Fixed Wing Training Limited

Annual report and financial statements
Registered number 09729579
Year ended 31 March 2020

Contents

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"), of 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 ('ICT') and Ground Based Training Equipment ('GBTE') 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 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; and
- to manage total business within agreed financial targets.

Review of developments and performance during the year

Elementary Flying Training
Elementary Flying Training (EFT) on the Prefect 120TP takes place at RAF Cranwell and RAF Barkston Heath. This has been a challenging year marking the transition from build to delivery. Work has taken place to streamline and enhance this element of the training system. The core EFT syllabus has been reviewed and a new common EFT course is now being flown, with subsequent Fast Jet and Multi Engine top ups. So far, this initiative has proved to be successful and should reduce the overall training burden, and provide additional capacity within the system.

Multi Engine Pilot Training
Multi Engine Pilot Training (MEPT) on the Embraer Phenom 100 takes place at RAF Cranwell and RAF Barkston Heath, with full course capability declared in August 2019. In November 2019 the first four MEPT graduates were presented with their flying brevets or "wings". These are the first students to have entered MFTS as ab initio pilots and go on to achieve their pilot wings, and marked a significant milestone for the UKMFTS.

Basic Flying Training
Basic Flying Training takes place at RAF Valley using the Textron Texan T6C aircraft, the lead in trainer to the Hawk 2. Initial Course Capability was declared in October 2019 followed by Full Course Capability in January 2020. The programme has been focused on its first students working their way through the BFT syllabus, with the first flight of a student pilot in the new Texan aircraft taking place in October 2019.

Flying operations at all sites were suspended as of 24 March 2020 due to restrictions put in place in response to COVID-19 pandemic. Since this time training has restarted and is building up in full compliance with the government's guidance on managing the risks associated with COVID-19. Copies of the company's COVID-19 risk assessments are available on its website.

Strategic report *(continued)*

Review of position at year end
As at 31 March 2020 the Company had net assets excluding the cash flow hedge reserve of £7.8m (2019: £6.8m) and net cash and cash equivalents of £12.3m (2019: £18.3m).

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 (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 continued close working relationships with 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.

As a result of the European Referendum outcome to leave the EU, there remains a strategic risk in respect to the future of UK aviation and cross-border trade depending on the results of the negotiations by the government. These risks are closely monitored through assessment of potential outcomes which may affect our supply chain and any increased regulatory burden to ensure any timely implementation of mitigating actions required.

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 Safety Management System as well as a positive and proactive safety culture within the company.

The ongoing COVID-19 pandemic poses an additional risk to the health and safety of UKMFTS's employees and students. The extensive safety measures in place to minimise the risks to health posed by COVID-19 have resulted in a reduction in UKMFTS's operating capacity and the throughput of UKMFTS students. The group continues to work closely with its MOD partners to minimise the impact of COVID-19 on the operations of UKMFTS within acceptable safety levels and to recover normal operating capacity and output as soon as possible.

Financial risk
The company's principal instrument comprises of a project specific long terms loan with BTMU, Credit Agricole, Helaba and Sumitomo Mitsui Banking Corporation and short term bank deposits. The interest on the loan is hedged with 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

K J Garvey
Director

33 Wigmore Street
London
W1U 1QX

29 September 2020

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2020.

Directors

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

Name	
R A Hardy	Resigned 31 March 2020
P Craig	Appointed 1 April 2020
N G Misell	
K J Garvey	Appointed 13 January 2020
T I Bradley	
K V Hayzen-Smith	Resigned 13 January 2020
P N Livingston	
A L Gowder Graban	Resigned 22 April 2020

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 forecasts and projections covering a period of at least 18 months from the date of approval of these financial statements, which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer (the Ministry of Defence) continuing to meet its obligations under the contract. In making this assessment, the Directors have considered the potential impact of the emergence and spread of COVID-19.

The Company's operating cash inflows are largely dependent on Training Service Availability Payment receipts receivable from the customer and the Directors expect these amounts to be received even in severe but plausible downside scenarios. The Company continues to provide the assets and services in accordance with the contract and these are available to be used by the customer. As a result, the Company does not believe there is any likelihood of a material impact to these contracted revenue streams and associated cash flows.

The Directors have assessed the risk of supply chain failure in respect of the Company's main sub-contractors which include its own joint venture shareholders. Based upon the most recent information available, the Directors have concluded the risk of supply chain failure as remote. To date, there has been no material adverse impact on the services provided by the Company or its sub-contractors arising from COVID-19. However, in the unlikely event of external sub-contractor failure, the Directors are satisfied that this will not impact the going concern assessment of the Company due to the underlying contractual terms.

The Directors believe the Company has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios. Consequently, the Directors are confident that the Company 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 Company made no political donations or incurred any political expenditure during the year (2019: £Nil).

Directors' report

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

K J Garvey
Director

33 Wigmore Street
London
W1U 1QX

29 September 2020

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 year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and estimates that are reasonable and prudent;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Fixed Wing Training Limited ("the company") for the year ended 31 March 2020 which comprise the profit and loss account and other comprehensive income, balance sheet, statements of changes in equity 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 company's affairs as at 31 March 2020 and of its 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 company 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 company or to cease its operations, and as they have concluded that 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 its 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

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

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, 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.

We have nothing to report in these respects.

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 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 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.

Matt Britton.

Matthew Britton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

29 September 2020

Profit and loss account and other comprehensive income
for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	2	**8,482**	22,198
Cost of sales		**(7,674)**	(21,133)
Gross profit		**808**	1,065
Administrative expenses		**(269)**	(500)
Operating profit	3-5	**539**	565
Interest receivable and similar income	6	**5,626**	6,972
Interest payable and similar expenses	7	**(5,018)**	(4,731)
Profit before taxation		**1,147**	2,806
Tax on profit	8	**(218)**	(533)
Profit for the financial year		**929**	2,273
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**(97)**	(234)
Tax on other comprehensive income		**33**	40
Total comprehensive income for the year		**865**	2,079

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

The accompanying notes form part of these financial statements.

Balance sheet
as at 31 March 2020

	Note	2020		2019	
		£000	**£000**	£000	£000
Current assets					
Debtors: amounts falling due after more than one	*10*	**51,698**		69,716	
Debtors : amounts falling due within one year	*10*	**19,202**		19,245	
Investments	*11*	**-**		11,501	
Cash at bank and in hand		**12,278**		18,257	
			83,178		118,719
Creditors: amounts falling due within one year	*12*		**(20,029)**		(39,790)
Net current assets					
Falling due within one year		**11,451**		9,213	
Debtors due after more than one year		**51,698**		69,716	
Net current assets			**63,149**		78,929
Total assets less current liabilities			**63,149**		78,929
Creditors: amounts falling due after more than one year	*13*		**(56,053)**		(72,698)
Net assets			**7,096**		6,231
Capital and reserves					
Share capital	*16*		**30**		30
Profit and loss account			**7,738**		6,809
Cash flow hedge reserve			**(672)**		(608)
Shareholders' funds			**7,096**		6,231

These financial statements were approved by the board of directors on 29 September 2020 and were signed on its behalf by:

K J Garvey
Director

The accompanying notes form part of these financial statements.

Registered number: 09729579 / **31 March 2020**

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 2018	30	4,536	(414)	4,152
Total comprehensive income for the year				
Profit for the financial year	-	2,273	-	2,273
Other comprehensive expense	-	-	(194)	(194)
Balance at 31 March 2019	**30**	**6,809**	**(608)**	**6,231**

Balance at 1 April 2019	30	6,809	(608)	6,231
Total comprehensive income for the year				
Profit for the financial year	-	929	-	929
Other comprehensive expense	-	-	(64)	(64)
Balance at 31 March 2020	**30**	**7,738**	**(672)**	**7,096**

The accompanying notes form part of these financial statements.

Notes

1 Accounting policies

Fixed Wing Training Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 09729579 and the registered address is 33 Wigmore Street, London, W1U 1QX.

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"). 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 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 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 financial asset which requires an estimate of service margins, financial asset 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 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 which the Directors consider to be appropriate for the following reasons:

The Directors have prepared forecasts and projections covering a period of at least 18 months from the date of approval of these financial statements, which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer (the Ministry of Defence) continuing to meet its obligations under the contract. In making this assessment, the Directors have considered the potential impact of the emergence and spread of COVID-19.

The Company's operating cash inflows are largely dependent on Training Service Availability Payment receipts receivable from the customer and the Directors expect these amounts to be received even in severe but plausible downside scenarios. The Company continues to provide the assets and services in accordance with the contract and these are available to be used by the customer. As a result, the Company does not believe there is any likelihood of a material impact to these contracted revenue streams and associated cash flows.

Notes *(continued)*

Going concern
The Directors have assessed the risk of supply chain failure in respect of the Company's main sub-contractors which include its own joint venture shareholders. Based upon the most recent information available, the Directors have concluded the risk of supply chain failure as remote. To date, there has been no material adverse impact on the services provided by the Company or its sub-contractors arising from COVID-19. However, in the unlikely event of external sub-contractor failure, the Directors are satisfied that this will not impact the going concern assessment of the Company due to the underlying contractual terms.

The Directors believe the Company has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios. Consequently, the Directors are confident that the Company 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 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.

Investments
Investments are amounts on deposit with the company's lending banks which do not meet the criteria of cash and cash equivalents. The balances are earmarked for the repayment of the company's bank debt within the next twelve months and cannot be used for any other purpose.

1.4 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.

Change order are customer orders which relate to one-off or discrete goods and services and which do not alter the existing contractual obligations and are accounted for when the significant risks and rewards of ownership of the goods have been transferred to the customer, the amount of revenue can be reliably measured and it is probable that economic benefits will flow to the company. Where the change order relates to services, revenue from services rendered is recognised by reference to the stage of completion of the transaction. Revenue from services provided on a short-term or one-off basis is recognised when the service is complete. The provision of services over a long-term period are accounted for under the principles of construction contracts.

1.5 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 period using tax rates enacted or substantively enacted at the balance sheet dated, and any adjustment to tax payable in respect of previous periods.

Notes *(continued)*

Taxation
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.

1.6 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.

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

Financial asset and services contract
The Company is an operator of a Private Finance Initiative ("PFI") contract. The Company 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 Company has contracted to provide services to the MOD. The Company 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 Company.

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 Company 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 Company 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.

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

Notes *(continued)*

1.9 Derivative financial instruments

Derivative financial instruments, which are the company'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.

2 Analysis of turnover

	2020	2019
	£000	£000
By activity		
Training service availability	**8,058**	654
Financial asset revenue	**-**	21,048
Other	**424**	496
	8,482	22,198

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 £13,000 *(2019: £7,000)*.

4 Remuneration of directors

Directors emoluments for the year amounted to £Nil *(2019: £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 it is not possible to accurately estimate the value of services provided to the company.

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 Interest receivable and similar income

	2020	2019
	£000	£000
Financial asset interest	**5,600**	6,858
Other interest	**26**	114
	5,626	6,972

Notes *(continued)*

7 Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on bank loans	**2,559**	3,944
Interest payable on group loans	**2,459**	787
	5,018	4,731

8 Taxation

Analysis of charge in year

	2020 £000	2019 £000
UK corporation tax		
Current tax on income for the year	**218**	533

	2020 £000 Current tax	2020 £000 Deferred tax	2020 £000 Total tax	2019 £000 Current tax	2019 £000 Deferred tax	2019 £000 Total tax
Recognised in profit and loss	**218**	**-**	**218**	533	-	533
Recognised in other comprehensive income	**-**	**(33)**	**(33)**	-	(40)	(40)
Total tax	**218**	**(33)**	**185**	533	(40)	493

Reconciliation of effective tax rate

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit for the year	**929**	2,273
Total tax expense	**218**	533
Profit excluding taxation	**1,147**	2,806
Tax using the UK corporation tax rate of 19% (2019:19%)	**218**	533
Total tax expense included in profit or loss	**218**	533

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. On the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. The deferred tax liability at 31 March 2020 has been calculated based on these rates.

Notes *(continued)*

9 Dividends

There were no dividends paid or proposed during the year *(2019: £Nil)*.

10 Debtors

	2020	2019
	£000	£000
Amounts falling due within one year		
Financial asset	**16,083**	15,566
Trade debtors	**-**	581
Amounts owed by group undertakings	**3,119**	3,098
	19,202	19,245
Amounts falling due after more than one year		
Financial asset	**51,540**	69,591
Deferred tax asset	**158**	125
	51,698	69,716

11 Investments

	2020	2019
	£000	£000
Amounts held on deposit accounts not qualifying as cash or cash equivalents	**-**	11,501

Amounts included above relate to amounts in deposit accounts at one of the company's lending banks. The balances can only be used for the repayment of the company's debt as it falls due within the next twelve months.

12 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Bank loans	**17,257**	28,102
Trade creditors	**-**	762
Amounts due to group undertakings	**1,245**	4,656
Corporation tax	**108**	275
Other taxation	**800**	2,622
Accruals and deferred income	**619**	3,373
	20,029	39,790

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Other financial liabilities (see note 14)	**829**	732
Bank loans	**35,664**	52,906
Amounts owed to group undertakings	**19,560**	19,060
	56,053	72,698

Bank loans are unsecured however the lenders have step in rights. Bank loans are repayable in instalments and are fully repayable by March 2023.

Interest on the amount due to parent undertaking is charged on this amount at 12% per annum.

14 Financial instruments

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

	2020 £000	2019 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**70,742**	88,836
Financial liabilities		
Derivative financial liabilities measured at fair value	**(829)**	(732)
Financial liabilities measured at amortised cost	**(74,806)**	(105,486)

The fair value of the interest rate swap has been calculated by discounting the fixed cash flows at forecasted 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 company'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 2020 and 30 June 2020 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.

Notes *(continued)*

15 Deferred tax asset

	2020	2019
	£000	£000
At 1 April 2019	**125**	85
Recognised in profit or loss	**-**	-
Recognised in other comprehensive income – credit/ (expense)	**33**	40
At 31 March	**158**	125

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.

16 Capital and reserves

	2020	2019
	£000	£000
Allotted, called up and fully paid		
30,000 ordinary shares of £1 each	**30**	30

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.

17 Related party disclosures

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

	2020	2019
	£000	£000
Construction services		
- Babcock Group companies	**3,728**	3,651
- LM Group companies	**3,946**	17,151
The balances due to them at the year end are:		
- Babcock Group companies	**311**	380
- LM Group companies	**293**	666

18 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 whose registered address is 33 Wigmore Street, London W1U 1QX. The smallest Group in which the results are consolidated is that headed by Fixed Wing Training Holdings Limited whose registered address is 33 Wigmore Street, London W1U 1QX. The consolidated financial statement of these groups are available to the public and may be obtained from 33 Wigmore Street, London W1U 1QX.