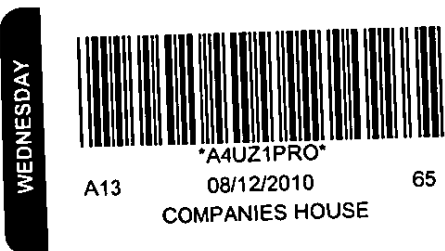


**Advanced Jet Training Holdings Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 06522819**

**Year ended 31 March 2010**



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## Directors' report

The directors present their directors' report and consolidated financial statements for the year ended 31 March 2010

### Principal activities

The Company acts as a holding company for the Advanced Jet Training group, comprising Advanced Jet Training Limited

The Group's principal activity is the delivery of Fast Jet training courses to the Ministry of Defence ("MoD")

### Business review

#### Overview

The Advanced Jet group is part of the Ascent group of companies. The Ascent Group is headed by Ascent Flight Training (Holdings) Limited which is 50% owned by VT Support Services Limited and 50% owned by Lockheed Martin UK Holdings Limited. The Ascent group is operating a 25 year contract with the MoD to deliver The UK Military Flight Training System ("UKMFTS")

Advanced Jet Training Limited's purpose is to procure and operate the infrastructure and Ground Based Training Environment (GBTE) for the Hawk 128 Advanced Jet training. This includes the construction of new facilities, related ICT infrastructure and ground based training equipment and training and support for the supply of GBTE equipment. There will be an operational phase for the remainder of the 25 years following completion of the infrastructure build phase.

Following the acquisition of VT Group plc by Babcock International Group PLC on 8 July 2010 VT Support Services Limited changed its name to Babcock International Support Services Limited. The ultimate parent company, Ascent Flight Training (Holdings) Limited is now jointly owned by Lockheed Martin UK Holdings Ltd, a company registered in England and Wales, and Babcock International Support Services Limited, a company registered in England and Wales.

#### Financial risk management policies and objectives

The Group funds its activities through a long term loan (with Royal Bank of Scotland, (RBS)), and short term bank deposits. The interest charges on this 25 year loan are hedged with a floating to fixed rate instrument. The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group's trading activities. Board approval and the agreement of RBS is required for the use of any new financial instrument.

#### Proposed dividend

The directors do not recommend the payment of a dividend (2009 £Nil)

#### Directors

The directors who held office during the year were as follows

Name	Appointed
CJ Cundy	4 March 2008 (resigned 9 July 2010)
J Davies	4 March 2008
LM Hicks	4 March 2008
RH Taylor	4 March 2008
BJ Craig	6 January 2009
JL Weitzel	26 March 2009
F Martinelli	9 July 2010

#### Employees

The Company has no employees (2009 Nil). All employees of the Ascent group are employed by Ascent Flight Training (Management) Limited.

## Directors' report *(continued)*

### Political and charitable contributions

The Group made no political or charitable donations or incurred any political expenditure during the year (2009 £Nil)

### Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will thereafter continue in office

By order of the board



RH Taylor  
Director

  
LM Hicks  
Director

33 Wigmore Street  
London  
W1U 1QX

25 October 2010

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 their profit or loss for that period. In preparing the group and parent company 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, and
- 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 group and parent company will continue in business

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 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 auditors' report to the members of Advanced Jet Training Holdings Limited**

We have audited the financial statements of Advanced Jet Training Holdings Limited for the period ended 31 March 2010 set out on pages 6 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).

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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 (APB'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 APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group and parent company's affairs as at 31 March 2010 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 matter prescribed by the Companies Act 2006**

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

## **Independent auditors' report to the members of Advanced Jet Training Holdings 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 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



**A C Campbell-Orde (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

25 October 2010

**Consolidated Profit and Loss Account**  
*for the year ended 31 March 2010*

	<i>Note</i>	<b>Year ended 31 March 2010 £000</b>	<b>Period ended 31 March 2009 £000</b>
<b>Turnover</b>	<b>2</b>	<b>6,596</b>	<b>362</b>
Cost of sales		(6,402)	(362)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>194</b>	<b>-</b>
Administrative expenses		(718)	(384)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(524)</b>	<b>(384)</b>
Other interest receivable and similar income	6	-	60
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	<b>(524)</b>	<b>(324)</b>
Tax on loss on ordinary activities	7	147	91
		<hr/>	<hr/>
<b>Loss for the financial year</b>	<b>14</b>	<b>(377)</b>	<b>(233)</b>
		<hr/>	<hr/>


The results above are all derived from continuing operations. There are no recognised gains and losses for the year other than those recorded in the profit and loss account.



**Consolidated Balance Sheet**  
*as at 31 March 2010*

	<i>Note</i>	<b>2010</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>
<b>Current assets</b>			
Debtors	10	44,815	17,289
Cash at bank and in hand		8,210	2,845
		<u>53,025</u>	<u>20,134</u>
<b>Creditors: amounts falling due within one year</b>	11	<b>(9,435)</b>	<b>(27)</b>
		<u>43,590</u>	<u>20,107</u>
<b>Net current assets</b>		<b>43,590</b>	<b>20,107</b>
<b>Total assets less current liabilities</b>		<b>43,590</b>	<b>20,107</b>
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(44,132)</b>	<b>(20,272)</b>
		<u>(542)</u>	<u>(165)</u>
<b>Net liabilities</b>		<b>(542)</b>	<b>(165)</b>
<b>Capital and reserves</b>			
Called up share capital	13	68	68
Profit and loss account	14	(610)	(233)
		<u>(542)</u>	<u>(165)</u>
<b>Shareholders' deficit</b>		<b>(542)</b>	<b>(165)</b>

These financial statements were approved by the board of directors on 25 October 2010 and were signed on its behalf by



**RH Taylor**  
Director




**LM Hicks**  
Director

**Company Balance Sheet**  
*as at 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	9	68	68
<b>Current assets</b>			
Debtors		-	-
Cash at bank and in hand		-	-
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>		-	-
		<hr/>	<hr/>
<b>Net current assets</b>		-	-
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		-	-
<b>Creditors: amounts falling due after more than one year</b>		-	-
		<hr/>	<hr/>
<b>Net assets</b>		68	68
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	68	68
Profit and loss account	14	-	-
		<hr/>	<hr/>
<b>Shareholders' funds</b>		68	68
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 25 October 2010 and were signed on its behalf by

  
**RH Taylor**  
Director

  
**LM Hicks**  
Director

**Consolidated Cash Flow Statement**  
*for the year ended 31 March 2010*

	<i>Note</i>	<b>Year ended 31 March 2010 £000</b>	<b>Period ended 31 March 2009 £000</b>
<b>Reconciliation of operating loss to net cash flow from operating activities</b>			
Operating loss		(524)	(384)
Increase in amounts recoverable on contracts		(27,064)	(13,350)
Increase in debtors		(315)	(3,848)
Increase in creditors		3,690	27
		<hr/>	<hr/>
Net cash outflow from operating activities		(24,213)	(17,555)
		<hr/>	<hr/>
<b>Cash flow statement</b>			
Cash flow from operating activities		(24,213)	(17,555)
Returns on investments and servicing of finance	16	-	60
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(24,213)	(17,495)
Financing	16	29,578	20,340
		<hr/>	<hr/>
Increase in cash in the year/period	17	5,365	2,845
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash in the year/period		5,365	2,845
Draw down on bank loan		(29,578)	(20,272)
		<hr/>	<hr/>
Movement in net debt in the year/period		(24,213)	(17,427)
Net debt at start of the year/period		(17,427)	-
		<hr/>	<hr/>
Net debt at the end of the year/period	17	(41,640)	(17,427)
		<hr/>	<hr/>

**Reconciliation of Movements in Shareholders' Funds**  
*for the year ended 31 March 2010*

	Group Year ended 31 March 2010 £000	Company Year Ended 31 March 2010 £000	Group Period ended 31 March 2009 £000	Company Period Ended 31 March 2009 £000
Loss for the financial year/period	(377)	-	(233)	-
Retained loss	(377)	-	(233)	-
New share capital subscribed	-	-	68	68
Net (reduction) in/addition to shareholders' funds	(377)	-	(165)	68
Opening shareholders' (deficit)/funds	(165)	68	-	-
Closing shareholders' (deficit)/funds	(542)	68	(165)	68

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The directors consider the company has access to sufficient long term funding and adequate current assets to enable them to prepare the accounts on a going concern basis

As the company is a wholly owned subsidiary of Ascent Flight Training (Holdings) Limited, the Company has taken advantage of the exemption contained in FRS 8 and therefore has not disclosed transactions or balances with entities forming part of the group. The consolidated financial statements of Ascent Flight Training (Holdings) Limited, within which this company is included, can be obtained from the address given in note 18

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

#### ***Investments***

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost

#### ***PFI contract***

The company operates a Public Finance Initiative ("PFI") contract. Where the balance of risks and rewards derived from the underlying asset do not reside with the Group, these assets are accordingly disclosed in the balance sheet as amounts recoverable on contracts while in construction and reclassified to finance debtors when operational.

In this case income is allocated to interest receivable and turnover using a constant margin on costs and the remainder allocated to the finance debtor.

#### ***PFI bid costs***

PFI bid costs are accounted for under UITF 34. 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Turnover

Group 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 FRS5.

#### Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

#### Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

### 2 Analysis of turnover

	Group Year ended 31 March 2010 £000	Group Period ended 31 March 2009 £000
By activity		
Service revenue	6,596	362

All turnover operates in the United Kingdom.

### 3 Notes to the profit and loss account

Amounts receivable by the auditors in respect of their audit of these financial statements were £1,000 (2009 £1000). They were borne by Ascent Flight Training (Management) Limited, a fellow subsidiary undertaking of Ascent Flight Training Holding Limited.

### 4 Remuneration of directors

Directors' emoluments for the year amounted to £Nil (2009 £Nil).

## Notes (continued)

### 5 Staff numbers and costs

The group and company have no employees in either years

### 6 Other interest receivable and similar income

	Group Year ended 31 March 2010 £000	Group Period ended 31 March 2009 £000
Bank interest	-	60

### 7 Taxation

#### Analysis of charge in year

	Group Year ended 31 March 2010 £000	Group Period ended 31 March 2009 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination/reversal of timing differences	(147)	(91)
Tax on loss on ordinary activities	(147)	(91)

#### Factors affecting the tax charge for the current year

The current tax charge for the year is the same as the standard rate of corporation tax in the UK. The differences are explained below

	Group Year ended 31 March 2010 £000	Group Period ended 31 March 2009 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(524)	(324)
Current tax at 28% (2009: 28%)	(147)	(91)
<i>Effects of</i>		
Tax losses carried forward	147	91
Total current tax charge	-	-

## Notes (continued)

### 7 Taxation (continued)

	Group Deferred taxation £000
At beginning of the year	91
Credit to the profit and loss for the year	147
	<hr/>
At end of the year (note 10)	238
	<hr/>

The elements of deferred taxation are as follows

	Group Year ended 31 March 2010 £000	Group Period ended 31 March 2009 £000
Tax losses	238	91
	<hr/>	<hr/>

### 8 Dividends

There are no dividends paid or proposed during the year (2009 £Nil)

### 9 Fixed asset investments - Company

	Shares in group undertakings £000
<b>Cost</b>	
At beginning and end of the year	68
	<hr/>
<b>Provisions</b>	
At beginning and end of the year	-
	<hr/>
<b>Net book value</b>	
At 31 March 2010	68
	<hr/>
At 31 March 2009	68
	<hr/>



## Notes (continued)

### 9 Fixed asset investments – Company (continued)

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

	Country of incorporation	Principal activity	Class and percentage of shares held
Advanced Jet Training Ltd	United Kingdom	PFI Operator	100% of ordinary shares

### 10 Debtors

Group	Year ended 31 March 2010 £000	Period ended 31 March 2009 £000
Amounts recoverable on contracts	40,414	13,350
Deferred tax asset (note 7)	238	91
Prepayments and accrued income	4,163	3,848
	<u>44,815</u>	<u>17,289</u>

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

Group	Year ended 31 March 2010 £000	Period ended 31 March 2009 £000
Trade creditors	1,180	27
Accruals and deferred income	2,537	-
Bank loans	5,718	-
	<u>9,435</u>	<u>27</u>

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

Group	Year ended 31 March 2010 £000	Period ended 31 March 2009 £000
Bank loans	44,132	20,272

Included within bank loans are amounts repayable after five years by instalments of £36 1m Bank loans are unsecured however the bank, RBS, has step in rights

The Company has agreed bank facilities of £63 0m The facility is available for drawdown and is subject to certain covenants

The Company has an interest rate swap instrument dated 30 May 2008 to fix the interest rate to 5.2465% As at the year end the instrument was valued at negative £8,202,095

## Notes (continued)

### 13 Called up share capital

	Year ended 31 March 2010 £000	Period ended 31 March 2009 £000
<i>Authorised</i>		
68 000 ordinary shares of £1 each	68	68
	<u>        </u>	<u>        </u>
<i>Allotted, called up and fully paid</i>		
68,000 ordinary shares of £1 each	68	68
	<u>        </u>	<u>        </u>

### 14 Reserves

	Group Profit and loss account £000	Company Profit and loss account £000
At beginning of the year	(233)	-
Loss for the year	(377)	-
	<u>        </u>	<u>        </u>
At end of the year	(610)	-
	<u>        </u>	<u>        </u>

### 15 Commitments

Commitments at the end of the financial year for which no provision has been made are as follows

	Group Year ended 31 March 2010 £000	Group Period ended 31 March 2009 £000
Contracted	16,108	42,408
	<u>        </u>	<u>        </u>

## Notes (continued)

### 16 Analysis of cash flows

	Group Year ended 31 March 2010 £000	Group Period ended 31 March 2009 £000
<b>Returns on investment and servicing of finance</b>	-	60
<b>Financing</b>		
Bank loans	29,578	20,272
Issue of ordinary share capital	-	68
	<u>29,578</u>	<u>20,340</u>

### 17 Analysis of net debt

	At start of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	2,845	5,365	8,210
Debt due within one year	-	(5,718)	(5,718)
Debt due after one year	(20,272)	(23,860)	(44,132)
<b>Total</b>	<u>(17,427)</u>	<u>(24,213)</u>	<u>(41,640)</u>

### 18 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, which in turn is jointly owned by Lockheed Martin UK Holdings Ltd, a company registered in England and Wales, and VT Support Services 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

Copies of Ascent Flight Training (Holdings) Limited consolidated financial statements can be obtained from the Company Secretary at 33 Wigmore Street, London, W1U 1QX

Following the acquisition of VT Group plc by Babcock International Group PLC on 8 July 2010 VT Support Services Limited changed its name to Babcock International Support Services Limited. The ultimate parent company, Ascent Flight Training (Holdings) Limited is now jointly owned by Lockheed Martin UK Holdings Ltd, a company registered in England and Wales, and Babcock International Support Services Limited, a company registered in England and Wales