Advanced Jet Training Holdings Limited

Registered number: 06522819

Annual report and consolidated financial statements

Year ended 31 March 2022

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Enhanced business review

Advanced Jet Training Holdings Limited is a 100% directly owned subsidiary of Ascent Flight Training (Holdings) Limited.

The Company acts as a holding company for the Advanced Jet Training Group, comprising Advanced Jet Training Limited ('AJT').

The principal activity of the group is the design, build, finance and operation under a Private Finance Initiative ("PFI"), of the Fast Jet Training programme within the Ascent Group ('Ascent').

Overview

The Ascent Group is headed by Ascent Flight Training (Holdings) Limited which is a joint venture 50% owned by Babcock Defence and Security Investments Limited and 50% owned by Lockheed Martin UK Holdings Limited.

Advanced Jet Training Limited's purpose is to procure and operate the infrastructure and Ground Based Training Environment ("GBTE") for the Hawk 128 Fast Jet Trainer at RAF Valley. This includes the construction of facilities, related Information Communications Technology ('ICT') infrastructure and ground based training equipment and training and support for the supply of GBTE equipment.

Key performance indicators

The key performance indicators of the business are:

- to safely deliver the contractual available hours of the training assets to achieve the agreed number of fully trained students during the year;
- to manage the total business within agreed financial targets.

Review of developments and performance during the year

Fast Jet Phase 4 (FJP4) training on the Hawk T2 takes place at RAF Valley. Fast Jet training has continued to focus on delivery of students to meet Operational Conversion Unit requirements, looking at innovative and technologically enhanced ways to make the training pipeline shorter and faster.

The directors are satisfied with the financial performance of the business during the year which continued to generate cash flows to enable it to repay its external debt obligations. Total revenue increased to £5.0m (2021: £4.8m). Operating profit increased to £1,057,000 (2021: £1,034,000).

Review of position at year end

As at 31 March 2022 the group had net assets excluding the cash flow hedge reserve of £7.4m *(2021: £6.3m)*. Cash at bank totalled £5.7 million *(2021: £5.2 million)*. The principal movements on the balance sheet are the reduction in financial asset which continues to be recovered through cash inflows under the group's contract with the MOD, the repayment of the bank and shareholder debt in accordance with the loan agreements and the reduction in fair value liability of the group's interest rates swaps.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are summarised below.

Strategic risk

The group's principal strategic risk remains government policy in respect of Defence spending, particularly any re-prioritisation away from airborne activities as a result of periodic Strategic Defence Reviews (SDSR) and annual budget constraints. The risk is mitigated by continued close working relationships with the Ministry of Defence "MOD" at all levels as plans for future training packages are developed and to ensure any changes are implemented in a timely fashion. However, inherent risk remains as the SDSR are conducted on a 5 year cycle and Defence spending remains susceptible to any changes in government policy.

The business has not seen any significant impact to its operations as a result of the UK exiting the EU, however it continues to regard this issue as a strategic risk which it continues to monitor.

Strategic report *(continued)*

Operational risk
The principal operating risk for the group is ensuring that all risk to life associated with Ascent aviation operations is reduced to a level that is both Tolerable and As Low As Reasonably Practicable (ALARP), thus providing a safe operating environment for Ascent employees, duty holder personnel, contractor staff and the general public. This is achieved through a comprehensive Safety Management System as well as a positive and proactive safety culture within the group.

Financial risk
The group's principal instruments comprise a long-term loan with Mitsubishi UFJ Financial Group ("MUFG") and short-term bank deposits. The interest on the 25-year loan is hedged with a floating to fixed rate instrument. The group does not undertake financial instrument transactions which are speculative or unrelated to the group's trading activities. Board approval and the agreement of MUFG is required for the use of any new financial instrument. The group's shareholder loan notes carry a fixed interest rate.

On behalf of the board

K J Garvey
Director

33 Wigmore Street
London
W1U 1QX

27 September 2022

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2022.

Directors
The directors who held office during the year and to the date of this report were as follows:

Name

N G Misell
K J Garvey
P Craig
T I Bradley
P N Livingston
C J McIntosh

The group maintains Directors' and Officers' liability insurance. The insurance was in force during the financial year and at the date of approval of the financial statements.

Financial risk management
The group manages its exposure to risk via an established Risk Management Process that seeks to limit any adverse impact of risk on the business. The group has a relatively small number of counterparties therefore credit, liquidity and cashflow risks are managed by reference to those counterparties, contract arrangements and by regular review by both senior management, the Audit Committee and the Board of its parent company.

The Group policy is that any exchange rate or interest rate risks should be manage using the appropriate financial instruments. The group has variable rate interest loans with various lending banks. The interest on the loans is hedged with floating to fixed rate instruments. The group does not undertake financial instrument transactions which are speculative or unrelated to the group's trading activities.

Research and development
To date, the group has not undertaken research and development activity. The group continues to seek opportunities to provide innovative training solutions in support of its contract with the Ministry of Defence.

Dividends
No dividend was paid during the year to the ordinary shareholders *(2021: £1.5m)*. The directors do not recommend the payment of a final dividend *(2021: £nil)*.

Future developments
Operational activity is expected to continue at consistent levels with the year ended 31 March 2022. The directors are satisfied the group will continue to generate cash flows under the contract to enable continuing repayment of the group's bank debt.

Directors' report *(continued)*

Going concern
The Group had net assets of £2.4m as at 31 March 2022 and generated a profit for the year then ended of £1.0m. The net liabilities as at 31 March 2021 was the result of the fair value liability of the interest rate swap which is a long-term liability and is expected to unwind over the life of the underlying debt to March 2032.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides in the trading environment, the Group will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings.

Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Group would lead to performance deductions being awarded against the Group in accordance with the terms of the Group's contract with Ministry of Defence sufficient to cause an event of default under the terms of the Group's external borrowings. To date there has been no material adverse impact on the Group's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Group will be able to meet its liabilities as they fall due.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Political contributions
The Group made no political donations nor incurred any political expenditure during the year *(2021: £Nil)*

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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

K J Garvey
Director

33 Wigmore Street
London
W1U 1QX

27 September 2022

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company 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 group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Advanced Jet Training Holdings Limited

Opinion

We have audited the financial statements of Advanced Jet Training Holdings Limited ("the company") for the year ended 31 March 2022 which comprise the Consolidated profit and loss account and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Independent auditor's report to the members of Advanced Jet Training Holdings Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to turnover recognition because there is limited opportunity to record inappropriate turnover entries due to it being simple in nature and recognised in line with a pre-determined margin.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.
We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, and employment law, recognising the nature of the Group's activities.

Independent auditor's report to the members of Advanced Jet Training Holdings Limited *(continued)*

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report to the members of Advanced Jet Training Holdings Limited *(continued)*

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Richard Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

28 September 2022

Consolidated profit and loss account and other comprehensive income
for the year ended 31 March 2022

	Note	**2022** **£000**	2021 £000
Turnover	*2*	**5,016**	4,801
Cost of sales		**(3,646)**	(3,478)
Gross profit		**1,370**	1,323
Administrative expenses		**(313)**	(289)
Operating profit	*3-5*	**1,057**	1,034
Interest receivable and similar income	*6*	**3,210**	3,392
Interest payable and similar expenses	*7*	**(3,003)**	(3,191)
Profit before taxation		**1,264**	1,235
Tax on profit	*8*	**(240)**	(235)
Profit for the financial year		**1,024**	1,000
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	*14*	**4,472**	2,806
Tax on other comprehensive income	*8*	**(455)**	(534)
Total comprehensive income for the year		**5,041**	3,272

The results for each year were entirely derived from continuing operations.

The accompanying notes form part of these financial statements.

Consolidated balance sheet
as at 31 March 2022

	Note	2022		2021	
		£000	£000	£000	£000
Current assets					
Debtors: amounts falling due after more than one year	*11*	41,742		44,967	
Debtors : amounts falling due within one year	*11*	3,867		3,738	
Cash at bank and in hand		5,652		5,244	
			51,261		53,949
Creditors: amounts falling due within one year	*12*		(4,370)		(4,294)
Net current assets			46,891		49,655
Total assets less current liabilities			46,891		49,655
Creditors: amounts falling due after more than one year	*13*		(44,458)		(52,263)
Net assets/ (liabilities)			2,433		(2,608)
Capital and reserves					
Share capital	*16*		68		68
Profit and loss account			7,284		6,260
Cash flow hedge reserve			(4,919)		(8,936)
Shareholders' funds/ (deficit)			2,433		(2,608)

These financial statements were approved by the board of directors on 27 September 2022 and were signed on its behalf by:

K J Garvey
Director

The accompanying notes form part of these financial statements.

Company Balance Sheet
as at 31 March 2022

	Note	2022		2021	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*10*		**68**		68
Current assets					
Debtors: amounts falling due after more than one year	*11*	**4,191**		4,501	
Debtors: amounts falling due within one year	*11*	**251**		270	
		4,442		4,771	
Creditors: amounts falling due within one year	*12*	**(251)**		(270)	
Net current assets			**4,191**		4,501
Total assets less current liabilities			**4,259**		4,569
Creditors: amounts falling due after more than one year	*13*		**(4,191)**		(4,501)
Net assets			**68**		68
Capital and reserves					
Share capital	*16*		**68**		68
Profit and loss account			**-**		-
Shareholders' funds			**68**		68

These financial statements were approved by the board of directors on 27 September 2022 and were signed on its behalf by:

K J Garvey
Director

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Share capital	Profit and loss account	Cash flow hedge reserve	Total equity
	£000	£000	£000	£000
Balance at 1 April 2020	68	6,760	(11,208)	(4,380)
Total comprehensive income for the period				
Profit for the financial year	-	1,000	-	1,000
Other comprehensive income	-	-	2,272	2,272
Dividends	-	(1,500)	-	(1,500)
Balance at 31 March 2021	**68**	**6,260**	**(8,936)**	**(2,608)**
Balance at 1 April 2021	68	6,260	(8,936)	(2,608)
Total comprehensive income for the period				
Profit for the financial year	-	1,024	-	1,024
Other comprehensive income	-	-	4,017	4,017
Dividends	-	-	-	-
Balance at 31 March 2022	**68**	**7,284**	**(4,919)**	**2,433**

The accompanying notes form part of these financial statements.

Company statement of changes in equity

	Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**
Balance at 1 April 2020	68	-	68
Total comprehensive income for the period			
Profit for the financial year	-	1,500	1,500
Other comprehensive income	-	-	-
Dividends	-	(1,500)	(1,500)
Balance at 31 March 2021	68	-	68
Balance at 1 April 2021	68	-	68
Total comprehensive income for the period			
Profit for the financial year	-	-	-
Other comprehensive income	-	-	-
Dividends	-	-	-
Balance at 31 March 2022	**68**	-	**68**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2022

	2022	2021 (Restated)
	£000	£000
Cash flows from operating activities		
Profit for the year	1,024	1,000
Interest receivable and similar income	(3,210)	(3,392)
Interest payable and similar expenses	3,003	3,191
Taxation	240	235
	1,057	1,034
Decrease in debtors	2,641	2,578
(Decrease) in creditors	(38)	(111)
	3,660	3,501
Tax paid	(233)	(228)
Net cash from operating activities	3,427	3,273
Cash flows from investing activities		
Interest received	3,210	3,392
Net cash from investing activities	3,210	3,392
Cash flows from financing activities		
Repayment of bank loans	(2,933)	(2,769)
Repayment of shareholder loans	(310)	(288)
Interest paid	(2,986)	(3,182)
Dividends	-	(1,500)
Net cash from financing activities	(6,229)	(7,739)
Net increase in cash and cash equivalents	408	(1,074)
Cash and cash equivalents at 1 April	5,244	6,318
Cash and cash equivalents at 31 March	5,652	5,244

The accompanying notes form part of these financial statements.

Restatement: The 2021 Consolidated Cash Flow Statement has been restated to reclassify £2,320,000 presented as 'Principal repayment of financial asset' from Cash flows from financing activities to Cash flows from operating activities in accordance with FRS102 7. This item was mislabelled in the prior year and relates to the unwind of the financial asset. The impact of this restatement on the prior year is that financing cash outflows have decreased by £2,320,000 and operating cash inflows, in particular movement in debtors has increased by £2,320,000. There was no impact on the net increase in cash and cash equivalents. There was no impact on the 2021 Consolidated profit and loss account and other comprehensive income or the 2021 Consolidated balance sheet.

Notes
(forming part of the financial statements)

1 Accounting policies

Advanced Jet Training Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 06522819 and the registered address is 33 Wigmore Street, London, W1U 1QX.

These Group financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland. ("FRS 102). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking Ascent Flight Training (Holdings) Ltd includes the Company in its consolidated financial statements. In these statements the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Company Cash Flow Statement and related notes; and
- Key management personnel compensation

As the consolidated financial statements of Ascent Flight Training (Holdings) Ltd include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The critical accounting estimate in applying the group's accounting policies is the value of revenues recognised which requires an estimate of expected margin for the contract. As both revenues and virtually all costs are established within the contract there is limited estimation required.

1.1 Measurement convention
The financial statements are prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

1.2 Going concern
The financial statements have been prepared in the going concern basis.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides in the trading environment, the Group will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings.

Notes *(continued)*

1.2 Going concern (continued)
Specifically, the directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Group would lead to performance deductions being awarded against the Group in accordance with the terms of the Group's contract with Ministry of Defence sufficient to cause an event of default under the terms of the Group's external borrowings. To date there has been no material adverse impact on the Group's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Group will be able to meet its liabilities as they fall due.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 March 2022. A subsidiary is an entity that is controlled by the parent.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year of the company was £nil (2021: £1,500,000).

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4 Basic financial instruments
Amounts owed by/ to group undertakings
Amounts owed by/ to group undertakings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transactions costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash
Cash comprises cash balances at the bank and cash in hand.

1.5 Turnover
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company, the revenue can be reliably measured and recovery of consideration is considered probable.

Revenue is based on amounts set out under the contract for a Training Service Availability Payment (TSAP). Revenue is recognised on the satisfaction of criteria for the provision of training services and asset delivery and accounted for under the revenue recognition principles of FRS 102.

Notes *(continued)*

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

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 timing difference which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related differences, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Deferred tax assets are recognised as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

1.7 Related party transactions
The group discloses transactions with related parties which are not wholly owned within the Ascent group. It does not disclose transactions with members of the Ascent group which are wholly owned.

1.8 Interest bearing borrowings
Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.9 Financial asset
The group's financial asset is the result of a Private Finance Initiative ("PFI") contract.

PFI bid costs
PFI bid costs are accounted for under Section 34 FRS 102 in respect of Service Concession Arrangements. PFI bid costs are held on the balance sheet as a debtor once the group is virtually certain that it will enter into contracts for the relevant PFI project. Virtual certainty is generally achieved at the time the company is selected as preferred bidder. On finalisation of PFI project and financing agreements (financial close), the group charges the cost to the profit and loss account to match with the related revenue stream.

Financial asset and services contract
The Group is an operator of a Private Finance Initiative ("PFI") contract. The Group entered into a 25 year project agreement (the "Contract") with the Ministry of Defence ("MOD") in May 2008 for the provision and ongoing availability of assets (excluding aircraft) to support the Fast Jet Training programme. Construction of the infrastructure and training assets was completed in 2011 and the project has been operational since then. The concession period ends in 2033 until which time the Group has contracted to provide services to the MOD. The Group has passed these obligations down to subcontractors via subcontracts. The obligations to provide major maintenance works of the various training assets (lifecycle) is undertaken by the relevant subcontractors. The Contract includes a value for money clause however it does not entitle the MOD to any share of the profits of the Group.

The Contract includes break point options in 2023 and 2028 which give the MOD the ability to terminate the contract giving 12 months' notice. If the MOD exercise this right they are liable to pay compensation as set out in the Contract, which would include the senior debt termination value, sub-contractor breakage and employee redundancy costs and the subordinated debt and shareholder equity value.

Notes *(continued)*

1.9 Financial asset

As the Group entered into the contract prior to the date of transition to FRS102, the Group has taken advantage of the exemption in section 35.10 (i) of FRS102 which permits it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the Group under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the MOD.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the financial asset. During the operational phase the MOD pay the Group a fixed Unitary Charge payment (Training Service Availability Payment), as determined in the Contract that is subject to inflation each year. Income is allocated between interest receivable and the financial asset using a project specific interest rate. The remainder of the Training Service Availability Payment income is included within turnover in accordance with FRS102 section 23. The Group recognises revenue in respect of the services provided, including lifecycle services, as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Accounting for the service concession contract and financial asset requires an estimation of service margins, financial asset interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

1.10 Derivative financial instruments

Derivative financial instruments, which are the group's interest rate swaps, are recognised at fair value at each balance sheet date. The gain or loss on remeasurement to fair value on the portion of the instrument that is deemed an effective hedge is recognised immediately in other comprehensive income with the element that is not deemed effective being recognised immediately in profit or loss. Changes in the effectiveness of the instrument are recognised in profit or loss to the extent they relate to reversals of previous income/ charges in profit or loss.

Following the withdrawal of LIBOR from 31 December 2021, the Group has applied the December 2019 Amendments to FRS 102: Interest rate benchmark reform. The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based will not be altered as a result of interest rate benchmark reform. The Phase 1 amendments provide temporary relief from applying certain hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform does not cause hedge accounting to terminate prior to contracts being amended. Where transition to an alternative benchmark rate has taken place, the Group ceases to apply the Phase 1 amendments and instead applies the Phase 2 amendments.

When the Group ceased to apply the Phase 1 amendments, the Group amended its hedge designation to reflect changes which are required by IBOR reform. The associated hedge documentation was updated to reflect these changes in designation by the end of the reporting period in which the changes were made. Such amendments do not give rise to the hedge relationship being discontinued.

When the Group transitions to an alternative benchmark rate, the accumulated amounts within the cash flow hedge reserve are determined to be based on the alternative benchmark rate and no reclassification adjustments are made from the cash flow hedge reserve to the Income statement.

Notes *(continued)*

2 Analysis of turnover

	2022 £000	2021 £000
By activity		
Training Service Availability	**5,016**	4,801

All turnover originates in the United Kingdom.

3 Notes to the profit and loss account

Amounts payable to the auditor in respect of the audit of these financial statements were £2,000 (2021: £1,150).

Amounts receivable by the auditor in respect of their audit of Advanced Jet Training Limited were £25,000 (2021: £15,000).

Amounts payable to the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Ascent Flight Training (Holdings) Limited.

4 Remuneration of directors

Directors' emoluments for the year amounted to £Nil *(2021: £Nil)*. The directors are employees of the company's shareholders and are not employed directly by the company. No direct recharge is made to the company for the cost of directors as the company is non-complex and requires very limited director involvement.

5 Staff numbers and costs

The Company had no employees in either year. All employees within the Ascent group of companies are employed by Ascent Flight Training (Management) Limited.

6 Interest receivable and similar income

	2022 £000	2021 £000
Financial asset interest	**3,209**	3,389
Other interest	**1**	3
	3,210	3,392

7 Interest payable and similar charges

	2022 £000	2021 £000
Interest payable on bank loans	**2,481**	2,632
Interest payable on amounts due to parent company	**522**	559
	3,003	3,191

Notes *(continued)*

8 Tax on profit

Analysis of charge in year

	2022	2021
	£000	£000
UK corporation tax		
Current tax on income for the year	**240**	235
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit	**240**	235

	2022			2021		
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss	**240**	-	**240**	235	-	235
Recognised in other comprehensive income	-	455	455	-	534	534
Total tax charge	**240**	455	**695**	235	534	769

Reconciliation of effective tax rate

	Year ended 31 March 2022	Year ended 31 March 2021
	£000	£000
Profit for the year	**1,024**	1,000
Total tax expense	**240**	235
Profit excluding taxation	**1,264**	1,235
Tax using the UK corporation tax rate of 19% (2021: 19%)	**240**	235
Total tax expense included in profit or loss	**240**	235

The March 2021 Budget announced that a rate of 25% would apply with effect from 1 April 2023. This will increase the group's future current tax charge accordingly. The deferred tax asset is calculated using 25%.

9 Dividends

No dividend was paid during the year *(2021: £1.5m)*.

Notes *(continued)*

10 Fixed asset investment - Company

	Company	
	2022	2021
	£000	£000
At beginning and end of year	**68**	68

The company in which the Company's interest at the period end is more than 20% are as follows:

	Registered Address	**Principal activity**	**Class and percentage of shares held**
Advanced Jet Training Ltd	33 Wigmore Street, London, W1U 1QX	PFI Operator	100% of ordinary shares

The profit for the financial year of Advanced Jet Training Limited was £1,024,000. At 31 March 2022 it had a shareholder funds of £2,433,000.

11 Debtors

	Group 2022 £000	**Company 2022 £000**	Group 2021 £000	Company 2021 £000
Amounts falling due within one year				
Amounts owed by group undertakings	**1,059**	**251**	1,051	270
Financial asset	**2,607**	**-**	2,486	-
Prepayments and accrued income	**201**	**-**	201	-
	3,867	**251**	3,738	270
Amounts falling due after more than one year				
Financial asset	**38,513**	**-**	41,120	-
Amounts owed by group undertakings	**-**	**4,191**	-	4,501
Deferred tax asset	**1,639**	**-**	2,094	-
Prepayments	**1,590**	**-**	1,753	-
	41,742	**4,191**	44,967	4,501

12 Creditors: amounts falling due within one year

	Group 2022 £000	**Company 2022 £000**	Group 2021 £000	Company 2021 £000
Trade creditors	**185**	**-**	186	-
Amounts owed to group undertakings	**251**	**251**	295	270
Corporation tax	**131**	**-**	124	-
Bank loans	**3,023**	**-**	2,897	-
Other taxation and social security	**317**	**-**	348	-
Accruals and deferred income	**463**	**-**	444	-
	4,370	**251**	4,294	270

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Amounts owed to parent undertaking	**4,191**	**4,191**	4,501	4,501
Other financial liabilities (see note 14)	**6,558**	-	11,030	-
Bank loans	**33,709**	-	36,732	-
	44,458	**4,191**	52,263	4,501

Included within bank loans are amounts repayable after five years by bi-annual instalments of £20 million *(2021: £24 million)*. Bank loans are unsecured however the bank, MUFG, has step in rights. The facility is subject to certain covenants.

The amount due to parent undertaking is repayable in instalments, of which £2.6 million falls due after five years *(2021: £2.8m)*. Interest is charged on this amount at 12% per annum. Repayments are made semi-annually from surplus cash and are repayable between 2023 and 2033 subject to lending bank approval.

14 Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2022 £000	2021 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**42,179**	44,657
Financial liabilities		
Derivative financial liabilities measured at fair value	**(6,558)**	(11,030)
Financial liabilities measured at amortised cost	**(42,178)**	(45,447)

The fair value of the interest rate swap has been calculated by discounting the fixed cash flows at forecast forward interest rates. The bank borrowing and financial asset are both held at amortised cost.

Hedge accounting

Derivatives are financial instruments that derive their value from the price of an underlying item, such as interest rates or other indices. The Group's use of derivative financial instruments is described below.

Interest rate swaps
On 30 May 2008 the Group entered into an interest rate swap for the same notional amount as its variable rate bank loan which has the commercial effect of swapping the variable rate interest coupon on that loan for a fixed rate coupon of 5.246%. The bank loan and related interest rate swap amortise at the same rate over the life of the loan/swap arrangements. Cash flows on both the loan and the interest rate swaps are paid semi-annually on 31 March and 30 September each year and expire on 31 March 2032.

The Directors believe that the hedging relationship between the interest rate swap and related variable rate bank loan meet the criteria set out in FRS 102 section 12.18 and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

Notes *(continued)*

14 Financial instruments *(continued)*

Carrying value of all derivative financial instruments

All of the Group's derivative financial instruments are carried at fair value.

15 Deferred tax asset

	Group 2022 £000	Group 2021 £000
At 1 April 2021	**2,094**	2,628
Recognised in other comprehensive income		
Change in rate	**664**	-
Movement in other comprehensive income	**(1,119)**	(534)
At 31 March 2022	**1,639**	2,094

The deferred tax asset relates to the fair value liability of the interest rate swap and is expected to reverse after more than one year. The company has no deferred tax.

16 Capital and reserves

	2022 £000	2021 £000
Allotted, called up and fully paid		
68,000 ordinary shares of £1 each	**68**	68

Share capital
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.

Cash flow hedge reserve
The gain or loss on remeasurement to fair value on the portion of the group's interest rate swaps that is deemed an effective hedge is recognised in the cash flow hedge reserve net of deferred tax with the element that is not deemed effective being recognised in profit or loss. Changes in the effectiveness of the instrument are recognised in profit or loss to the extent they relate to reversals of previous income/ charges in profit or loss.

Notes *(continued)*

17 Reconciliation of net debt

	1 April 2021	Fair value movements	Cash flows	Other movements	**31 March 2022**
	£000	£000s	£000	£000	**£000**
Bank loans	(39,629)	-	2,933	(35)	**(36,732)**
Group loans	(4,771)	-	310	19	**(4,442)**
Interest rate swaps	(11,030)	4,472	-	-	**(6,558)**
	(55,430)	4,472	3,243	(16)	**(47,732)**
Cash	5,244		408		**5,652**
Net debt	**(55,430)**	**4,472**	**3,243**	**(16)**	**(47,732)**

18 Related party disclosure

During the year, the Company had transactions with its ultimate shareholders and their wholly owned Group companies which are summarised below:

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Training services				
- Babcock Group companies	**1,967**	1,842	-	-
- Lockheed Martin Group companies	**1,679**	1,636	-	-
The balances due to them at the year-end is below				
- Babcock Group companies	**185**	182	-	-
- Lockheed Martin Group companies	**140**	136	-	-

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Ascent Flight Training (Holdings) Limited which is the ultimate parent company incorporated in England and Wales, which in turn is jointly owned by Lockheed Martin UK Holdings Ltd, a company registered in England and Wales, and Babcock Defence and Security Investments Ltd, a company registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Ascent Flight Training (Holdings) Limited whose registered address is 33 Wigmore Street, London W1U 1QX. The smallest Group in which the results are consolidated is these financial statements. The consolidated financial statement of these groups are available to the public and may be obtained from 33 Wigmore Street, London W1U 1QX.