK continues to explore opportunities in the autonomous market

Combined these activities are set to drive significant growth for the 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 2020.

#### **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.

#### **Brexit**

The company carried out extensive Brexit risk mitigation and management as part of preparations for any outcome, including no deal. The company has not yet observed any significant business impact resulting from Brexit since the end of the transition period, including across the identified key risk areas of supply chain, regulatory (aviation safety, chemicals, data), movement of people and trade controls. The Company is continuing to monitor for new or emergent risks as the EU and UK continue to work through the details of their new relationship, and as the aviation and aerospace sectors recover from the global pandemic.

## **Boeing Defence UK Limited**

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

#### **Climate change**

Boeing recognises climate change is a fundamental global challenge, and as we enable people to move freely across the planet we recognise the need to reduce the impact of flying. We are reducing carbon emissions and using resources efficiently through innovative solutions across our product life cycle, in our factories and at work sites.

Boeing's 2020 Global Environment Report includes our Global 2025 Strategy for Environmental Leadership and metrics and targets for emissions, water and electricity consumption and waste reductions.

<https://www.boeing.com/principles/environment/report/index.page>

#### **Customer and supplier engagements**

The Directors have a continuous dialogue with the business' main customer the UK Ministry of Defence, engaging in discussion on short term performance objectives and measurement against KPI's, as well as feeding into the longer term strategic reviews by the MOD and UK Government.

The Indirect and Direct Supply Chain Management organisations within BDUK works closely with suppliers to review operational performance and on time payment metrics.

#### **COVID-19**

In December 2019, a novel strain of coronavirus emerged in Wuhan, China. By February 2020, the 2020 novel coronavirus ("COVID-19") had spread around the world. The outbreak and efforts to contain it have significantly impacted the global economy. The UK Defence and Security sector which BDUK operates in has been less affected.

Given the importance of BDUK's contracts to the Ministry of Defence, all contracts and sites supporting them have been able to operate under the Government restrictions. The Defence market has yet to see an impact, the industry works on long term timescales. The UK Government recently announced an increase in Defence spending over the next four years.

Due to the vaccination program in the UK the Government has gradually eased restrictions, BDUK continues to take the recommended measures at all sites to ensure the safety of its employees and stakeholders and has been able to continue operating without interruption.

The Directors are confident that BDUK has sufficient capital and liquidity to operate independently of support from its parent.

#### **Political contributions**

The company has made £Nil contributions to Political Parties in year (2019 £Nil).

## **Boeing Defence UK Limited**

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

#### **Section 172(1) statement**

Section 172(1) of the Companies Act 2006 requires that a Director of a company must act in the way that they consider, in good faith, would be most likely to promote the success of the company

for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term,
- b. the interests of the Company's employees,
- c. the need to foster the Company's business relationships with suppliers, customers and others,
- d. the impact of the Company's operations on the community and the environment,
- e. the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f. the need to act fairly as between members of the Company.

The directors of Boeing Defence UK (BDUK) believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2020.

#### **a. the likely consequences of any decision in the long term,**

The Boeing Company sets out the group's values, policies and processes and the principles of good governance to which all Group subsidiaries must follow. Decisions affecting a subsidiary are required to be taken in line with these policies and with the engagement of the Business Unit management teams, including in accordance with applicable delegations of authority, and in accordance with applicable law.

The Company provides services and in support of the following Boeing's Business Units:

- Boeing Global Services (BGS)
- Boeing Defence Space & Security (BDS)

All decisions that affect current or future contracts are discussed with appropriate levels of Business Unit management to ensure they align with their Long Term Strategic Objectives.

The President of Boeing International (all non-US legal entities) sits on the Boeing Group's Executive Council and is responsible for ensuring that International entities are aligned to the Group's objectives.

The BDUK board acting in conjunction with senior business unit leadership ensures that it is aligned to the Group's international objectives.

The Boeing Company's businesses each produce a Long Range Business Plan, a financial forecast for the current year and financial projections for the next five years that considers Orders, Revenue, Earnings and Cash. The directors of the Company review and provide input towards the Long Range Business Plan. The Directors are responsible for considering both current and future risks and opportunities. In so doing the directors take into account to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the long term and the long-term reputation of the Company and its businesses.

## **Boeing Defence UK Limited**

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

#### **Section 172(1) statement (continued)**

##### **b. the interests of the Company's employees,**

*Colleague engagement is critical to our success and to ensure the long term sustainability of delivering the innovation needed to solve our customers' complex challenges. We work to create a diverse and inclusive workplace where every employee can reach their full potential and be at their best. We engage with our people to ensure we are delivering to their expectations, supporting wellbeing and making the right business decisions.*

Our employees are kept informed about what is happening across the business through emails, our intranet and news portal, leadership all-hands meetings and briefings. Employees are encouraged to ask questions, speak to their management and share their views through all of these channels and our employee survey, the results of which are reviewed by the Board and Senior Leadership to inform decision making and implement improvement action plans delivered by individual managers tailored to meeting in the interests of our employees.

With the onset of COVID-19 during 2020 the Company initiated an Incident Management Team to respond to the issues of the pandemic and ensure the safety and wellbeing of its employees whether they are working from home or in the workplace. The Company provided flexibility to its employees through allowing Company equipment to be used from home where required and introducing safety procedures within the workplace in line with or exceeding the government requirements. As we start to look towards returning to the workplace the Company are exploring options for new flexible/hybrid working patterns that will provide employees an enhanced work-life balance as we move towards the new normal.

The Company has also been increasing its focus on Gender, Equity, Diversity and Inclusion (GEDI) and TBC published its first Public Report in April 2021. To improve communications in May 2021 TBC launched a focus on Seek, Speak and Listen habits aimed at all employees to improve business outcomes and create stronger teams. The Company also prepares and publishes its Gender Pay Gap reporting and the directors use this data to develop strategies for enhancing all aspects of GEDI. All of these Boeing focus areas are supported, adopted and implemented by the directors of the Company.

We offer an extensive range of professional development and career enhancing learning opportunities for free and heavily subsidised for external education partners. Furthermore, our employees and their families have unlimited access to a confidential, independent assistance resource, that offers the support of a professional who's trained to help with life's difficulties.

The Company has a continuing policy of giving disabled people full consideration for all job vacancies for which they offer themselves as suitable applicants. Wherever practical the Company maintains the employment of those employees who become disabled and offers appropriate training. In the UK, the Company meets the requirements of the Disability Discrimination Act 1995.

## **Boeing Defence UK Limited**

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

#### **Section 172(1) statement (continued)**

##### **c. the need to foster the Company's business relationships with suppliers, customers and others,**

###### **Suppliers**

Our external supply chain and our inter-company suppliers are vital to our performance. We engage with them through performance reviews, face-to-face meetings and integrated project teams to build trusting relationships from which we can mutually benefit and to ensure they are performing to our standards and conducting business to our expectations.

The Company's supplier relationships are often long-term due to the length of the product life-cycles. **Directors meet with key suppliers and work with the group's procurement function to develop** deeper relationships with business in the supply chain and develop strategic relationships with key suppliers.

The directors recognise that our suppliers who are classified as Small to Medium sized Enterprises (SME's) are often dependent on large organisations like Boeing to manage their cash flow, as a result the directors have been focused on maintaining prompt payment to all suppliers.

We apply a structured and professional competitive process to all procurement activity and provide transparency to the customer through agreed sub-contract competition plans.

###### **Customers**

Focusing on the needs of our customers is critical to the success of our business. We collaborate and innovate with our customers to improve product performance and drive value through continuous dialogue.

Our primary customer is the UK Government Ministry of Defence. Strong and collaborative relationships with our principal customer helps us to identify its requirements and to help position the Company as a trusted provider.

The Directors and Senior leaders of BDUK regularly meet with their UK Government Ministry of Defence counterparts to discuss strategy, new opportunities, new technologies and day-to-day operational requirements including adherence to customer Key Performance Indicators. We also support the Ministry of Defence's **Supplier Relationship Meetings** which conduct a thorough and in-depth review of performance on each Platform/Program supported by the business.

###### **Others - End Users**

Our end users are often members of the UK's Ministry of Defence and Armed Forces. We work very closely with the people who use our products and services, in many instances alongside them at their facilities or bases. The quality of our products and services, the safety and security of those using them, and the reliability and responsiveness of our teams to rectify issues quickly is important.

## **Boeing Defence UK Limited**

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

#### **Section 172(1) statement (continued)**

##### **Others - Shareholders**

The Company is 100% owned by The Boeing Company. The Directors work to ensure that Business Unit management have a strong understanding of our strategy, performance, ambition and culture. This is achieved through:

- regular reporting of financial performance;
- joint customer visits by local and divisional management;
- representation at senior divisional and cross-geographical leadership teams; and
- delegation of authority

##### **Others - Governing bodies and regulators**

We engage with national governments, agencies, key politicians and regulators to ensure that we can provide appropriate input on policy and ensure local engagement and investment. It is important to have regular dialogue with those that impact the regulations which can influence our business.

An example of this engagement is demonstrated through the Companies collaboration with the UK Ministry of Defence jointly investing in a strategic facility for the P-8A maritime patrol aircraft at RAF Lossiemouth in Scotland, growing the local aerospace sector, creating jobs and driving innovation.

#### **d. the impact of the Company's operations on the community and the environment,**

The directors recognise the importance of leading a company that not only generates value for shareholders but also contributes to wider society. We recognise that our operations have an impact on the environment – from the energy and resources we use, to the products we supply and the waste that we generate. As an organisation, The Boeing Company is committed to reducing the environmental impact of our operations and products, minimising our environmental footprint and, in turn, decreasing our operational costs.

Boeing recognises climate change is a fundamental global challenge, and as we enable people to move freely across the planet we recognise the need to reduce the impact of flying. We are reducing carbon emissions and using resources efficiently through innovative solutions across our product life cycle, in our factories and at work sites.

Boeing's 2020 Global Environment Report includes our Global 2025 Strategy for Environmental Leadership and metrics and targets for emissions, water and electricity consumption and waste reductions.

<https://www.boeing.com/principles/environment/report/index.page>

At a local level we are committed to building positive relations with the communities in which we operate. We support communities and groups, local and relevant to our operations, in a variety of ways including fundraising (some funds are eligible for company matched giving) and volunteering.

We form long-term strategic partnerships with national and regional charities, prioritising the needs of veterans and their families, workforce readiness development and STEM as well as nourishing local communities connected with individual company sites across the UK and Ireland. Each year Boeing invests with community partners, to support programmes, resourcing, initiatives and staff costs that make a real difference to the communities in which we live and work.

## Boeing Defence UK Limited

### Strategic report (continued)

#### Section 172(1) statement (continued)

**e. the desirability of the Company maintaining a reputation for high standards of business conduct**

The Boeing Company recognises the importance of being a leader in business conduct, which enables us to maintain stakeholder trust, improve business success and instil confidence in our customers and end users in our products. The Boeing Company expects all employees to adhere to The Boeing Values.

<https://www.boeing.com/principles/values.page>

All employees of The Boeing Company and its affiliates are expected to act in accordance with the requirements of policies, including the Code of Conduct, at all times. This reduces the risk of compliance failure and facilitates our talent management goals.

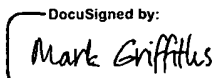
Detailed information on the Boeing group-wide business conduct processes and policies are described in The Boeing Company's Annual Report.

<https://investors.boeing.com/investors/financial-reports/default.aspx>

**f. the need to act fairly as between members of the Company,**

The company only has one member, The Boeing Company. During the year there was no actual or potential conflict between the interests of its member and the Company

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
26334089B59A4D3...

**Mark Griffiths**  
**Director**

28 September 2021

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 2020.

#### **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 7 and form part of this report by cross-reference.

#### **Events after the balance sheet date**

No events requiring disclosure.

#### **Going concern**

The Directors have assessed whether the business can operate for 12 months from the signing of these accounts. The following factors have been considered:

- The financial position of the business – the business has net assets £127m and net current assets of £119m. This puts the company in a strong financial position to meet its liabilities as they fall due.
- Working capital and liquidity – the business has cash and cash equivalents of £177m giving sufficient liquidity to meet day to day working capital requirements and the ability to service current and future contracts
- Contracts – as disclosed on page 7 the company has significant long term contracts and is involved in a number of bids for future long term contracts
- Financial forecasts and sensitivity – the company is expected to be cash generative and profitable in the next 12 months under a range of scenarios, including a reasonable worst case scenario.
- Impact of Brexit and COVID – minimal impact on short term prospects, see pages 7 to 8 for further detail.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.



## Boeing Defence UK Limited

### Directors' report (continued)

#### Streamlined Energy and Carbon Reporting (SECR)

In line with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") Boeing Defence United Kingdom Limited has implemented the government's policy on Streamlined Energy and Carbon Reporting (SECR). This is the first year in which this disclosure is required.

Boeing Defence United Kingdom Limited can report the emission figures below, calculated using the UK government's emissions factor guidance. The report corresponds with our financial year and reflects emissions and consumption from the leased and controlled assets for which Boeing Defence United Kingdom Limited is responsible. This includes purchased or indirectly charged gas and electricity, kerosene for heating purposes and business vehicle travel.

<b>Emissions (tCO<sub>2</sub>e)</b>	<b>(Baseline Year) 2020</b>
Scope 1 - Vehicle	269
Scope 1 - Gas	525
Scope 1 - Kerosene	28
Scope 2 - Electricity	1,128
Scope 3 – Upstream & Downstream	Not Reported
<b>Total tCO<sub>2</sub>e (Net)*</b>	<b>1,652</b>
<b>Total tCO<sub>2</sub>e (Gross)</b>	<b>1,949</b>

\*Net emissions take into account emission reduction through renewable electricity provision

<b>Energy Use (Millions kWh)</b>	<b>(Baseline Year) 2020</b>
Scope 1 - Vehicle	1.10
Scope 1 - Gas	6.89
Scope 1 - Kerosene	0.11
Scope 2 - Electricity	4.84
Scope 3 – Upstream & Downstream	Not Reported
<b>Total KWH</b>	<b>12.94</b>

<b>Intensity Measures</b>	<b>(Baseline Year) 2020</b>
KG CO <sub>2</sub> e per sqft from gas and electricity consumption	9.4
KG CO <sub>2</sub> e per head generated from vehicle usage	412.2

## **Boeing Defence UK Limited**

### **Directors' report (continued)**

#### **Energy Efficiency Action**

Boeing Defence United Kingdom Limited is committed to continually investing in the necessary resources to help achieve further carbon emission reduction and has signed up to the UK Government Net Zero 2050 target. The following actions were taken in 2020 to reduce carbon emissions:

- 298 tonnes of CO<sub>2</sub> emissions from electricity usage were mitigated by switching to REGO backed wind power provision midway through the year.
- Temperature control set points were reviewed across communication rooms to increase energy efficiency.
- Consolidation of premises.
- Electric vehicle charging points were available for staff to use free of charge at our Bristol, Milton Keynes, Fleet and Yeovil offices.
- Travel has been significantly reduced due to the COVID-19 pandemic and it remains to be seen whether this change is permanent or temporary

#### **Methodology**

All of the emission sources required for large unquoted companies and large limited liability partnerships have been reported in line with UK Government guidance. The reporting period is the financial year starting January 2020, the same that is covered by the Annual Report and Financial Statements.

Emissions have been calculated using emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2020. Boeing has used internal financial reports and estimated costs per mile to calculate vehicle mileage figures for the purpose of being able to calculate KWH and tCO<sub>2</sub>e. Invoices, meter readings, odometer and financial reports have been used as data sources. Boeing is committed to continuous improvement of applicable methodologies, where possible.

#### **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 5 to 6 and form part of this report by cross-reference.

#### **Dividends**

No dividend was paid in the year ending 31 December 2020 (2019: £79,000,000). As a subsequent event on the 20 September 2021 the directors approved an interim dividend of £72,000,000.

## Boeing Defence UK Limited

### Directors' report (continued)

#### Directors

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

S Burnell	I McNeil
R Sikora	M Griffiths
A Keeling	A Potter (Resigned 3 June 2020)
Sir M E Donnelly	S Parker (Appointed 18 May 2021)

#### 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.

#### 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. See page 10 for more detail on employee engagement.

#### Auditor

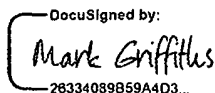
Each of the persons who is a director at the date of approval of this report confirms that:

- 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:

DocuSigned by:  
  
28334089B59A4D3...

Mark Griffiths  
Director

28 September 2021

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 2020 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 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

## **Boeing Defence UK Limited**

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

#### **Conclusions relating to going concern (continued)**

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

#### **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.

## **Boeing Defence UK Limited**

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

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, health and safety regulation and employment law.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty, including in respect of defence contracting in the UK.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

We presume a risk of material misstatement due to fraud related to revenue recognition, the risk is pinpointed to certain contracts focusing on the incorrect identification and/or treatment of unusual terms and the reliable measure of forecast cost to complete. The specific procedures to respond to the risk includes:

- Inspecting the revenue recognition policy and for any new contracts with material total contract value, confirming that it appropriately reflects the substance of the contract including any unusual contract terms such as KPIs or gain share clauses.
- Met with contract managers and challenged the treatment of unusual contract terms, balances included within the estimate at completion (EAC) and changes to these figures compared to the prior year.
- Agreed changes to the contract price to customer confirmations.
- Examined the risks and opportunities built into the EAC and challenged contract managers on whether their inclusion is reasonable.
- Considered operational and trading performance on the contracts to date to challenge the forecast cost to complete.
- Agreed a sample of costs through to supporting documentation including invoices and payslips, ensuring costs were recognised in the appropriate period.
- Recalculated the revenue recognised and the amounts held on the balance sheet.

## **Boeing Defence UK Limited**

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **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.

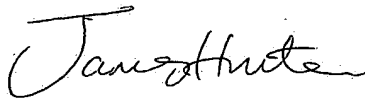


## **Boeing Defence UK Limited**

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

#### **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.



James Hunter FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, UK

28 September 2021

## Boeing Defence UK Limited

### Profit and loss account

For the year ended 31 December 2020

		2020	2019
	Note	£'000	£'000
<b>Turnover</b>	3	<b>369,099</b>	352,072
Cost of sales		<b>(290,153)</b>	(281,965)
<b>Gross profit</b>		<b>78,946</b>	70,107
Administrative expenses		<b>(24,894)</b>	(19,222)
Other operating income		<b>101</b>	90
<b>Operating profit</b>		<b>54,153</b>	50,975
Finance costs (net)	4	<b>(74)</b>	(954)
<b>Profit before taxation</b>	5	<b>54,079</b>	50,021
Tax on profit	8	<b>(11,246)</b>	(9,529)
<b>Profit for the financial year attributable to the equity shareholder of the Company</b>		<b>42,833</b>	40,492

All results derive from continuing operations.

## Boeing Defence UK Limited

### Statement of comprehensive income For the year ended 31 December 2020

		2020	2019
	Note	£'000	£'000
<b>Profit for the financial year</b>		<b>42,833</b>	<b>40,492</b>
Re-measurement of net defined benefit asset	21	(1,759)	1,335
Tax relating to components of other comprehensive income/(expense)	13	334	(227)
Other comprehensive (expense)/income		(1,425)	1,108
<b>Total comprehensive income attributable to the equity shareholder of the Company</b>		<b>41,408</b>	<b>41,600</b>

## Boeing Defence UK Limited

### Balance sheet

As at 31 December 2020

		31/12/20	31/12/19
	Note		£'000
<b>Non-current assets</b>			
Goodwill	10	2,261	3,084
Tangible assets	11	12,963	12,720
Defined benefit pension asset	19	5,794	6,401
		21,018	22,205
<b>Current assets</b>			
Debtors	13	75,911	107,213
Cash at bank and in hand		176,632	71,962
		252,543	179,175
Creditors: amounts falling due within one year	14	(133,996)	(96,829)
<b>Net current assets</b>		118,547	82,346
<b>Total assets less current liabilities</b>			
		139,565	104,551
Creditors: amounts falling due after more than one year	15	(9,296)	(13,120)
Provisions for liabilities	16	(3,256)	(6,039)
<b>Net assets</b>		127,013	85,392
<b>Capital and reserves</b>			
Called up share capital	17	8,783	8,783
Capital contribution		282	282
Profit and loss reserve		117,948	76,327
<b>Total shareholder's funds</b>		127,013	85,392

The financial statements of Boeing Defence UK Limited, registered number 01290439, were approved by the Board of Directors and authorised for issue on 28 September 2021. They were signed on its behalf by:

Mark Griffiths  
Director

DocuSigned by:  
*Mark Griffiths*  
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## Boeing Defence UK Limited

### Statement of changes in equity

As at 31 December 2020

	Called up share capital	Capital contribution	Profit and loss reserve	Total
	£'000	£'000	£'000	£'000
<b>At 1 January 2019</b>	<b>8,783</b>	<b>282</b>	<b>113,569</b>	<b>122,634</b>
Profit for the financial year	-	-	40,492	40,492
Re-measurement of net defined benefit pension liability	-	-	1,335	1,335
Tax relating to items of other comprehensive income	-	-	(227)	(227)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>41,600</b>	<b>41,600</b>
Dividends paid			(79,000)	(79,000)
Credit relating to equity-settled share-based payments	-	-	158	158
<b>At 31 December 2019</b>	<b>8,783</b>	<b>282</b>	<b>76,327</b>	<b>85,392</b>
Profit for the financial year	-	-	42,833	42,833
Re-measurement of net defined benefit pension liability	-	-	(1,759)	(1,759)
Tax relating to items of other comprehensive income	-	-	334	334
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>41,408</b>	<b>41,408</b>
Credit relating to equity-settled share-based payments	-	-	213	213
<b>At 31 December 2020</b>	<b>8,783</b>	<b>282</b>	<b>117,948</b>	<b>127,013</b>

## **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 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 13.

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, and presentation of a cash flow statement, financial instruments and remuneration of key management personnel.

##### **b. Consolidation exemption**

The financial statements contain information about Boeing Defence UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt from the requirement to prepare consolidated financial statements, as it and its subsidiaries are included in the consolidated financial statements of its ultimate holding company, The Boeing Company, a company registered in the USA. Copies of the group consolidated accounts can be obtained from The Boeing Company, 100 North Riverside Plaza, Chicago, Illinois, 60606, USA.

##### **c. 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 17.

The directors have performed an assessment of going concern (more details can be found on page 14) and are satisfied 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.

##### **d. 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:

# Boeing Defence UK Limited

## Notes to the financial statements

### 1 Accounting policies (continued)

#### d. Tangible fixed assets (continued)

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 - Straight line
Factory machinery	13 years – Sum of digits method
Land and buildings	Land is not depreciated, leasehold improvements are depreciated over the life of the lease

Assets capitalised under finance leases are depreciated straight line 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.

#### e. Financial instruments

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

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

##### (i) Financial assets and liabilities

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

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

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

## **Boeing Defence UK Limited**

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

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

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.

##### *(ii) Investments*

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

#### **e. Financial instruments (continued)**

##### *(iii) Derivative financial instruments*

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

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

##### *(iv) Fair value measurement*

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



## Boeing Defence UK Limited

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### f. Impairment of assets

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

##### *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.

##### g. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

## **Boeing Defence UK Limited**

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

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

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.

#### **h. Turnover**

Turnover is stated net of VAT and trade discounts. 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 third party contracts, BDUK applies 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.

*Interest income is recognised using the effective interest rate method.*

#### **i. 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.

## **Boeing Defence UK Limited**

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

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

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.

##### **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. Business combinations and goodwill**

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Company's interest in the identifiable net assets and liabilities acquired.

Goodwill is amortised over the shorter of its expected useful life and the contractual period. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

ATIL acquisition	53 months - Straight line
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## **Boeing Defence UK Limited**

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

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

##### **n. 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).

##### **o. Share-based payments**

The Company provides various forms of share-based compensation to its employees. For awards settled in shares, compensation expense is measured based on the grant-date fair value net of estimated forfeitures. For awards settled in cash, or that may be settled in cash, compensation expense is measured based on the fair value at each reporting date net of estimated forfeitures. The expense is recognized over the requisite service period, which is generally the vesting period of the award. A liability is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments with any changes recognised in profit or loss.

##### **p. 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.

BDUK conducts research into the development of Mission Systems and Modelling and Simulation to support current and future contracts.

## **Boeing Defence UK 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.

#### *Critical judgements in applying the Company's accounting policies and key sources of estimation uncertainty*

The revenue reported by the Company is derived from long term service contracts. 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.

Total contract costs contains a number of estimates; labour hours and rates, inflation, foreign exchange rates, third party material costs, travel and expenses.

The determination of total contract price includes a number of judgments, these include; risks and opportunities, gainshare/profit share clauses, over and above tasks, contract performance on key performance indicators, variable consideration.

## Boeing Defence UK Limited

### Notes to the financial statements

#### 3 Turnover

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

	2020	2019
	£'000	£'000
Turnover:		
UK	336,116	324,506
USA	32,983	27,566
	<b>369,099</b>	<b>352,072</b>

An analysis of the Company's turnover by category is as follows:

	2020	2019
	£'000	£'000
Rendering of services	369,099	352,072

#### 4 Finance costs (net)

	2020	2019
	£'000	£'000
Bank interest receivable	134	454
Interest receivable from ultimate parent company	-	950
Total finance income	<b>134</b>	<b>1,404</b>
Interest charged on finance lease agreements	<b>(265)</b>	<b>(2,451)</b>
Total finance cost	<b>(265)</b>	<b>(2,451)</b>
Unwinding of discounts on provisions (see note 18)	<b>(80)</b>	<b>(33)</b>
Net interest on defined benefit pension liability	<b>137</b>	<b>126</b>
Other finance income	<b>57</b>	<b>93</b>
Net finance costs	<b>(74)</b>	<b>(954)</b>

## Boeing Defence UK Limited

### Notes to the financial statements

#### 5 Profit before taxation

	2020	2019
	£'000	£'000
<b>Profit before taxation is stated after charging/(crediting):</b>		
Depreciation – owned assets	2,331	3,032
Depreciation – assets held under finance lease agreements (see note 2)	841	685
Loss on disposal of fixed assets	-	1,395
Amortisation of goodwill	822	548
Rentals under operating leases:		
– land and buildings	3,505	2,880
– other	664	602
Foreign exchange loss/(gain)	1,523	(2,322)
Research and development expenditure debit/(credit)	-	131
Impairment on investment in subsidiaries	-	283
Auditor's remuneration – audit fees (no other services provided)	238	219

Impairments of fixed assets are included in administrative expenses.

#### 6 Staff numbers and costs

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

	2020	2019
	No.	No.
Management and executives	128	116
Professional and administrative staff	1,090	1,012
	<b>1,218</b>	<b>1,128</b>

Their aggregate remuneration comprised:

	2020	2019
	£'000	£'000
Wages and salaries	60,484	66,411
Social security costs	7,204	7,240
Other pension costs	6,683	5,547
	<b>74,371</b>	<b>79,198</b>



## Boeing Defence UK Limited

### Notes to the financial statements

#### 7 Directors' remuneration and transactions

	2020	2019
	£'000	£'000
<b>Directors' remuneration</b>		
Aggregate emoluments	1,184	1,630
Contributions to defined contribution pension schemes	44	51
	<b>1,228</b>	<b>1,681</b>

The number of directors for whom pension contributions are paid is: 4 (2019: 6).

	2020	2019
	£'000	£'000
<b>Highest paid director</b>		
Aggregate emoluments and benefits	368	466
Contributions to defined contribution pension schemes	-	-
	<b>368</b>	<b>466</b>

Directors' emoluments are allocated based on services provided to the Company. Three of the directors listed on page 17 are remunerated by other companies within the Boeing Group (one by Boeing United Kingdom Limited and two by The Boeing Company).

#### 8 Tax on profit on ordinary activities

	2020	2019
	£'000	£'000
<b>Analysis of tax charge in the year</b>		
<b>Current tax on profit on ordinary activities</b>		
UK corporation tax	10,009	7,324
Adjustments in respect of prior periods	1,056	223
Total current tax	<b>11,065</b>	<b>7,547</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	437	2,160
Adjustments in respect of prior periods	(211)	53
Effect of changes in tax rates	(45)	(231)
Total deferred tax (see note 14)	<b>181</b>	<b>1,982</b>
<b>Total tax on profit on ordinary activities</b>	<b>11,246</b>	<b>9,529</b>

## Boeing Defence UK Limited

### Notes to the financial statements

#### 8 Tax on profit on ordinary activities (continued)

On 3rd March 2021 the UK Government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. As this was not substantively enacted at 31st December 2020 the deferred tax asset as at 31st December 2020 has been calculated based on the rate of 19%.

The tax charge for the period differs from the standard rate of corporation tax in the UK of 19% (2019: 19%) for the reasons set out in the following reconciliation:

	2020	2019
	£'000	£'000
Profit on ordinary activities before tax	54,079	50,021
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2019:19%)	10,275	9,504
<b>Factors affecting tax charge for the year:</b>		
Expenses not deductible for tax purposes	14	35
Capital allowances in excess of depreciation	(238)	(191)
Utilisation of acquired trading losses	-	(1,818)
Amortisation of intangibles	156	-
Short-term timing differences	(199)	(206)
Prior period adjustments	1,056	223
Movement on deferred tax in period	181	1,982
<b>Total tax charge for the year</b>	<b>11,246</b>	<b>9,529</b>

## Boeing Defence UK Limited

### Notes to the financial statements

#### 9 Share-based payments

The Company issues cash-settled and equity-settled share-based payments to certain employees, as part of the long term incentive programme. The cash-settled arrangements require the Company to pay in cash the intrinsic value of these share based payments to the employee at the date of exercise. The equity-settled arrangements require The Boeing Company to settle in common stock (on a one-for-one basis) 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 £133,557 (2019: £184,530), £215,102 (2019: £157,569) was recognised in equity in relation to the equity-settled arrangements. The carrying value of the associated liability was £471,589 (2019: £723,673), of which £98,918 (2019: £443,451) is within other creditors, £372,671 (2019: £157,569) is within profit & loss reserve and £nil (£122,653) is reported within Creditors: amounts falling due after more than one year (see note 15).

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

##### Restricted Stock Units

RSUs are valued based on Boeing stock. For RSUs granted prior to 2019, 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. RSUs granted since 2019 will vest and settle in TBC common stock (on a one-for-one basis). 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 are 100% vested after the three year performance period. If an employee terminates employment because of retirement, death, disability or involuntary layoff, the employee (or beneficiary) will receive a proration of stock units based on active employment during the three-year service period.

##### Performance-based Restricted Stock Units

PBRUS are valued in terms of Boeing stock. For PBRUS granted prior to 2019, stock is not issued at the time the award is granted or at the end of the performance period. The PBRUS are paid out in cash by the local country entity. PBRUS granted since 2019 will vest and settle in TBC common stock. The annual target PBRUS value granted is calculated based on a percentage of prior December 31 base salary in local currency. The number of PBRUS awarded is fixed on the grant date but earn dividend equivalents.

PBRUS 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 involuntary layoff.

## Boeing Defence UK Limited

### Notes to the financial statements

#### 10 Goodwill

Goodwill arose on the acquisition of Aviation Training International Limited, it was purchased in stages:

- 50% of the share capital on 31 December 2018 for £14,704,656 from Leonardo MW Limited
- 50% of the share capital on 1 May 2019 for £14,661,737 from The Boeing Company
- The date of acquisition was determined to be 1 May 2019 when the Company gained control

The combined transaction price was therefore £29,366,393, the net assets acquired as at 30 April 2019 were £25,734,602, which generated goodwill of £3,631,791.

The goodwill represents the acquired value of the skills and knowledge of the people.

The acquired contract ends in September 2023, the intangible asset is depreciated straight line from the date of acquisition over 53 months.

	<b>Goodwill</b>
<b>Cost</b>	<b>£'000</b>
At 1 January 2020	3,632
Additions	-
<b>At 31 December 2020</b>	<b>3,632</b>
 <b>Accumulated amortisation</b>	
At 1 January 2020	548
Amortisation	822
<b>At 31 December 2020</b>	<b>1,370</b>
 <b>Net book value</b>	
At 1 January 2020	3,084
<b>At 31 December 2020</b>	<b>2,262</b>

## Boeing Defence UK Limited

### Notes to the financial statements

#### 11 Tangible fixed assets

	Leasehold land and buildings	Fixtures and fittings	Factory machinery	Office equipment	Programme specific equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 January 2020	11,399	1,455	507	10,112	21,529	483	45,485
Additions	-	-	-	-	-	3,415	3,415
Transfers	-	-	-	947	-	(947)	-
<b>At 31 December 2020</b>	<b>11,399</b>	<b>1,455</b>	<b>507</b>	<b>11,059</b>	<b>21,529</b>	<b>2,951</b>	<b>48,900</b>
<b>Accumulated depreciation</b>							
At January 2020	8,344	1,251	106	8,077	14,987	-	32,765
Charge for the year	1,108	83	64	833	1,084	-	3,172
<b>At 31 December 2020</b>	<b>9,452</b>	<b>1,334</b>	<b>170</b>	<b>8,910</b>	<b>16,071</b>	<b>-</b>	<b>35,937</b>
<b>Net book value:</b>							
<b>At 31 December 2020</b>	<b>1,947</b>	<b>121</b>	<b>337</b>	<b>2,149</b>	<b>5,458</b>	<b>2,951</b>	<b>12,963</b>
At 31 December 2019	3,055	204	401	2,035	6,542	483	12,720

#### Assets held under finance leases

The Company has 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 total £4,568,000 (2019: £5,253,000).

## Boeing Defence UK Limited

### Notes to the financial statements

#### 12 Deferred taxation

	2020	2019
	£'000	£'000
<b>Movement on deferred tax asset in the year</b>		
Opening balance	169	249
Acquired assets	-	2,129
Movement to the profit and loss account (see note 9)	(181)	(1,982)
Changes relating to pension asset	334	(227)
<b>Closing asset</b>	<b>322</b>	<b>169</b>
	2020	2019
	£'000	£'000
<b>Deferred tax is provided as follows:</b>		
Depreciation in excess of capital allowances	1,256	1,126
Deferred tax arising in relation to retirement benefit obligations	(1,101)	(1,088)
Other short-term timing differences	167	131
<b>Closing asset</b>	<b>322</b>	<b>169</b>

During the year beginning 1 January 2021, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £238,000 (2019: £265,000 decrease). This primarily relates to the reversal of timing differences on acquired tangible assets and capital allowances through depreciation.

## Boeing Defence UK Limited

### Notes to the financial statements

#### 13 Debtors

Amounts falling due within one year:	2020	2019
	£'000	£'000
Trade debtors	7,597	27,114
Amounts owed by group undertakings	191	1,130
Amounts recoverable on contracts	36,598	49,290
Pre contract costs	22,568	20,630
VAT receivable	917	495
Other debtors	2,226	1,376
Corporate tax receivable	471	-
Deferred tax (see note 11)	322	169
Prepayments and other accrued income	5,021	5,929
	<b>75,911</b>	<b>106,133</b>

Amounts falling due after one year:	2020	2019
	£'000	£'000
Amounts recoverable on contracts	-	1,080

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

## Boeing Defence UK Limited

### Notes to the financial statements

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

	2020	2019
	£'000	£'000
Trade creditors	1,401	3,818
Amounts owed to group undertakings	46,972	12,154
Payments received on account	53,183	45,076
Obligations under finance leases	1,586	1,427
Corporation tax payable	-	2,114
Other taxation and social security	2,384	1,900
Derivatives	-	240
VAT payable	2,153	2,537
Goods received not invoiced	4,849	4,885
Other creditors	8,149	3,194
Accruals and other deferred income	13,319	19,484
	<b>133,996</b>	<b>96,829</b>

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

On a rolling basis the Company takes out short term (3 month) GBP and USD foreign exchange forward contracts in order to minimise the foreign exchange risk of USD denominated sales and purchases on one of its contracts.

#### 15 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Obligations under finance leases	9,296	10,385
Accruals and other deferred income	-	2,612
Liability for shared-based payments (see note 10)	-	123
	<b>9,296</b>	<b>13,120</b>

Included within accruals and other deferred income is £Nil (2019: £Nil) 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

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

Finance leases are repayable as follows:

	2020	2019
	£'000	£'000
<b>Minimum lease payments</b>		
Within one year	1,818	1,680
In the second to fifth inclusive	7,206	6,719
After five years	2,694	4,479
		12,878
Less: future finance charges	(836)	(1,066)
<b>Present value of lease obligations</b>	<b>10,882</b>	<b>11,812</b>

	2020	2019
	£'000	£'000
<b>Present value of minimum lease payments</b>		
Within one year	1,586	1,427
In the second to fifth inclusive	6,653	6,042
After five years	2,643	4,343
<b>Present value of lease obligations</b>	<b>10,882</b>	<b>11,812</b>

#### 16 Provisions for liabilities

	Onerous Contract £'000	Dilapidations £'000	Total £'000
<b>At 1 January 2020</b>	<b>2,827</b>	<b>3,212</b>	<b>6,039</b>
Charged to profit and loss account	-	21	21
Utilisation of provision	(2,804)	-	(2,804)
<b>At 31 December 2020</b>	<b>23</b>	<b>3,233</b>	<b>3,256</b>

All provisions are long term

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.

The provision for dilapidations is the expected cost of restoring our rented properties to the condition required in the lease agreements.

## Boeing Defence UK Limited

### Notes to the financial statements

#### 17 Called up share capital and reserves

	2020	2019
	£'000	£'000
<b>Called up, allotted and fully paid</b>		
8,783,089 Ordinary shares of £1 each	<b>8,783</b>	<b>8,783</b>

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.

#### 18 Financial commitments

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

	Land and buildings 2020	Other 2020	Land and buildings 2019	Other 2019
	£'000	£'000	£'000	£'000
Within one year	<b>4,259</b>	<b>160</b>	3,871	230
Between one and five years	<b>7,847</b>	<b>48</b>	8,518	123
After five years	<b>2,045</b>	-	3,272	-
	<b>14,151</b>	<b>208</b>	15,661	353

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

	2020	2019
	£'000	£'000
Within one year	<b>175</b>	351
Between one and five years	-	175
	<b>175</b>	526

Contingent rental income for the year was £Nil (2019: £Nil).

The Company holds a bank guarantee facility of £8,293,660 (2019: £8,293,660) for deferral of duty.

## Boeing Defence UK Limited

### Notes to the financial statements

#### 19 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 £4,724,000 (2019: £4,232,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. The amount due to be paid that is outstanding at the end of the year is £794,401 (2019: £731,575).

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 £184,790 (2019: £360,260). The Staffordshire Police contract ended on 30 June 2020, the employees moved back to Staffordshire Police and so as at the Balance Sheet date the Company is no longer an admitted body.

##### 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 2020 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.

	2020	2019
	%	%
<b>Key assumptions and dates used for measurements:</b>		
Discount rate	1.6	2.1
Price inflation (RPI)	3.1	3.1
Pensionable salary increase	2.8	2.8
Future pension increases	2.9	3.1
Deferred pensioner revaluation	3.1	3.1
Scheme participant census date	31 Dec 20	31 Dec 19
<b>Mortality assumptions:</b>		

The mortality tables used are standard ones (SAPS 'S2' Table, based on year of birth). The Prudential Platinum Pension - Boeing UK Limited Sub-Scheme is, in the actuary's opinion, too small to be able to draw a meaningful conclusion from an analysis of its mortality experience.

## Boeing Defence UK Limited

### Notes to the financial statements

#### 19 Employee benefits (continued)

	2020	2019
	Years	Years
The assumed life expectations on retirement at age 65 are:		
<b>Retiring today:</b>		
Males	21.4	21.3
Females	23.4	23.2
<b>Retiring in 20 years (2019: 15 years):</b>		
Males	22.4	22.0
Females	24.6	24.1
<b>The asset arising from the Company's obligations in respect of its defined benefit retirement schemes is as follows:</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	(38,663)	(33,747)
Fair value of scheme assets	44,457	40,148
<b>Net asset recognised in the balance sheet</b>	<b>5,794</b>	<b>6,401</b>
<b>Movements in the present value of defined benefit obligations were as follows:</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	(33,747)	(29,677)
Service cost	(813)	(698)
Interest cost	(719)	(933)
Actuarial gains and losses	(3,962)	(2,913)
Contributions from scheme participants	(37)	(37)
Benefits paid	702	611
Termination benefits	(87)	(100)
<b>At 31 December</b>	<b>(38,663)</b>	<b>(33,747)</b>

## Boeing Defence UK Limited

### Notes to the financial statements

#### 19 Employee benefits (continued)

	2020 £'000	2019 £'000
<b>Movements in the fair value of scheme assets were as follows:</b>		
At 1 January	40,148	33,483
Interest income	856	1,059
Return on scheme assets (excluding amounts included in net interest cost)	2,203	4,248
Contributions from the sponsoring Company	2,003	2,018
Contributions from scheme participants	37	37
Benefits paid	(702)	(611)
Administrative expenses paid	(88)	(86)
<b>At 31 December</b>	<b>44,457</b>	<b>40,148</b>

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

	2020 £'000	2019 £'000
<b>Fair value of assets</b>		
Equity securities	20,761	18,950
Debt securities	22,940	20,475
Other	756	723
	<b>44,457</b>	<b>40,148</b>

#### 20 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 and on the Boeing Investor Relations website.

<http://investors.boeing.com/investors/financial-reports/>

#### 21 Post Balance Sheet Event

No events requiring disclosure.