



# CAA International Limited

## Annual Report and Financial Statements

Year ended 31 March 2019

Company Registration No: 4104068



# CAA International Limited

## Report and Financial Statements

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# CAA International Limited

## Report and Financial Statements

### Officers and Advisors

The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise noted were:

#### Directors

Mr B Alcott

Mrs M Rueda (appointed 15 May 2019)

#### Company Secretary & General Counsel

Ms K Staples

#### Registered Office

CAA House

45-59 Kingsway

London

WC2B 6TE

#### Advisors

##### Independent Auditors

BDO LLP

150 Aldersgate Street

London EC1A 4AB

##### Bankers

National Westminster Bank PLC

PO Box 158

214 High Holborn

London WC1V 7BX

# CAA International Limited

## Report and Financial Statements

### Strategic Report

#### Review of business activity

The company is a wholly owned subsidiary of the UK Civil Aviation Authority (UK CAA) and it is part of the Group's International Group (IG). The company provides UK CAA best practice advice and training to Civil Aviation Authorities and aviation industry worldwide, as well as examinations for engineers and pilots and licensing systems. It helps extend the regulatory reach of the UK CAA overseas, working to raise aviation standards across the globe to protect UK air passengers travelling abroad. The company's objectives are wholly aligned to the strategic safety, security and environmental objectives of the UK CAA. In September 2017 CAA International Limited (CAAI) became a registered UK Social Enterprise to fulfil its vision: "A world where every State has a sustainable aviation system protecting those who fly and those who do not". Under the Social Enterprise status, we are able to reinvest a substantial part of any profit we make back into the global aviation community and where it is needed most.

This allows the UK CAA to provide better support to the European Aviation Safety Agency (EASA) internationally and the International Civil Aviation Organization's (ICAO) 'No Country Left Behind' initiative, between others. With over 90 ICAO Member States still below the Effective Implementation global average (66%), CAAI is well placed to provide assistance to these States, investing funds internationally for long-term regulatory gains that will benefit UK passengers and operators. CAAI's transition to a Social Enterprise provides the UK CAA with a greater opportunity for discussions on emerging global priorities, technologies, strategic resolutions to States and Regional challenges designed to deliver our purpose and fulfil the IG's vision.

The company's principal business activities include independent advisory services, training, licensing systems and examinations for pilots and engineers. Throughout the year, the company has been providing regulatory advice mainly to EASA, Civil Aviation Authorities in Asia, Middle East, Africa and Europe and the Ministry of Defence in the UK. The company's activities covered all regulatory areas including; aviation safety oversight, security, environment, economic regulation and consumer choice and value. The company regularly supports EASA and ICAO at events throughout the year.

The company also provides open access courses and in company training programmes for Civil Aviation Authorities and industry. We have a strategic partnership with other training providers like SAA (Singapore Aviation Academy), MAVA (Malaysia Aviation Academy) and GAA (Gulf Aviation Academy).

The company continues to support Civil Aviation Authorities and industry with Part 66 and Part FCL examinations through providing an electronic examination system. To support those challenged with limited resources or expertise, the system helps enhance examination standards and streamline the licensing process. In 2018/19 the company opened a new flight crew examination centre in Rabat, Morocco (in collaboration with the DGAC of France) and had great success with our existing centres, including delivery of a record number of e-examinations on behalf of our National Aviation Authority (NAA) customers CAA Malaysia and Hong Kong CAD.

The company follows the remuneration policies of its parent corporation, the UK CAA. The highest paid employee's remuneration (including pension contributions, other benefits and performance related payments) was £163,811 (2018: £143,310).

# CAA International Limited

## Report and Financial Statements

### Strategic Report (continued)

#### Future developments

The company will continue to focus on growing business through its advisory, training, licensing and exams service lines in target markets of Asia, the Middle East and Africa plus we will start opening a new market in Latin America. In 2019/20 we will keep focussing on consolidating current business lines and growing the technology solutions (e-exams, e-licensing and e-learning), in full alignment with the UK CAA's goals, but also securing robust advisory services contracts with NAAs and exploring new markets and new partnerships to strengthen our offering. We will also focus on innovation and service development to strengthen our competitive position in a market that is highly impacted by technology driven changes and an increase in competition in our current portfolio of services.

#### Key Performance Indicators (KPIs)

KPIs for the company are considered and included within the Annual Report and Accounts of the CAA, the company's parent corporation.

#### Review of financial performance

The company achieved revenues of £13.9m (2018: £14.9m). The decrease is primarily due to reduced volumes in Thailand, with two of the three secured work packages near completion at the start of the financial year. The company's operating result was a net operating profit of £2.4m (2018: £2.6m). The company had an average of 56 staff (2018: 56 staff) during the financial year with a further 29 full time equivalent staff being supplied from other areas within the CAA (2018: 29 staff). A combination of staff supplied from the CAA and net operating profit provided a contribution to the CAA regulatory sector before corporation tax of £5.4m (2018: £5.7m). During the year no dividends were paid to the parent corporation (2018: £5.0m).

#### Key risks and uncertainties

##### Market and competition:

The company operates in a highly competitive environment and faces competition from a broad range of organisations. A failure to develop the company's product proposition in line with changing market dynamics and expectations could erode the company's competitive position. Economic conditions (especially the decline of oil prices and the strong competition from other consultancies and Government bodies with external funding) have been challenging in recent years and the future presents some uncertainty. A significant economic decline and strong competition, together with the risks around Brexit, could impact the company's ability to continue to attract and retain customers. To mitigate these risks the company's pricing and product development strategies will be implemented to be appropriately placed within the market; more competitive pricing is required, and this will have an impact on the net profit margin. The existing operating model will be reviewed to determine if and how CAAi can increase flexibility and efficiency in order to strengthen its competitive position. Additionally, the consequences of Brexit are still unknown and we are working on different scenarios to be prepared to mitigate any risks and maximise any opportunities.

##### Financial:

The effective management of its financial exposures is central to preserving the company's profitability. The company's finance support is provided by CAA's finance team and works in close cooperation with the Managing Director and the Heads of Operations and Development to provide support to management and to ensure accurate financial reporting and tracking of our business performance. Reporting on financial performance is provided on a monthly basis to senior management, the company's Executive Committee and quarterly to the Management Advisory Board.

# CAA International Limited

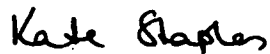
## Report and Financial Statements

### Strategic Report (continued)

#### People:

People are critical to the company's ability to meet the needs of its customers and achieve its goals as a business. Failure to attract or retain suitable employees across the business could limit the company's ability to deliver its business plan commitments. Making the company a great place to work is central to the company's strategy. The company has well established channels and procedures to recruit and retain its employees and to ensure that an adequate number of suitable employees work across all its operations. Although the average number of staff has remained the same as in the previous year, 2018/19 has seen a decline in staff numbers over the course of the year in line with the decrease in revenues and contingency planning related to Brexit. The future resourcing plan will be adapted once the outcome and impacts of Brexit are known.

The Strategic Report was approved by the Board on 18 June 2019 and was signed by order of the Board.



Ms K Staples - Company Secretary

18 June 2019

# CAA International Limited

## Report and Financial Statements

### Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2019. A review of business activities is contained within the Strategic Report.

The directors who held office throughout the year and up to the date of signing the financial statements are shown within the officers and advisors section.

### Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the year, directors' and officers' liability insurance in respect of itself and its directors.

### Going concern basis

The financial statements of CAA International Limited have been prepared on a going concern basis. The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

### Appointment of Auditors

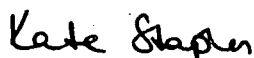
On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place.

### Audit information

So far as the directors are aware:

- a) there is no relevant audit information of which the company's auditors are unaware; and
- b) they have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Directors' Report was approved by the Board on 18 June 2019 and was signed by order of the Board.



Ms K Staples - Company Secretary

18 June 2019

# CAA International Limited

## Report and Financial Statements

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# CAA International Limited

## Report and Financial Statements

### Independent Auditor's Report to the Members of CAA International Limited

#### Opinion

We have audited the financial statements of CAA International Limited ("the Company") for the year ended 31 March 2019 which comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

# CAA International Limited

## Report and Financial Statements

### Independent Auditor's Report to the Members of CAA International Limited (continued)

#### Other information

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

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

We have nothing to report in this regard.

#### 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

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 material misstatements in the Strategic Report and Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

# CAA International Limited

## Report and Financial Statements

### Independent Auditor's Report to the Members of CAA International Limited (continued)

#### Responsibilities of the Directors

As explained more fully in the Statement of Directors' Responsibilities, 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 Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### 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.



Michael Simms, Senior Statutory Auditor  
For and on behalf of BDO LLP, Statutory Auditor  
150 Aldersgate Street  
London  
EC1A 4AB  
19 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## CAA International Limited

### Income Statement

For the years ended 31 March

	Note	2019 £	2018 £
Revenue	2	13,936,366	14,946,652
<b>Operating costs</b>			
Employment costs	3	(4,507,497)	(4,431,252)
Services and materials		(862,541)	(633,219)
Repairs and maintenance		(20,665)	(22,587)
Depreciation, amortisation, impairments and disposals	6, 10	(234,812)	(329,082)
Other losses	5	(48,157)	(38,150)
Other expenses		(2,647,586)	(3,512,030)
Intra group charges	20	(3,224,918)	(3,375,430)
<b>Net operating costs</b>		<b>(11,546,176)</b>	<b>(12,341,750)</b>
<b>Operating profit</b>		<b>2,390,190</b>	<b>2,604,902</b>
Finance income	7	12,203	17,820
<b>Profit before income tax</b>		<b>2,402,393</b>	<b>2,622,722</b>
Income tax charge	8	(171,341)	(401,383)
<b>Profit for the financial year, transferred to reserves</b>		<b>2,231,052</b>	<b>2,221,339</b>

The supporting notes on pages 15 to 34 are an integral part of these financial statements.

# CAA International Limited

## Statement of Comprehensive Income

For the years ended 31 March

	Note	2019 £	2018 £
<b>Profit for the financial year</b>		<b>2,231,052</b>	<b>2,221,339</b>
<b>Other comprehensive income / (losses)</b>			
Unrealised foreign exchange differences	5	(17,519)	(39,130)
Movement on deferred tax relating to unrealised foreign exchange differences	14	2,978	55,330
<b>Total comprehensive income for the year</b>		<b>2,216,511</b>	<b>2,237,539</b>

The supporting notes on pages 15 to 34 are an integral part of these financial statements.

# CAA International Limited

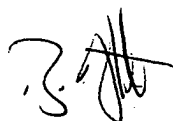
## Statement of Financial Position

As at 31 March

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Intangible assets	10	533,439	768,251
Deferred income tax assets	14	29,188	30,461
<b>Total non-current assets</b>		<b>562,627</b>	<b>798,712</b>
<b>Current assets</b>			
Trade and other receivables	11	9,809,226	6,948,069
Current tax assets		180,408	255,902
Cash and cash equivalents	12	166,415	126,421
<b>Total current assets</b>		<b>10,156,049</b>	<b>7,330,392</b>
<b>Total assets</b>		<b>10,718,676</b>	<b>8,129,104</b>
<b>Capital and reserves</b>			
Share capital	13	1	1
Retained earnings		8,274,990	6,058,479
<b>Total capital and reserves</b>		<b>8,274,991</b>	<b>6,058,480</b>
<b>Total equity</b>		<b>8,274,991</b>	<b>6,058,480</b>
<b>Current liabilities</b>			
Trade and other payables	15	2,278,755	2,070,624
Current tax liabilities		164,930	-
<b>Total current liabilities</b>		<b>2,443,685</b>	<b>2,070,624</b>
<b>Total liabilities</b>		<b>2,443,685</b>	<b>2,070,624</b>
<b>Total equity and liabilities</b>		<b>10,718,676</b>	<b>8,129,104</b>

The supporting notes on pages 15 to 34 are an integral part of these financial statements.

These financial statements were authorised for issue by the Board on 18 June 2019 and were signed on its behalf.



Mr B Alcott  
Director

Company Registration No: 4104068

## CAA International Limited

### Statement of Changes in Equity

For the years ended 31 March

	Note	Share Capital £	Retained Earnings £	Total Equity £
<b>Balance as at 1 April 2017</b>		<b>1</b>	<b>8,820,940</b>	<b>8,820,941</b>
Profit for the year		-	2,221,339	2,221,339
Unrealised foreign exchange differences	5	-	(39,130)	(39,130)
Movement on deferred tax relating to unrealised foreign exchange differences	14	-	55,330	55,330
Dividends paid	9	-	(5,000,000)	(5,000,000)
<b>Balance as at 31 March 2018</b>		<b>1</b>	<b>6,058,479</b>	<b>6,058,480</b>
<b>Balance as at 1 April 2018</b>		<b>1</b>	<b>6,058,479</b>	<b>6,058,480</b>
Profit for the year		-	2,231,052	2,231,052
Unrealised foreign exchange differences	5	-	(17,519)	(17,519)
Movement on deferred tax relating to unrealised foreign exchange differences	14	-	2,978	2,978
<b>Balance as at 31 March 2019</b>		<b>1</b>	<b>8,274,990</b>	<b>8,274,991</b>

The supporting notes on pages 15 to 34 are an integral part of these financial statements.

## CAA International Limited

### Statement of Cash Flows

For the years ended 31 March

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	16	(34,306)	1,267,624
Income tax received / (paid)		73,335	(1,036,401)
<b>Net cash generated from operating activities</b>		<b>39,029</b>	<b>231,223</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		-	(237,243)
Proceeds on disposal of property, plant and equipment		-	8,219
Interest received		965	1,045
<b>Net cash generated from/(used in) investing activities</b>		<b>965</b>	<b>(227,979)</b>
Net increase in cash and cash equivalents		39,994	3,244
Cash and cash equivalents at beginning of year		126,421	123,177
<b>Cash and cash equivalents at end of year</b>	12	<b>166,415</b>	<b>126,421</b>

Interest receivable in the prior year of £11,237 in respect of intercompany interest has been reallocated to working capital adjustments in note 16.

The supporting notes on pages 15 to 34 are an integral part of these financial statements.



# CAA International Limited

## Notes to the Financial Statements

### 1. General information and significant accounting policies

The company is incorporated in the United Kingdom and is limited by shares. The principal business activity throughout the year has been to provide independent expert advice to assist clients worldwide primarily to enhance aviation safety. The company provides consultancy, training and examination services throughout the world.

The address of the company's registered office is shown on page 1.

#### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.14.

#### 1.1.1 Changes in accounting policies and disclosures

##### Adoption of new and revised standards

New standards impacting the company that were adopted in the financial statements for the year ended 31 March 2019, and which have given rise to changes in the company's accounting policies are :

- IFRS 15 'Revenue from Contracts with Customers';
- IFRS 9 'Financial Instruments';

Both standards had a transition date of 1 April 2018. Details of the impact of these two standards have had are given below:

##### IFRS 9 Financial Instruments (IFRS 9)

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the company's approach was to include the impairment of trade receivables in other expenses. An impairment charge of £55k has been recognised in the year ended 31 March 2019 (2018: £64k).

The "incurred losses" model for calculating risk provisioning and impairments under IAS 39 is replaced by a forward-looking model under IFRS 9 based on "expected credit losses". Financial assets that are not overdue are also subject to an impairment charge. The new impairment model should be applied to financial assets that are measured at amortised cost or at fair value through other comprehensive income, as well as to contract assets in accordance with IFRS 15.

The general approach is used by the company for cash and cash equivalents and other financial assets that fall within the scope of application for impairments under IFRS 9. The difference between the amount of the loss allowances for other financial assets as at 31 March 2018 under IAS 39 and the amount of the loss allowances for other financial assets as at 1 April 2018 under IFRS 9 is immaterial.

## Civil Aviation Authority Notes to the Financial Statements

### 1. General information and significant accounting policies (continued)

#### IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The company has adopted the modified retrospective method from 1 April 2018.

The company has undertaken a review of its contracts and considers the main accounting implications under IFRS 15 are likely to be in the timing of revenue recognition under its contracts with overseas clients which are unique in each case. The company has reviewed the individual contracts and revenue is recognised using the most appropriate measure in each case.

Since application of IFRS 15 has not resulted in any material effects, no cumulative adjustment amounts had to be recognised in equity as at 1 April 2018. The application of IFRS 15 rather than IAS 18 has also not resulted in any material changes to the amount of revenue in the current reporting period.

The company has taken the practical expedient not to disclose quantitative information about unsatisfied or partially satisfied performance obligations, as the original expected duration of the underlying contract is less than one year.

#### Adoption of new and revised standards

The following standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, are effective for the first time in the following years. The effective dates are listed below. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact, unless otherwise stated, on the figures included in the financial statements in the period of initial application.

- Annual Improvements to IFRS Standards 2015-2017 Cycle (1 January 2019) ;
- IFRS 16 'Leases' (1 January 2019);
- IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments' (1 January 2019);
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation' (1 January 2019);
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures' (1 January 2019);
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement' (1 January 2019);

#### 1.2 Segment reporting

The company's results are reported in a manner consistent with the internal reporting provided to the Management Advisory Board. For the reporting year, the Management Advisory Board was responsible for strategic decisions, the allocation of resources and assessing performance of these operating segments, and in this capacity was deemed to be the chief operating decision maker.

# CAA International Limited

## Notes to the Financial Statements

### 1. General information and significant accounting policies (continued)

#### 1.3 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the company is pounds sterling and its financial statements are presented in pounds sterling.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Income Statement within 'Other losses'. Foreign exchange gains and losses resulting from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

#### 1.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount, or recognised as separate assets, only when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate asset costs or revalued amounts to their residual values over their estimated useful lives, as follows:

- Plant and equipment	3-10 years
- Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Depreciation, amortisation, impairments and disposals' in the Income Statement.

#### 1.5 Intangible assets

Intangible assets are stated at historical cost less amortisation and impairments. Historical cost includes expenditure that is directly attributable to the generation of the items.

Subsequent costs are included in the asset's carrying amount, or recognised as separate assets, only when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

The carrying amount of any replaced element is derecognised. All other maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

Amortisation is calculated using the straight-line method to allocate assets' costs or revalued amounts to their residual values over their estimated useful lives, typically as follows:

- Software development costs	5-10 years
- Intellectual property	5 years

Assets in the course of construction are not amortised.

**1. General information and significant accounting policies (continued)**

**1.6 Impairment of non-financial assets**

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are separately distinguished at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**1.7 Financial instruments**

Financial assets and liabilities are initially recognised on the statement of financial position at fair value when the company has become party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Classification of financial assets**

Financial instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company's financial assets are categorised as financial assets held at amortised cost. Such assets are subsequently carried at amortised cost using the effective interest method. If the time value of money may have a significant impact on their value, less allowances for any expected lifetime credit losses.

The company's financial assets measured at amortised cost comprise trade and other receivables, contract assets, receivables from related parties and cash and cash equivalents in the statement of financial position.

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

# CAA International Limited

## Notes to the Financial Statements

### 1. General information and significant accounting policies (continued)

#### Impairment of financial assets

The company recognises a loss allowance for expected credit losses on investments in financial instruments that are measured at amortised cost including trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company assesses at the reporting date whether there is objective evidence that there has been an increase in the credit risk of its financial assets. The company uses criteria such as significant financial difficulty of the counterparty, the disappearance of an active market for that financial asset because of financial difficulties and breaches of contract as objective evidence.

#### Definitions of default and write off

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement within 'Other losses' in the period in which they arise.

#### Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

#### Liquidity risk

The company monitors its liquidity position on a regular basis. Excess funds are placed on deposit but can be called back if required. The company is exposed to risks relating to the current economic climate, but its cash and cash equivalents are adequate to meet its commitments and finance its operations.

#### Capital Management

The capital structure of the company consists of share capital and retained earnings with a net surplus of £8,275k (2018: £6,058k). The company's main objective when managing capital is to safeguard its ability to continue as a going concern.

The company reviews its capital structure regularly. The company is not subject to any externally imposed capital requirements.

# CAA International Limited

## Notes to the Financial Statements

### 1. General information and significant accounting policies (continued)

#### 1.8 Contract Balances

##### Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### Trade receivables

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

##### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

#### 1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and other short term highly liquid investments with original maturities of three months or less.

#### 1.10 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management has established provision where appropriate on the basis of amounts expected to be due to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

Deferred income tax assets are recognised only 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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# CAA International Limited

## Notes to the Financial Statements

### 1. General information and significant accounting policies (continued)

#### 1.11 Employee benefits

##### (a) Short-term employee benefits

The cost of short-term employee benefits (wages, salaries, social security contributions, annual leave, bonuses and non-monetary benefits) is recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement, or in the case of non-accumulating absences, when the absences occur.

##### (b) Post-employment benefits - pension obligations

The seconded employees of the company are eligible to participate in the Civil Aviation Authority's pension scheme.

The Civil Aviation Authority Pension Scheme is a fully funded defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund.

The Civil Aviation Authority Pension Scheme was closed to new entrants on 30 November 2012. After that date new entrants have been able to join a defined contribution plan where contributions are paid into an independently administered fund.

The pension cost for CAA International Limited is restricted to the contributions payable to the schemes for employees seconded to the company (note 3). The ultimate liability for pensions of these employees remains with the UK Civil Aviation Authority.

##### (c) Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to, either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

#### 1.12 Revenue recognition

The company recognises revenue at the transaction price, in line with progress towards the completion of the performance obligation of the particular service being provided. The company provides a number of different services, and uses both input and output methods to assess both the transaction price and the point of revenue recognition, using the most appropriate for each individual service. Revenue is shown net of value-added tax, credits and discounts and after eliminating sales within the company.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The company bases its contract asset estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The company's activities can be classified as follows:

# CAA International Limited

## Notes to the Financial Statements

### 1. General information and significant accounting policies (continued)

#### (a) Sales of services

The company derives revenue from activities which are either for a fixed price, or derived on a time and materials expended basis. The company also derives revenue from its commercial aviation related services in providing exam services, training courses and aviation consultancy services.

#### (b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### 1.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor and excluding costs for services such as insurance and maintenance) are charged to the income statement on a straight-line basis over the period of the lease. Lease rental charges for vehicle agreements entered into from 2012 are reimbursed by the member of staff responsible for each vehicle.

#### 1.14 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and assumptions concerning the future are made by the company and the resulting accounting estimates will, by definition, seldom equal the related actual results.

#### Intangible Assets impairment testing

Estimates are made in relation to the value in use of the fixed assets. This is included within the impairment review calculations. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects the current market assessment of the time value of money.

#### Expected credit losses

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the company's historical credit losses. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the company's customers.

#### Fair value measurement

Assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables.

Due to their short-term nature, the carrying value of those approximates their fair value.



## CAA International Limited

### Notes to the Financial Statements

#### 2. Revenue

The Management Advisory Board has determined that there are no operating segments within the company for strategic decision making purposes. Activities are considered from a product perspective, details of which are given below:

	2019	2018
	£	£
Technical assistance services	10,420,326	11,776,542
Training	1,576,750	1,848,135
Examinations	1,939,290	1,321,975
<b>Total revenue</b>	<b>13,936,366</b>	<b>14,946,652</b>

#### 3. Employment costs

In respect of the employees included in the table below the related employee benefits expenses are as follows:

	2019	2018
	£	£
Wages and salaries	3,424,745	3,354,265
Social security costs	381,716	391,667
Defined benefit pension plan costs	500,187	467,678
Defined contribution pension plan costs	139,457	116,682
Other employee benefits expenses	61,392	100,960
<b>Total employee benefit expenses</b>	<b>4,507,497</b>	<b>4,431,252</b>

Other employee benefits expenses include costs of relocation, overseas accommodation and taxes, car leasing and allowance costs.

The monthly average number of employees during the year was:

	2019	2018
	Employees	Employees
<b>Average number of employees</b>	<b>56</b>	<b>56</b>

The above disclosures represent the number of employees and associated employee benefit expenses of employees that work on CAA International Limited activities. However, all of these resources are employed by the company's parent corporation, the UK Civil Aviation Authority. Employee benefit expenses are cross charged through the Group intercompany accounts.

The sole director of the company for the duration of financial year is included within the average number of employees of the parent corporation only (see note 4).

## CAA International Limited

### Notes to the Financial Statements

#### 4. Key management personnel emoluments

CAA International Limited only had one company director during the year. Emoluments are borne by the parent undertaking, the Civil Aviation Authority; a total charge of £33,264 (2018: £32,412) was incurred for services during the year (see note 20) which also includes the cost of company secretarial and other CAA executive oversight activities.

	2019	Restated 2018
	£	£
<b>Key management personnel emoluments:</b>		
Salaries and fees	643,694	519,448
Benefits	10,833	14,390
Performance related payments	57,175	57,000
	<u>711,702</u>	<u>590,838</u>
Emoluments excluding pension contributions		
Pension contributions	229,634	175,712
	<u>941,336</u>	<u>766,550</u>

There were 8 key management personnel in the year (2018: 8).

A charge of £9,348 (2018: £9,108) was incurred for services of one of the directors, Ben Alcott, who is an employee of the parent undertaking, the Civil Aviation Authority.

(2018 restatement: the pension contributions number has been restated as it was understated by £41,202 in the 2018 accounts. It was originally presented as £134,510.)

#### 5. Other losses

	2019	2018
	£	£
Net foreign exchange losses on operating activities	(48,157)	(38,150)
<b>Total realised other losses</b>	<u>(48,157)</u>	<u>(38,150)</u>
Net unrealised foreign exchange losses recognised through other comprehensive income	(17,519)	(39,130)
<b>Total unrealised other losses</b>	<u>(17,519)</u>	<u>(39,130)</u>

## CAA International Limited

### Notes to the Financial Statements

#### 6. Profit for the year

Other items charged to the Income Statement are:

	2019	2018
	£	£
<b>Operating lease payments:</b>		
Properties	-	(1,088)
<b>Total operating lease payments</b>	<u>-</u>	<u>(1,088)</u>

Property lease rentals are included within 'Services and materials'.

	2019	2018
	£	£
<b>Additional cost of fixed assets:</b>		
Profit on disposal of vehicles	-	8,219
<b>Total additional cost of fixed assets</b>	<u>-</u>	<u>8,219</u>

Additional costs of fixed assets are shown within 'Depreciation, amortisation, impairments and disposals'.

	2019	2018
	£	£
<b>Fees payable to company's auditor for:</b>		
Audit of company financial statements	8,000	8,000
Audit of company's Malaysia branch financial statements	8,000	8,000
Other audit services	-	1,025
<b>Total fees payable to company's auditor</b>	<u>16,000</u>	<u>17,025</u>

All costs are shown within 'Other expenses'.

#### 7. Finance income

		2019	2018
	Note	£	£
<b>Finance income:</b>			
Interest receivable on inter company trading balances	20	11,237	16,775
Interest received on overpayment of corporation tax		966	1,045
<b>Total finance income</b>		<u>12,203</u>	<u>17,820</u>

## CAA International Limited

### Notes to the Financial Statements

#### 8. Income tax expense

##### Analysis of charge in the year:

	2019	2018
	£	£
<b>Current tax:</b>		
UK corporation tax at 19% (2018: 19%) on profit for year	164,930	362,524
Adjustment in respect of prior years	(3,406)	20,833
Tax overseas suffered	-	15,851
Adjustment in respect of prior years (overseas tax)	-	(1,968)
Withholding tax suffered	5,566	-
<b>Total current tax charge</b>	<b>167,090</b>	<b>397,240</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	4,251	4,143
<b>Total deferred tax charge</b>	<b>4,251</b>	<b>4,143</b>
<b>Income tax charge</b>	<b>171,341</b>	<b>401,383</b>

##### Reconciliation of effective tax rate:

	2019	2018
	£	£
<b>Current tax:</b>		
Profit before income tax	2,402,393	2,622,722
Tax calculated at applicable rate of 19% (2018: 19%)	456,455	498,317
Tax effects of:		
Expenses not deductible for tax purposes	2,088	(237)
Group relief claimed	(288,505)	(130,927)
Overseas tax	-	15,851
Overseas withholding tax	5,566	-
Adjustments to tax charge in respect of previous periods	(3,406)	18,865
Adjust opening deferred tax to average rate of 19%	(3,940)	(3,288)
Adjust closing deferred tax to average rate of 19%	3,083	2,802
<b>Income tax charge</b>	<b>171,341</b>	<b>401,383</b>

#### 9. Dividends

	2019	2018
	£	£
Dividend for the year ended 31 March	-	5,000,000
<b>Total dividends</b>	<b>-</b>	<b>5,000,000</b>

During the year no dividends (2018: £5m) were settled through the intercompany account with the parent, the Civil Aviation Authority.

## CAA International Limited

### Notes to the Financial Statements

#### 10. Intangible assets

	Software development costs	Assets in the course of construction	Intellectual property	Total
Cost	£	£	£	£
At 1 April 2017	645,711	385,203	154,883	1,185,797
Additions	-	237,243	-	237,243
Transfers	524,730	(524,730)	-	-
<b>At 31 March 2018</b>	<b>1,170,441</b>	<b>97,716</b>	<b>154,883</b>	<b>1,423,040</b>
Disposals	-	(97,716)	-	(97,716)
<b>At 31 March 2019</b>	<b>1,170,441</b>	<b>-</b>	<b>154,883</b>	<b>1,325,324</b>
<b>Accumulated amortisation and impairments</b>				
At 1 April 2017	271,023	-	46,465	317,488
Charge for the year	144,521	-	30,977	175,498
Impairments	64,087	97,716	-	161,803
<b>At 31 March 2018</b>	<b>479,631</b>	<b>97,716</b>	<b>77,442</b>	<b>654,789</b>
Charge for the year	157,371	-	30,976	188,347
Impairments	-	-	46,465	46,465
Disposals	-	(97,716)	-	(97,716)
<b>At 31 March 2019</b>	<b>637,002</b>	<b>-</b>	<b>154,883</b>	<b>791,885</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>533,439</b>	<b>-</b>	<b>-</b>	<b>533,439</b>
<b>At 31 March 2018</b>	<b>690,810</b>	<b>-</b>	<b>77,441</b>	<b>768,251</b>

As part of our normal impairment review process, we have taken the decision to impair assets previously capitalised, following a reassessment of future benefits associated with the projects.

Impairment losses of £46,465 (2018: £ 161,803) are included within 'Depreciation, amortisation, impairments and disposals' on the Income Statement. The impairment loss relates to intellectual property in Kuwait which is not considered to be commercially viable. As such, the carrying value has been written down to nil.

The current discount rate used in our models is 2%, which is a value provided by the Dft and is in line with market rates. A rise in the discount rate by 10 basis points (i.e. +0.1%) or a decrease in the discount rate of 10 basis points (i.e. -0.1%) would result in no further impairment or impairment reversal.

## CAA International Limited

### Notes to the Financial Statements

#### 11. Trade and other receivables

	Note	2019 £	2018 £
Trade receivables		2,337,914	2,809,939
Less: provision for doubtful trade receivables		(200,185)	(143,175)
<b>Trade receivables - net</b>		<b>2,137,729</b>	<b>2,666,764</b>
Prepayments		83,405	48,387
Receivables from related parties	20	6,812,587	3,558,909
Contract asset		774,010	672,460
Other receivables		1,495	1,549
<b>Total current receivables</b>		<b>9,809,226</b>	<b>6,948,069</b>

The carrying amounts of trade and other receivables is deemed to approximate their fair value.

Standard credit terms for commercial activities are 30 days, unless otherwise specified in individual contracts with customers.

As at 31 March 2019 trade receivables of £895,799 (2018: £1,506,309) were past their due date but were not doubtful. The ageing analysis of these is as follows:

	2019 £	2018 £
<b>Past due:</b>		
Up to 3 months	881,219	1,410,345
From 3 to 12 months	14,580	95,946
Over 12 months	-	18
<b>Total current receivables</b>	<b>895,799</b>	<b>1,506,309</b>

Movements on the provision for doubtful trade receivables:

	2019 £	2018 £
At 1 April 2018	143,175	110,145
Provision for receivables impaired	102,481	65,602
Receivables written off in the year as uncollectable	-	(31,000)
Unused amounts reversed	(45,471)	(1,572)
<b>At 31 March 2019</b>	<b>200,185</b>	<b>143,175</b>

# CAA International Limited

## Notes to the Financial Statements

### 11. Trade and other receivables (continued)

The creation and release of provision for doubtful receivables have been included in 'Other expenses' in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of all financial assets. The company does not hold any collateral as security.

The value of trade receivables and other receivables denominated in foreign currencies are:

	2019	2018
	£	£
British pounds	669,832	1,300,272
Euros	1,308,711	1,345,924
Thai Baht	120,305	-
US dollars	27,602	-
Other currencies	12,774	22,117
<b>Total trade and other receivables</b>	<b><u>2,139,224</u></b>	<b><u>2,668,313</u></b>

### Contract balances:

	Contract assets 2019	Contract assets 2018	Contract 2019	Contract 2018
	£	£	£	£
At 1 April	672,460	1,964,195	(1,212,283)	(2,166,213)
Transfers in the period from contract assets to trade receivables	(663,360)	(1,953,168)	-	-
Excess of revenue recognised over cash (or rights for cash)	764,910	661,433	-	-
Amounts included in contract liabilities that were recognised as revenue during the period	-	-	907,313	1,372,275
Cash received in advance of performance and not recognised as revenue during the period	-	-	(827,901)	(418,345)
<b>At 31 March</b>	<b><u>774,010</u></b>	<b><u>672,460</u></b>	<b><u>(1,132,871)</u></b>	<b><u>(1,212,283)</u></b>

## CAA International Limited

### Notes to the Financial Statements

#### 12. Cash and cash equivalents

The following cash and cash equivalents are included within the Statement of Cash Flows:

	2019	2018
	£	£
Cash at bank and in hand	166,415	126,421
<b>Total cash and cash equivalents</b>	<b>166,415</b>	<b>126,421</b>

#### 13. Share capital

	2019	2018
	£	£
<b>Authorised:</b>		
100 (2018: 100) ordinary shares of £1	100	100
<b>Total authorised share capital</b>	<b>100</b>	<b>100</b>
<b>Called up and allocated but not fully paid:</b>		
1 (2018: 1) ordinary share of £1	1	1
<b>Total share capital</b>	<b>1</b>	<b>1</b>

#### 14. Deferred tax liabilities / (assets)

The gross movement on the deferred income tax balance is as follows:

	2019	2018
	£	£
At 1 April	(30,461)	20,726
Income statement tax charge	4,251	4,143
Other comprehensive income tax credit	(2,978)	(55,330)
<b>At 31 March</b>	<b>(29,188)</b>	<b>(30,461)</b>

Deferred income tax assets are recognised in respect of tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

In the Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.



## CAA International Limited

### Notes to the Financial Statements

#### 15. Trade and other payables

	Note	2019 £	2018 £
<b>Current liabilities:</b>			
Trade payables		319,658	239,081
Amounts due to related parties	20	22,366	24,086
Accrued expenses		580,293	506,015
Contract liability		1,132,871	1,212,283
Other payables		223,567	89,159
<b>Total current trade and other payables</b>		<b>2,278,755</b>	<b>2,070,624</b>

The carrying amount of trade and other payables is deemed to approximate their fair value.

The value of trade payables and other payables are denominated in the following currencies:

	2019 £	2018 £
British pounds	533,483	271,261
Euros	-	13,403
Malaysian Ringgits	-	34,462
Kuwaiti dinars	9,742	9,114
<b>Total current trade and other payables</b>	<b>543,225</b>	<b>328,240</b>

#### 16. Cash (used in) / generated from operations

	Note	2019 £	2018 £
<b>Profit before income tax</b>		<b>2,402,393</b>	<b>2,622,722</b>
<b>Adjustments for:</b>			
Depreciation, amortisation and impairments	6, 10	234,812	337,301
Profit on disposal of asset		-	(8,219)
Finance income - net	7	(12,203)	(17,820)
Unrealised foreign exchange difference	5	(17,519)	(39,130)
<b>Changes in working capital:</b>			
Trade and other receivables		(2,849,920)	5,151,670
Trade and other payables		208,131	(1,778,900)
Dividend to parent settled through intercompany account	9, 20	-	(5,000,000)
<b>Cash (used in) / generated from operations</b>		<b>(34,306)</b>	<b>1,267,624</b>

# CAA International Limited

## Notes to the Financial Statements

### 17. Retirement benefit obligation

Employees of the company seconded from the CAA are eligible to participate in the Civil Aviation Authority's pension scheme.

The Civil Aviation Authority Pension Scheme is a fully funded defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund.

The pension cost for CAA International Limited (CAAi) is restricted to the contributions payable to the scheme for employees seconded to CAAi (note 3). The ultimate liability for pensions of these employees remains with the Civil Aviation Authority (CAA).

The CAA is required to contribute to the scheme at the rates agreed at the last scheme specific funding valuation as at 31 December 2015. This rate was set at 28.2% (2018: 25.2%) of pensionable earnings for the year 2018/19 in respect of which the CAA paid contributions of £15.9 million (2018: £15.3 million). The expected contribution in the 2019/20 year is £15.2 million. The expected future benefit payments for 2019/20 are forecast to be £131.1 million.

The Civil Aviation Authority Pension Scheme was closed to new entrants on 30 November 2012. After that date new entrants have been able to join a defined contribution plan where contributions are paid into an independently administered fund. The income statement charge represents the contributions payable by the company based on a percentage of the employees' pay.

### 18. Commitments

#### Capital commitments

At 31 March 2019 and 2018, the company had no material capital commitments that were contracted for but not provided.

#### Operating lease commitments

The company leases vehicles under cancellable operating lease agreements. The company is required to give, in some instances, 30 days notice for the termination of such agreements. No lease expenditure has been charged to the Income Statement in the period (2018: nil).

At the balance sheet date the future aggregate minimum lease payments under non-cancellable operating leases fall due as follows:

	2019	2018
	£	£
<b>Vehicles:</b>		
No later than 1 year	15,822	22,656
Later than 1 year and not later than 5 years	5,826	7,624
<b>Total vehicle operating lease commitments</b>	<b>21,648</b>	<b>30,280</b>

Vehicle lease rental agreements are entered into by the company. Lease rental charges are reimbursed by the member of staff responsible for each vehicle. The employee contributions have matched the expenditure in the year resulting in expenditure on the Income Statement of £nil (2018: £nil).

# CAA International Limited

## Notes to the Financial Statements

### 19. Guarantees and contingencies

The following guarantee, which was in place at the end of the previous period, expired during the year:

A performance guarantee in the sum of MYR 247,500 (£46,929) with the Government of Malaysia, expired 31 December 2018.

As at 31 March 2019, the company is not aware of any material contingent liabilities and the company does not anticipate that any material contingent liabilities will arise.

### 20. Related-party transactions

The following transactions were carried out with fellow group undertakings during the year:

	2019	2018
	£	£
Costs incurred by way of recharge from the Civil Aviation Authority in connection with legal, finance, IT and facilities support costs	847,680	779,796
Costs incurred by way of recharge from the Civil Aviation Authority in connection with corporate Board Member and company secretarial costs	33,264	32,412
Costs incurred from the Civil Aviation Authority in connection with the provision of radio licencing services	149,490	207,501
Work carried out by the Civil Aviation Authority on behalf of CAA International Limited with regard to commercial aviation related services	2,194,484	2,355,721
<b>Total inter group charges</b>	<b>3,224,918</b>	<b>3,375,430</b>
<b>Interest receivable from the CAA on Group trading balances (note 7)</b>	<b>(11,237)</b>	<b>(16,775)</b>
<b>Dividend paid to CAA (see note 9)</b>	<b>-</b>	<b>5,000,000</b>

In addition, employee benefit costs of £4,507,497 (2018: £4,431,252) were recharged from the Civil Aviation Authority during the year (see note 3).

The year-end balances owing to / (by) the company from / (to) group undertakings:

	Note	2019	2018
		£	£
Civil Aviation Authority	11	6,812,587	3,558,909
Air Safety Support International Limited	15	(22,366)	(24,086)
<b>Net receivables from group undertakings</b>		<b>6,790,221</b>	<b>3,534,823</b>

## **CAA International Limited**

### **Notes to the Financial Statements**

#### **20. Related-party transactions (continued)**

As part of the treasury function, the group operates a cash pooling arrangement for the CAA and its subsidiaries. A number of other functions, including payroll and accounts payable, are carried out and settled by the CAA on behalf of its subsidiaries. These transactions are not included in the above disclosures.

During the year revenue of £1,019 (2018: £2,666) was received from City Occupational Limited by the company in respect of royalties earned. Maria Rueda, an executive committee member and director of the company, was appointed as a director of City Occupational Limited in March 2016.

#### **21. Ultimate parent undertaking**

The company's ultimate controlling party is the UK Secretary of State for Transport, who is the ultimate controlling party of the company's immediate parent corporation, the UK Civil Aviation Authority (CAA). The CAA is a body governed by the Civil Aviation Act 1982 and the Civil Aviation Act 2012. The CAA's Annual Report and Accounts may be viewed and downloaded from the Civil Aviation Authority's website ([www.caa.co.uk](http://www.caa.co.uk)). The CAA consolidates the company's financial statements.