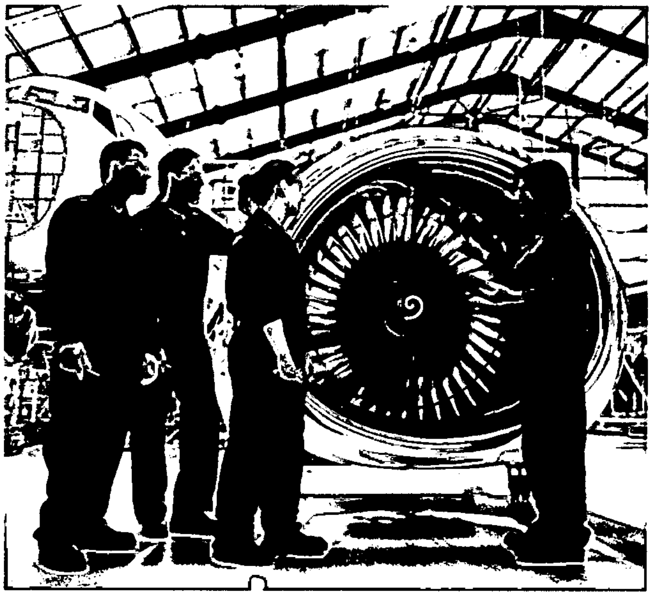
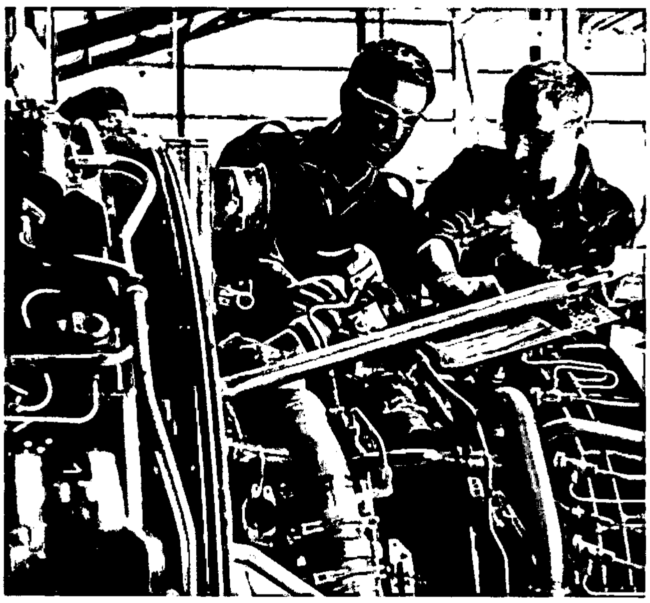
KLM UK Engineering

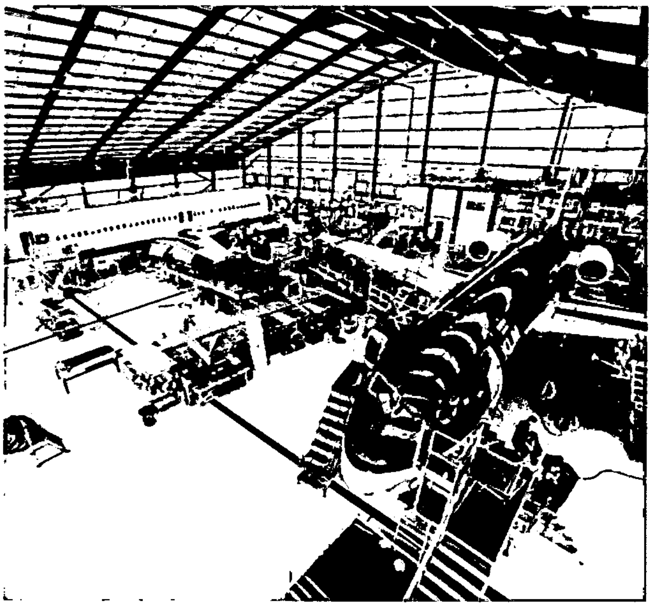
Annual report and financial statements

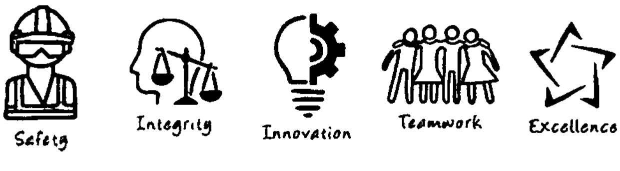
Registered number 02513110

Year Ended 31 December 2018









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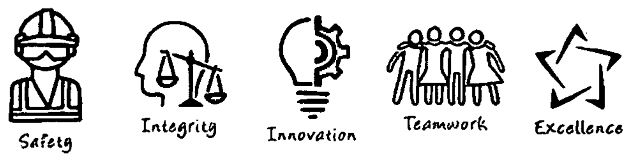


Strategic report

Review of the business, future developments & principal risks and uncertainties

The Company is engaged in aircraft maintenance services and technical training. The reported loss before taxation is a considerable improvement from the 2018 result arising from:

- Further improved balance of work between summer and winter with better margins
- High market demand, especially for the winter season.
- Improving profitability in previously less profitable income streams

This had the effect of improving the gross margin from 16.9% in 2017 to 18.9 % in 2018 and the operating profit was better than budget. Consequently, the directors are confident that further improvements in 2019 and beyond can be achieved. This further improvement can be achieved by optimising customer mix, prices, seasonality of work, quality of partnership, innovation and the changing focus of the Technical College. This will enable us to improve our revenues whilst constraining cost and continuing to improve efficiencies.

In 2018 we introduced the B737 MAX capability for Line Maintenance and the Technical College. In 2019 we will prepare ourselves for the Base Maintenance capability.

Our current portfolio is as follows:

- Boeing 737 Classic and Next Generation types
- Embraer Ejets
- Avro RJ / Bae146
- B737 MAX (line maintenance and training only)
- A320 family
- Fokker 70 / 100

In 2018 the Boeing 737 provided the most maintenance revenue followed by the Avro RJ/Bae 146. Although we expect the Avro RJ/Bae 146 to be winding down in 2019 and 2020. The Fokker 70/100 will be seen frequently in our hangars over the next couple of years. We aim to grow the Ejet maintenance in the coming years, the A320 continues to be a highly competitive market for us.

The line maintenance operation has continued to grow and generated a healthy margin. This should continue to do so throughout 2019 but is expected to face some challenges. Line maintenance continues to be a dynamic environment which requires us to remain nimble, evolve to meet our customers' demands and continue to seek new opportunities.

The Company continues to operate a technical college providing aircraft maintenance training to employees and external customers. The products we deliver are: EASA Part 66 B1 Licence/Degree course in Aircraft Engineering, Basic training, Virtual Learning Environment (VLE) and Type training. We started Type Training again after several years of absence in that market segment. Last year we decided to discontinue the partnership with Kingston University in London, which will be run down and finished in 2019. Together with City College Norwich we developed a new apprentice program which was successfully kicked off in September 2018 with the highest number of apprentices we have ever welcomed.

Brexit; with the planned departure of the UK from the EU on 31 October 2019, this has continued to be an uncertain situation in general and for the aviation business specifically. Preparations for a No-Deal Brexit have been taken, including the application for the EASA Foreign approvals. As a Company we have everything in place for the next steps.

In 2019 we signed a long-term lease with Norwich Airport for them to build a new Hangar and Workshop, which will be delivered summer 2020 and ready for operation just before winter season 2020. The new Hangar will give us the opportunity to expand our business with an additional 6th bay.

Strategic report *(Continued)*

The Company participates in a Defined Contribution Pension Scheme and a multi-employer Defined Benefit Pension Scheme. The Defined Benefit Pension Scheme has a limited number of active members but a significant number of deferred and pensioner members. With the exception of the actuarial gain, which is shown in the statement of other comprehensive income on page 10, pension costs are included in the Profit and Loss Account. The Company share of the pension scheme assets and liabilities is reassessed annually based on the accrued benefits of their respective members, and the transfer of pension liability between participant companies is also included in the statement of other comprehensive income. Underlying administration costs have remained stable. Given the above, the directors remain confident about the long-term future of the Company as do the group in their continued support for the Company.

By order of the board

Peter van der Horst
Director

Date: 25-09-2019

Directors' report

Principal activity

The principal activity of the Company is aircraft maintenance services and technical training.

Results for the year and dividends

The loss for the year after taxation amounted to £659k *(2017: £553k)*. The directors did not recommend the payment of a dividend during the year *(2017: £nil)*.

Directors

The directors who held office during the year were as follows:

V v Hooff	(Chairman, resigned 08.10.18)
M Essenberg	(Chairman, appointed 08.10.18)
P vd Horst	(Managing Director)
J Veenstra	
R Kalmann	
P Mahoney	(Resigned 29.06.18)
G.vd Landen	
W.Easlea	
J Shipley	(Appointed 21.06.19)

No director in office at 31 December 2018 had any disclosable interest in the shares of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines), KLM UK Engineering Limited or any other group company during the year. In addition, no rights to subscribe for shares of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines), KLM UK Engineering Limited or any other group company were issued during the year.

Employee involvement policy

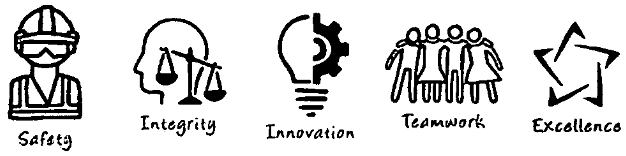
During the year the Company continued its policy of regular meetings with employees and their representatives within the limitations of commercial confidentiality and security. It is the Company's practice when making decisions, to take into account the views of the employees

Disabled persons policy

In compliance with current legislation, a Company policy is in existence for encouraging the employment of disabled persons, where this is practical. Endeavours are made to ensure that disabled employees benefit from training and other development programmes in common with all employees.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.



Directors' report *(continued)*

Financial risk management objectives and policies

Price risk

The Company is exposed to price risk through the indirect impact of competitor activities. Our pricing structure is consistently reviewed via RFP/tenders that we are involved in on a regular basis. It is the policy of the Company to ensure that the Company's products and services are competitively priced, whilst reflecting the quality of products and services supplied. The Company is subject to the effect of changes in the airline industry which has potential to have a negative impact on the customers expectance for the price of maintenance.

Credit risk

Credit risk is the risk customers will default on their obligation to make payment for the product or services supplied. The Company has implemented policies that require appropriate credit checks and sometimes credit insurance for potential customers before work or sales begin. In some circumstances advance payments are required.

Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign exchange rates. The majority of the Company's revenue is generated in sterling; however a proportion is billed in euros and US dollars. The principal exposure relates to euros as US dollars are hedged by purchasing parts from Boeing. The Company has a policy of natural hedging wherever possible.

Interest rate risk

The Company is not currently exposed to interest rate risk. The directors continue to monitor the position and will revisit the appropriateness of this policy should the exposure change in the future.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The risk is mitigated as the Company has access to a Revolving Loan facility provided by Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines).

Matters covered within the Strategic Report

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Post balance sheet events

Since the year end the company has signed an agreement for lease to occupy a newly built Hangar and Workshop at Norwich Airport in 2020. The new Hangar will provide an additional 6th bay for base maintenance from Winter 2020.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report *(continued)*

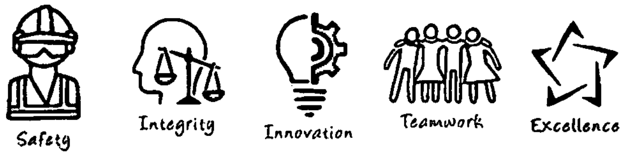
Auditor reappointment

The auditors, Larking Gowen LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board

Peter van der Horst
Director

Date: 25-09-2019



Statement of directors' responsibilities in respect of the annual report and the financial statements

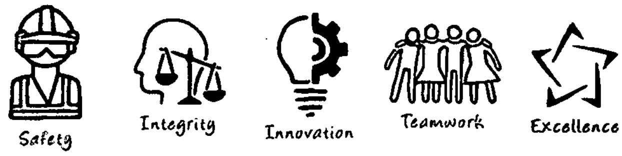
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice, including FRS 101 *Reduced Disclosure Framework applicable in the UK and Republic of Ireland*).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.



Independent Auditor's Report to the Members of KLM UK Engineering Limited

Opinion

We have audited the financial statements of KLM UK Engineering Limited (the 'company') for the year ended 31 December 2018, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

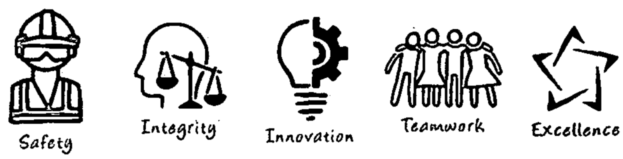
Basis for opinion

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.



Independent Auditor's Report to the Members of KLM UK Engineering 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 the 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.

Independent Auditor's Report to the Members of KLM UK Engineering Limited
(continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

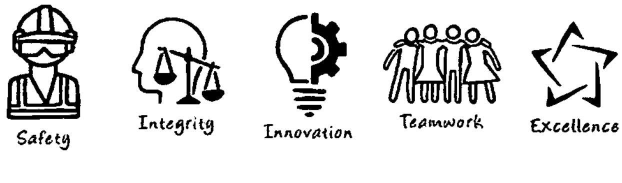
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other 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.

MHA Larking Gowen

Anders Rasmussen FCA (Senior Statutory Auditor)
for and on behalf of **Larking Gowen LLP**

Chartered Accountants and Statutory Auditors
King Street House
15 Upper King Street
Norwich
NR3 1RB

Date: 26/4/2019



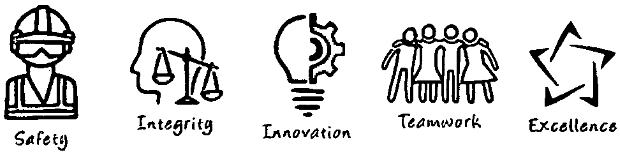
Profit and Loss Account
for year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	**34,579**	29,326
Cost of sales		**(28,052)**	(24,379)
Gross profit		**6,527**	4,947
Administrative expenses		**(6,500)**	(5,521)
Other operating (expenses)/income	3	**(27)**	30
Operating Loss	4	**-**	(544)
Other interest receivable and similar income	7	**12**	1
Interest payable and similar charges	8	**(685)**	(528)
Loss before taxation		**(673)**	(1,071)
Tax on loss	9	14	518
Loss for the financial year		**(659)**	(553)

Statement of Other Comprehensive Income
for year ended 31 December 2018

	2018 £000	2017 £000
Loss for the year	**(659)**	(553)
Other comprehensive income		
Gain on remeasurement of defined benefit pension scheme	**1,236**	4,627
Transfer of pension liability between participant companies	**(43)**	(193)
Total comprehensive income for the year	**534**	3,881

The notes on pages 12 to 33 form an integral part of the financial statements



Balance Sheet
at 31 December 2018

	Note	**2018**	**2018**	2017	2017
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*10*		**3,577**		3,738
Right of use assets	*11*		**4,027**		-
Current assets					
Stocks	*12*	**530**		828	
Debtors	*13*	**6,738**		9,714	
Cash at bank and in hand		**9**		10	
		7,277		10,552	
Creditors: amounts falling due within one year	*14*	**(5,406)**		(7,534)	
Net current assets			**1,871**		3,018
Total assets less current liabilities			**9,475**		6,756
Creditors: amounts falling due after more than one year	*15*	**(4,135)**		(54)	
Pension Liability	*17*	**(13,859)**		(15,294)	
			(17,994)		(15,348)
Net liabilities			**(8,519)**		(8,592)
Capital and reserves					
Called up share capital	*18*		**31,000**		31,000
Profit and loss account			**(39,519)**		(39,592)
Shareholders' funds			**(8,519)**		(8,592)

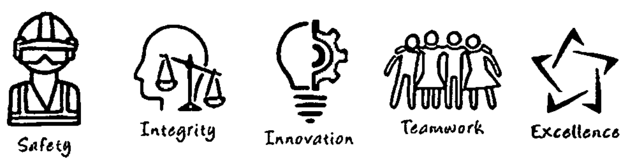
These financial statements were approved by the board of directors and were signed on its behalf by:

Peter van der Horst
Director

Date: 25-09-2019

Company registered number: 02513110

The notes on pages 12 to 33 form an integral part of the financial statements



Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**
Balance at 1 January 2017	31,000	(43,473)	(12,473)
Total comprehensive income for the period			
Loss for the year	-	(553)	(553)
Other comprehensive income	-	4,434	4,434
Total comprehensive income for the period	-	3,881	3,881
Balance at 31 December 2017	31,000	(39,592)	(8,592)
Total comprehensive income for the period			
Modified retrospective adoption of IFRS16 (see note 1.5)	-	(461)	(461)
Loss for the year		(659)	(659)
Other comprehensive income	-	1,193	1,193
Total comprehensive income for the period	-	73	73
Balance at 31 December 2018	**31,000**	**(39,519)**	**(8,519)**

The notes on pages 12 to 33 form an integral part of the financial statements

Notes
(forming part of the financial statements)

1 Accounting policies

KLM UK Engineering Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) includes the company in its consolidated financial statements. The consolidated financial statements of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Amsterdamseweg 55, 1182 GP, Amstelveen, The Netherlands.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- The effects of new but not yet effective IFRSs;

As the consolidated financial statements of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

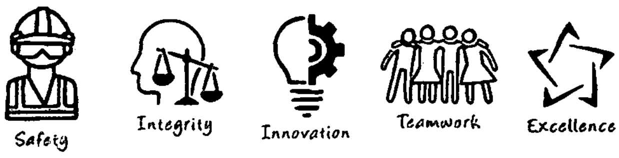
1.1 Measurement convention

The financial statements are prepared on the historical cost basis. The amounts in the financial statements are presented in Sterling (£) and have been rounded to the nearest £1,000 unless otherwise stated.

1.2 Going concern

The three year rolling forecast prepared by the directors, including sensitivity analysis on key assumptions made, anticipate improving financial performance and operating cash-flows sufficient to enable the Company to continue its operations and meet its liabilities as and when they fall due. Despite the net liability position of the Company at year end, the bulk of this liability arises from the Pension Fund liabilities and the cash outflows required to settle these liabilities are long term in nature.

As such, the directors therefore have a reasonable expectation that the Company has adequate resources, through its loan facility with its parent company, to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.



Notes *(continued)*

1 Accounting policies *(Continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- plant and equipment 5-10 years
- fixtures and fittings 4-10 years
- Motor Vehicles 4 years

Leasehold properties are amortised over the period of the lease.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The gain or loss on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in other operating income.

1.5 Changes in reporting standards

IFRS 16 - Leases

IFR16 is mandatorily applicable initially for financial years commencing on or after 1 January 2019. The Company has early adopted IFRS 16 with an initial application date of 1 January 2018. It has applied the modified retrospective transition method and elected to apply the transition practical expedient that permits the entity not to reassess if a contract is, or contains, a lease at the date of initial application. In addition, the entity applies the recognition exemptions for short-term leases and leases for which the underlying asset is of low value.

During the first-time application of IFRS16 to operating leases, the right to use the leased asset was generally measured at the amount of the lease liability, using the interest rate at the time of the first-time application. The average interest rate as of 1 January 2018 was approximately 7%.

During the review the following categories of leases were identified, where as a consequence of the change to IFRS16 as of 1 January 2018, contracts that have previously been recognised as operating leases, now qualify as leases as defined by the new standard: real estate and other leased assets.

The first-time application resulted in recording rights-of-use assets in the amount of £4,360k and lease liabilities in the amount of £4,821k. The difference of £461k has been recognised as an adjustment to the profit and loss account at 1 January 2018 within the Statement of Changes in Equity.

Notes *(continued)*

1 Accounting policies *(Continued)*

IFRS 9 – Financial instruments

In July 2014, the IASB published IFRS 9, Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value.

The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

The Company has determined that there is no material change in accounting policy arising as a result of the adoption of IFRS9.

IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. This standard applies to annual reporting periods beginning on or after 1 January 2018 and has been endorsed by the EU. This standard replaces IAS 18 Revenue.

The Company has determined that there is no material change in accounting policy arising as a result of the adoption of IFRS15.

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

The following new standards and amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. The standard is effective for annual reporting beginning on or after 1 January 2019 and has been endorsed by the EU.

Amendments to IAS 19 — Plan Amendment, Curtailment or Settlement

In February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments are effective for annual reporting beginning on or after 1 January 2019 and have not yet been endorsed by the EU.

Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB published Long term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments are effective for annual reporting beginning on or after 1 January 2019 and have been endorsed by the EU.

Annual Improvements to IFRS Standards 2015-2017 Cycle

These improvements consist of amendments to four IERSs including IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes and IAS 23 Borrowing Costs. The amendments are effective for annual reporting beginning on or after 1 January 2019 and have not yet been endorsed by the EU.

Notes *(continued)*

1 Accounting policies *(Continued)*

Amendments to References to the Conceptual Framework in IFRS Standards

Published by the IASB in March 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

Amendment to IFRS 3 - Business Combinations, IAS 1 and IAS 8: Definition of material

Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average.

1.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

When the benefits of the plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The company's employees are members of a group defined benefit pension plan. The net defined benefit cost of the plan is charged to participating entities on the following basis:

- contributions for future accrual are based on the employees who are active in the defined benefit pension plan
- shortfall funding payments are based on the past service liability associated with each participating employer

1.9 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.10 Turnover

Turnover, profit & loss are recognised as work is completed during each aircraft maintenance check.

Turnover also includes revenue from line maintenance, educational services, trading of spares and repair of aircraft parts, which is recognised upon completion of the service or on transfer of the risks and rewards of ownership.

1.11 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are now capitalised in the balance sheet as per IFRS 16. Low value leases and leases less than 12 months are recognised on a straight line basis through the profit and loss account.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.13 Key accounting estimates and judgements

Pension assumptions

The sensitivity analysis relating to the group defined benefit scheme which the company participates in, are disclosed in Note 17.

Internal rate of return

As part of the adoption of IFRS16, the Company has had to estimate the incremental borrowing rate in the context of a right of use asset if the implicit rate has not been provided by the lessor. Implicit rate has been set by Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) the calculation is based upon the expected return and category of asset.

Notes *(continued)*

2 Turnover

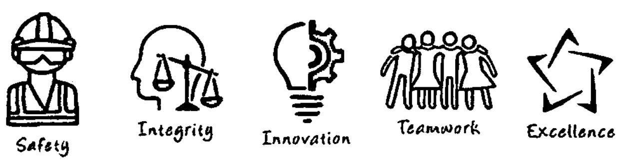
	2018	2017
	£000	£000
Sale of goods	**106**	195
Rendering of services	**34,473**	29,131
Total turnover	**34,579**	**29,326**

By activity:

	2018	2017
	£000	£000
Aircraft Maintenance	**33,629**	28,808
Technical Training	**950**	518
	34,579	**29,326**

By geographical market:

	2018	2017
	£000	£000
UK	**5,306**	5,795
Europe	**25,416**	19,994
Middle East & Africa	**955**	826
Australia	**1,425**	-
Asia	**737**	904
Americas	**740**	1,807
	34,579	29,326



Notes *(continued)*

3 Other operating income / expenses

	2018	2017
	£000	£000
Net (loss)/profit on disposal of tangible fixed assets	**(27)**	30
	(27)	30

4 Expenses and auditor's remuneration

Included in loss are the following:

	2018	2017
	£000	£000
Depreciation of tangible assets	**1,290**	709
Impairment loss on Inventories	**218**	44
Impairment loss on Debtors	**17**	6
Operating lease costs	**-**	865
Foreign exchange loss/(gain)	**27**	(44)

Auditor's remuneration:

	2018	2017
	£000	£000
Audit of these financial statements	**18**	16
	18	16

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Engineers	**242**	226
Office	**136**	132
	378	358

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**16,370**	14,892
Social security costs	**1,375**	1,246
Contributions to defined contribution plans	**1,077**	824
Contributions to defined benefit plans (Current Service Cost)	**72**	71
	18,894	17,033

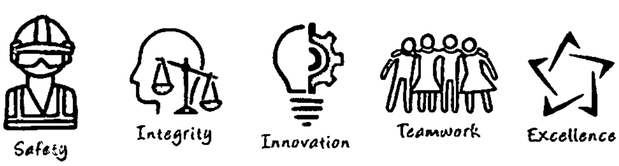
Included in wages and salaries are costs for the staff profit sharing scheme of £76,024 *(2017: £nil)*

6 Directors' remuneration

	2018	2017
	£000	£000
Directors' remuneration	**363**	360
Company contributions to money purchase pension plans	**115**	35
Expenses related to defined benefit plans	**21**	20

The remuneration of the highest paid director was £200,259 *(2017: £198,153)*, and company pension contributions of £20,722 *(2017: £20,116)* were made to the KLM defined benefit scheme on their behalf.

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2
Defined benefit schemes	**1**	1



Notes *(continued)*

7 Other interest receivable and similar income

	2018	2017
	£000	£000
Net foreign exchange gain	**11**	-
Interest earned on bank deposits	**1**	1
Total interest receivable and similar income	**12**	1

Interest receivable and similar income includes income from group undertakings of £1,149 *(2017: £ 689).*

8 Interest payable and similar charges

	2018	2017
	£000	£000
Net foreign exchange loss	**-**	28
Interest on finance leases	**4**	2
Interest to Group Company	**15**	-
Interest on right of use assets	**306**	-
Net interest on net defined benefit pension plan liability	**360**	498
Total other interest payable and similar charges	**685**	528

Notes *(continued)*

9 Taxation

Recognised in the profit and loss account

	2018		2017	
	£000	**£000**	£000	£000
Current Tax				
Current tax on income for the period	-		-	
Payment for losses surrendered under group relief	14		518	
Total current tax		14		518
Deferred tax (see note 15)				
Origination and reversal of temporary differences	-		-	
Total deferred tax		-		-
Tax on profit on ordinary activities		14		518

Reconciliation of total effective tax rate

	2018	2017
	£000	£000
Loss for the year	**(673)**	(1,071)
Total tax expense	-	-
Loss excluding taxation	**(673)**	(1,071)
Tax using the composite UK corporation tax rate of 19.00% *(2017: 19.25%)*	**(128)**	(206)
Depreciation in excess of capital allowances	**112**	92
Surrender of losses to group company	-	-
Timing differences on defined benefit pension schemes	**(100)**	(76)
Non-deductible expenses	**6**	4
Non-utilisation of tax losses	**110**	186
Total tax expense	-	-

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £000	Plant and Equipment, Fixtures& Fittings £000	Vehicles £000	Total £000
Cost				
Balance at 1 January 2018	3,541	7,202	141	10,884
Additions	30	597	-	627
Disposals	-	(402)	-	(402)
Balance at 31 December 2018	3,571	7,397	141	11,109
Depreciation and impairment				
Balance at 1 January 2018	2,403	4,620	123	7,146
Depreciation charge for the year	201	549	10	760
Disposals	-	(374)	-	(374)
Balance at 31 December 2018	2,604	4,795	133	7,532
Net book value				
At 1 January 2018	1,138	2,582	18	3,738
At 31 December 2018	**967**	**2,602**	**8**	**3,577**

Land and Buildings

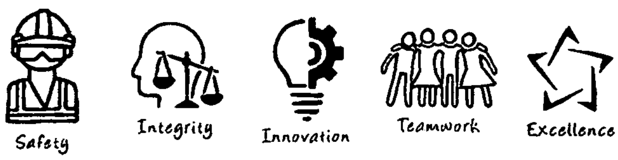
The net book value of land and buildings comprises:

	2018 £000	2017 £000
Long leasehold	**205**	207
Short leasehold	**762**	931
	967	1,138

Short leasehold properties have leases of 20 years' duration or less. Long leasehold properties include leases with a duration of greater than 20 years.

Finance Leases

At 2018 year end the net carrying amount of leased Plant & Machinery was £86,667 *(2017: £96,667)*



Notes *(continued)*

11 Right of Use Assets

	Real Estate £000	Other £000	Total £000
Cost			
Balance at 1 January 2018 on adoption of IFRS16 (see note 1.5)	5,755	218	5,973
Additions	179	18	197
Disposals	-	-	-
Balance at 31 December 2018	5,934	236	6,170
Depreciation and impairment			
Balance at 1 January 2018 on adoption of IFRS16 (see note 1.5)	1,522	91	1,613
Depreciation charge for the year	465	65	530
Disposals	-	-	-
Balance at 31 December 2018	1,987	156	2,143
Net book value			
At 1 January 2018 on adoption of IFRS16 (see note 1.5)	4,233	127	4,360
At 31 December 2018	**3,947**	**80**	**4,027**

12 Stocks

	2018 £000	2017 £000
Parts and consumables	**530**	828
	530	828

Parts, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £6,218,571 *(2017: £5,643,352)*. The write-down of stocks to net realisable value amounted to £218,264 *(2017: £43,649)*. The write-down is included in cost of sales.

Notes *(continued)*

13 Debtors

	2018 £000	2017 £000
Trade debtors	**2,516**	3,159
Amounts owed by parent undertakings	**1,121**	1,114
Amounts owed by group undertakings	**708**	996
Other debtors	**141**	232
Prepayments and accrued income	**2,252**	4,213
Due within one year		
	6,738	9,714

Debtors are stated after a bad debt provision charge recognised within the profit and loss account of £17,412 *(2017: £Nil).*

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**1,798**	1,312
Amounts owed to parent undertakings	**2**	617
Amounts owed to group undertakings	**-**	2
Obligations under finance lease (See Note 19)	**28**	32
Obligations under right of use	**318**	-
Taxation and social security	**405**	366
Other creditors	**1,287**	343
Accruals and deferred income	**1,568**	4,862
	5,406	7,534

Amounts due under finance lease are secured on the related assets.

15 Creditors: amounts falling due more than one year

	2018 £000	2017 £000
Obligations under finance lease (See Note 19)	**26**	54
Obligations under right of use	**4,109**	-
	4,135	54

Amounts due under finance lease are secured on the related assets.

Notes *(continued)*

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Other	-	-	-	-	-	-
Net tax (assets) / liabilities	-	-	-	-	-	-

Unrecognised deferred tax assets and liabilities

The elements of unrecognised deferred tax are as follows:

	2018	2017
	£000	£000
Tax losses arising from pension liabilities deductible upon payment	**2,575**	2,737
Decelerated capital allowances	**1,012**	840
Tax losses carried forward from operating activities	**2,528**	2,186
Total unrecognised deferred tax	**6,115**	5,763

Notes *(continued)*

17 Employee benefits (Continued)

Defined benefit schemes

The Company participates in a group defined benefit scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits based on attainment of a retirement age of 65 and a combination of 1/60th final salary for each complete year and month of pensionable service completed to 31 March 2006 and 1/70th final salary for each complete year and month of pensionable service completed from 1 April 2006. In addition, the service period is limited to 40 years. The last triennial valuation of the plan assets and the present value of the defined benefit liability were carried out at 31 December 2018 by Capita.

There is no contractual agreement or stated policy for charging the net defined benefit cost and, therefore, the ultimate parent company, which is the sponsoring employer of the scheme, recognises the whole of the scheme surplus or deficit in its financial statements. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which in the year ended 31 December 2018 was £1,028,000 *(2017: £1,003,000).*

The Group sponsors defined benefit schemes for qualifying employees of its subsidiaries. The defined benefit schemes are administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The scheme exposes the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependants of scheme members is not re-insured by an external insurance company.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund. Virtually all equity and debt instruments have quoted prices in active markets and are classified as Level 1 instruments. Derivatives are classified as Level 2 instruments. There are no Level 3 financial instruments.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the capital value of the asset.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit liability for IAS19 were carried out at 31 December 2018 by Capita. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

Notes *(continued)*

17 Employee benefits *(continued)*

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2018	2017
Discount rate at 31 December	**2.70%**	2.45%
Expected return on scheme assets	**2.70%**	2.45%
Future salary increases (Refer * below)	**2.00%**	2.00%
Inflation assumption	**3.50%**	3.40%
Future pension increases:		
- Post 6.4.97 accrual	**3.30%**	3.30%
- Pre 6.4.97 non-GMPs LPI 3%	**2.60%**	2.50%
- Pre 6.4.97 non-GMPs LPI 5%	**3.30%**	3.30%
- Pre 88 GMP	**Nil**	Nil
- Post 88 GMP	**2.10%**	2.10%

* - Future Salary increases to be fixed at 2.0% per annum.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables with modifications to reflect expected changes in mortality (S1NA tables with a 1.2% long term rate of improvement). The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.2 years (male), 24.3 years (female).
- Future retiree upon reaching 65: 23.5 years (male), 25.8 years (female).

The information disclosed below is in respect of the share of the assets and liabilities which the company has been allocated under an agreed group policy throughout the periods shown.

	2018	2017
	£000	£000
Total defined benefit asset	**34,807**	35,910
Total defined benefit liability	**(48,666)**	(51,204)
Total employee benefits	**(13,859)**	(15,294)

Notes *(continued)*

17 Employee benefits *(continued)*

Movements in net defined benefit liability/(asset)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Balance at 1 January	**51,204**	53,769	**(35,910)**	(33,643)	**15,294**	20,126
Included in profit or loss						
Current service cost	**121**	107	**-**	-	**121**	107
Past Service Cost – GMP equalisation	**305**	-	**-**	-	**305**	-
Interest cost/(Income)	**1,241**	1,358	**(881)**	(860)	**360**	498
Contributions paid by the employer	**-**	-	**(1,028)**	(1,003)	**(1,028)**	(1,003)
Included in OCI						
Remeasurement loss/(gain):						
Actuarial loss/(gain) arising from						
- Changes in demographic Assumptions	**(682)**	(968)	**-**	-	**(682)**	(968)
- Change in financial assumptions	**(1,638)**	601	**-**	-	**(1,638)**	601
- Experience adjustment	**(146)**	(2,416)	**-**	-	**(146)**	(2,416)
Return on plan assets (greater)/less than discount rate	**-**	-	**1,230**	(1,844)	**1,230**	(1,844)
Transferred to/from fellow group company participant	**(108)**	393	**151**	(200)	**43**	193
Other						
Net Individual transfers	**(159)**	(168)	**159**	168	**-**	-
Benefits paid	**(1,472)**	(1,472)	**1,472**	1,472	**-**	-
Balance at 31 December	**48,666**	51,204	**(34,807)**	(35,910)	**13,859**	15,294

Notes *(continued)*

17 Employee benefits *(continued)*

Plan assets	**2018**	2017
	£000	£000
Cash and cash equivalents	**2,522**	1,097
Equity	**13,820**	15,868
Property	**1,206**	3,930
Bonds	**1,290**	2,436
Commodities	-	1,516
Currency Swaps	-	9
Inflation Swap	-	(103)
Broad Opportunities Fund	**2,895**	-
Real LDI Fund	**1,883**	-
Nominal LDI Fund	**524**	-
Insured Annuities	**10,669**	11,157
Total	**34,809**	35,908

The above assets represented a 10.41% share of the total scheme assets *(2017: 10.48%).*

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2018		2017	
	£000	**£000**	£000	£000
Change:	-1.0%	+1.0%	-1.0%	+1.0%
Discount Rate	**9,962**	**(7,670)**	11,156	(8,498)
Salary Increase	**(366)**	**395**	(433)	471
Pension Increase Rate	**(5,388)**	**5,393**	(6,894)	6,800

In valuing the liabilities of the pension fund at 31 December 2018, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2018 would have increased by £1.9m before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2018 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The company expects to pay £1,028,000 in contributions to its defined benefit plans in 2019.

Notes *(continued)*

17 Employee benefits *(continued)*

Defined contribution plans

The company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £1,077,314 *(2017: £824,274)*. At the balance sheet date, £34,701 *(2017: £34,936)* was outstanding and recorded within creditors.

18 Capital and reserves

Share capital

	2018 £000	2017 £000
Authorised, Allotted, called up and fully paid		
31,000,000 Ordinary shares of £1 each	**31,000**	31,000
	31,000	31,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Other comprehensive income – 2018

	Profit and loss account £000	Total Other comprehensive income £000
Remeasurements of defined benefit liability	1,236	1,236
Transfer of pension liability between participant companies	(43)	(43)
Total other comprehensive income	1,193	1,193

Other comprehensive income - 2017

	Profit and loss account £000	Total other comprehensive income £000
Remeasurements of defined benefit liability/asset	4,627	4,627
Transfer of pension liability between participant companies	(193)	(193)
Total other comprehensive income	4,434	4,434

Notes *(continued)*

19 Obligations under leases and hire purchase contracts

Finance leases future minimum lease payments due:

	2018 £000	2017 £000
Less than one year	**36**	36
Between one and five years	**21**	57
	57	93
Less Finance charges allocated to future periods	**(3)**	(7)
Present value of minimum lease payments	**54**	86

The present value of minimum lease payments is analysed as follows:

	2018 £000	2017 £000
Less than one year	**28**	32
Between one and five years	**26**	54
	54	86

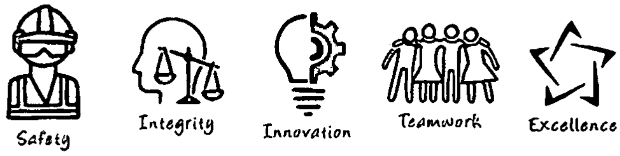
Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	-	771
Between one and five years	-	2,658
More than five years	-	758
	-	4,187

The Company has entered into commercial leases on 3 aircraft hangars with a break clause in 2024 as well as other properties, motor vehicles and items of machinery; these leases have an average duration of between 1 and 5 years. There are no restrictions placed upon the lessee by entering into these leases. During the year £nil was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £864,797)*.

The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 December 2018 are as follows:

	2018 £000	2017 £000
Less than one year	**138**	135
Between one and five years	**151**	164
	289	299



Notes *(continued)*

20 Commitments

Capital commitments

During the year ended 31 December 2018, the company entered into a contract to purchase plant and equipment for £364,025 *(2017: £262,574)*. These commitments are expected to be settled in the following financial year.

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) which is the ultimate parent company incorporated in The Netherlands. The ultimate controlling party is Societe Air France KLM S.A., which is incorporated in France.

The largest group in which the results of the Company are consolidated is that headed by Societe Air France KLM S.A., which is incorporated in France. The smallest group in which they are consolidated is that headed Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) incorporated in The Netherlands. No other group financial statements include the results of the company. The consolidated financial statements of these groups are available to the public and may be obtained from 45, Rue de Paris, 95747 Roissy CDC Cedex, France.