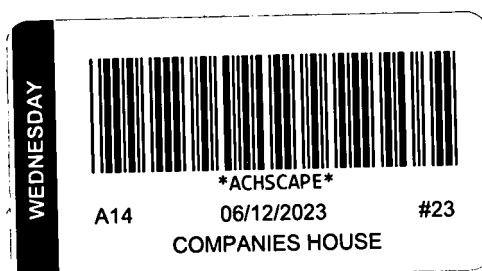


Fixed Wing Training Holdings Limited
Registered number: 09728231
Annual report and consolidated financial
statements
Year ended 31 March 2023



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Strategic report

Enhanced business review

Fixed Wing Training Holdings Limited ('FWTH') is a holding company with an investment in Fixed Wing Training Limited ('FWT'), together the Fixed Wing Group. It is owned by Ascent Flight Training (Holdings) Limited.

The principal activity of the Fixed Wing Group is the design, build, finance and operation under a Private Finance Initiative ("PFI"), for the Fixed Wing Training programme within the Ascent Group.

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. Fixed Wing Training Limited delivers the Fixed Wing training programme through a PFI contract 2033.

The Fixed Wing Training group's revenue is generated from the UK Military Flight Training System (UKMFTS) programme under which FWT acts as a subcontractor for the Ascent group. Fixed Wing Training Limited's purpose is to deliver and operate Training Building Infrastructure, Information Communications Technology and Ground Based Training Equipment for the Ministry of Defence (MoD). These services are part of the delivery of the Fixed Wing Training Programme in connection with the United Kingdom Military Flying Training System contract between The Secretary of State for Defence and Ascent Flight Training (Management) Ltd.

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 total business within agreed financial targets.

Review of developments and performance during the year

Fixed Wing Training operations take place principally at RAF Cranwell, RAF Barkston Heath and RAF Valley. In September 2021 the MOD awarded a follow-on order relating to the Fixed Wing training programme at RAF Valley which will increase training capacity by almost 50% from April 2025. As part of this follow-on contract the existing infrastructure at RAF Valley has been extended to house new simulators, additional instructors and other facilities. The existing facilities have also been upgraded to provide increased Mission Planning capacity and improved facilities for trainees, instructors and other staff. The new dome simulator being built by Lockheed Martin is scheduled to arrive at RAF Valley during 2023.

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 slightly to £9.0m (2022: £8.5m). Operational revenues were £9.0m (2022: £8.5m) principally as a result of inflationary increases in costs for the year. Operating profit increased proportionately to £608,000 (2022: £574,000). The group made a loss before tax of £264,000 (2022: profit before tax: £313,000) as a result of its debt interest costs and a reduction in the amortisation profile of the financial asset interest. As noted below, the bank debt was fully repaid on 31 March 2023 and the remaining debt will be fully repaid during the year ended 31 March 2024. There were no performance service credit deductions levied against the group in the year (2022: none).

Review of position at year end

As at 31 March 2023 the group had net assets of £8.5m (2022: £8.7m). Cash totalled £13.6m (2022: £13.1m). 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 and the repayment of the bank and shareholder debt in accordance with the loan agreements. The bank debt was fully repaid on 31 March 2023.

Strategic report *(continued)*

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. Ascent continues to work in partnership with the Authority to determine how to deliver the programme in light of the funding constraints. The risk is mitigated by the UKMFTS contract which extends to 2033 and 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.

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 instrument comprised a project specific loan with MUFG, Credit Agricole, Helaba and Sumitomo Mitsui Banking Corporation and bank deposits. The interest on the loan was hedged with floating to fixed rate instruments. The loan was fully repaid on 31 March 2023. 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 current lenders are 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



P Edwards
Director

33 Wigmore Street
London
W1U 1QX

27 September 2023

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2023.

Directors

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

Name	Appointed	Resigned
R W Benton Jr	14 December 2022	
K Truss	1 January 2023	
J Rayson	24 January 2023	
T Newman	28 February 2023	
P Edwards	28 February 2023	
M Brown	12 April 2023	
N Borrett	5 October 2022	28 February 2023
M Abbott	5 October 2022	28 February 2023
N Misell		5 October 2022
K Garvey		5 October 2022
T Bradley		31 December 2022
P Livingston		31 December 2022
C McIntosh		31 October 2022
P Craig		24 January 2023

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 managed using the appropriate financial instruments. Up to 31 March 2023, the group had variable rate interest loans with various lending banks. The interest on the loans is hedged with floating to fixed rate instruments. These loans were fully repaid on 31 March 2023. 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

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2023 (2022: £nil).

Future developments

Operational activity is expected to continue at consistent levels with the year ended 31 March 2023. The directors are satisfied the group will continue to generate cash flows under the contract to enable the final repayment of the group's remaining debt during the year ended 31 March 2024.

Directors' report

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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.

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. 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 or incurred any political expenditure during the year (2022: £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.

By order of the board



P Edwards
Director

33 Wigmore Street
London
W1U 1QX

27 September 2023

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 Fixed Wing Training Holdings Limited

Opinion

We have audited the financial statements of Fixed Wing Training Holdings Limited ("the Company") for the year ended 31 March 2023 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 2023 and of the Group's loss 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 Fixed Wing 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 expected uniform margins through-out the contract life with little to no variations and no incentives or other pressures on management to engage in earnings management.

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 post 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, recognising the nature of the Group's activities.

Independent auditor's report to the members of Fixed Wing 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 Fixed Wing 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.

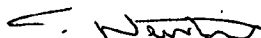
Auditor's responsibilities

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.



Chris Newton (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

28 September 2023

Consolidated profit and loss account and other comprehensive income
for the year ended 31 March 2023

	<i>Note</i>	2023 £000	2022 £000
Turnover	2	9,019	8,488
Cost of sales		(8,130)	(7,644)
Gross profit		889	844
Administrative expenses		(281)	(270)
Operating profit	3-5	608	574
Interest receivable and similar income	6	1,388	2,900
Interest payable and similar expenses	7	(2,260)	(3,161)
(Loss)/ profit before taxation		(264)	313
Tax on (loss)/ profit	8	66	(59)
(Loss)/ profit for the financial year		(198)	254
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	13	-	537
Tax on the changes in fair value of cash flow hedges	8	-	(103)
Total comprehensive (loss)/ income for the year		(198)	688

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 2023

	Note	2023	2022
		£000	£000
Current assets			
Debtors: amounts falling due within one year	11	10,565	32,115
Cash at bank and in hand		13,610	13,133
		<u>24,175</u>	<u>45,248</u>
Creditors: amounts falling due within one year	12	<u>(1,634)</u>	<u>(20,509)</u>
Net current assets		<u>22,541</u>	<u>24,739</u>
Total assets less current liabilities		<u>22,541</u>	<u>24,739</u>
Creditors: amounts falling due after more than one year	13	<u>(14,060)</u>	<u>(16,060)</u>
Net assets		<u>8,481</u>	<u>8,679</u>
Capital and reserves			
Share capital	16	30	30
Profit and loss account		8,451	8,649
Shareholders' funds		<u>8,481</u>	<u>8,679</u>

These financial statements were approved by the board of directors on 27 September 2023 and were signed on its behalf by:



P Edwards
Director

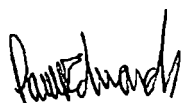
The accompanying notes form part of these financial statements.

Company balance sheet
as at 31 March 2023

	Note	2023 £000	2022 £000
Fixed assets			
Investments	10	30	30
Current assets			
Debtors: amounts falling due after more than one year	11	14,060	16,060
Debtors : amounts falling due within one year	11	841	961
		<u>14,901</u>	<u>17,021</u>
Creditors: amounts falling due within one year	12	<u>(841)</u>	<u>(961)</u>
Net current assets		<u>14,060</u>	<u>16,060</u>
Total assets less current liabilities		<u>14,090</u>	<u>16,090</u>
Creditors: amounts falling due after more than one year	13	<u>(14,060)</u>	<u>(16,060)</u>
Net assets		<u><u>30</u></u>	<u><u>30</u></u>
Capital and reserves			
Called up share capital	16	30	30
Shareholders' funds		<u><u>30</u></u>	<u><u>30</u></u>

The Company reported £nil profit for the year ended 31 March 2023 (2022: £nil).

These financial statements were approved by the board of directors on 27 September 2023 and were signed on its behalf by:



P Edwards
Director

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Called up Share capital	Profit and loss account	Cash flow hedge reserve	Total equity
	£000	£000	£000	£000
Balance at 1 April 2021	30	8,395	(434)	7,991
Total comprehensive income for the year				
Profit for the financial year	-	254	-	254
Other comprehensive income	-	-	434	434
Balance at 31 March 2022	30	8,649	-	8,679
Balance at 1 April 2022	30	8,649	-	8,679
Total comprehensive income for the year				
Loss for the financial year	-	(198)	-	(198)
Other comprehensive income	-	-	-	-
Balance at 31 March 2023	30	8,451	-	8,481

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 2021	30	-	30
Balance at 31 March 2022	30	-	30
Balance at 1 April 2021	30	-	30
Balance at 31 March 2023	30	-	30

The accompanying notes form part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2023

	2023	2022
	£000	£000
Cash flows from operating activities		
(Loss)/ profit for the year	(198)	254
Interest receivable and similar income	(1,388)	(2,900)
Interest payable and similar expenses	2,260	3,161
Taxation	(66)	59
	<hr/>	<hr/>
Decrease in debtors	608	574
(Decrease)/ increase in creditors	21,616	20,189
	(672)	31
	<hr/>	<hr/>
	21,552	20,794
Tax paid	(31)	(104)
	<hr/>	<hr/>
Net cash from operating activities	21,521	20,690
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	1,388	2,900
	<hr/>	<hr/>
Net cash from investing activities	1,388	2,900
	<hr/>	<hr/>
Cash flows from financing activities		
Loans repaid	(20,119)	(19,823)
Interest paid	(2,313)	(3,132)
	<hr/>	<hr/>
Net cash used in financing activities	(22,432)	(22,955)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	477	635
Cash and cash equivalents at 1 April	13,133	12,498
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	13,610	13,133
	<hr/>	<hr/>

The accompanying notes form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Fixed Wing Training Holdings Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK. The registered number is 09728231 and the registered address is 33 Wigmore Street, London, W1U 1QX.

These Group and Company 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) Limited 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) Limited 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 years 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 and related subcontracts where the majority of costs are outsourced to shareholder subsidiary companies 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 on a 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.

Notes (continued)

1 Accounting policies

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. 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 2023. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable

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 (2022: £nil).

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

1.4 Basic financial instruments

Classification of financial instruments issued by the Group and the Company

In accordance with FRS 102.22, financial instruments issued by the Group and the Company are treated as equity only to the extent that they meet the following two conditions:

- a. they include no contractual obligations upon the entity to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the entity; and
- b. where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Amounts owed to group undertakings

Amounts owed 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

Notes (continued)

1 Accounting policies

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 based on the stage of completion of the contract under the revenue recognition principles of FRS 102. Further details on the fixed Unitary Charge payment (Training Service Availability Payment) are given in accounting policy note 1.8.

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 dated, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences 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.

Notes (continued)

1 Accounting policies

1.8 Financial asset

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

Financial asset and services contract

The Group is an operator of a Private Finance Initiative ("PFI") contract. The Group entered into a project agreement (the "Contract") with the Ministry of Defence ("MOD") in 2016 for the provision and ongoing availability of assets to support the Fixed Wing Training programme. Construction of the infrastructure and training assets was completed in 2018 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.

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.

1.9 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.

Notes (continued)

2 Analysis of turnover

	Group 2023 £000	Group 2022 £000
<i>By activity</i>		
Training service availability	9,019	8,488

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 (2022: £2,000).

Amounts receivable by the auditor in respect of their audit of Fixed Wing Training Limited were £32,000 (2022: £25,000).

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 (2022: £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

	Group 2023 £000	Group 2022 £000
Financial asset interest	1,388	2,900

Notes (continued)

7 Interest payable and similar expenses

	Group 2023 £000	Group 2022 £000
Interest payable on bank loans	503	1,164
Interest payable on group loans	1,757	1,997
	<u>2,260</u>	<u>3,161</u>

8 Taxation

Analysis of charge in year

	Group 2023 £000	Group 2022 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	59
<i>Deferred tax</i>		
Deferred tax credit for the year	(66)	-
Total tax (credit)/ charge for the year	<u>(66)</u>	<u>59</u>

	£000	2023 £000	£000	£000	2022 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
(Credit)/ expense recognised in profit and loss	-	(66)	(66)	59	-	59
Recognised in other comprehensive income	-	-	-	-	103	103
Total tax	<u>-</u>	<u>(66)</u>	<u>(66)</u>	<u>59</u>	<u>103</u>	<u>162</u>

Reconciliation of effective tax rate

	Group 2023 £000	Group 2022 £000
(Loss)/ profit for the year	(198)	254
Total tax (credit)/ expense	(66)	59
(Loss)/ profit excluding taxation	<u>(264)</u>	<u>313</u>
Tax using the UK corporation tax rate of 19% (2022:19%)	(50)	59
Rate change	(16)	-
Total tax (credit)/ expense included in profit or loss	<u>(66)</u>	<u>59</u>

Notes (continued)

8. Taxation (continued)

The March 2021 Budget announced that a rate of 25% would apply with effect from 1 April 2023. This change was substantially enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset is calculated using 25%.

9 Dividends

There were no dividends paid or proposed during the year (2022: £Nil).

10 Fixed asset investment - Company

	2023 £000	2022 £000
Cost at beginning and end of year	30	30

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

	Registered Office address	Principal activity	Class and percentage of shares held
Fixed Wing Training Limited	33 Wigmore Street London W1U 1QX	PFI Operator	100% of ordinary shares

Fixed Wing Training Limited's loss for the financial year was £198,000. At 31 March 2023 it had net assets of £8,481,000.

11 Debtors

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
<i>Amounts falling due within one year</i>				
Financial asset	7,267	-	28,955	-
Amounts owed by group undertakings	3,209	841	3,160	961
Prepayments	23	-	-	-
Deferred taxation (note 14)	66	-	-	-
	<u>10,565</u>	<u>841</u>	<u>32,115</u>	<u>961</u>
<i>Amounts falling due after more than one year</i>				
Amounts owed by group undertakings	-	14,060	-	16,060
	<u>-</u>	<u>14,060</u>	<u>-</u>	<u>16,060</u>

Notes (continued)

12 Creditors: amounts falling due within one year

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Bank loans	-	-	18,052	-
Amounts due to parent company	841	841	961	961
Corporation tax	-	-	31	-
Other taxation	793	-	734	-
Trade creditors	-	-	391	-
Accruals and deferred income	-	-	340	-
	1,634	841	20,509	961

13 Creditors: amounts falling due after more than one year

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Amounts due to parent company	14,060	14,060	16,060	16,060

Bank loans are unsecured however the lenders have step in rights. Bank loans were fully repaid on 31 March 2023.

Interest on the amount due to parent undertaking is charged at 12% per annum. Repayments are made semi-annually from surplus cash subject to lender approval.

Notes (continued)

14 Financial instruments

	2023 £000	2022 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	10,476	32,115
	<u> </u>	<u> </u>
Financial liabilities		
Financial liabilities measured at amortised cost	(14,901)	(35,871)
	<u> </u>	<u> </u>

15 Deferred tax asset

	Group 2023 £000	Group 2022 £000
At 1 April 2022	-	103
Recognised in other comprehensive income	-	(103)
Recognised in profit and loss account	66	-
	<u> </u>	<u> </u>
At 31 March 2023 (note 11)	66	-
	<u> </u>	<u> </u>

The deferred tax asset relates to current tax on the loss for the year (2022: deferred tax relates to the fair value liability of the interest rate swap). The company has no deferred tax.

16 Capital and reserves

	2023 £000	2022 £000
Allotted, called up and fully paid		
30,000 ordinary shares of £1 each	30	30
	<u> </u>	<u> </u>

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 company'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 2022	Cash flows	Other movements	31 March 2023
	£000	£000	£000	£000
Bank loans	(18,052)	18,119	(67)	-
Group loans	(16,060)	2,000	-	(14,060)
	<u>(34,112)</u>	<u>20,119</u>	<u>(67)</u>	<u>(14,060)</u>
Cash	13,133	477	-	13,610
Net debt	<u>(20,979)</u>	<u>20,596</u>	<u>(67)</u>	<u>(450)</u>

18 Related party disclosures

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

	Group 2023 £000	Company 2023 £000	Group 2022 £000	Company 2022 £000
Training services				
- Babcock Group companies	4,187	-	3,908	-
- Lockheed Martin Group companies	3,943	-	3,736	-

The balances due to them at year end and included in trade creditors and accruals in note 12 are:

- Babcock Group companies	-	-	391	-
- Lockheed Martin Group companies	-	-	311	-

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 office is 33 Wigmore Street, London W1U 1QX. The smallest Group in which the results are consolidated is in 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.