

Registered Number 01499533

AgustaWestland International Limited
Annual report and financial statements
for the year ended 31 December 2012



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AgustaWestland International Limited

Annual report and financial statements For the year ended 31 December 2012

Index

	Pages
Directors and auditor for the year ended 31 December 2012	1
Directors' report for the year ended 31 December 2012	2
Independent Auditor's report to the members of AgustaWestland International Limited	5
Statement of Comprehensive Income	6
Balance Sheet	7
Statement of Changes in Equity	8
Statements of Cash Flows	9
Notes to the Financial Statements	10

AgustaWestland International Limited

Directors and auditors for the year ended 31 December 2012

Directors

G Cole

G Hoon

G Saponaro (Resigned 6 December 2012)

B Spagnolini (Resigned 6 December 2012)

S Biganzoli (Appointed 6 December 2012)

M Acca (Appointed 6 December 2012)

Secretary

N Cranidge

Registered Office

Lysander Road

Yeovil

Somerset

BA20 2YB

Auditors

KPMG LLP

100 Temple Street

Bristol

BS1 6AG

AgustaWestland International Limited

Directors' report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of AgustaWestland International Limited (the "Company"), registered number 01499533, for the year ended 31 December 2012

The Directors who held office during the year are disclosed on page 1

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The auditor's responsibilities in relation to the accounts are set out in their report on page 4.

Auditor

During the year PricewaterhouseCoopers LLP resigned as auditor and KPMG were appointed. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Provision of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the necessary steps to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Principal activities

The principal activity of the Company was the management of EH101 and AW101 contracts for the design, development, sales and support of the EH101 and AW101 Helicopters. The Company co-ordinated these activities with other group companies and are responsible for customer relationships and the co-ordination of customer requirements. However, from 1 January 2012 the trade of AgustaWestland International Limited was sold to AgustaWestland Limited, a Fellow Group Company.

AgustaWestland International Limited

Business Review for the year ended 31 December 2012

Financial highlights and performance indicators

There was no revenue for the year ended 31 December 2012 as the trade was sold to AgustaWestland Limited. The net loss after tax of €9.9m was €1.3m higher than loss after tax in 2011 mainly due to the revaluation of an embedded derivative to fair value at 1st January 2012, prior to the sale of the trade to AgustaWestland Limited, resulting in a €14.0m charge to the Statement of Comprehensive Income. No dividend is recommended for the year 2012.

Future Outlook

On 1 January 2012 the trade, assets and liabilities, excluding certain financial assets of AgustaWestland International Limited were transferred to AgustaWestland Limited with the exception of the US VH71 contract (in termination) which was retained (Note 9).

Business Environment

Following the sale of the Company's trade to AgustaWestland Limited, the Company has no customers.

Principal Risks

Prior to the sale of its trade the Company's principal business and financial risk was currency fluctuation due to a number of the contracts being denominated in foreign currencies. The risks were mitigated by cashflow hedging.

In addition there was a risk of the Company's revenue being impacted if the performance of the existing contracts were not in line with forecasts. In mitigation of this risk, management actively monitored actual and forecast contract performance on an ongoing basis. Subsequent to the sale of the Company's trade the principal risk faced by the Company is the ability of each Group Company to execute the contracts which the Company sold as part of its trade such that those Group Companies can settle the receivables held by the Company.

Policy and practice on payment of suppliers

The Company agrees the terms and conditions under which business transactions with its suppliers are conducted when it enters into binding purchase contracts. It is Company policy to abide by the payment terms agreed with suppliers, provided that the supplier has performed its obligations under the contract. Given the nature and diversity of the Company's purchasing arrangements, it is not Company policy to follow any code or standard which deals with the payment of suppliers.

As an indication of the average number of days outstanding between receipt of invoices and payment of suppliers, at 31 December 2012 the amount owed to trade creditors by the Company was equivalent to nil days (2011: 4 days) purchases from suppliers during the year.

Charitable donations

The Company made no charitable or political donations in 2012 (2011: £nil).

AgustaWestland International Limited

Going Concern

The Company has limited operational needs, which relate to the settlement of the termination of the VH-71 contract, in the foreseeable future and the Directors are satisfied that the Company has adequate resources to meet these needs and, accordingly, they continue to adopt the going concern basis in preparing the financial statements

In the event of cancellation of the India VVIP contract, as set out in further detail in note 20, the directors are satisfied that the company has access to adequate resources either directly or from Finmeccanica S p A , its ultimate parent company, to continue to meet its liabilities as they fall due for payment

By order of the Board



N Cranidge

Secretary

16 April 2013

AgustaWestland International Limited

Independent Auditor's report to the members of AgustaWestland International Limited

We have audited the financial statements of AgustaWestland International Limited for the year ended 31 December 2012 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 20 to the financial statements concerning the uncertain outcome of investigations into the company, alleging potential irregularities with respect to a contract in India. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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



Philip Cotton (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

100 Temple Street

Bristol

BS1 6AG

18 April 2013

AgustaWestland International Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 €000	2011 €000
Revenue	3	-	323,275
Other operating income		-	7,813
Purchases of goods and semi-finished components		(31)	(318,920)
Salaries, wages and social charges	4	-	(1 432)
Depreciation	10	-	(82)
Other operating expenses		-	(7 813)
Operating (loss)/profit		(31)	2,841
Financial income	7	1,332	1,009
Financial charges	7	(148)	(16 630)
Loss on Disposal of trade and assets	9	(14,030)	-
(Loss) before taxation		(12,877)	(12,780)
Taxation	8	2,985	4,193
(Loss) for the year attributable to equity shareholders		(9,892)	(8,587)
Other comprehensive income			
Changes in fair value of cashflow hedges, net of tax		(1,053)	13,398
Other comprehensive income, net of tax		(1,053)	13,398
Total comprehensive (expense)/income for the year attributable to equity shareholders		(10,945)	4,811

AgustaWestland International Limited

BALANCE SHEET At 31 December 2012

	Note	2012 €000	2011 €000
Property, plant and equipment	10	-	47
Non-current assets		-	47
Trade receivables	11	7,197	167,983
Group financial receivables		27,898	63,685
Other current assets	12	-	1,221
Derivative financial assets	13	-	34,522
Cash and cash equivalents	14	274	314
Current assets		35,369	267,725
Total assets		35,369	267,772
Share capital	15	536	536
Accumulated profits		12,321	22,213
Hedging reserve	19	-	1,053
Total equity		12,857	23,802
Deferred tax liabilities	18	-	7,688
Non-current liabilities			7,688
Advances from customers		16,627	85,107
Trade payables		2,236	146,295
Group financial payables		3,364	4,880
Income taxation payable	16	285	-
Current liabilities		22,512	236,282
Total liabilities		22,512	243,970
Total equity and liabilities		35,369	267,772

The financial statements on pages 6 to 26 were approved by the Board of Directors on 15 April 2013 and were signed on its behalf by



G Cole
Director
16 April 2013

AgustaWestland International Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Share capital €000	Accumulated profits €000	Hedging reserve €000	Total equity €000
At 1 January 2011		536	30 800	(12 345)	18,991
Cash flow hedges					
Other movement		-	-	100	100
- Fair value gains in year		-	-	18 202	18 202
Deferred tax on cash flow hedges		-	-	(4,904)	(4,904)
Other comprehensive income		-	-	13 398	13,398
Loss for the year		-	(8 587)	-	(8,587)
At 31 December 2011		536	22,213	1,053	23 802
Cash flow hedges					
- Fair value gains in year		-	-	(1 291)	(1,291)
Deferred tax on cash flow hedges		-	-	238	238
Other comprehensive income		-	-	(1,053)	(1,053)
Loss for the year		-	(9 892)	-	(9,892)
At 31 December 2012		536	12,321	-	12,857

AgustaWestland International Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 €000	2011 €000
CASH FLOWS PROVIDED BY/(USED BY) OPERATING ACTIVITIES			
Operating loss/profit		(31)	2,841
Depreciation	10	-	82
Foreign exchange (losses)		(148)	(797)
Increase/(decrease) in advances from customers		3,586	(71,131)
(Increase) in trade receivables		(1,183)	(51,940)
(Decrease)/ in trade payables		(748)	(4,183)
(Increase) in other operating receivables		-	(859)
(Decrease) in other operating payables		-	(739)
Net cash provided/(used by) by operations		1,476	(126,726)
Taxation paid		-	(3,114)
Interest received	7	41	1,009
Interest paid	7	-	(10)
Net cash provided/(used by) by operating activities		1,517	(128,841)
CASH FLOWS PROVIDED BY/(USED BY) INVESTING ACTIVITIES			
Sale of Trade and certain assets and liabilities	9	(35,828)	-
Net cash (used by) investing activities		(35,828)	-
CASH FLOWS PROVIDED BY/(USED BY) FINANCING ACTIVITIES			
Changes in group financial receivables		34,271	129,065
Net cash provided by/(used by) financing activities		34,271	129 065
Net (decrease)/increase in cash and cash equivalents		(40)	224
Cash and cash equivalents at beginning of year		314	90
Cash and cash equivalents at the end of the period	14	274	314

AgustaWestland International Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. INTRODUCTION

The Company is domiciled and incorporated in the United Kingdom. The principal activity of the Company was the management of EH101 and AW101 contracts for the design, development, sales and support of the EH101 and AW101 Helicopters. The Company co-ordinated this activity with other group companies and was responsible for customer relationships and the co-ordination of customer requirements. On 1 January 2012 the trade and certain assets and liabilities of AgustaWestland International Limited, excluding financial balances, were sold to AgustaWestland Limited for a book value consideration of €35.8m. An initial amount of €30m was paid at completion and the balance settled within 90 days of completion.

A summary of the significant accounting policies followed by the Company is shown below and have been consistently applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued and mandatory for accounting periods ending on or after 1 January 2012 and International Financial Reporting Interpretation Committee (IFRIC) interpretations at the time of preparing these financial statements (31 December 2012) endorsed by the European Union (EU) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Of those accounting standards and interpretations published at the date of this report by the International Accounting Standards Board ("IASB") the following treatments have been adopted in these financial statements and are relevant to the Company.

New standards, amendments and interpretations effective in 2012

There are no new standards, amendments or interpretations which are effective for the first time in 2012.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

IAS 1 amendment 'Financial statement presentation' (effective from 1 July 2012). The main change resulting from these amendments is a requirement to group items together presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 9 'Financial instruments' (effective from 1 January 2015). This new standard has been issued as part of a project to replace IAS 39 'Financial instruments: Recognition and measurement'. IFRS 9 prescribes the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 has simplified the categories of financial assets, the treatment of embedded derivatives and the impairment method for all financial assets not measured at fair value. It requires financial assets are classified into two measurement categories: those measured at fair value and those at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement. It is not expected to impact these financial statements.

AgustaWestland International Limited

In addition to the above the IASB has made technical amendments to a number of accounting standards as part of their annual improvements projects published in May 2011. These amendments are not expected to have any material impact on the Company's financial statements.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumption that affect the reported amounts of the assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately differ from those estimates.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets (including derivative instruments) at fair value through income statement.

On 1 January 2012 the trade and certain assets of AgustaWestland International Limited, excluding certain financial balances and balances relating to the VH71 contract with the US Government, were transferred to AgustaWestland Limited at book value, in return for consideration.

Foreign currency

Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Euro, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except where hedge accounting is applied (see below).

Property, plant and equipment

Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well as any charges for dismantlement and disposal that will be incurred to return the site to its original condition.

Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred. Costs related to the expansion, modernisation or improvement of owned or leased structural assets are only capitalised to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset. Any government grants related to property, plant and equipment are recognised as a direct deduction from the asset to which they refer.

The value of an asset is adjusted by systematic depreciation calculated based on the residual useful life of the asset. In the period in which the asset is recognised for the first time, the depreciation rate applied takes into account the period of actual use of the asset.

AgustaWestland International Limited

The estimated useful lives adopted by the Company for the principal asset categories are as follows

<i>Asset category</i>	<i>Asset life (years)</i>
Fixtures and fittings	8½
Office machinery	3
Leasehold Buildings	10
Motor Vehicles	4

In the event the asset to be depreciated is composed of distinct elements with useful lives that are significantly different from those of the other constituent parts, each individual part that makes up the asset is depreciated separately, in application of the component approach to depreciation

The gains and losses from the sale of assets or groups of assets are calculated by comparing the sales price with the related net book value

Impairment of property, plant and equipment

The Company's property, plant and equipment is depreciated. A review is made at least annually to determine whether there is an indication that an asset may be impaired. In the event of an impairment, the recoverable value of the asset is estimated, with any excess being recognised in the statement of comprehensive income. If the reasons for the write down cease to exist the asset's book value is restored within the limits of its net book value. Any write back is taken to the statement of comprehensive income.

Provisions for risks and estimates of final costs of long-term contracts

The Company operates in sectors and with contractual arrangements that are especially complex. Margins recognised in the statement of comprehensive income are a function of both the state of progress on contracts and the margins that are expected to be recognised for the completed contract. Accordingly, correct recognition of work in progress and margins on contracts that have not yet been completed requires management to make a careful estimate of the final costs and expected increases as well as delays, extra costs and penalties that could reduce the expected margin. In order to support this activity, the Company uses contract management and risk analysis processes to identify, monitor and quantify the risks associated with such contracts. The amounts posted in the financial statements represent management's best estimate at the reporting date using these procedures.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are recognised at fair value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cashflows discounted at the original effective interest rate. The provisions are recognised through the statement of comprehensive income.

AgustaWestland International Limited

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made and received under operating leases are charged/credited to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Loans and receivables

This consists of non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at their amortised cost using the effective interest method. Should objective evidence of impairment emerge, the loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is recognised in the statement of comprehensive income. If the reasons for the write-down cease to exist, the value of the asset is restored up to the amortised cost value it would have had if no impairment had been recognised. Loans and receivables are posted under current assets except for the portion falling due beyond 12 months, which is carried under non-current assets.

Derivative financial instruments and hedging activities

Derivatives are regarded as financial assets and liabilities held for trading and stated at fair value through profit and loss unless they are deemed eligible for hedge accounting and effective in offsetting the risk in respect of underlying assets, liabilities or commitments undertaken by the Company. In particular, the Company uses derivatives as part of its hedging strategies to offset the risk of changes in the fair value of assets or liabilities on its balance sheet or the risk associated with contractual commitments (fair value hedges) and the risk of changes in expected cash flows in contractually defined or highly probable operations (cash flow hedges).

The effectiveness of hedges is documented both at the start of the operation and at least annually thereafter and measured by comparing changes in the fair value of the hedging instrument against changes in the hedged item ('dollar offset ratio'). For more complex instruments, the measurement involves statistical analysis based on the variation of the risk.

AgustaWestland International Limited

Fair Value Hedges

Changes in the value of derivatives that have been designated and qualify as fair value hedges are recognised in profit or loss, in line with the treatment of changes in the fair value of the hedged assets or liabilities that are attributable to the risk that has been offset by the hedge

Cash Flow Hedges

Changes in the fair value of derivatives that have been designated and qualify as cash flow hedges are recognised - with reference to the 'effective' component of the hedge only - in a specific equity reserve ('cash flow hedge reserve'), which is subsequently recognised in profit or loss when the underlying transaction affects profit or loss. Changes in fair value attributable to the non-effective component are immediately recognised in profit or loss for the period. If the derivative is sold, or ceases to function as an effective hedge against the risk for which it was originated, or the occurrence of the underlying operation ceases to be highly probable, the relevant portion of the cash flow hedge reserve is immediately recognised in the Statement of Comprehensive Income

Determining fair value

The fair value of instruments quoted on public markets is determined with reference to the bid price for the instrument in question at the reference date. The fair value of unquoted instruments is determined through financial valuation techniques. Specifically, the fair value of interest rate swaps is measured by discounting the expected cash flows, while the fair value of foreign exchange forwards is determined on the basis of the market exchange rate at the reference date and the rate differentials among the currencies involved

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value

Unrealised gains and losses on these embedded derivatives are recognised in the statement of comprehensive income

Share capital

Ordinary share capital is recognised at the nominal value of shares issued. Where the consideration received for shares issued exceeds their nominal value the excess is treated as share premium

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

AgustaWestland International Limited

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Company's activities, as described below

(a) Sale of spares and other goods

When the risks and rewards of ownership of the goods have passed to the customer

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided

(c) Royalty and licence income

Royalty and licence income is recognised on an accruals basis in accordance with the substance of the relevant agreements

(d) Long-term contracts

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs are likely to be recoverable. The Company uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period

Provisions

Provisions for risks and charges cover certain or probable losses and charges whose timing or amount was uncertain at the reporting date. The provision is recognised only when a current obligation (legal or constructive) exists as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation. The amount reflects the best current estimate of the cost of fulfilling the obligation. The interest rate used to determine the present value of the liability reflects current market rates and includes the additional effects relating to the specific risk associated with each liability

AgustaWestland International Limited

3 REVENUE

Revenue is calculated in accordance with the revenue recognition policy and excludes value added taxes. All revenue derives from the principal activity of the business as shown in the Directors' report and is analysed by destination and nature below

	2012 €000	2011 €000
<i>By Destination</i>		
- United Kingdom	-	1,321
- Continental Europe	-	59,136
- America	-	-
- Rest of the world	-	262,818
Total	-	323,275
<i>By nature</i>		
- Sales of goods	-	310,503
- Rendering of services	-	12,772
Total	-	323,275

4. SALARIES, WAGES AND SOCIAL CHARGES

	2012 €000	2011 €000
Wages and salaries	-	1,378
Social security costs	-	24
Pension charges	-	30
Total	-	1,432

The average number of persons employed during the year was

	2012 Number	2011 Number
Administrative staff	-	7

5. DIRECTORS REMUNERATION AND KEY MANAGEMENT COMPENSATION

Directors' emoluments are disclosed in accordance with the Companies Act 2006

	2012 €000	2011 €000
Total emoluments	-	590

At 31 December 2012 retirement benefits are accruing for 1 Directors (2011: 2 Director) under the AgustaWestland UK Pension Scheme

AgustaWestland International Limited

Emoluments payable to the highest paid Director were as follows

	2012 €000	2011 €000
Emoluments	-	294

No Director (2011 nil) received shares under the long term incentive scheme

Key management compensation

	2012 €000	2011 €000
Salaries and short term employees benefits	-	590
Post employment benefits	-	18
	-	608

The key management figures given above include directors

6. AUDITORS' REMUNERATION

Operating profit is stated after charging auditor remuneration for audit services of €31,000 (2011 €36,000)
No fees were paid to the Company's auditor for non audit services 2011 audit services were provided by PricewaterhouseCoopers LLP

	2012 €000	2011 €000
Fees payable for the audit of the company's financial statements	24	36
Fees payable for Audit-related assurance services	7	-
	31	36

7. FINANCIAL INCOME AND CHARGES

	2012 €000	2011 €000
<i>Financial income</i>		
Interest receivable on short term loans and deposits	41	1,009
Gain on cashflow hedge	1,291	-
	1,332	1,009
<i>Financial charges</i>		
Interest payable	-	(10)
Embedded derivative	-	(10,286)
Loss on ineffective element of cashflow hedge	-	(5,537)
Foreign exchange losses	(148)	(797)
	(148)	(16,630)

AgustaWestland International Limited

8. TAXATION

	2012 €000	2011 €000
Current tax for current year	285	(827)
Deferred tax (note 18)	(3,270)	(3,366)
Total tax (credit)/charge	(2,985)	(4,193)

The tax on the Company's profit before tax differs to the theoretical amount that would arise using the standard rate of corporation tax in the UK (24.5%) as follows

Reconciliation of tax charge to standard UK tax rate	2012 €000	2011 €000
(Loss)/profit before tax	(12,877)	(12,780)
Profit before tax multiplied by effective rate of corporation tax in the UK of 24.5% (2011 26.5%)	(3,155)	(3,386)
Disallowable expenses	-	33
Prior year adjustment in respect of UK tax	-	(197)
Prior year adjustment in respect of deferred tax	-	(717)
Effect of providing deferred tax at 23% (note 18)	170	74
Total tax (credit)/charge	(2,985)	(4,193)

9. LOSS ON DISPOSAL AND NET LIABILITIES TRANSFERRED TO AGUSTAWESTLAND LIMITED

On 1 January 2012 the trade and net liabilities of the Company, excluding certain financial balances and balances relating to the VH71 contract with the US Government, were sold to AgustaWestland Limited

The net liabilities transferred were as follows

	Net Book Value 31/12/11 €000	Loss on Disposal of Trade €000	Net Liabilities transferred €000
Property, plant and equipment	47		47
Trade receivables	161,969		161,969
Other Current Assets	1,221		1,221
Derivative financial asset for Cash flow Hedges	4,384		4,384
Derivative financial asset for Embedded Derivative	30,138	(14,030)	16,108
Deferred tax liabilities	(4,180)		(4,180)
Advances from customers	(72,066)		(72,066)
Trade payables	(143,311)		(143,311)
Net book value of assets and liabilities transferred	(21,798)	(14,030)	(35,828)
Consideration paid			35,828
			-

AgustaWestland International Limited

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings €000	Plant machinery and other €000	Total €000
<i>Cost</i>			
At 1 January 2011	47	345	392
Disposals in 2011	-	(90)	(90)
At 31 December 2011	47	255	302
<i>Disposals 2012</i>	(47)	(255)	(302)
At 31 December 2012	-	-	-
<i>Accumulated depreciation and impairment</i>			
At 1 January 2011	24	149	173
Charge for the year	23	59	82
At 31 December 2011	47	208	255
Disposals	(47)	(208)	(255)
At 31 December 2012	-	-	-
<i>Net book value</i>			
At 31 December 2012	-	-	-
At 31 December 2011	-	47	47

Plant, machinery and other assets included computer equipment, fixtures, fittings and other equipment

The carrying value of the property, plant and equipment and fair value are not considered to be materially different

11 TRADE RECEIVABLES

	2012 €000	2011 €000
Trade receivables – third party	-	134,644
Trade receivables – inter company, related parties	7,197	34,265
Less provision for impairment of trade receivables	-	(926)
Trade receivables - net	7,197	167,983

There is no significant difference between the fair value and carrying value of trade receivables

A maturity profile of trade receivables is presented below

	2012 €000	2011 €000
<i>Current</i>		
Not overdue	7,197	60,306
Past due less than 6 months	-	65,269
Past due 6 to 12 months	-	13,443
Past due 1 to 5 years	-	29,891
Less provision for impairment of trade receivables	-	(926)
Trade receivables - net	7,197	167,983

Of the trade receivables not overdue €nil are impaired (2011 €nil)

AgustaWestland International Limited

As at 31 December 2012, trade receivables of nil were impaired and provided for (2011 €1,559,000) The amount of the provision was nil as at 31 December 2012 (2011 €926,000)

Due to the terms of the contracts between AgustaWestland International Limited and other Finmeccanica S p A group companies, where trade receivables become impaired the corresponding intercompany payable also becomes non-payable by the same amount

The carrying amounts of the Company's trade receivables are denominated in the following currencies

	2012 €000	2011 €000
Euros	283	127,246
UK Sterling	1,033	32,673
US Dollars	5,881	6 744
CAD Dollars	-	1 320
	7,197	167 983

The concentration of trade receivables by geography is

	2012 €000	2011 €000
EU/ UK state institutions	-	35 218
US state institutions	7,197	22,481
Other state institutions	-	110,284
	7,197	167 983

Movements on the provision for impairment of trade receivables are as follows

	2012 €000	2011 €000
At 1 January	(917)	(456)
Provision for receivables impairment	-	(461)
Recharged to other group company	917	-
At 31 December	-	(917)

Impairment losses from trade and other receivables amounted to nil in 2012 (2011 €461,000) and impairment provisions of nil were reversed as not subsequently required (2011 nil) The total impairment provisions against trade and other receivables amounted to nil (2011 €917,000) However, due to the nature of the Company, these losses were recharged on to other Group companies

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above The Company does not hold any collateral as security

12. OTHER CURRENT ASSETS

	2012 €000	2011 €000
Receivables for other income taxes	-	788
Indirect taxes recoverable and other receivables	-	171
Prepayments and accrued income	-	262
	-	1,221

AgustaWestland International Limited

13. DERIVATIVE FINANCIAL ASSETS

	2012 €000	2011 €000
Embedded derivative	-	30,138
Cash flow hedge asset	-	4,384
	-	34 522

Amounts recognised in respect of embedded derivatives represent the value of currency terms in commercial contracts between AgustaWestland International Limited and customers outside Europe which are denominated in Euros. At 1 January 2012, an embedded derivative with a fair value of €30,138,000 was revalued to €16,108,000 and transferred to Agustawestland Limited and balance of €14,030,000 was charged to Statement of Comprehensive Income.

14. CASH AND CASH EQUIVALENTS

	2012 €000	2011 €000
Cash at bank and in hand	274	314

The effective interest rate during 2012 on short-term deposits was 0.04 % (2011 1.71%) and these deposits have an average maturity of less than one month.

At 31 December 2012 under the group cash pooling arrangements the Company did not have any direct deposits with Finmeccanica S.p.A. The resultant group financial receivables or payables from operating the group cash pooling arrangements are not considered to be cash and cash equivalents.

15. SHARE CAPITAL

	At 31 December 2011 and 2012 €
<i>Authorised, issued and fully paid</i>	
255,500 'A' ordinary shares of £1 each (€1.0498 £1)	268,241
255,500 'B' ordinary shares of £1 each (€1.0498 £1)	268,241
Total called up share capital	536,482

The Company's shareholders are AgustaWestland Limited and AgustaWestland S.p.A., incorporated in England and Italy respectively. Their shareholdings are respectively A and B shares which are equal ordinary shares. The Company's ultimate holding company is Finmeccanica S.p.A., incorporated in Italy.

Share capital denominated in sterling is converted at the rates of exchange on 1 January 2009 when the Company changed its functional currency from UK Sterling to Euros.

16. INCOME TAXATION PAYABLE

	2012 €000	2011 €000
UK corporation taxation – current year	285	-
– prior year	-	-
	285	-

AgustaWestland International Limited

17. FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks. The Company has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Company which include the use of foreign currency instruments and interest rate derivatives. The Company's risk management policies are implemented by a central treasury function, with support from the treasury function of the Finmeccanica S.p.A. group, which receives regular reports from all operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The main areas of financial risk exposure are referred to below together with, where relevant, the types of financial instruments used to mitigate those risks.

Within the sections below analyses are provided, conducted through sensitivity analysis, of the potential impact on the final results deriving from assumed fluctuations in parameters. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final results and, by their own nature, they cannot be considered as indicators of the actual effects of future changes in those parameters with different financial statements and market conditions, and cannot reflect the inter relations and complexity of reference markets.

Foreign exchange risk

The Company's policy is to hedge firm foreign currency denominated purchase and sales contracts. The net fair value gains at 31 December 2012 on open forward foreign exchange contracts that are held to hedge the foreign currency risk of anticipated future transactions are nil (2011 €1,291,000). There were no forward foreign currency contracts outstanding at the balance sheet date.

The gain on the hedging reserve at 1 January 2012 of €1,053,000 was transferred to Statement of Comprehensive income consists of fair value of cashflow hedges of €1,1291,000 (2011 €1,291,000) plus effect of deferred tax of €238,000.

Fair value of non-current assets and liabilities

There is no significant difference between the book and fair value of non-current financial monetary assets and liabilities.

In accordance with the IFRS 7 classification hierarchy all derivative financial instruments are classified as Level 2. Consequently they are valued using techniques based significantly on observable market data such as yield curves and foreign exchange rates.

The table below analyses the Company's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2012 €000	2011 €000
Hedge of expected receipts from customers		
Euro		
Maturity within 1 year	-	91,297
Maturity between 2 and 3 years	-	101,766
Maturity between 4 and 9 years	-	6,548
Total	-	199,611

AgustaWestland International Limited

All amounts that are to be received in Euros are disclosed at their UK Sterling equivalents above translated at the balance sheet date exchange rate

At 31 December 2012, if the euro had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit and equity for the year would have been approximately €0 (2011 €0.4m) higher/lower mainly as a result of trade receivables

At 31 December 2012, if the euro had strengthened/weakened by 5% against the UK pound with all other variables held constant, post tax profit for the year would have been approximately €0 (2011 €1.8m) higher/lower. Equity would have been €0 (2011 €6.8m) higher/lower mainly as a result of movement in cash flow hedge and financial derivative valuations

Credit risk

The Company's principal financial assets are bank balances and cash, trade receivables, group financial receivables and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provisions for impairment of trade receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity and Other risks

As a member of the Finmeccanica S.p.A. group the Company is able to draw on that Company's financial resources, subject to approval, sufficient to enable its operations and planned expansions through the drawdown of financial liabilities or where appropriate the issue of additional share capital. The Company is not exposed to significant commodity price risks. The Company does not seek to actively manage its interest rate risk with the result that the Company's interest income and charges follow fluctuations in market rates.

AgustaWestland International Limited

18. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2011 25%)

The movement on the deferred tax account is shown below

<i>Deferred tax liabilities</i>	Accelerated tax depreciation €000	Fair value gains €000	Total €000
At 1 January 2011	-	(6,348)	(6,348)
Charged to statement of comprehensive income	-	3,380	3,380
Cash flow hedges – charged to equity	-	(4,805)	(4,805)
At 31 December 2011	-	(7,773)	(7,773)
Transfer business to other group company	-	4,266	4,266
Charge to Statement of Comprehensive Income	-	3,507	3,507
At 31 December 2012	-	-	-

<i>Deferred tax assets</i>	Accelerated tax depreciation €000	Fair value losses €000	Total €000
At 1 January 2011	99	-	99
Charged to statement of comprehensive income	(14)	-	(14)
At 31 December 2011	85	-	85
Transfer of business to other group company	(85)	-	(85)
At 31 December 2012	-	-	-

<i>Net deferred tax liability</i>	Deferred tax assets €000	Deferred tax liabilities €000	Total €000
At 31 December 2012	-	-	-
At 31 December 2011	85	(7,773)	(7,688)

All of the deferred tax assets were available for offset against deferred tax liabilities and therefore a net deferred tax liability is shown in the balance sheet. The deferred tax liability due after more than one year is nil (2011 €7,688,000)

The Finance Bill 2012, enacted as Finance Act 2012 in July 2012, reduced the corporation tax rate from 25% to 24% with effect from April 2012. The Budget statement had also included the announcement of further reductions in the rate by 1% per year to 21% by 1 April 2014. These are expected to be introduced in future Finance Bills. The estimated impact of this announcement is up to a credit of nil which would be reflected in the income statement and up to a charge of nil which would be reflected in reserves.

AgustaWestland International Limited

19. OPERATING LEASE COMMITMENTS

The minimum payments which the Company is committed to make under operating leases are as follows

	2012 Vehicles, plant and equipment €000	2011 Vehicles, plant and equipment €000
<i>Commitments under non-cancellable operating leases expiring</i>		
Within one year	-	9
Later than one year and less than five years	-	1
	-	10

The company leases vehicles under non-cancellable operating lease agreements

Operating lease payments in 2012 amounted to nil (2011 €9,000)

20. CONTINGENT LIABILITIES

The Company has entered into a Composite Accounting Agreement with fellow group companies. Each participating company has provided a guarantee to the Bank. The Bank is then authorised to allow set-off for interest purposes and in certain circumstances seize credit balances and apply them in reduction of liabilities including debit balances within the Composite Accounting System.

During the early part of 2012 a number of allegations of potential irregularities with respect to the Indian Ministry of Defence ("the customer") AW101 VVIP contract ("the contract"), which has an original sales value of €556 million, began to appear in both the Italian and Indian press. As a consequence a note on the allegations was included in the Company's 2011 financial statements, which confirmed that it is the Company's practice to thoroughly investigate all allegations of misconduct and irregularity with the support of independent legal experts as appropriate.

In February 2013 the AgustaWestland Group's former CEO's Mr G Orsi and Mr B Spagnolini were arrested in Italy in connection with alleged bribery payments in relation to the contract. The warrants of arrest were made as part of an Italian investigation 'pre-trial phase' prior to any charges having been brought against them or tested in a trial under Italian law. The Italian criminal procedure under which the arrests took place does not provide for the possibility of bail.

Continuing its initial investigations performed in 2012 and in response to the repeated allegations and the subsequent detainment of the AgustaWestland Group's former executives and the consequent actions of the customer and of the Indian authorities, including the involvement of the Indian Central Bureau of Investigation, the Company instigated a number of additional independent reviews by external experts as well as initiating further internal investigations and reviews of its procedures. None of these investigations has found evidence that the Company has been a party to any breach under the contract or of the Pre-contract Integrity Pact signed with the customer.

The Group companies, AgustaWestland Limited and AgustaWestland S.p.A. have received formal notice (Informazione di garanzia) from the Italian Public Prosecutor's Office of the investigation under the Italian Law 231/2001. Neither of these Group companies has become aware of facts or evidences that would require a provision for liabilities arising from the investigation.

AgustaWestland International Limited

To date, the enquiries and the considerations by the various Indian authorities have yet to reach and announce their conclusion and no formal charge has been made by the Italian authorities against any Group Company or the former CEOs of the AgustaWestland Group. Should any evidence emerge which would allow the Indian Ministry of Defence to cancel the contract under the terms of the Integrity Pact then under the contract they are entitled to reclaim all amounts paid by them which at 31 December 2012 amounted to €250.5 million (which is covered by bank guarantees) plus interest at LIBOR plus 2%. The Company has no assets or liabilities at 31 December 2012 relating to the contract. The Group would be in a position to recover helicopters and parts supplied under the contract which would then be available for sale to third parties. There is no certainty in these circumstances that the realisation of the assets would exceed their carrying value at the time of cancellation. The legitimacy of a cancellation can be disputed before an arbitration tribunal as provided by the contract.

Although the customer has currently suspended payments under the contract the Group has continued to perform its contract obligations. The Company takes its obligations under law extremely seriously and is committed to observing the highest standards of probity in all its dealings. The Company has no evidence that it has breached any of the terms of the Integrity Pact or the contract and no cancellation of the contract has been formally notified by the Indian MoD. Accordingly, no provision has been made in the financial statements in respect of the potential cancellation of the contract.

21. RELATED PARTY TRANSACTIONS

Purchases of goods and services for the year ended 31 December 2012 from Finmeccanica S.p.A. and its subsidiary companies were nil (2011: €270,628,000). The transactions were entered into in the normal course of business.

At 31 December 2012 the aggregate amounts due from/to Finmeccanica S.p.A. and its subsidiary companies, included in trade receivables/payables were €7,197,000 (2011: €34,265,000) and €2,236,000 (2011: €128,356,000) respectively and group financial receivables within the cash pooling mechanism were €27,898,000 (2011: €63,685,000) and group financial payables were €3,364,000 (2011: €4,880,000).

22. DIVIDENDS

No dividend is recommended for the year (2011: nil). During 2012 no dividend was paid (2011: €nil).

23. ULTIMATE AND IMMEDIATE PARENT UNDERTAKING

Finmeccanica S.p.A., incorporated in Italy, is the ultimate parent undertaking and controlling party and the largest group to consolidate these financial statements. Copies of their financial statements may be obtained from Piazza Montegrappa 4, 00195 Rome, Italy. The immediate parent companies are AgustaWestland S.p.A. and AgustaWestland Limited, copies of their financial statements may be obtained from Via Giovanni Agusta, 520, 21017 Cascina Costa de Samarate, Italy and Lysander Road, Yeovil, Somerset, BA20 2YB respectively. The smallest group to consolidate these financial statements is AgustaWestland N.V., which is incorporated in the Netherlands. Copies of the financial statements of AgustaWestland Holdings Limited and the consolidated financial statements of AgustaWestland N.V. can be obtained from Lysander Road, Yeovil, Somerset, UK BA20 2YB.