Fixed Wing Training Limited

Annual report and financial statements

Registered number 09729579

Year ended 31 March 2018

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Strategic report

Enhanced business review

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

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

Overview

The Ascent Group is headed by Ascent Flight Training (Holdings) Limited which is a joint venture 50% owned by Babcock Defence and Security Investments Limited and 50% owned by Lockheed Martin UK Holdings Limited. Fixed Wing Training Limited delivers the Fixed Wing training programme through a 17 year PFI contract.

Fixed Wing Training Limited's purpose is to deliver and operate Training Building Infrastructure, Information Communications Technology ('ICT') and Ground Based Training Equipment ('GBTE') to the Ministry of Defence (MoD). These services are part of the delivery of the Fixed Wing Training Programme in connection with the United Kingdom Military Flying Training System (Contract No: UKMFTS/2008/02 between The Secretary of State for Defence and Ascent Flight Training (Management) Ltd).

Key performance indicators

The key performance indicators of the business are:

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

Review of developments and performance during the period

The Company has continued in the transition to full service achieving 30 milestones against infrastructure, ICT and GBTE implementation (16 Lockheed Martin and 14 Babcock Milestones) which equated to £31m increase in the Financial Asset income. In September 2017 subcontract services commenced contributing £2.1m to Financial Asset income. All Ready for Training Use (RFTU) milestones were achieved during the Financial Year for the Elementary Flying Training and Multi Engine Pilot Training.

Financial Performance was affected by the delay to Ground Based Training Equipment milestones now scheduled for the next financial year, planned RFTU dates are still forecasted for the next financial year. Of the £33.3million (2017: £34.5 million) revenue for the period all equated to an increase in Financial Asset apart from £0.21m of compensation events. Profit before taxation for the year was £3.6 million (2017: £3.1 million).

Review of position at period end

As at 31 March 2018 the Company had net assets excluding the cash flow hedge reserve of £4.6m (2017: £1.6m) and net cash and cash equivalents of £1,727,000 (2017: £6,000).

Strategic report *(continued)*

Principal risks and uncertainties

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

Strategic risk
The company's principal strategic risk remains government policy in respect of Defence spending, particularly any re-prioritisation away from airborne activities as a result of periodic Strategic Defence Reviews. The risk is mitigated by continued close working relationships with MOD at all levels.

As a result of the European Referendum outcome to leave the EU, there remains a strategic risk in respect to the future of UK aviation and cross-border trade depending on the results of the negotiations by the government or a "no deal" situation. These risks are closely monitored through assessment of potential outcomes which may affect our supply chain and any increased regulatory burden to ensure any timely implementation of mitigating actions required

Operational risk
The principal operating risk for the company is ensuring that all risk to life associated with Ascent aviation operations is reduced to a level that is both Tolerable and As Low As Reasonably Practicable (ALARP), thus providing a safe operating environment for Ascent employees, duty holder personnel, contractor staff and the general public. This is achieved through a comprehensive Aviation Safety Management System and a positive and proactive aviation safety culture within the company.

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

On behalf of the board

K V Hayzen-Smith
Director

33 Wigmore Street
London
W1U 1QX

2 October 2018

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2018.

Directors

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

Name

R A Hardy
N G Misell
T I Bradley
K V Hayzen-Smith
P N Livingston
A L Gowder Graban

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £Nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board

Kate Hayzen-Smith

K V Hayzen-Smith
Director

33 Wigmore Street
London
W1U 1QX

2 October 2018

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Fixed Wing Training Limited ("the company") for the year ended 31 March 2018 which comprise the Profit and loss account and other comprehensive income, Balance sheet and Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

A Campbell

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

3 October 2018

Profit and loss account and other comprehensive income
for the year ended 31 March 2018

	Note	Year ended 31 March 2018	Year ended 31 March 2017
		£000	£000
Turnover	2	**33,319**	34,529
Cost of sales		**(32,402)**	(33,730)
Gross profit		**917**	799
Administrative expenses		**(659)**	(631)
Operating profit	3-5	**258**	168
Interest receivable and similar income	6	**7,169**	5,983
Interest payable and similar expenses	7	**(3,778)**	(3,008)
Profit before taxation		**3,649**	3,143
Tax on profit	8	**(693)**	(355)
Profit for the financial year		**2,956**	2,788
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**2,023**	(2,079)
Tax on other comprehensive income		**(344)**	429
Total comprehensive income for the year		**4,635**	1,138

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

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

Balance sheet
as at 31 March 2018

	Note	2018		2017	
		£000	£000	£000	£000
Current assets					
Debtors: amounts falling due after more than one	10	63,058		84,477	
Debtors : amounts falling due within one year	10	33,372		2,191	
Investments	11	27,965		-	
Cash at bank and in hand		1,727		6	
			126,122		86,674
Creditors: amounts falling due within one year	12		(57,323)		(11,154)
Net current assets					
Falling due within one year		5,741		(8,957)	
Debtors due after more than one year		63,058		84,477	
Net current assets			68,799		75,520
Total assets less current liabilities			68,799		75,520
Creditors: amounts falling due after more than one year	13		(64,647)		(76,003)
Net assets/ (liabilities)			4,152		(483)
Capital and reserves					
Share capital	16		30		30
Profit and loss account			4,536		1,580
Cash flow hedge reserve			(414)		(2,093)
Shareholders' funds/ (deficit)			4,152		(483)

These financial statements were approved by the board of directors on 2 October 2018 and were signed on its behalf by:

K V Hayzen-Smith
Director

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

Registered number: 09729579 / **31 March 2018**

Statement of changes in equity

	Called up Share capital	Profit and loss account	Cash flow hedge reserve	Total equity
	£000	£000	£000	£000
Balance at 1 April 2016	30	(1,208)	(443)	(1,621)
Total comprehensive income for the period				
Profit for the financial period	-	2,788	-	2,788
Other comprehensive expense	-	-	(1,650)	(1,650)
Balance at 31 March 2017	**30**	**1,580**	**(2,093)**	**(483)**
Balance at 1 April 2017	30	1,580	(2,093)	(483)
Total comprehensive income for the period				
Profit for the financial year	-	2,956	-	2,956
Other comprehensive expense	-	-	1,679	1,679
Balance at 31 March 2018	**30**	**4,536**	**(414)**	**4,152**

The accompanying notes form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Fixed Wing Training Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 09729579 and the registered address is 33 Wigmore Street, London, W1U 1QX. These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland. ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking Fixed Wing Training Holdings Ltd includes the Company in its consolidated financial statements. In these statements the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise been stated, been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The critical accounting judgement in in applying the Company's accounting policies is the accounting for the service concession contract and financial asset which requires an estimate of service margins, financial asset interest rates and associated amortisation profile which is based on the forecasted results of the PFI contract.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

1.2 Going concern

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basic financial instruments

Amounts owed to group undertakings

Amounts owed to group undertakings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

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

Investments

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

1.4 Turnover

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

1.5 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised directly in the profit and loss account except where it relates to items recognised in other comprehensive income or directly in equity in which case the tax is recognised in other comprehensive or equity respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the balance sheet dated, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing difference which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related differences, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Deferred tax assets are recognised as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Financial asset

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

PFI bid costs

PFI bid costs are accounted for under Section 34 FRS 102 in respect of Service Concession Arrangements. PFI bid costs are held on the balance sheet as an asset once the company is virtually certain that it will enter into contracts for the relevant PFI project. Virtual certainty is generally achieved at the time the company is selected as preferred bidder. On finalisation of PFI project and financing agreements (financial close), the company charges the cost to the profit and loss account to match with the related revenue stream.

Finance costs

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

Financial asset and services contract

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

During the construction phase of the project, all attributable expenditure is included in the financial asset and turnover except interest as set out above. During the operational phase income is allocated between interest receivable and the financial asset using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover. The group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

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

1.7 Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

1.8 Derivative financial instruments

Derivative financial instruments, which are the company's interest rate swaps, are recognised at fair value at each balance sheet date. The gain or loss on remeasurement to fair value on the portion of the instrument that is deemed an effective hedge is recognised immediately in other comprehensive income with the element that is not deemed effective being recognised immediately in profit or loss. Changes in the effectiveness of the instrument are recognised in profit or loss to the extent they relate to reversals of previous income/ charges in profit or loss.

Notes *(continued)*

2 Analysis of turnover

	2018	2017
	£000	£000
By activity		
Financial asset revenue	**33,109**	34,489
Compensation claims	**210**	40
	33,319	34,529

All turnover originates in the United Kingdom.

3 Notes to the profit and loss account

Amounts receivable by the auditor in respect of the audit of these financial statements were £7,000 *(2017: £7,000)*.

4 Remuneration of directors

Directors emoluments for the year amounted to £Nil *(2017: £Nil)*. The directors are employees of the company's shareholders and are not employed directly by the company. No direct recharge is made to the company for the cost of directors as it is not possible to accurately estimate the value of services provided to the company.

5 Staff numbers and costs

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

6 Interest receivable and similar income

	2018	2017
	£000	£000
Financial asset interest	**7,169**	4,609
Ineffective portion of profits on derivatives treated as cash flow hedges	-	1,367
Other interest	-	7
	7,169	5,983

Notes *(continued)*

7 Interest payable and similar charges

	2018	2017
	£000	£000
Interest payable on bank loans	**3,735**	3,006
Interest payable on group loans	**43**	-
Other interest payable	**-**	2
	3,778	3,008

8 Taxation

Analysis of charge in period

	2018	2017
	£000	£000
UK corporation tax		
Current tax on income for the year	**693**	355

	2018			2017		
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in profit and loss	**693**	**-**	**693**	355	-	355
Recognised in other comprehensive income	**-**	**344**	**344**	-	(429)	(429)
Total tax	**693**	**344**	**1,037**	355	(429)	(74)

Reconciliation of effective tax rate

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
Profit for the year	**2,956**	2,788
Total tax expense	**693**	355
Profit excluding taxation	**3,649**	3,143
Tax using the UK corporation tax rate of 19% (2017:20%)	**693**	629
Effects of:		
Cash flow hedge adjustment not liable for tax purposes	**-**	(274)
Total tax expense included in profit or loss	**693**	355

The UK corporation tax rate reductions from 20% to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2015. An additional reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016. The deferred tax assets and liabilities at 31 March 2018 have been calculated based on these rates.

Notes *(continued)*

9 Dividends

There were no dividends paid or proposed during the year *(2017: £Nil).*

10 Debtors

	2018	2017
	£000	£000
Amounts falling due within one year		
Financial asset	31,246	-
Amounts owed by group undertakings	2,095	-
Other taxation	-	2,191
Prepayments and accrued income	31	-
	33,372	2,191
Amounts falling due after more than one year		
Financial asset	62,973	84,048
Deferred tax asset	85	429
	63,058	84,477

11 Investments

	2018	2017
	£000	£000
Amounts held on deposit accounts not qualifying as cash or cash equivalents	27,965	-

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

12 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Bank loans	52,992	-
Trade creditors	230	10,654
Amounts due to group undertakings	1,378	34
Taxation	2,341	395
Accruals and deferred income	382	71
	57,323	11,154

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Other financial liabilities (see note 14)	**498**	2,522
Bank loans	**64,149**	73,481
	64,647	76,003

Included within bank loans are amounts repayable after five years by instalments of £nil *(2017: £5.6 million)*. Bank loans are unsecured however the lenders have step in rights.

14 Financial instruments

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

	2018 £000	2017 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**96,314**	84,048
Financial liabilities		
Derivative financial liabilities measured at fair value	**(498)**	(2,522)
Financial liabilities measured at amortised cost	**(118,749)**	(73,481)

The fair value of the interest rate swap has been calculated by discounting the fixed cash flows at forecasted forward interest rates. The bank borrowing and financial asset are both held at amortised cost.

Hedge accounting

Derivatives are financial instruments that derive their value from the price of an underlying item, such as interest rates or other indices. The company's use of derivative financial instruments is described below.

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

The Directors believe that the hedging relationship between the interest rate swap and related variable rate bank loan meet the criteria set out in FRS 102 section 12.18 and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

Carrying value of all derivative financial instruments
All of the Company's derivative financial instruments are carried at fair value. The effective portion of the movements in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a credit of £2,023,000 (2017: debit of £2,079,000). From 1 April 2016, the hedges are deemed 100% effective.

Notes *(continued)*

15 Deferred tax asset

	2018	2017
	£000	£000
At 1 April 2017	429	-
Recognised in profit or loss	-	-
Recognised in other comprehensive income – (expense)/ credit	(344)	429
At 31 March	**85**	429

The deferred tax asset relates to the fair value liability of the interest rate swap and is expected to reverse after more than one year.

16 Called up share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
30,000 ordinary shares of £1 each	**30**	30

17 Related party disclosures

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

	2018	2017
	£000	£000
Construction services		
- Babcock Group companies	**9,518**	21,460
- LM Group companies	**22,883**	18,295
The balances due to them at the period end are:		
- Babcock Group companies	**239**	656
- LM Group companies	**347**	**9,980**

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

The Company is a subsidiary undertaking of Fixed Wing Training Holdings Limited which is the immediate parent company incorporated in England and Wales, which in turn is owned by Ascent Flight Training (Holdings) Limited. Ascent Flight Training (Holdings) Limited is jointly owned by Lockheed Martin UK Holdings Ltd, a company registered in England and Wales, and Babcock Defence and Security Investments Ltd, a company registered in England and Wales.

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