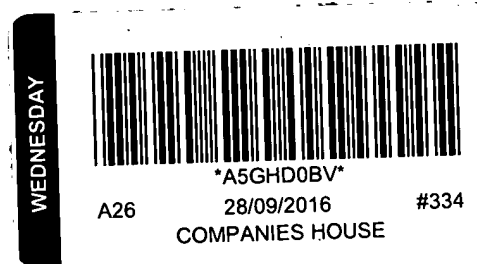


Fixed Wing Training Limited  
Annual report and financial statements  
Registered number 09729579  
Period ended 31 March 2016



## Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements	4
Independent auditor's report to the members of Fixed Wing Training Limited	5
Profit and loss account and other comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes	10

## Strategic report

### Enhanced business review

Fixed Wing Training Limited (FWT) is a subsidiary undertaking of Fixed Wing Training Holdings Limited, the immediate parent company, which in turn is owned by Ascent Flight Training (Holdings) Limited.

The principal activity of the company is the design, build, finance and operation under a Private Finance Initiative ("PFI"), 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 17 year PFI contract.

Fixed Wing Training Limited's purpose is to deliver and operate Training Building Infrastructure, Information Communications Technology and Ground Based Training Equipment to 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 No: UKMFTS/2008/02 between The Secretary of State for Defence and Ascent Flight Training (Management) Ltd).

### Key performance indicators

The key performance indicators of the business are:

- the transition of new operational training Fixed Wing packages from legacy training;
- to safely deliver the required number of fully trained students during the period within a prescribed time frame;
- manage total business within agreed financial targets.

### Review of developments and performance during the period

The company was incorporated on 12 August 2015 and in February 2016 the MoD awarded FWT a 17 year contract for the provision of Fixed Wing training. Following contract award the company has commenced works on the construction of assets which will be used to deliver a service to the MoD. These financial statements are the first since the company's incorporation and cover the 8 month period ended 31 March 2016.

Financial performance was adversely affected by the delay in contract award. Of the £44.7 million revenue for the period, £44.5 million related to finance debtor revenue. Profit before taxation for the period excluding adjustments for changes in fair value on financial liabilities was £199,000.

### Review of position at period end

As at 31 March 2016 the Company had net liabilities excluding the cash flow hedge reserve £1,178,000 and net cash and cash equivalents of £12.5 million.

## Strategic report *(continued)*

### *Principal risks and uncertainties*

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

#### **Strategic risk**

The company'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. The risk is mitigated by continued close working relationships with MOD at all levels.

#### **Operational risk**

The principal operating risk for the company 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 Aviation Safety Management System and a positive and proactive aviation safety culture within the company.

#### **Financial risk**

The company's principal instrument comprises of a project specific long terms loan (7 year) with BTMU, Credit Agricole, Helaba and Sumitomo Mitsui Banking Corporation and short term bank deposits. The interest on the loan is hedged with a floating to fixed rate instruments. The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities. Board approval and the agreement of current lenders are required for the use of any new financial instrument

On behalf of the board

  
IS Urquhart

Director

33 Wigmore Street  
London  
W1U 1QX

21 September

2016

## Directors' report

The directors present their directors' report and financial statements for the period ended 31 March 2016.

### Directors

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

Name	Appointed	Resigned
J C McCarthy	12 August 2015	
E A Narey	12 August 2015	5 April 2016
J R Davies	12 August 2015	7 March 2016
P W Ruddock	12 August 2015	
J P Rambeau	12 August 2015	
I S Urquhart	12 August 2015	
R A Hardy	7 March 2016	
N G Misell	5 April 2016	

### Political contributions

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

### 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

During the period KPMG LLP were appointed as 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



**I S Urquhart**  
Director

33 Wigmore Street  
London  
W1U 1QX

21 September 2016

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of Fixed Wing Training Limited**

We have audited the financial statements of Fixed Wing Training Limited for the 8 month period ended 31 March 2016 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

## **Independent auditor's report to the members of Fixed Wing Training Limited** *(continued)*

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Andrew Campbell-Orde (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
66 Queen Square  
Bristol  
BS1 4BE  
United Kingdom

*21 September* 2016



**Profit and loss account and other comprehensive income**  
*for the 8 month period ended 31 March 2016*

	<i>Note</i>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>44,671</b>
Cost of sales		<b>(44,421)</b>
		<hr/>
<b>Gross profit</b>		<b>250</b>
Administrative expenses		<b>(88)</b>
		<hr/>
<b>Operating profit</b>	<b>3-5</b>	<b>162</b>
Other interest receivable and similar income	<b>6</b>	<b>480</b>
Interest payable and similar charges	<b>7</b>	<b>(1,810)</b>
		<hr/>
<b>Loss on ordinary activities before taxation</b>		<b>(1,168)</b>
Tax on loss on ordinary activities	<b>8</b>	<b>(40)</b>
		<hr/>
<b>Loss for the financial period</b>		<b>(1,208)</b>
<b>Other comprehensive income</b>		
Effective portion of changes in fair value of cash flow hedges		<b>(443)</b>
		<hr/>
<b>Total comprehensive loss for the period</b>		<b>(1,651)</b>
		<hr/> <hr/>

The results for the period were entirely derived from continuing operations.

The notes on pages 10 to 17 form part of these financial statements.

**Balance sheet**  
*as at 31 March 2016*

	Note	2016	
		£000	£000
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	10	44,950	
Debtors : amounts falling due within one year	10	9,088	
Cash at bank and in hand		12,479	
			66,517
<b>Creditors: amounts falling due within one year</b>	11		(4,678)
<b>Net current assets</b>			61,839
<b>Total assets less current liabilities</b>			61,839
<b>Creditors: amounts falling due after more than one year</b>	12		(63,460)
<b>Net liabilities</b>			(1,621)
<b>Capital and reserves</b>			
Called up share capital	14		30
Profit and loss account			(1,208)
Cash flow hedge reserve			(443)
<b>Shareholders' funds</b>			(1,621)

These financial statements were approved by the board of directors on ~~21 September~~ 2016 and were signed on its behalf by:



**IS Urquhart**  
*Director*

The notes on pages 10 to 17 form part of these financial statements

## 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 12 August 2015	-	-	-	-
Issue of Share capital	30	-	-	30
<b>Total comprehensive income for the period</b>				
Profit or loss	-	(1,208)	-	(1,208)
Other comprehensive income	-	-	(443)	(443)
<b>Balance at 31 March 2016</b>	<b>30</b>	<b>(1,208)</b>	<b>(443)</b>	<b>(1,621)</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Fixed Wing Training Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These 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”) as issued in August 2014. 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 parent undertaking Fixed Wing 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:

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

As the consolidated financial statements of Fixed Wing Training Holdings Ltd include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- 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 been 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 judgement in applying the Company’s accounting policies is the accounting for the service concession contract and finance debtor which requires an estimate of service margins, finance debtor interest rates and associated amortisation profile which is based on the forecasted results of the PFI contract.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

After reviewing the Company’s forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. For these reasons they consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Basic financial instruments

##### *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.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances at the bank and cash in hand.

#### 1.4 Turnover

Revenue relates to the finance debtor detailed in 1.6 below and accounted for the construction phase under the revenue recognition principles of FRS 102.

#### 1.5 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised directly in the profit and loss account.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period 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 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Finance debtor

The company's finance debtor is the result of a Public 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 company charges the cost to the profit and loss account to match with the related revenue stream.

##### Finance costs

Project specific finance costs are added to amounts recoverable on contracts until the asset to which the finance relates becomes operational. Directly attributed interest costs incurred on borrowings to fund the construction of PFI assets are included as part of the cost of those assets commencing at the start of construction and ceasing when the asset is complete and ready for use.

##### Finance debtor and services contract

Under the PFI contract the underlying asset is not deemed to be an asset of the Company because the risk and rewards of ownership as set out are deemed to lie principally with the MoD.

During the construction phase of the project, all attributable expenditure is included in contract receivables and turnover except interest as set out above. On becoming operational, the costs are transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover. The group recognises income in respect of the services provided 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.

Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when these services are performed.

#### 1.7 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. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

#### 1.8 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

## Notes (continued)

### 2 Analysis of turnover

	2016 £000
<i>By activity</i>	
Finance debtor revenue	44,479
Compensation claims	192
	<hr/>
	44,671
	<hr/>

All turnover originates in the United Kingdom.

### 3 Notes to the profit and loss account

Amounts receivable by the auditor in respect of the audit of these financial statements were £7,000.

### 4 Remuneration of directors

Directors emoluments for the period amounted to £ Nil.

### 5 Staff numbers and costs

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

### 6 Other interest receivable and similar income

	2016 £000
Finance debtor interest	471
Other interest	9
	<hr/>
	480
	<hr/>

### 7 Interest payable and similar charges

	2016 £000
On bank loans	443
Ineffective portion of losses on derivatives treated as cash flow hedges	1,367
	<hr/>
	1,810
	<hr/>

## Notes (continued)

### 8 Taxation

#### Analysis of charge in period

	2016 £000
<i>UK corporation tax</i>	
Current tax on income for the period	40
	<hr/>
Tax on loss on ordinary activities	40
	<hr/>

#### Reconciliation of effective tax rate

	2016 £000
<i>Current tax reconciliation</i>	
Loss on ordinary activities before tax	(1,168)
	<hr/>
Current tax at 20%	(234)
	<hr/>
<i>Effects of:</i>	
Cash flow hedge adjustment not liable for tax purposes	274
	<hr/>
Current tax at 20%	40
	<hr/>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

### 9 Dividends

There were no dividends paid or proposed during the period.



## Notes (continued)

### 10 Debtors

	2016 £000
<i>Amounts falling due within one year</i>	
Amounts owed by group undertakings	230
Other taxation	8,858
	<hr/>
	9,088
	<hr/>
<i>Amounts falling due after more than one year</i>	
Finance debtor	44,950
	<hr/>

### 11 Creditors: amounts falling due within one year

	2016 £000
Trade creditors	4,625
Corporation tax	40
Accruals and deferred income	13
	<hr/>
	4,678
	<hr/>

### 12 Creditors: amounts falling due after more than one year

	2016 £000
Other financial liabilities (see note 13)	1,810
Bank loans	61,650
	<hr/>
	63,460
	<hr/>

Included within bank loans are amounts repayable after five periods by instalments of £3.3 million. Bank loans are unsecured however the lenders have step in rights.

The Company has agreed bank facilities of £137.5 million. The facility is available for drawdown and is subject to certain covenants.

## Notes (continued)

### 13 Financial instruments

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

	2016 £000
<b>Financial assets</b>	
Financial assets that are debt instruments measured at amortised cost	44,950
<b>Financial liabilities</b>	
Derivative financial liabilities measured at fair value through profit or loss	(1,810)
Financial liabilities measured at amortised cost	(61,650)

The fair value of the interest rate swap has been calculated by discounting the fixed cash flows at forecasted forward interest. The bank borrowing and finance debtor 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 1 February 2016 the company entered into three interest rate swaps with third parties for the same notional amount as the variable rate borrowings with banks which has the commercial effect of swapping the variable rate interest coupon on those loans for a fixed rate coupon of 3.210%, 2.133% and 2.592%. The bank loans and related interest rate swaps amortise at the same rate over the life of the loan/swap arrangements and have a contracted corresponding cash inflows from Ascent's customer, the UK MOD, over the same life as the loan/swap arrangement. Cash flows on both the loan and the interest rate swaps have specific criteria attached to them and expire on 30 September 2024, 31 December 2018 and 30 June 2019 respectively.

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.

Carrying value of all derivative financial instruments

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

The effective portion of the movements in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a debit of £443,000. The ineffective portion of the movements in the fair value have been recorded in the profit and loss amounting to a debit of £1,367,000.

### 14 Called up share capital

	2016 £000
<b>Authorised</b>	
30,000 ordinary shares of £1 each	30
<b>Allotted, called up and fully paid</b>	
30,000 ordinary shares of £1 each	30

## Notes (continued)

### 15 Related party disclosures

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

	2016 £000
Construction services	
- Babcock Group companies	20,351
- LM Group companies	24,070
The balances due to them at the period end are:	
- Babcock Group companies	4,614
- LM Group companies	-

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

The Company is a subsidiary undertaking of Fixed Wing Training Holdings Limited which is the immediate parent Company incorporated in England and Wales, which in turn is owned by Ascent Flight Training (Holdings) Limited. Ascent Flight Training (Holdings) Limited 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. The smallest Group in which the results are consolidated is that headed by Fixed Wing Training Holdings Limited.