

FR Aviation Limited

Annual report and financial statements
for the year ended 31 December 2019

Registered number 00845310



FR Aviation Limited

Annual report and financial statements for the year ended 31 December 2019

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FR Aviation Limited

Directors' report for the year ended 31 December 2019

The directors have pleasure in submitting their report, together with the strategic report and the audited financial statements of FR Aviation Limited (the Company) for the year ended 31 December 2019. The Company is a private company limited by shares and is registered, incorporated and domiciled in England, number 00845310. The address of the registered office of the Company is Bournemouth Airport, Hurn, Christchurch, Dorset BH23 6NE.

At the year end the Company was a wholly owned subsidiary of Cobham Limited (formerly Cobham plc) and traded under the name "Cobham Aviation Services". On 25 September 2020, the Company and its subsidiaries were acquired by Draken UK BidCo Limited (note 31).

Results and dividends

The Company's results for the year are set out in the income statement on page 10 showing a profit for the financial year after tax of £14,058,000 (2018: £3,238,000). At 31 December 2019, the Company had net assets of £63,098,000 (2018: £48,143,000 restated). A review of the Company's business during the year and future developments, together with information on risks and uncertainties and financial risk management are provided in the strategic report on pages 5 to 6.

A final dividend of £1,000,000 (2018: £nil) was paid in the year (note 10).

Directors

The following directors held office during the year and up to the date of signing these financial statements:

P Armstrong	
R Stoate	Appointed 10 January 2019
S Harrison	Appointed 16 October 2020
Lord Houghton of Richmond	Appointed 16 October 2020
M Parry	Resigned 31 March 2020

The directors benefited from a Directors' and Officers' liability insurance policy which was in place during the financial year and at the date of this report.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101) and applicable law). 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 year.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

FR Aviation Limited

Directors' report for the year ended 31 December 2019

Statement of directors' responsibilities (continued)

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and interest rate cash flow risk and foreign currency exchange rate risk are described in the strategic report on pages 5 to 6.

The COVID-19 pandemic has become a worldwide crisis since the year end and, at the date of this report, the situation was still evolving. As a result, its medium-term impact is not yet fully understood across the markets in which the Company operates. The Company has implemented a series of prevention and protection measures and is constantly monitoring compliance with decisions and recommendations from local public authorities.

COVID-19 reinforces uncertainties in the global economic context and markets; the long-term impact for the Company is difficult to assess and will depend on the magnitude, duration and geographic extent of this pandemic. The directors have reviewed forecast profits and cash flows, which have been updated to include the potential impacts of the COVID-19 pandemic. As set out in note 31, since the year end, the Company acquired all other Cobham Aviation Services UK entities from its former immediate parent undertaking FR Aviation Group ("FRAG") and now controls all of the cashflows associated with this group of companies (collectively referred to as the "Group").

The directors have also referred to the Group's financial and strategic forward-looking plan, which was updated following Cobham plc's acquisition by Advent International. As a result of COVID-19, as well as the week-by-week business monitoring, the Group has also undertaken a reforecast of operations for the next 12 months and applied stress tests on its cash position. These have included assuming the most severe but plausible scenarios such as significantly reduced flying hours on contracts with variable revenue and the loss of a key customer contract. In these cases the directors have confirmed that the Group (including the Company) would be able to continue to operate and settle liabilities as they fall due for a period of at least 12 months. The post year end acquisition by Advent referred to above also led to the Company having an intercompany loan with FRAG which was repayable on demand. However, this loan was settled on the Company's behalf by its new parent undertaking Draken UK BidCo Limited in September 2020.

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Stakeholder engagement

The directors have a duty to foster the Company's business relationships with suppliers, customers and others, and take stakeholders into account when considering the principal decisions taken by the company during the financial year.

The principal activity of the Company is the provision of air defence training and aircraft engineering. As such, the directors have given regard to the best interests of a variety of stakeholders when making decisions regarding the Company, including employees, customers and suppliers.

FR Aviation Limited

Directors' report for the year ended 31 December 2019

Employees

The Company recognises the importance of regularly engaging with employees. This supports the cultural change within the Company and helps attract and retain talented employees, which is critical to future growth.

Engagement occurs in different ways and at different levels. The Company holds regular 'all hands' meetings with employees to instil a sense of common purpose, to update on relevant news and developments and to respond to questions.

All employees have access to the Company intranet site, where they can find news, policies and procedures and a range of other materials of interest.

The Company's corporate communications department compiles and distributes various materials to employees including a quarterly employee magazine, online news items and senior management 'blogs'. Dovetailing with this, certain functions undertake more specialist engagement relevant to specific functions such as finance or procurement.

The Company is committed to providing all its employees with equal opportunities in a workplace free from discrimination. Applications for employment from persons with a disability are welcomed and given full and fair consideration. With regard to employees who become disabled during their employment, the Company takes all reasonable steps, including retraining, to enable them to continue their employment and career development within the Company.

Section 172 Statement

The directors of the Company act perform their duties in accordance with s172 of the Companies Act 2006, acting in good faith to promote the success of the Company for the benefit of its members as a whole and having regard to the following matters:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

During the year, the directors have had regard to the best long-term interests of both the Company's employees, suppliers and customers as well as the wider Cobham group as a whole when making decisions regarding the Company.

Independent auditors

During the year PricewaterhouseCoopers LLP resigned as auditors to the Company, and the directors appointed Ernst & Young LLP to fill the casual vacancy. Ernst & Young LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

FR Aviation Limited

Directors' report for the year ended 31 December 2019

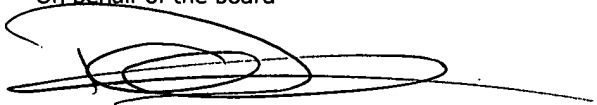
Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

A handwritten signature in black ink, appearing to be 'P Armstrong', written over a horizontal line.

P Armstrong

Director

2 December 2020

Strategic report for the year ended 31 December 2019

Business review

The results for the year and financial position at the year end are set out in the Directors' Report on page 1. The principal activity of the Company is the provision of air defence training and aircraft engineering. The principal activity is not expected to change in the foreseeable future.

On 20 December 2019, the Company sold its development engineering value stream (which comprised a number of ongoing customer contracts) to fellow Cobham subsidiary Chelton Limited for consideration of £4,760,000. This transaction generated an exceptional profit on disposal of £4,760,000, details of which can be found in note 3.

Excluding the impact of this disposal, results from the continuing businesses was in line with the directors expectations with revenue of £71,599,000 (2018: £55,511,000) and operating profit excluding gain on disposal of £11,945,000 (2018: £4,743,000). The directors continue to take steps to controls costs, safeguard cash and manage working capital.

Accounting standard IFRS 16, Leases, has been applied for the first time in these financial statements. Full details of the impact of this new standard are set out in notes 1 and 30.

Future developments

The directors are confident that the Company will continue to show a strong and profitable performance consistent with that of the year under review. Since the year end, the Company has acquired shareholdings in a number of other legal entities, details of which are provided in note 31.

The COVID-19 pandemic which has affected the UK and global economy in the period since the year end has had minimal impact on the position of the Company to date. Further details are provided in note 31.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to Government intentions and policy regarding the likelihood and extent of constraints or reductions in budgeted defence spending along with their decisions made regarding key contract awards.

Financial risk management

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign currency exchange rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

During the year, the directors have followed the policies set by the board of directors of Cobham Limited which were managed by the group finance department. The Cobham group had a written treasury policy and risk management programme that sought to limit the adverse effects on the financial performance of the group which was applied by the Company. This included the use of foreign currency financial instruments, debt and other instruments. The Company does not trade in financial instruments.

The directors will revisit the appropriateness of these policies following the Company's acquisition by Draken UK Bidco Limited (note 31) and will also reconsider risk management requirements should the Company's operations change in size or nature.

Price risk

The Company is not naturally exposed to price risk as a result of its operations due to the nature of its trading operations and contract arrangements. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

FR Aviation Limited

Strategic report for the year ended 31 December 2019 (continued)

Financial risk management (continued)

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before contracts are signed and sales are made. The Company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. Customers include government agencies with long term trading relationships. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The Company retains sufficient cash to ensure it has available funds for operations and planned expansions. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. The interest bearing assets include only bank balances, which earn interest at a floating rate. The interest bearing liabilities relate to finance leases. In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has access to fixed interest rate loans from its ultimate parent undertaking. The Company does not use derivative financial instruments to manage interest rate costs.

Foreign currency exchange rate risk

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange rate contracts with the immediate parent undertaking Cobham Limited. These contracts with Cobham Limited were settled on acquisition by Draken UK BidCo Limited in September 2020. Going forward, the Company expects to take out similar foreign exchange rate contracts directly with financial institutions.

On behalf of the board



P Armstrong

Director

2 December 2020

FR Aviation Limited

Independent auditors' report to the members of FR Aviation Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of FR Aviation Limited for the year ended 31 December 2019 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101, Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion FR Aviation Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to note 1 and note 31 of the financial statements, which describe the economic and social disruption the Company is facing as a result of COVID-19, which is impacting the wider UK and global economies, as well as the Company's ability to operate normally. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

FR Aviation Limited

Independent auditors' report to the members of FR Aviation Limited (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1 to 6, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

FR Aviation Limited

Independent auditors' report to the members of FR Aviation Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Ryan Squires (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

3 December 2020

FR Aviation Limited

Income statement for the year ended 31 December 2019

	Note	2019 £000	2018 (Restated) £000
Revenue	2	71,599	55,511
Cost of sales		(49,944)	(40,558)
Gross profit		21,655	14,953
Selling and distribution costs		(2,887)	(4,830)
Administrative expenses		(6,823)	(5,380)
Exceptional item - profit on sale of business		4,760	-
Operating profit	3	16,705	4,743
Finance income	4	363	227
Finance costs	5	(546)	(867)
Profit on ordinary activities before taxation		16,522	4,103
Tax on profit on ordinary activities	6	(2,464)	(865)
Profit after taxation for the year		14,058	3,238

Details of the restatement of the comparative Income Statement due to the implementation of IFRS 16, Leases, can be found in note 30.

All the Company's activities are classed as continuing in the current and comparative year.

FR Aviation Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £000	2018 (Restated) £000
Profit after taxation for the year		14,058	3,238
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit retirement benefit obligations	24	1,264	577
Tax effects	6	(240)	(110)
Other comprehensive income for the year		1,024	467
Total comprehensive income for the year		15,082	3,705

Details of the restatement of the comparative Income Statement due to the implementation of IFRS 16, Leases, can be found in note 30.

FR Aviation Limited

Balance sheet as at 31 December 2019

	Note	2019 £000	2018 (Restated) £000
Assets			
Non-current assets			
Intangibles	11	28	64
Property, plant and equipment	12	6,248	10,065
Investments	13	-	-
Trade and other receivables	16	1,889	1,896
		8,165	12,025
Current assets			
Inventories	14	2,329	3,723
Contract assets	15	3,524	4,417
Trade and other receivables	16	4,226	2,878
Cash and cash equivalents		72,517	57,231
		82,596	68,249
Liabilities			
Current liabilities			
Contract liabilities	18	(8,031)	(10,751)
Trade and other payables	19	(13,666)	(8,762)
Lease obligations	21	(54)	(4,140)
		(21,751)	(23,653)
Non-current liabilities			
Trade and other payables	20	(12)	-
Lease obligations	21	(3,329)	(3,383)
Provisions	22	(88)	(634)
Retirement benefit obligations	24	(2,483)	(4,461)
		(5,912)	(8,478)
Net assets		63,098	48,143

FR Aviation Limited

Balance sheet as at 31 December 2019 (continued)

	Note	2019 £000	2018 (Restated) £000
Equity			
Share capital	25	1	1
Other reserve	25	4,818	3,945
Retained earnings		58,279	44,197
Total equity		63,098	48,143

Details of the restatement of the comparative Balance Sheet due to the implementation of IFRS 16, Leases, can be found in note 30.

The financial statements on pages 10 to 46 were approved by the board on 2 December 2020 and were signed on its behalf by:



S Harrison
Director

FR Aviation Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital	Other reserve (note 24)	Retained earnings	Total equity
	£000	£000	£000	£000
Total equity at 1 January 2018 (as originally stated)	1	3,948	41,422	45,371
Change in accounting policy – IFRS 16	-	-	(930)	(930)
Total equity at 1 January 2018 (restated)	1	3,948	40,492	44,441
Profit for the year (restated)	-	-	3,238	3,238
Other comprehensive expense	-	-	467	467
Total comprehensive income for the year (restated)	-	-	3,705	3,705
Share based payments - capital contribution (note 9)	-	7	-	7
Tax charge relating to share based payments	-	(10)	-	(10)
Total equity at 31 December 2018 (restated)	1	3,945	44,197	48,143
Total equity at 31 December 2018 (as originally stated)	1	3,945	45,167	49,113
Change in accounting policy – IFRS 16	-	-	(970)	(970)
Total equity at 1 January 2019 (restated)	1	3,945	44,197	48,143
Profit for the year	-	-	14,058	14,058
Other comprehensive income	-	-	1,024	1,024
Total comprehensive income for the year	-	-	15,082	15,082
Share based payments - capital contribution (note 9)	-	595	-	595
Tax charge relating to share based payments	-	278	-	278
Dividends paid (Note 10)			(1,000)	(1,000)
Total equity at 31 December 2019	1	4,818	58,279	63,098

Details of the restatement of the comparative Income Statement due to the implementation of IFRS 16, Leases, can be found in note 30.

Notes to the financial statements for the year ended 31 December 2019

1. Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101).

The financial statements have been prepared on the going concern basis, under the historical cost convention unless otherwise stated and as modified to include the revaluation of certain derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006 as applicable to companies applying FRS 101. The COVID-19 pandemic is a non-adjusting post-balance sheet event as detailed in note 31. The impact of COVID-19 has been considered where relevant for the purposes of going concern.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a cash flow statement and related notes (IAS 7, Statement of Cash Flows and paragraphs 10(d) and 111 of IAS 1, Presentation of Financial Statements);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative period reconciliations in respect of:
 - i. paragraph 79(a)(iv) of IAS 1 (number of shares outstanding);
 - ii. paragraph 73(e) of IAS 16, Property, plant and equipment;
 - iii. paragraph 118(e) of IAS 38, Intangible assets; and
 - iv. paragraphs 76 and 79(d) of IAS 40, Investment property.
- additional comparative information as required by paragraphs 38A to 38D of IAS 1, Presentation of Financial Statements
- capital management disclosures required by paragraphs 134 to 136 of IAS 1;
- the requirements of paragraph 10(f) and 40A-D of IAS 1 (prior period balance sheet following a restatement);
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors concerning the effects of new but not yet effective IFRSs;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a)–(c), 120–127 and 129 of IFRS 15, Revenue from Contracts with Customers;
- the requirements of paragraphs 52 and 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- details of compensation of key management personnel required by paragraph 17 and 18A of IAS 24, Related Party Disclosures; and
- the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of accounting policies (continued)

Basis of preparation (continued)

In addition, as the consolidated financial statements of Cobham plc include the equivalent disclosures, the following exemptions under FRS 101 have also been taken:

- share based payment disclosures under paragraphs 45(b) and 46 to 52 of IFRS 2, Share Based Payment in respect of group settled share based payments;
- details of assumptions as required by paragraphs 134 (d) to (f) and 135 (c) to (e) of IAS 36, Impairment of Assets; additional details where recoverable amount is fair value less costs of disposal as required by s 130(f)(ii) and 130(f)(iii) of IAS 36 Impairment of Assets.
- the cash flow disclosure requirements of paragraph 33 (c) of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations;
- Financial instrument information required by IFRS 7, Financial Instruments: Disclosures and paragraphs 91 to 99 of IFRS 13, Fair value measurement except those which are relevant for the financial instruments which are held at fair value are and neither held as part of a trading portfolio or derivatives.

The financial statements contain information about FR Aviation Limited as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements of Cobham Limited, which are publicly available (see note 28).

Accounting developments

IFRS 16, Leases, has been adopted from 1 January 2019. This has had a material impact on the balance sheet of the Company and comparatives have been restated accordingly. Details of the changes arising can be found in note 30.

IFRIC 23, Uncertainty over Income Tax Treatments has also been adopted from 1 January 2019 but has had no impact on the Company's accounting policies. There were no changes to previously published accounting policies or other adjustments required on the adoption of these standards, amendments and interpretations

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and interest rate cash flow risk and foreign currency exchange rate risk are described in the strategic report on pages 5 to 6.

The COVID-19 pandemic has become a worldwide crisis since the year end and, at the date of this report, the situation was still evolving. As a result, its medium-term impact is not yet fully understood across the markets in which the Company operates. The Company has implemented a series of prevention and protection measures and is constantly monitoring compliance with decisions and recommendations from local public authorities.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of accounting policies (continued)

Going concern (continued)

COVID-19 reinforces uncertainties in the global economic context and markets; the long-term impact for the Company is difficult to assess and will depend on the magnitude, duration and geographic extent of this pandemic. The directors have reviewed forecast profits and cash flows, which have been updated to include the potential impacts of the COVID-19 pandemic. As set out in note 31, since the year end, the Company acquired all other Cobham Aviation Services UK entities from its former immediate parent undertaking FR Aviation Group ("FRAG") and now controls all of the cashflows associated with this group of companies (collectively referred to as the "Group").

The directors have also referred to the Group's financial and strategic forward-looking plan, which was updated following Cobham plc's acquisition by Advent International. As a result of COVID-19, as well as the week-by-week business monitoring, the Group has also undertaken a reforecast of operations for the next 12 months and applied stress tests on its cash position. These have included assuming the most severe but plausible scenarios such as significantly reduced flying hours on contracts with variable revenue and the loss of a key customer contract. In these cases the directors have confirmed that the Group (including the Company) would be able to continue to operate and settle liabilities as they fall due for a period of at least 12 months. The post year end acquisition by Advent referred to above also led to the Company having an intercompany loan with FRAG which was repayable on demand. However, this loan was settled on the Company's behalf by its new parent undertaking Draken UK BidCo Limited in September 2020.

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Management judgement and estimation uncertainty

The preparation of financial statements requires the use of judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses.

These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The current economic conditions have been considered when evaluating accounting judgements and estimates, including the application of the going concern basis of preparation. Although estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Significant judgements in applying accounting policies

There were no significant judgements, apart from those involving estimations, that the directors made in the process of applying the Company's accounting policies which require separate disclosure in these financial statements.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of accounting policies (continued)

Management judgement and estimation uncertainty (continued)

Assumptions and estimation uncertainties

The directors consider that there are a number of assumptions concerning the future and other major sources of estimation uncertainty at the balance sheet date, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The key assumptions and estimation uncertainties are as follows:

- Valuation of pension assets and liabilities (note 24)
Assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates
- Inventory provisions (note 14)
Recognition and measurement of provisions for obsolete, slow moving and defective items of inventory

Significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year are set out below.

Revenue

IFRS 15, Revenue from Contracts with Customers, has been applied for the first time in these financial statements.

A five-step process must be applied before revenue can be recognised:

1. identify contracts with customers;
2. identify the separate performance obligations ;
3. determine the transaction price of the contract ;
4. allocate the transaction price to each of the separate performance obligations; and
5. recognise the revenue as each performance obligation is satisfied.

The transaction price is measured based on the consideration specified in a contract with a customer and, where applicable, the best estimate of any consideration related to modifications to the contract which has yet to be agreed. Any amounts expected to be paid to the customer, such as penalties for late delivery, are deducted from the consideration. Where a transaction price has to be allocated between multiple performance obligations, this is generally achieved through allocating a proportion of total price against each using either standard list sales prices or an estimated costs methodology.

Revenue is generated from providing services to customers and is recognised over time as the services are enjoyed. Contracts can include variable consideration associated with the level of services provided, for example, flying hours. This is generally straightforward to estimate and is invoiced to the customer on a regular basis. For 'cost-plus' contracts (typically with government departments and agencies), revenue is recognised to the extent of reimbursable costs incurred, plus a proportionate amount of the estimated fee earned.

The timing of payment from customers is generally aligned to revenue recognition, subject to agreed invoice terms. Where revenue is recognised in advance of customer billings, this is reported as a contract asset (described as unbilled receivables). Where cash is received from the customer in advance of recognising revenue under a contract, a contract liability is recorded (advanced payments from customers).

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of accounting policies (continued)

Current and deferred taxation

The tax expense is the sum of current tax and deferred tax. Tax is charged or credited to the income statement except when it relates to items recognised in other comprehensive income (OCI) or directly in equity, in which case the tax is also recognised in OCI or directly in equity respectively.

Current tax is provided at the amounts expected to be paid using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. It is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period in which the asset is realised or liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Intangible assets

Intangible assets such as licences, patents and know-how are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs have been amortised over their estimated useful lives of three to five years, with this amortisation included within administrative expenses in the income statement. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at historic cost, less accumulated depreciation and any recognised impairment losses. Cost comprises the purchase price and any costs directly attributable to the asset.

All property, plant and equipment, is depreciated on a straight-line basis to the estimated residual values over estimated useful lives. These lives are as follows:

Leasehold properties (long lease)	50 years
Plant and machinery (including aircraft and vehicles)	3 to 10 years
Fixtures, fittings, tools and equipment	3 to 8 years

Estimated residual values and the estimated useful lives are reviewed annually and adjusted where necessary. Assets under construction are held at cost and transferred to the appropriate category of property, plant and equipment once construction is complete and they enter into service. They are depreciated from this point in accordance with the policies described above.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Right-of-use assets

Right-of-use assets are reported within property, plant and equipment on the balance sheet.

The initial cost of right-of-use assets includes the amounts of lease liabilities recognised, initial direct costs incurred, expected asset restoration costs and lease payments made at or before the commencement date, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful economic life of the asset. The right-of-use asset is tested for impairment where appropriate.

Investments

Investments are stated at cost, less any provision for impairment in value.

The carrying amounts of the investments are reviewed at least annually to determine whether there is any indication of impairment. Where there is an indication of impairment, the recoverable amount is estimated. This is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This is prepared with reference to cash flow forecasts prepared by management and reviewed by Board over a three year period. The growth rates used after this period are based on long term GDP projections of the primary market for each investment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made where necessary for obsolete, slow moving and defective items.

Pension costs

During the year the Company contributed to the Cobham Pension Plan (CPP), a multi-employer defined benefit pension scheme operated by Cobham Limited, the assets of which are held separately in trustee administered funds. The assets and liabilities of the CPP have been allocated to the contributing companies based on the proportional number of members. The Company also contributed to a defined contribution scheme operated by Cobham Limited.

For the defined benefit scheme, current service costs and costs related to the administration of the scheme are charged to operating profit. Past service costs are recognised in the income statement. The interest on net assets or liabilities is shown within finance income and costs. Actuarial remeasurements are recognised immediately in OCI.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of accounting policies (continued)

Pension costs (continued)

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet.

For the defined contribution scheme, contributions are charged to the income statement as they fall due.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and where the amount can be reliably measured.

No provision is recognised where the existence of an obligation is possible but will only be confirmed by uncertain future events.

Contract loss provisions are recognised for onerous contracts when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, Financial Instruments, and are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value at trade date. All financial assets and liabilities are classified as current or non-current dependent upon the maturity date of the instruments. Financial assets and liabilities are presented on an offset basis when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets

On initial recognition, financial assets are classified as being subsequently measured at either amortised cost or fair value dependent upon the Company's business model for managing the asset and its cash flow characteristics. Financial assets are not reclassified following initial recognition unless the Company changes its business model for managing financial assets.

Financial assets are deemed to be held under one of three business models:

1. Hold to collect – where the business objective is to hold the asset to collect the contractual cash flows;
2. Hold to collect and sell - where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
3. Other

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold to collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of accounting policies (continued)

Financial instruments (continued)

The Company does not have any financial assets held within a hold to collect and sell business model.

All other financial assets, including derivative financial instruments, are held at fair value through profit or loss.

Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Impairment of financial assets

The Company recognises the lifetime expected credit losses at the point of initial recognition for trade receivables and contract assets (under IFRS 15). These are assessed with reference to past default rates, also reflecting forward looking information such as local economic or market conditions and a provision matrix where appropriate.

For other financial assets, a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

Impairments are charged to administrative expenses in the Income Statement.

Financial liabilities

Subsequent to initial recognition, financial liabilities are classified as measured at fair value through profit or loss, or at amortised cost using the effective interest method.

Derivative financial instruments

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and foreign exchange contracts are used to reduce these exposures. The Company does not use derivative financial instruments for speculative purposes.

Foreign exchange contracts entered into to mitigate foreign exchange impacts of trading in non-functional currencies are not accounted for using hedge accounting principles. These derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. Movements in fair value of the derivative financial instruments are included in the income statement within operating costs.

The fair values of derivative financial instruments have been determined by the use of valuation techniques, primarily discounted cash flows, based on assumptions that are supported by observable market prices or rates.

The fair value is classified as a current or non-current asset or liability dependent upon the maturity date of the financial instrument.

Trade and other receivables

Trade and other receivables are stated at their amortised cost, net of impairment loss allowances. Where there is clear evidence that the receivable will not be recovered, and generally where receivables are in excess of 12 months old, the balance is written off in full. Impairments are charged to operating costs in the income statement.

Trade payables

Trade payables do not carry any interest and are stated at their nominal value.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of accounting policies (continued)

Foreign currencies

Transactions denominated in currencies other than the functional currency are translated at an average monthly rate of exchange which approximates to the actual daily rate throughout the year.

Monetary assets and liabilities denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date. All exchange differences are dealt with in administrative expenses in the income statement.

Lease obligations

Lease obligations are recognised at lease inception equal to the discounted lease payments under the lease. The lease payments also include extension options, where reasonably certain to be exercised by the Company. The lease obligation is subsequently measured using the effective interest method, with the liability increasing to reflect the accretion of interest and reduced by lease payments made, with interest charged to finance costs. In addition, the carrying amount of lease obligations is re-measured if there is a modification, for example a change in the lease term or non-fixed lease payments.

The option not to apply IFRS 16 to leases with a term of 12 months or fewer and low value leases has been taken.

Share-based payments

For grants made under the Cobham group's equity share based payment schemes, amounts which reflect the fair value of awards made to employees of the Company as at the time of grant are charged to the income statement over the relevant vesting periods, taking into account management's best estimate of the number of awards expected to vest. The vesting estimate, which includes progress against non-market related performance conditions, is reviewed and updated at each balance sheet date. The excess of the charge over any amounts paid to Cobham Limited for these awards is recognised as a capital contribution in equity.

The valuation methodology for all schemes is based on the Black-Scholes model, modified where required to allow for the impact of market related performance criteria and taking into account all non-vesting conditions.

2. Revenue

All sales are deemed as being attributable to the Company's principal activity of air defence training, additional flying activities and aircraft engineering.

All revenue is derived from the sale of services and an analysis by geographical destination is given below:

	2019	2018
	£000	£000
United Kingdom	55,815	49,419
Other EU countries	2,110	1,698
Rest of the world	13,674	4,394
	71,599	55,511

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Operating profit

Operating profit is stated after charging / (crediting):

	2019 £000	2018 (restated) £000
Depreciation		
- owned assets & assets held on finance leases	3,347	3,533
- right-of-use assets	133	151
Amortisation of intangible assets	36	37
Impairment of investment in subsidiary	-	312
Profit on disposal of business	(4,760)	-
Exceptional item – organisational restructure	-	565
Bid costs	1,722	3,325
Material cost included in cost of sales	1,326	2,310
Net loss / (gain) on derivative financial instruments	514	(570)
Exchange differences	(63)	(34)
Auditors' remuneration for the audit of the Company's financial statements	33	42

Fees paid to the Company's auditors, Ernst & Young LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated group financial statements of Cobham Limited, disclose the non-audit fees on a consolidated basis.

On 20 December 2019, the Company sold its development engineering value stream (which comprised a number of ongoing customer contracts) to fellow Cobham subsidiary Chelton Limited for consideration of £4,760,000. This transaction generated an exceptional profit on disposal of £4,760,000, details of which are set out below.

	2019 £000
Purchase consideration (and profit on disposal)	4,760
Property, plant and equipment	3
Inventory	104
Other creditors	(20)
Contract liabilities	(7,349)
Net liabilities sold	(7,262)
Amount payable to fellow subsidiary	2,502

The payable to Chelton Limited was settled by the Company on 29 January 2020.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. Finance income

	2019 £000	2018 £000
Bank interest receivable	363	227

5. Finance costs

	2019 £000	2018 (restated) £000
Interest on net pension scheme liabilities	66	138
Interest on lease obligations	480	729
	546	867

6. Tax on profit on ordinary activities

Tax charged in the income statement:

	2019 £000	2018 (restated) £000
Current tax:		
UK corporation tax on profit for the year	2,531	743
Adjustment in respect of previous years	(28)	9
Total current tax	2,503	752
Deferred tax:		
Charge for the year	(39)	105
Adjustment in respect of previous years	-	8
Total deferred tax (note 23)	(39)	113
Tax on profit on ordinary activities	2,464	865

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6. Tax on profit on ordinary activities (continued)

Tax expense included in OCI:

	2019 £000	2018 £000
Deferred tax:		
Actuarial gain on defined benefit retirement benefit obligations	240	110
Tax expense/(income) included in equity:		
	2019 £000	2018 £000
Deferred tax:		
Timing differences relating to share based payments	(278)	10

The tax on profit on ordinary activities can be reconciled to the accounting profit as follows:

	2019 £000	2018 (restated) £000
Profit on ordinary activities before taxation	16,522	4,103
Profit on ordinary activities multiplied by the standard rate in the UK of 19.00% (2018: 19.00%)	3,139	780
Effects of:		
(Income not taxable)/expenses not deductible for tax purposes	(796)	67
Share based payments	149	1
Gain on disposal of business not taxable	-	-
Effect of change in tax rate	-	-
Adjustment in respect of previous years	(28)	17
Total tax on profit on ordinary activities	2,464	865

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7. Directors' emoluments

The emoluments of the directors employed by the Company are:

	2019 £000	2018 £000
Aggregate emoluments	622	318
Aggregate amounts paid in respect of money purchase pension schemes	71	20
	693	338

During the year all three directors were employed by, and received emoluments from the Company. In the year ended 31 December 2018, two directors were employed by, and received emoluments from, another group undertaking and also acted as director for a number of legal entities within the Cobham group. Where the individual acted as director for a number of other legal entities within the Cobham group, no specific amounts can be apportioned or were payable in the current or prior year in respect of directors services supplied to the Company. Charges have been made by other group undertakings to the Company which include amounts related to the management of the Company; however it is not possible to accurately identify directors' emoluments included within these charges. Accordingly the above details do not include any emoluments in respect of these directors.

Retirement benefits are accruing to three directors under defined contribution pension schemes (2018: two). During the current year one of the directors (2018: one) exercised options over shares of Cobham Limited (formerly Cobham plc) and two (2018: two) directors were entitled to receive shares under long term incentive plans.

Highest paid director

As noted in the Directors' Report on page 1, there have been a number of changes in Directors during the year and subsequently. The following additional information is provided for the current year as the total emoluments exceeded £200,000.

	2019 £000	2018 £000
Total emoluments including amounts accruing under long-term incentive schemes	308	236
Company contributions paid to money purchase pension schemes	37	13

The highest paid director also received shares under long term incentive plans during the current year.

8. Employee costs

	2019 £000	2018 £000
Wages and salaries	18,281	15,177
Share based payments (note 9)	193	201
Social security costs	1,843	1,759
Pension costs (note 24)	3,608	3,174
	23,925	20,311

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Employee costs (continued)

The average monthly number of employees (including executive directors) employed by the Company during the year was:

By activity	2019	2018
Operations and engineering	231	227
Marketing	11	9
Management and administration	78	55
	320	291

9. Share-based payments

The Company participates in the following share schemes operated by the ultimate parent undertaking, Cobham Limited (formerly Cobham plc), and a net capital contribution has been recognised in reserves equal to the income statement charge less amounts repaid.

The PSP scheme allows for annual grants of conditional shares and nil-cost options with vesting conditions based on the Cobham plc group's financial performance.

The RSP scheme provides conditional shares which vest up to three years after grant, based only upon continued employment within the Cobham group.

The Cobham Savings Related Share Option Scheme (ShareSave) is an HMRC approved savings related share option plan which was open to all UK employees. Participating employees contributed to a monthly savings plan and after an agreed period of at least three years, employees have the option to use these savings plus interest to purchase Cobham plc shares at 80% of the market price on the date of grant.

As a result of the acquisition of Cobham plc by Advent International in January 2020 all employee share schemes vested and the schemes ceased.

The number of awards outstanding under each of the schemes were as follows:

	2019	2018
PSP	739,241	441,305
RSP	46,998	55,195
ShareSave	658,325	1,135,409
Total awards outstanding at 31 December	1,444,564	1,631,909

Options outstanding under the ShareSave scheme had a weighted average remaining contractual life of 0.7 years (2018: 1.5 years) and exercise prices which range from £1.10 to £1.78 (2018: £1.10 to £1.78). Exercises of awards under the ShareSave scheme were made at various times throughout the year. The average share price in that period was £1.33 (2018: £1.19).

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10. Dividends

	2019 £000	2018 £000
Final dividend for year of £1,000 (2018: £nil) per share	1,000	-

11. Intangible Assets

	Software & Licences £'000
Cost	
At 1 January 2019	1,340
Disposals	(87)
At 31 December 2019	1,253
Accumulated amortisation	
At 1 January 2019	1,276
Charge for the year	36
Disposals	(87)
At 31 December 2019	1,225
Carrying amount	
At 31 December 2019	28
At 31 December 2018	64

12. Property, plant and equipment

	2019 £000	2018 (Restated) £000
Owned property, plant and equipment	4,101	7,829
Right-of-use assets	2,147	2,236
	6,248	10,065

Details of the restatement due to the implementation of IFRS 16, Leases, can be found in note 30.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12. Property, plant and equipment (continued)

Owned property, plant and equipment

	Leasehold land and buildings (long lease) £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	TOTAL £000
Cost				
At 1 January 2019	7,717	31,848	3,810	43,375
Additions	-	233	13	246
Reclassifications	-	-	-	-
Disposals	-	(20,014)	(193)	(20,207)
At 31 December 2019	7,717	12,067	3,630	23,414
Accumulated depreciation and impairment				
At 1 January 2019	4,193	27,638	3,715	35,546
Charge for the year	152	3,150	45	3,347
Disposals	-	(19,389)	(191)	(19,580)
At 31 December 2019	4,345	11,399	3,569	19,313
Carrying amount				
At 31 December 2019	3,372	668	61	4,101
At 31 December 2018	3,524	4,210	95	7,829

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12. Property, plant and equipment (continued)

Right-of-use assets

	Leasehold land & buildings (long lease) £000	Plant and machinery (including vehicles) £000	Fixtures & fittings, tools and equipment £000	TOTAL £000
Cost				
At 1 January 2019	3,510	59	102	3,671
Additions	44	-	-	44
Disposals	-	-	-	-
At 31 December 2019	3,554	59	102	3,715
Accumulated depreciation and impairment				
At 1 January 2019	1,309	47	79	1,435
Charge for the year	100	10	23	133
Disposals	-	-	-	-
At 31 December 2019	1,409	57	102	1,568
Carrying amount				
At 31 December 2019	2,145	2	-	2,147
At 31 December 2018	2,201	12	23	2,236

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13. Investments

	Shares at cost £000
Cost	
At 1 January 2019 and 31 December 2019	1,757
Impairment	
At 1 January 2019 and 31 December 2019	1,757
Net book amount	
At 31 December 2019 and 31 December 2018	-

The above investment represents a 50% ordinary shareholding in another group company, FBS Limited, which is incorporated in England and is dormant. Its registered office address is the same as the registered office of the Company. Following a review of the investment in 2018, an impairment provision of £312,000 was made.

Since the year end, the Company has acquired shareholdings in a number of other legal entities in the Cobham group, further details of which are set out in note 31.

14. Inventories

	2019 £000	2018 £000
Raw materials and consumables	1,371	1,627
Work in progress	958	2,096
	2,329	3,723

There is no significant difference between the replacement cost and the value of inventories shown. Included in raw materials and consumables is a provision of £2,161,000 (2018: £2,032,000).

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

15. Contract assets

	2019	2018
	£000	£000
Unbilled amounts	3,524	4,417

Unbilled amounts relating to goods and services transferred are included in contract balances until they become unconditional, at which point they are transferred to trade receivables. Unbilled amounts arise when revenue is recognised prior to an invoice being raised to the customer; typically this arises when revenue is recognised over time as payments often have milestone payments conditional on customer acceptances on progress. During the year £4,417,000 (2018: £1,599,000) of the opening contract asset was transferred to trade receivables; additional amounts of £3,524,000 were recognised as a contract asset during the year (2018: £4,417,000) as a result of changes in the measure of progress of the satisfaction of performance obligations.

16. Trade and other receivables

Current assets:

	2019	2018
	£000	£000
Trade receivables	952	797
Amounts owed by fellow subsidiary undertakings	1,906	451
Derivative financial instruments (note 17)	78	482
Other receivables	13	15
Prepayments and accrued income	1,277	1,133
	4,226	2,878

Non-current assets:

	2019	2018
	£000	£000
Derivative financial instruments (note 17)	21	105
Deferred tax assets (note 23)	1,868	1,791
	1,889	1,896

Amounts owed by fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17. Derivative financial instruments

The Company has the following derivative financial instruments which are financial assets measured at fair value through profit or loss or financial liabilities categorised as held for trading:

	2019	2018
	£000	£000
Non-current assets	21	105
Current assets	78	482
Non-current liabilities	(12)	-
Current liabilities	(73)	(59)
	14	528

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables. At 31 December 2019, the outstanding contracts all mature within 15 months (2018: 18 months) of the year end. The Company is committed to sell US\$ 280,000 receive a fixed sterling amount and purchase US\$10,520,000 and €3,320,000 and pay a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions in valuing the derivatives are the exchange rates for GBP: USD, and GBP: EUR. Movements in fair values are reported in the income statement within administration costs (note 3).

18. Contract liabilities

Contract liabilities of £8,031,000 (2018: £10,751,000 restated) reflect advance payments from customers. These are amounts received prior to delivering services to the customer. Of the contract liabilities held at the start of the year, £6,186,000 has been recognised in revenue during the year ended 31 December 2019.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

19. Current liabilities: Trade and other payables

	2019 £000	2018 (restated) £000
Trade payables	999	1,167
Amounts owed to fellow subsidiary undertakings	3,424	607
Derivative financial instruments (note 17)	73	59
Corporation tax	1,185	58
Other tax and social security	569	2,498
Accruals	7,416	4,373
	13,666	8,762

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and are repayable on demand.

Details of the restatement can be found in note 30.

20. Non-current liabilities: Trade and other payables

	2019 £000	2018 £000
Derivative financial instruments (note 17)	12	-

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

21. Lease obligations

At 31 December 2019, as a lessee, the Company had the following lease obligations:

	2019 £000	2018 £000
Current	54	51
Non-current	3,329	3,383
	3,383	3,434

22. Provisions

	Staff & operating cost provisions £000	Onerous contract provisions £000	Total (restated) £000
At 1 January 2019	531	103	634
Charged to the income statement	77	-	77
Utilised during the year	(520)	-	(520)
Unused amounts reversed in the year	-	(103)	(103)
At 31 December 2019	88	-	88

Details of the restatement can be found in note 30.

Staff and operating cost provisions

The Company has provided for certain costs likely to be incurred in meeting updated safety, operational and organisational requirements. Staff cost provisions include provisions which occur where certain employees and directors are offered relocation benefits on commencement of their positions, whereby the amounts recognised in the provision in the balance sheet represent the contracted allowances, less amounts claimed by the individuals, previously charged to profit and loss. All the amounts recognised are expected to be fully utilised during 2020.

Onerous contract provisions

The onerous contracts provisions represented amounts due to third parties in respect of specific contractual arrangements in place at the previous year end.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the Company, and the movements thereon:

	Property, plant and equipment £000	Retirement benefit obligations £000	Revaluation of derivative financial instruments £000	Other £000	Total £000
At 31 December 2018 (as originally stated)	708	848	(29)	36	1,563
Change in accounting policy note – IFRS 16	228	-	-	-	228
At 31 December 2018 (restated)	936	848	(29)	36	1,791
Credited /(charged) to the income statement	172	(135)	5	(3)	39
Credited / (charged) to OCI	-	(240)	-	-	(240)
Credited / (charged) to reserves	-	-	-	278	278
At 31 December 2019	1,108	473	(24)	311	1,868

Details of the restatement can be found in note 30.

Other deferred tax balances comprise amounts relating to share based payments and other short term timing differences.

24. Retirement benefit obligations

Pension costs included in employment costs in note 8 are as follows:

	2019 £000	2018 £000
Defined contribution scheme	2,828	2,394
Defined benefit scheme	-	-
	2,828	2,394

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

24. Retirement benefit obligations (continued)

Defined contribution scheme

During the year, the Company participated in the Cobham Personal Pension Plan, a defined contribution scheme operated for companies within the Cobham plc group. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charged represents contributions payable by the Company to the funds and amounted to £2,828,000 (2018: £2,394,000). At 31 December 2019 there were no contributions outstanding (2018: £nil).

Since the year end, the Company has set up its own separate defined contribution scheme, with the same providers and on consistent terms with that operated historically by Cobham.

Defined benefit scheme	2019 £000	2018 £000
Defined benefit scheme assets	99,163	89,509
Defined benefit obligations	(101,646)	(93,970)
	(2,483)	(4,461)

During the year, the Company also participated in the defined benefit section of the Cobham Pension Plan (CPP) operated by Cobham Limited. The scheme was of the funded defined benefit type (where benefits are based on employees' length of services and average final salary) and its assets are held in a separate trustee administered fund. It had been closed to new members since 2003 and closed to future accrual from 1 April 2016. Since the Company's acquisition by Draken UK Bidco Limited on 25 September 2020, the Company has been released as a participating employer of the CPP (note 31). Therefore, at the time of approval, the Company has no obligations in connection with CPP.

The defined benefit scheme exposed the Company to a number of risks, as described below:

- Volatility of investment returns. If the investment return is lower, then future funding obligations from the Company will increase;
- Inflation risk. Deferred pensions and pensions in payment are subject to inflationary increases. A higher inflation rate will lead to higher defined benefit obligations;
- Changes in bond yields. Volatility in the financial markets can have a significant impact on corporate bond yields which are used to generate a discount rate assumption. Lower corporate bond yields will lead to higher defined benefit obligations; and
- Life expectancy risk. The scheme's obligations are to provide benefits for the life of the member and therefore increases in life expectancy will lead to higher defined benefit obligations.

The trustees seek to mitigate these risks and entered into a buy-in arrangement relating to pensioners of the CPP as at 1 July 2013. Assets were transferred to an insurance company in return for a qualifying insurance policy which provides an income stream equivalent to the obligations to pensioners covered by the arrangement. This eliminates all of the above risks in relation to these liabilities except for the credit risk related to the insurance provider. In addition the trustees have invested in liability driven investments that mitigate most of the remaining bond yield and inflation risks, on a technical provision basis. This is achieved by using a portfolio of gilts and swaps supported with investment grade credit instruments. These investments introduce the risk that a call for further investment may be made if inflation decreases or the bond yield increases, which is managed by maintaining sufficient liquid investments. Leverage and counterparty risks are managed by the fund investment managers. The remaining assets include significant investment in diversified growth funds which seek to manage investment risks.

**Notes to the financial statements
for the year ended 31 December 2019 (continued)****24. Retirement benefit obligations (continued)**

Actuarial valuations of the present value of the defined benefit obligations for the scheme are carried out on a triennial basis by qualified independent actuaries; the most recent valuation was as at 1 April 2018, recording a deficit for the whole of the CPP of £37.8m. The actuarial valuation was updated by qualified independent actuaries for accounting purposes to 31 December 2018. Within 15 months of each triennial valuation, the employer and the trustees are required to agree a schedule of contributions to ensure that the scheme is fully funded over time on a suitably prudent basis. A new schedule of contributions has been agreed during the year for the CPP as explained above. The valuation of the plan liabilities for this triennial valuation is on a more prudent basis than that required by IAS 19 and therefore the schedule of contributions will address a higher deficit than that recorded on an IAS 19 basis. The funding of the scheme is apportioned to participating Cobham group companies based on the number of scheme members attributable to each employer. Orphan members who cannot be attributed to other Cobham group employers are deemed to be members of Cobham Limited.

The Company continued paying deficit contributions into the CPP until its acquisition by Draken UK Bidco Limited in September 2020 (note 31). There were no significant contributions outstanding at the end of 2019 or 2018.

A number of assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates. These are considered to be major sources of estimation uncertainty as comparatively small changes in the assumptions used may have a significant effect on the Company's financial statements within the next financial year. The Company uses published indices and independent actuarial advice to select the values of critical assumptions.

The principal financial assumptions used for the purpose of the actuarial valuations were as follows:

	2019	2018
RPI inflation (Rate of increase in pensions in payment)	3.15%	3.45%
CPI inflation (Rate of increase in deferred pensions)	2.15%	2.45%
Discount rate	2.00%	2.70%

The mortality assumptions used are based upon actuarial tables which reflect actual recent mortality experience and also allow for future mortality improvements. The mortality tables used to estimate life expectancy are known as 'SAPS CMI 17' (2018: SAPS CMI 17). In practical terms, this is demonstrated in the table below:

	Year of birth	Year age 65	Life expectancy
Male	1954	2019	87 years
Female	1954	2019	89 years
Male	1980	2045	90 years
Female	1980	2045	91 years

At 31 December 2019 it has been assumed that members will commute on average 25% (2018: 25%) of their pension for cash on retirement.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

24. Retirement benefit obligations (continued)

The sensitivity of scheme liabilities to changes in certain key assumptions, after adjusting for liabilities covered by insurance contracts, is provided below:

	Change in assumption	Change in liabilities
Discount rate	Increase by 0.5%	-8.3%
Inflation rate (both RPI and CPI)	Increase by 0.5%	+5.3%
Life expectancy	Increase by one year	+3.8%

If the change in assumptions were in the opposite direction to that shown above, the impact would be approximately symmetrical.

No amounts were charged to the income statement during the current or prior year as the current and past service costs and administrative expenses were all £nil.

Analysis of amount charged to other finance expense:

	2019 £000	2018 £000
Net interest	66	138

Analysis of amount recognised in OCI:

	2019 £000	2018 £000
Actual return less interest income on scheme assets	10,261	(7,787)
Experience gains arising on scheme liabilities	-	2,332
Actuarial (losses) / gains arising from changes in financial assumptions	(9,968)	4,335
Actuarial gains arising from changes in demographic assumptions	971	1,697
Amounts recognised in OCI	1,264	577

Changes in the fair value of scheme liabilities are as follows:

	2019 £000	2018 £000
Fair value of scheme liabilities at the beginning of the year	93,970	104,275
Interest cost	2,496	2,405
Actuarial losses / (gains) arising from changes in financial assumptions	9,968	(6,667)
Actuarial gains arising from changes in demographic assumptions	(971)	(1,697)
Benefits paid	(3,817)	(4,346)
Fair value of scheme liabilities at the end of the year	101,646	93,970

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

24. Retirement benefit obligations (continued)

The weighted average duration of the scheme liabilities is estimated to be 16 years.

Changes in the fair value of scheme assets are as follows:

	2019 £000	2018 £000
Fair value of scheme assets at the beginning of the year	89,509	97,785
Interest	2,430	2,267
Actuarial gains / (losses)	10,261	(7,787)
Contributions by employer	780	1,590
Benefits paid	(3,817)	(4,346)
Fair value of scheme assets at the end of the year	99,163	89,509

The fair value of major categories of scheme assets, and as a percentage of total scheme assets, is as follows:

	2019 £000	%	2018 £000	%
Global equities	12,198	12.3%	11,389	12.7%
Liability driven investments	16,419	16.6%	14,854	16.6%
Corporate bonds	9,350	9.4%	9,411	10.5%
Property	4,277	4.3%	4,460	5.0%
Insurance contracts	31,003	31.3%	30,179	33.7%
Diversified growth funds	15,700	15.8%	15,542	17.4%
Other assets	10,216	10.3%	3,674	4.1%
	99,163	100.0%	89,509	100.0%

Scheme assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by, the Company. None of the scheme assets are quoted in an active market. The above, except for the insurance contracts assets, are pooled investment vehicles and are valued based on bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads based on valuations provided by the investment manager. Insurance contracts are valued based on the valuation of the liabilities insured.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

25. Share capital and reserves

Share capital – allotted, called up and fully paid

	2019 £000	2018 £000
1,000 Ordinary shares of £1 each	1	1

Other reserve

The other reserve relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham Limited (formerly Cobham plc) (note 9).

26. Contingent liabilities

Prior to the Company's acquisition by Draken UK Bidco Limited in September 2020 (note 31), the Company was a participant in the Cobham group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the Company had issued an unlimited guarantee to support these group facilities. The Company was released from all obligations in connection with the Cobham group banking arrangement in September 2020.

The Company has given its bankers an indemnity in respect of a deferment guarantee given by them on the Company's behalf to HM Revenue and Customs of an amount not exceeding £300,000 (2018: £300,000) and also has in place contract performance related guarantees totalling £1,000 (2018: £1,000) to other parties.

Since the year end, the Company also become a guarantor company under the Group's new debt arrangements following the acquisition by Advent (note 18) but was then released as a guarantor as a result of the Company's further acquisition by Draken UK Bidco Limited in September 2020 (note 31).

27. Capital and other commitments

The Company had capital commitments for the purchase of property, plant and equipment contracted for but not provided of £54,000 at 31 December 2019 (2018: £14,000).

28. Immediate and ultimate parent undertakings

At the balance sheet date, the Company's immediate parent undertaking was FR Aviation Group Limited. At the date of approval of these accounts, the Company's intermediate parent undertaking is Draken UK Bidco Limited (note 31).

At the balance sheet date the ultimate parent undertaking and controlling party was Cobham Limited (formerly Cobham plc), which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Cobham Limited consolidated financial statements can be obtained from the Company Secretary at Cobham Limited, Brook Road, Wimborne, Dorset BH21 2BJ.

At the date of approval of these accounts, the ultimate holding company is BTO Draken Holdings III – NQ L.L.C. and the ultimate controlling party is Grannus Holdings Manager – NQ L.L.C.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

29. Related party disclosures

The Company has undertaken transactions with the following related party on an arm's length basis. Activity during the year and balances at the year end were as follows:

	2019 Purchases in year £000	2019 Creditor balances £000	2018 Purchases in year £000	2018 Creditor balances £000
Aviation Defense SA	351	-	156	156

	2019 Sales in year £000	2019 Debtor balances £000	2018 Sales in year £000	2018 Debtor balances £000
Aviation Defense SA	5	-	17	-

Aviation Defense SA is a joint venture company of a fellow subsidiary undertaking of Cobham Limited.

No amounts have been written off during the year, nor are any doubtful debt provisions considered necessary.

30. Impact of new accounting standards

As outlined in note 1, the Company adopted IFRS 16, Leases, on 1 January 2019.

This new standard has been applied retrospectively with a date of initial application of 1 January 2019 and therefore comparative information presented in these financial statements has been restated as disclosed in the tables below.

The Company has lease contracts for certain properties and equipment. Before the adoption of IFRS 16, the Company classified each of these leases as operating leases. The Company also had leases classified as finance leases where an asset and liability were recorded on the balance sheet. For operating leases, the leased assets were not capitalised and the lease payments were recognised over the lease term as rental expense in the income statement. This distinction between operating and finance leases has now been removed.

Under IFRS 16 a liability is recognised at lease inception equal to the discounted lease payments under the lease. The lease payments also include extension options, where reasonably certain to be exercised by the Company. The lease liability is subsequently measured using the effective interest method, with the liability increasing to reflect the accretion of interest and reduced by lease payments made, with interest charged to finance costs. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, for example a change in the lease term or non-fixed lease payments.

The initial cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, expected asset restoration costs and lease payments made at or before the commencement date. Less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful economic life of the asset. The right-of-use asset is tested for impairment where appropriate.

The option not to apply IFRS 16 to leases with a term of 12 months or less and low value leases has been taken.

**Notes to the financial statements
for the year ended 31 December 2019 (continued)****30. Impact of new accounting standards (continued)**

There was a small impact to the Income Statement as a result of adopting IFRS 16. Operating profit increased, reflecting the removal of lease payments previously charged to profit, partially offset by depreciation of the right-of-use assets. This net impact (£263,000) is included within cost of sales to reflect how the leased item was utilised within the business. In addition, finance costs increased (£303,000) associated with the additional lease obligations.

A summary of the impact of adopting IFRS 16, as described above, is as follows:

	Total equity £000
At 31 December 2017 (as originally stated)	45,371
Adjustments to retained earnings from adoption of IFRS 16	(930)
At 1 January 2018 (restated)	44,441
At 31 December 2018 (as originally stated)	49,113
Adjustments to retained earnings from adoption of IFRS 16	(970)
At 31 December 2018 (restated)	48,143

The main restatement impacts to the Balance Sheet related to the recognition of right-of-use assets and additional lease obligations. The leases previously treated as finance leases have been reclassified to lease obligations, all of which came to an end at 31 December 2019.

The full impact on the Balance Sheet at 31 December 2018 and on the Income Statement for the year ended 31 December 2018 is as below:

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

30. Impact of new accounting standards (continued)

Impact on Balance Sheet at 31 December 2018

	As originally stated £000	IFRS 16 adjustments £000	Reclassification £'000	Restated £000
Assets				
Intangibles	64	-	-	64
Property, plant and equipment	7,829	2,236	-	10,065
Other non-current assets	1,668	228	-	1,896
Current assets	68,249	-	-	68,249
	77,810	2,464	-	80,274
Liabilities				
Contract liabilities	(7,389)	-	(3,362)	(10,751)
Trade and other payables	(12,851)	4,089	-	(8,762)
Lease obligations	-	(4,140)	-	(4,140)
Provisions	(3,996)	-	3,362	(634)
Other non-current liabilities	(4,461)	(3,383)	-	(7,844)
	(28,697)	(3,434)	-	(32,131)
Net assets	49,113	(970)	-	48,143

In addition to the IFRS 16 restatement above, certain liabilities previously disclosed as provisions have been reclassified as contract liabilities in accordance with IFRS 15, Revenue from Customer Contracts which was first introduced during the year ended 31 December 2018.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

31. Events after the balance sheet date

COVID-19

The beginning of 2020 is affected by the global COVID-19 pandemic which is a non-adjusting post-balance sheet event. In this context, the priority for the Company has been the health, safety and security of its employees as well as the continuity of its business. The group has implemented a series of prevention and protection measures and is constantly monitoring compliance with decisions and recommendations from local public authorities.

COVID-19 reinforces uncertainties in the global economic context and markets; the long term impact for the Company is difficult to assess and will depend on the magnitude, duration and geographic extent of this pandemic. The directors have reviewed forecast profits and cash flows, which have been updated to include the potential impacts of the COVID-19 pandemic, and examined the funding available to the Company and its subsidiary undertakings.

Based upon the directors' knowledge at the date of this report, the COVID-19 pandemic is not expected to represent a significant risk to the Company's liquidity or use of the going concern assumption.

Should the magnitude and duration of the COVID-19 pandemic be significantly worse than currently expected, some of the Company's critical accounting estimates might need to be revised, in particular the recoverable value of tangible assets and inventory. The impact of such revisions is under consideration, however this cannot be reliably estimated at the date of the financial statements.

Acquisition of fellow group companies

On 20 July 2020, the Company acquired direct shareholdings in a number of fellow group companies that were previously held by FR Aviation Group Limited for total consideration of £86,398,000 (net cash paid £52,457,000 leaving £33,941,000 on an intercompany loan account). This included 100% of FR Aviation Services Limited, Cobham Leasing Limited, FB Heliservices Limited, FB Leasing Limited, Cobham Aviation Services International Limited and Cobham Flight Inspection, together with the remaining 50% of FBS Limited. At the same time as this transaction, the Company paid off all its subsidiaries intercompany loans with other Cobham companies.

On the same day, the Company acquired 100% of the share capital of Precision Aviation Industries s.a.r.l (PAI) for cash consideration of €6,400,000 from Lockman Electronics Holdings Limited. PAI holds the Group's 45% joint venture stake in Aviation Defense SA, a French legal entity (note 29).

Sale to Draken UK Bidco Limited

On 25 September 2020, the Company and its subsidiaries were sold to Draken UK Bidco Limited, a UK holding company wholly owned by Draken International LLC.

Prior to this sale transaction, the Company distributed its holding in PAI back to FR Aviation Group Limited via a dividend in specie for the same value as the original purchase (€6,400,000).

The acquisition has impacted the Company's financial statements in the following areas:

- The intercompany loan account with former parent FR Aviation Group Limited created since the year end (£33,941,000 plus accrued interest) was settled on the Company's behalf;
- Defined benefit pension arrangements, to which the Company was a participating employer, have remained with Cobham Limited and did not transfer with the Company (note 24);
- The Company was released from its guarantor obligations and cross guarantees arising from its participating in Cobham group banking arrangements (note 26); and
- Any open derivative financial instruments with Cobham Limited were settled on the Company's behalf (note 17).