Babcock Training Limited

Annual Report and Financial Statements

For the year ended 31 March 2020

Company registration number:

2817838

Babcock Training Limited

Directors and advisors

Current directors

J R Davies
M Hayward
R H Taylor
I S Urquhart

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Southampton
SO14 3TJ

Strategic report

The directors present their Strategic report on the company for the year ended 31 March 2020.

Principal activities

The principal activities of the company are the provision of Apprenticeships and other vocational training to the Education and Skills Funding Agency along with outsourced training and delivery services to a range of customers including the London Fire Brigade. The company also provides school support services to Worcestershire County Council.

Review of the business

	2020	2019
	£000	£000
Revenue	**83,706**	78,570
Loss before tax	**(7,686)**	(6,329)
Net assets	**60,256**	67,735

The company is one of the largest providers of Apprenticeship and other vocational training to the Education and Skills Funding Agency. The company supports learners across the hospitality, care, active leisure, retail, automotive and engineering sectors. The decrease in profit is largely attributable to a dividend received from Babcock Careers Guidance Ltd offset by a reduction in the carrying value of the investment in Babcock Skills Development and Training Limited.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risks and uncertainties affecting the company are considered to be related to changes in government policy, budget allocations and the changing political and regulatory environment. The directors manage this risk by meeting on a regular basis with government funding bodies and by repositioning the business as required to meet their requirements and those of employers.

Further discussion of these risks and uncertainties, in the context of the Group as a whole and including the expected impact of COVID-19, is provided on pages 80 to 92 of the annual report of Babcock International Group PLC, which does not form part of this report.

Given the primary activities of the Company in providing apprenticeship training COVID-19 has had an impact on the trading of the business, primarily in 2020/21. A number of our training academies have had full or partial closure since late March 2020. In order to mitigate the impact of this the Company has developed new ways of delivering the learning for our apprentices, including web based learning and remote support. There has been a gradual return to learning throughout July, August and September. The Company's reduction in Training income has been offset by the use of the Government's Furlough scheme. There has been limited impact on the emergency services training contracts. As a result of this we are forecasting the Company will make a loss in the 2020/21 financial year returning to a profit position in 2021/22.

The company is in good financial health and has a number of long term contracts that it will fulfil. Given the mitigations described above, the good financial health of the company and the nature of the contracts held we consider it appropriate to prepare the financial statements on a going concern basis.

Strategic report *(continued)*

Future developments

The directors plan to continue to expand the company's delivery of both government funded training programmes and outsourced training management and delivery services. This will be achieved through tendering for new contracts and, where appropriate, by investing in strategic acquisitions.

To generate and preserve value in the longer term the company is also committed to developing its people and sustaining talent.

Key performance indicators

The company's activities are managed on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company. The growth and performance of Land, a sector of Babcock International Group PLC, which includes the company, is discussed on pages 74 to 75 of the annual report of Babcock International Group PLC, which does not form part of this report.

S172(1) statement and stakeholder engagement.

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the Shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 30 and 31 of the annual report of Babcock International group PLC, which does not form part of this report.

The disclosure in the Group annual report considered all relevant factors for the Company, in particular the Company's engagement with its customers and employees. During the year, regular and frequent engagement continued with all customers to ensure effective operational running of the contracts. This engagement with customers has further increased to ensure a joint approach to responding to COVID-19 was achieved.

On behalf of the board

Director

23 December 2020

Directors' report

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

Dividends

An interim dividend of £nil was paid in the year (2019: £nil). No final dividend for the year ended 31 March 2020 has been proposed by the directors (2019: £nil).

Future developments

Information on the future developments of the company can be found in the Strategic report.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and company's finance departments. The department has a policy and procedures manual that sets out specific guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk
The company is exposed to price risk as a result of its operations. This risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities. The company has no exposure to equity securities price risks as it holds no listed equity investments.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The company also monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential credit risk. 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 access to pooled cash resources to ensure it has sufficient available funds for operations. The company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate risk
The company has interest-bearing assets. Cash balances accrue interest at a floating rate. The company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Directors

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

J R Davies
M Hayward
R H Taylor
I S Urquhart

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report. The group encourages participation in the performance of the wider group through the employee share scheme outlined in note 10.

Safety policy

The company recognises the promotion of health and safety at work as an important objective. It is company policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of the employees of the company.

Research and development

The company commits resources to research and development to the extent management considers reasonable for the evolution and development of the business.

Environment

The company recognises its responsibility to minimise, so far as reasonably possible, the potential for adverse impacts from its operations. It aims to achieve the highest standards in environmental management and seek accreditation to appropriate standards where appropriate.

The company has developed and implemented an environmental policy to ensure that the impact of its activities on the environment is limited to the minimum practicable level.

Directors' report *(continued)*

Statement of directors' responsibilities in respect of the financial statements

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 FRS 101 "Reduced Disclosure Framework", 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 period. 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 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.

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.

Qualifying third party indemnity provisions

Babcock International Group PLC provides protections for directors of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by Companies Act 2006) for the benefit of members of Babcock International Group PLC, including, where applicable, in their capacity as a director of the company and other companies within the Group. These indemnities came into force in 2012 and remain in force.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

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

Statement of engagement with customers, employees, suppliers and others in a business relationship with the Company

The Directors have regard to the need to foster the Company's business relationship with customers, employees, suppliers and others, and the effect of that regard, including on principal decisions taken by the Company during the financial year. Please refer to the Company's Section 172(1) statement in the Strategic report.

Reappointment of auditors

PricewaterhouseCoopers LLP were reappointed as auditors at the Annual General Meeting.

On behalf of the board

M Hayward

Director

23 December 2020

Independent auditors' report to the members of Babcock Training Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock Training Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2020; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of Babcock Training Limited
(continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Independent auditors' report to the members of Babcock Training Limited *(continued)*

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

S E Lewis

Sasha Lewis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
24 December 2020

Babcock Training Limited

Income Statement

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Revenue	4	**83,706**	78,570
Cost of sales		**(69,957)**	(68,539)
Gross profit		**13,749**	10,031
Administrative expenses		**(10,440)**	(11,688)
Amounts written off investments	5	**(12,395)**	(4,292)
Operating loss	5	**(9,086)**	(5,949)
Income from shares in group undertakings		**2,018**	-
Finance income	6	**20**	24
Finance expenses	6	**(638)**	(404)
Loss before taxation		**(7,686)**	(6,329)
Income tax credit	11	**264**	39
Loss for the financial year		**(7,422)**	(6,290)

All of the above results derive from continuing operations.

Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Loss for the financial year		**(7,422)**	(6,290)
Other comprehensive income:			
Items that will not be subsequently reclassified to income statement:			
Tax on net defined benefit obligation	11	**295**	(439)
(Loss)/gain on re-measurement of net defined benefit obligation	21	**(164)**	2,613
Total other comprehensive income		**131**	2,174
Total comprehensive loss		**(7,291)**	(4,116)

Statement of Financial Position

as at 31 March 2020

	Note	**2020** **£000**	2019 £000
Fixed assets			
Intangible assets	12	**15,696**	15,097
Tangible fixed assets	13	**10,404**	11,473
Right-of-use assets	14	**7,243**	-
Investments	15	**34,654**	51,883
Deferred tax asset	20	**3,678**	3,119
		71,675	81,572
Current assets			
Trade and other receivables	16	**32,970**	30,516
Cash and cash equivalents		**16,389**	13,411
		49,359	43,927
Current liabilities			
Trade and other payables – amounts falling due within one year	17	**(40,177)**	(43,723)
Lease liabilities	18	**(1,702)**	-
Net current assets		**7,480**	204
Total assets less current liabilities		**79,155**	81,776
Lease liabilities	18	**(5,782)**	-
Provisions for liabilities	19	**(864)**	(1,125)
Post-employment benefits	21	**(12,253)**	(12,916)
Net assets		**60,256**	67,735
Equity			
Called up share capital	24	**17,051**	17,051
Share premium account		**37,499**	37,499
Other reserves		**2**	2
Retained earnings		**5,704**	13,183
Total shareholders' funds		**60,256**	67,735

The notes on pages 14 to 43 are an integral part of these financial statements.

The financial statements on pages 11 to 43 were approved by the Board of Directors and signed on its behalf by:

M Hayward
Director
23 December 2020

Babcock Training Limited

Statement of Changes in Equity

for the year ended 31 March 2020

	Called up share capital	Share premium account	Other Reserves	Retained earnings	Total Share-holders' funds
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2018	17,051	37,499	2	17,299	71,851
Loss for the financial year	-	-	-	(6,290)	(6,290)
Total other comprehensive income	-	-	-	2,174	2,174
Balance at 31 March 2019	17,051	37,499	2	13,183	67,735
Transition to IFRS 16	**-**	**-**	**-**	**(188)**	**(188)**
Balance at 1 April 2019	**17,051**	**37,499**	**2**	**12,995**	**67,547**
Loss for the financial year	-	-	-	**(7,422)**	**(7,422)**
Total other comprehensive loss	-	-	-	**131**	**131**
Balance at 31 March 2020	**17,051**	**37,499**	**2**	**5,704**	**60,256**

Notes to the financial statements

1 General information

Babcock Training Limited is a private company limited by shares which is incorporated and domiciled in England, UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except IFRS16 where comparatives have not been restated under the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS16 is recognised in retained earnings at the initial date of application. Thus the comparative future minimum lease payments are based on IAS17 whereas the current year are based on IFRS16.

Basis of preparation

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

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through the income statement in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £’000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The company is a wholly owned subsidiary of Babcock Education and Training Holdings LLP and of its ultimate parent, Babcock International Group PLC, a company incorporated in England. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

a) Paragraphs 45(b) and 46 to 52 of IFRS 2, ‘Share based payments’
b) IFRS 7, ‘Financial instruments: Disclosures’
c) Paragraphs 91 to 99 of IFRS 13 ‘Fair value measurement’ (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
d) Paragraph 38 of IAS 1, ‘Presentation of financial statements’ comparative information in respect of:
- paragraph 79(a) (iv) of IAS 1 ‘Share capital and reserves’;
- paragraph 73(e) of IAS 16 ‘Property, plant and equipment’; and
- paragraph 118(e) of IAS 38 ‘Intangible assets’ (reconciliations between the carrying amount at the beginning and end of the period)

e) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

f) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
g) The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), 16, 38, 111, and 134-136

h) IAS 7, 'Statement of cash flows'
i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
j) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
k) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
l) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS36, 'impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, see further information disclosed in the Strategic report. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Adoption of new and revised standards

The company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued if it is not yet effective.

IFRS 16, *'Leases'* has been adopted in the year (effective 1 January 2019) and replaces IAS 17 as the definitive accounting standard for the recognition, measurement and disclosure of leases. The Company has adopted the standard from 1 April 2019.

Under the new standard, the Company has now recognised almost all leases, where the Company is a lessee, on the balance sheet as the distinction between finance leases and operating leases has been removed. Both short-term leases and low-value leases are exempt from IFRS 16, and instead their lease payments continue to be recognised as expenses on a straight-line basis. The approach for lessors has remained largely unchanged.

The Company has adopted the simplified transition approach, with the right-of-use assets measured at the amount of the lease liability on the date of transition for all leases except for Beckton where the retrospective approach has been adopted. With the simplified transition approach the lease liability was calculated as the present value of the minimum lease payments on the date of transition. For a number of high value property leases however, the right-of-use asset values have been calculated as the present value of the minimum lease payments at the inception date less accumulated depreciation and any impairments. An independent valuation was not used. The difference between the right-of-use assets and lease liabilities on the date of transition is taken to retained earnings. Comparative figures have not been restated for the year ended 31 March 2019.

2 Summary of significant accounting policies *(continued)*

The following practical expedients have been adopted on transition:

- Single discount rates have been applied to portfolios of leases with similar characteristics;
- IFRS 16 has only been applied to contracts that were previously classified as leases;
- Initial direct costs have been excluded from the measurement of right-of-use assets on the date of transition;
- The lease term has been determined with the use of hindsight where the contract contains options to extend the lease

Right-of-use asset are held at cost less accumulated depreciation and impairment. Any impairments are determined in line with IAS 36, “Impairment of Assets”. Depreciation is charged on a straight-line basis over the full length of the lease.

Lease liabilities decrease over time by the net of lease payments made and the interest accrued. Interest is charged to the income statement as the effect of discounting the future lease payments is unwound.

Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of business. Revenue is recognised in line with IFRS 15, *‘Revenue from Contracts with Customers’*. IFRS 15 requires the identification of performance obligations in contracts, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

(a) Performance obligations
Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract. The integrated output nature of many of the goods and services provided by the Company can result in contracts with one performance obligation.

(b) Allocation of contract price to performance obligations
The contract price represents the amount of consideration which the company expects to receive in exchange for delivering the promised goods or services to the customer. Variable consideration is included in the contract price on the most likely outcome basis but only to the extent that it is highly probable that it will not reverse in the future. Given the bespoke nature of many of the goods and services the company provides, stand-alone selling prices are generally not available and, in these circumstances, the company allocates the contract price to performance obligations based on cost plus margin, in accordance with the Group’s pricing principles. The company’s contracts typically do not include significant financing components.

(c) Revenue and profit recognition
Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time and the company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

- the customer simultaneously receives and consumes the benefits of the company's performance as it performs; or
- the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for work done; or
- the company's performance creates or enhances an asset controlled by the customer.

Most of the company's contracts meet the requirements to satisfy performance obligations and recognise revenue over time either because the customer simultaneously receives and consumes the benefits of the company's performance as it performs or the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for work done.

Where the company satisfies performance obligations over time, revenue is recognised using costs incurred as a proportion of total estimated costs to assess stage of completion, but with the stage of completion and revenue assessed in relation to each performance obligation. In some circumstances the company also uses an output based earned value approach, as an indicator, to validate the cost based input approach and this approach uses suitably qualified and experienced company personnel to assess the stage of completion of performance obligations.

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis, including consideration of technical and other risks, by suitably qualified and experienced personnel and the assessments of all significant contracts are subject to review and challenge. Assessment of outcomes is in relation to separate performance obligations and includes variable consideration, which can include judgements on variations and claims, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Judgements on contract variations and claims may consider, amongst other matters, the contract terms and conditions, previous experience with customers and the status of negotiations at the time judgements are made. Any expected loss on a contract is recognised immediately in the income statement.

The company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to payment by the company.

(d) Costs of obtaining a contract
Pre-contract costs are recognised as expenses as incurred, except that directly attributable costs incurred from the point that it can be reliably expected that a contract will be obtained, typically at preferred bidder stage, are recognised as an asset in capitalised contract costs and amortised over the life of the contract, provided that the contract is expected to result in future net cash inflows.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(e) Contract mobilisation costs
Post-contract award but pre-contract operational start-up mobilisation costs are recognised as an asset and amortised over the life of the contract. These mobilisation costs are included within the contract value and relate to ensuring that assets and resources are mobilised as necessary to support delivery of performance obligations in accordance with contract requirements.

(f) Principal versus agent considerations
The company's contracts include performance obligations in relation to procurement activity undertaken on behalf of customers at low or nil margin, together with other performance obligations. For such procurement activity, management exercises judgement in the consideration of principal versus agent based on the risks and rewards associated with the procurement activity. Factors that influence this judgement include the level of responsibility the company has under the contract for the provision of the goods or services, the extent to which the company is incentivised to fulfil orders on time and within budget, either through gainshare arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the company exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Company then comes to a judgement as to whether it acts as principal or agent on a contract by contract basis.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. The intangible assets are amortised on a straight line basis as follows:
a) Goodwill
Goodwill relating to acquisitions prior to transition date is maintained at its net book value on the date of transition to FRS 101 in accordance with the transitional rules. Annual impairment reviews are performed as outlined in note 12.

b) Computer software
Computer software includes software licences acquired plus the costs incurred in bringing the software into use and is shown at cost less accumulated amortisation and is amortised over its expected useful lives of between three and five years.

Property, plant and equipment

Property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of PPE over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Freehold land	Not depreciated
Freehold buildings	2% straight line
Assets under construction	Not depreciated
Leasehold improvements	Depreciation over duration of lease
Motor vehicles and plant & machinery	20% straight line
Fixtures, fittings and equipment	20-25% straight line

2 Summary of significant accounting policies *(continued)*

PPE is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell or value in use.

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

Financial instruments

(i) Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and amounts owned by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Such liabilities are subsequently carried at amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies (continued)

Share based payments

The Group operates equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models. The charge is recognised in the income statement over the vesting period of the award.

Taxation

(a) Current income tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Pensions costs and other post-retirement benefits

The company participates in a number of defined benefit schemes, including a number that share risks between entities under common control. A defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension scheme are charged to operating profit in the entities who participate in the scheme. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies (continued)

Pensions costs and other post-retirement benefits *(continued)*

The fair value of plan assets, are measured in accordance with FRS 101 fair value hierarchy and includes the use of appropriate valuation techniques.

The scheme's liability is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The extent to which the company recognises its share of the income statement charge, the assets and liabilities of the scheme, and the actuarial gain or loss is determined by the proportion of active members of the scheme that it employs.

The company also participates in a number of centralised defined benefits schemes with the assets held in separate trustee-administered funds. Where the company's liability is capped at the payments actually made and the funding risk remains outside of the company, the scheme is accounted for by the company as if the scheme is a defined contribution scheme.

The company also participates in a defined contribution scheme. Obligations for contributions to the defined benefit pension plan are recognised as an expense in the income statement.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the local currency at the year-end exchange rates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Lessee accounting

For lessees there is no longer a distinction between finance or operating leases as all leases are now recognised on the balance sheet. When a lease commences, a lease liability is recognised that is equal to the present value of the minimum lease payments. A right-of-use asset is also recognised and is equal in value to the lease liability. This represents the right to use the leased asset for the full lease term.

Short-term leases and low-value leases are exempt from recognition on the balance sheet, and the payments are instead recognised on a straight-line basis in the income statement in the same way as they would have been under IAS 17. A lease is considered short-term if the total lease length is less than 12 months, and low-value if the underlying asset would cost less than £5,000 to buy new.

Right-of-use assets are depreciated over the total lease term. As the discounting is unwound, interest is charged in the income statement and increases the lease liabilities. When lease payments are made, the lease liabilities reduce. Therefore both right-of-use assets and lease liabilities have nil value at the end of the lease.

Lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate where the interest rate implicit in the lease is not available.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies (continued)

Provisions for liabilities

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

A provision for restructuring is recognised when the company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

A provision for onerous contracts is recognised 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. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the company incurring further costs.

Provisions for losses on contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write downs of work-in-progress for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly.

A provision for employee benefits is recognised when there is a realistic expectation of the liability.

Dividends

Dividends are recognised as a liability in the company's financial statements in the period in which they are approved. Interim dividends are recognised when paid.

3 Critical accounting estimates and judgements

In the course of preparation of the financial statements no judgements have been made in applying the Company's accounting policies, other than those involving estimates, that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in forward looking estimates may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates in relation to these financial statements are considered below:

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgements *(continued)*

Revenue and profit recognition

Revenue and profit recognition on contracts is based on estimates of outturn revenues and costs on a contract-by-contract basis. Both of these estimates can involve significant levels of estimation uncertainty. Estimating contract revenues can involve judgements around whether the company will meet performance targets, earn incentives and the pricing of any scope changes, variations or claims under the contract. When considering variations to contracts, the company must make a judgement as to whether the variation should be accounted for as a separate, distinct contract or be considered, and accounted for, as part of the original contract. This judgement will depend on the scope of the variation, its pricing and the contractual terms. Contract outturn assessments are carried out by suitably qualified and experienced personnel and include assessments of variable consideration and contract contingencies arising out of technical, commercial, operational and other risks. When considering variations, claims and contingencies, the company analyses various factors including the contractual terms, status of negotiations with the customer and historic experience with that customer and similar contracts. The assessment of all significant contracts are subject to review and challenge. As contracts near completion, often less judgement is needed to determine the size of the expected outturn.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds.

Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures of the defined benefit pension scheme.

Impairment of investments in subsidiaries

The Company conducts impairment reviews of investments in subsidiaries whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the recoverable amount, which requires the Company to estimate the value in use which base on future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. See note 15 for the disclosures of the carrying value of investments.

4 Revenue

Revenue is wholly attributable to the principal activities of the company and arises as follows:

	2020	2019
	£000	£000
By area of activity:		
Rendering of services	**62,665**	60,149
Long term contracts	**21,041**	18,421
	83,706	78,570

All the revenue in the year ended 31 March 2020 and the year ended 31 March 2019 originated in the United Kingdom.

Notes to the financial statements *(continued)*

5 Operating loss

Operating loss is stated after charging/(crediting):

	2020 £000	2019 £000
Depreciation of property, plant and equipment (note 13)	1,201	1,279
Right-of-use assets depreciation (note 14)	1,894	-
Amortisation of intangible assets (note 12)	180	337
Impairment of trade receivables	10	187
Operating lease charges – property and buildings	-	1,773
Operating lease charges – other	-	1,340
Audit fees payable to the company's auditors	80	60

Fees paid to the company's auditors, PricewaterhouseCoopers LLP, and its associates, for services other than statutory audit of the company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC. The group financial statements are required to comply with the statutory disclosure requirements.

Exceptional item charged to the Income Statement was as follows:

	2020 £000	2019 £000
Reduction in carrying value of investments (note 15)	**(12,395)**	(4,292)
	(12,395)	(4,292)

6 Finance income and expenses

	2020 £000	2019 £000
Finance income:		
Bank interest	**20**	24
	20	24
Finance expenses:		
Lease interest	**(332)**	-
Other finance costs – Pensions (note 21)	**(306)**	(404)
	(638)	(404)

7 Dividends per share

	2020	2019
	£000	£000
Dividends paid on ordinary shares:		
Ordinary - £nil (2019: £nil)	**-**	-

8 Staff costs

The average monthly number of employees (including directors) employed by the company during the year was as follows:

	2020	2019
	Number	Number
By activity:		
Operations	**981**	1,023
Management and administration	**269**	285
	1,250	1,308

Their aggregate remuneration comprised:

	2020	2019
	£000	£000
Wages and salaries	**36,187**	36,517
Social security costs	**3,822**	3,869
Other pension costs (note 21)	**3,925**	2,521
Share based payments	**58**	(42)
	43,992	42,865

Included in staff costs is a total charge of share-based payments of £58,000 (2019: £42,000 credit) which arises from transactions accounted for as equity settled share-based payment transactions. Included in other pension costs are £384,000 (2019: £386,000) in respect of the defined benefit schemes and £3,541,000 (2019: £2,135,000) in respect of the defined contribution scheme.

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These are recharged to those business entities.

9 Directors' emoluments

The emoluments of the directors, including pension contributions, paid by the company in respect of services provided to this company were as follows:

	2020	2019
	£000	£000
Emoluments (including benefits in-kind)	**-**	197
Defined contribution pension scheme	**-**	15
	-	212

Notes to the financial statements *(continued)*

9 Directors' emoluments *(continued)*

During the year none of the directors received any remuneration in respect of services to this company, as their services were considered incidental to their other services in the Group (2019: one director received remuneration in respect of services to this company).

All of the directors of the company are remunerated by other Babcock Group companies (2019: one was remunerated by Babcock Training Limited). It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the company in relation to services performed by the directors in relation to other Babcock Group companies.

The above amounts for remuneration include the following in respect of the highest paid director:

	2020	2019
	£000	£000
Emoluments (excluding pension contributions)	**-**	197

The highest paid director exercised shares under long term incentive plans in 2019.

10 Share based payments

The charge to the income statement is based on the amount charged from Babcock International Group PLC. This charge represents an allocation of the total charge based on the proportion which relates to Babcock Training Limited. The total charge has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below is included within the Remuneration report in the Babcock International Group PLC Annual Report and Financial Statements.

During the year the total charge relating to employee share-based payment plans was £58,000 (2019: £42,000 credit) all of which related to equity-settled share-based payment transactions.

The fair value per option granted and the assumptions used in the calculation are as follows:

DBMP, PSP, DBP and CSOP1

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – EPS/ROCE %	Fair value per option – TSR Pence	Fair value per option – EPS/ROCE Pence	Correlation %	Grant or modification date
2019 PSP	58,097	472.8	11.0%	6	-	70.9	472.8	45%	13/06/19
2018 PSP	37,396	856.0	14.0%	6.0	-	370.9	856.0	56%	13/06/18
2018 DBP	2,212	856.0	14.0%	4.0	100%	–	856.0	56%	13/06/18
2017 PSP	61,961	905.5	15.0%	4.0	-	131.2	905.5	46%	14/06/17
2017 DBP	1,895	905.5	15.0%	3.0	100%	–	905.5	46%	14/06/17

1. DBMP = Deferred Bonus Matching Plan, PSP = Performance Share Plan, DBP = Deferred Bonus Plan and CSOP = company Share Option Plan.

Notes to the financial statements *(continued)*

10 Share based payments *(continued)*

Both the vesting period and the expected life of all DBMP and PSP awards is three years, but for the DBP it is two years, other than for Executive Directors where the vesting period is three years. The holders of all awards receive dividends.

The PSP awards are split evenly between the performance criteria of TSR, EPS and ROCE. There are no performance conditions attached to the DBP.

The expected volatility is based on historical volatility over the last one to three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 104,756 matching shares (2019: 92,772 matching shares) at a cost of £0.5 million (2019: £0.6 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 1,000 matching shares were purchased on the open market (2019: nil matching shares) and 713 matching shares vested (2019: 82 matching shares) leaving a balance of 1205 matching shares (2019: 918 matching shares).

11 Income tax (credit)/expense

Tax credit included in income statement

	2020	2019
	£000	£000
Current tax:		
UK Corporation tax on profits for the year	**-**	-
Current tax charge for the year	**-**	-
Deferred tax:		
Origination and reversal of timing differences	**(184)**	68
Adjustments in respect of prior years	**21**	(105)
Impact of change in UK tax rate	**(101)**	(2)
Total deferred tax credit (note 20)	**(264)**	(39)
Tax on loss on ordinary activities	**(264)**	(39)

Notes to the financial statements *(continued)*

11 Income tax (credit)/expense *(continued)*

Tax (credit)/expense included in other comprehensive income

	2020 **£000**	2019 £000
Deferred tax:		
Tax impact of actuarial gains on post-employment benefits	**(31)**	496
Impact of change in UK tax rate	**(264)**	(57)
Tax (credit)/expense included in other comprehensive income	**(295)**	**439**

Tax expense for the year is higher (2019: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2020 of 19% (2019: 19%). The differences are explained below:

	2020 **£000**	2019 £000
Loss before income tax	**(7,686)**	(6,329)
Loss before income tax multiplied by standard UK corporation tax rate of 19% (2019: 19%)	**(1,460)**	(1,203)
Effects of:		
Group Relief (received)/surrendered for nil consideration	**(1,208)**	292
Expenses not deductible for tax purposes / (Income not subject to tax)	**2,484**	979
Adjustments in respect of deferred tax for prior years	**21**	(105)
Impact of change in UK tax rate	**(101)**	(2)
Total tax credit for the year	**(264)**	(39)

In the 2019 UK Budget it was announced that the UK corporation tax rate would not reduce to 17% but would remain at 19% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 19% as this is the tax rate that will apply on reversal.

12 Intangible assets

	Software £000	Goodwill £000	Total £000
Cost			
At 1 April 2019	1,482	14,316	15,798
Additions	780	-	780
Disposals	(162)	-	(162)
At 31 March 2020	**2,100**	**14,316**	**16,416**
Accumulated amortisation			
At 1 April 2019	(701)	-	(701)
Amortisation	(180)	-	(180)
Disposals	161	-	161
At 31 March 2020	**(720)**	**-**	**(720)**
Net book value			
At 31 March 2020	**1,380**	**14,316**	**15,696**
At 31 March 2019	781	14,316	15,097

Intangible assets amortisation is recorded in administrative expenses in the income statement. Goodwill is reviewed for impairment annually based on the latest forecast produced as part of our annual planning process. We assess the appropriate growth rates at a business unit level and apply a consistent discount factor across the group.

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to ‘The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

Notes to the financial statements *(continued)*

13 Tangible fixed assets

	Freehold land & buildings	Motor Vehicles, Plant and machinery	Fixtures, Fittings and Equipment	Leasehold Improvements	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2019	14,157	721	3,229	766	18,873
Additions	-	24	114	-	138
Disposals	(27)	(92)	(983)	(141)	(1,243)
At 31 March 2020	**14,130**	**653**	**2,360**	**625**	**17,768**
Accumulated depreciation					
At 1 April 2019	(3,477)	(465)	(2,782)	(676)	(7,400)
Charge for the year	(840)	(32)	(328)	(1)	(1,201)
Disposals	27	92	977	141	1,237
At 31 March 2020	**(4,290)**	**(405)**	**(2,133)**	**(536)**	**(7,364)**
Net book value					
At 31 March 2020	**9,840**	**248**	**227**	**89**	**10,404**
At 31 March 2019	10,680	256	447	90	11,473

The net book value of leasehold improvements comprises:

	2020	2019
	£000	£000
Long leasehold	**89**	90
Net book value	**89**	90

Contractual commitments for property, plant and equipment at year end is £nil (2019: £nil).

Notes to the financial statements *(continued)*

14 Right-of-use assets

	Property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2019	-	-	-
Transition to IFRS 16	4,847	1,516	6,363
Additions	4,375	1,153	5,528
Terminations	(11)	(309)	(320)
At 31 March 2020	**9,211**	**2,360**	**11,571**
Accumulated depreciation			
At 1 April 2019	-	-	-
Transition to IFRS 16	(2,677)	-	(2,677)
Charge for the year	(837)	(1,057)	(1,894)
Terminations	11	232	243
At 31 March 2020	**(3,503)**	**(825)**	**(4,328)**
Net book value			
At 31 March 2020	**5,708**	**1,535**	**7,243**
At 31 March 2019	-	-	-

15 Investments

	Total £000
Carrying amount	
Carrying amount at 1 April 2019	51,883
Impairments charged to the income statement	(12,395)
Return of capital on liquidation of Babcock Careers Guidance Ltd	(4,834)
Carrying amount at 31 March 2020	**34,654**

The Directors believe that the carrying value of the investments is supported by their underlying net assets. The impairment charged to the income statement primarily relates to a reduction in the carrying value of Babcock Skills Development & Training Limited.

During the year Babcock Careers Guidance Limited was placed into member's voluntary liquidation as the company was dormant and a return of capital of £4,834,000 has been received

Details of the investments are outlined in note 25.

Notes to the financial statements *(continued)*

16 Trade and other receivables

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade receivables	**8,151**	8,768
Amounts owed by group undertakings	**18,117**	17,514
Other receivables	**2,432**	196
Prepayments	**583**	1,262
Contract asset	**3,687**	2,776
	32,970	30,516

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

There are 2 major loans (2019: 2) to group companies totalling £14,500,000 (2019: £14,500,000) which are repayable on demand, with no interest charge.

	Contract asset £'000
At 31 March 2019	2,776
Transfers from contract assets recognised at the beginning of the year to receivables	(2,295)
Increase due to work recognised in the income statement	3,206
At 31 March 2020	**3,687**

17 Trade and other payables

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade creditors	**3,806**	4,199
Amounts owed to parent and group undertakings	**9,352**	14,978
Other taxation and social security	**1,779**	1,325
UK Corporation tax payable	**-**	-
Other payables	**24,637**	22,194
Contract liabilities	**603**	1,027
	40,177	43,723

Amounts owed to parent and group undertakings are unsecured, interest free, and repayable on demand.

Notes to the financial statements *(continued)*

17 Trade and other payables *(continued)*

The company has access to the Babcock International Group PLC overdraft facility. The company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 22).

	Contract liabilities £'000
At 31 March 2019	1,027
Revenue recognised that was included in contract liabilities at the beginning of the year	(1,027)
Increase due to cash received, excluding amounts recognised as revenue	603
At 31 March 2020	**603**

18 Lease liabilities

The entity leases various premises under non-cancellable lease agreements. The leases have various terms, escalation clauses and renewal rights. The entity also leases plant and machinery under non-cancellable leases.

Discounted future minimum lease payments are as follows:

	2020 £'000	On transition £'000
Within one year	**1,702**	1,455
In more than one year, but not more than five years	**5,782**	2,317
Carrying value of liability	**7,484**	3,772

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.800%. Cash payments for leases this year were £2,205,000 (2019: £2,066,000).

The table below explains the difference between the total operating lease commitments recognised under IAS 17 as at 31 March 2019 and the total lease liability recognised on transition to IFRS 16 as at 1 April 2019.

Notes to the financial statements *(continued)*

18 Lease liabilities *(continued)*

	Total £'000
Operating lease commitments at 31 March 2019	3,621
Effect of discounting	(244)
Change in assessment of terms of the lease	395
IFRS 16 lease liability at 1 April 2019	**3,772**

19 Provisions for liabilities

	Contract provisions £000	Dilapidations provisions £000	Total £000
At 1 April 2019	557	568	1,125
Charged to the income statement	19	235	254
Released to the income statement	(492)	(23)	(515)
At 31 March 2020	**84**	**780**	**864**

Contract provisions

The contract provision relates to the committed costs should the contract with Worcestershire County Council not be renewed in 2020. This provision is expected to be utilised during the year ending 31 March 2021.

There are a small number of provisions in relation to future costs on other contracts.

These provisions are based on the assessment of future costs and are assessed with reference to past experience. Contract provisions have not been discounted.

Dilapidation provisions

Dilapidation provisions relate to the cost of dilapidations to leasehold properties. These provisions are expected to be utilised in the next 3 years.

20 Deferred taxation

The major components of the deferred tax assets are recorded as follows:

	Accelerated capital allowances	Retirement Benefit Obligations	Other	Total
Deferred tax (assets)	**£000**	**£000**	**£000**	**£000**
At 1 April 2018:	**(734)**	**(2,682)**	**(103)**	**(3,519)**
Charged / (credited) to the income statement	98	47	(184)	(39)
Credited to other comprehensive income	-	439	-	439
At 31 March 2019:	**(636)**	**(2,196)**	**(287)**	**(3,119)**
- (Credited)/charged to the income statement	1	163	(428)	(264)
- Charged to other comprehensive income	-	(295)	-	(295)
At 31 March 2020:	**(635)**	**(2,328)**	**(715)**	**(3,678)**

In the opinion of the directors, the deferred tax assets will be recovered over the trading life of the company as fixed assets are depreciated and pensions unwind.

21 Post-employment benefits

The company accounts for pension costs in accordance with IAS 19.

Defined Contribution Schemes

The company contributes to several defined contribution schemes in respect of a number of its employees. The company recognised an expense amounting to £3,541,000 (2019: £2,135,000) in respect of the defined contribution schemes.

Worcestershire County Council

On 1 October 2015 a number of employees of Worcestershire County Council transferred to the company, but continued to be members of the Worcestershire County Council Pension Fund. The company's liability is capped at the payments actually made and the funding risk remains with the local authority. Accordingly this scheme is accounted for by the company as if the scheme is a defined contribution scheme. The total cost of pension contributions for employees of the company during the year was £287,000 (2019: £313,000) and there was a creditor of £nil (2019: £34,000) in the balance sheet. The company expects to contribute approximately £45,000 (2019: £298,000) in the next financial year.

Babcock International Group Pension Scheme

The company also contributes into the Babcock group wide defined contribution scheme. The total cost of pension contributions for employees of the company during the year was £3,024,000 (2019: £2,110,000).

Notes to the financial statements *(continued)*

21 Post-employment benefits *(continued)*

Teachers' Pension Scheme (TPS)

The company participates in TPS (a national teachers pension scheme providing benefits based on final pensionable pay). The company's only obligation is to pay the contributions as they fall due and if the company ceases to employ members of the scheme, it will have no obligation to pay any further contributions to cover any shortfall against the cost of the benefits earned by its own employees in previous years. Therefore the scheme is a defined contribution scheme for the purpose of IAS 19 and is accounted for as such by the company. The total cost of pension contributions for employees of the company during the year was £230,000 (2019: £197,000) and there was a creditor of £29,000 (2019: £24,000) in the balance sheet. The company expects to contribute approximately £42,000 (2019: £248,000) in the next financial year

Defined Benefit Schemes

The company also participates in a number of defined benefit pension schemes for the benefit of its employees. The full details of these schemes are disclosed below.

For all the defined benefit schemes outlined below, the IAS 19 valuation has been updated at 31 March 2020 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19.

BIG Pension Scheme (BPS)

The company is a contributing employer to a defined benefit scheme known as the "Babcock International Group Pension Scheme" (BPS). The BPS a multi-employer scheme, the full details of which are disclosed in the financial statements of Babcock International Group PLC, which are publicly available. The company's allocation of this scheme is detailed in the tables below. The latest triennial review was 31 March 2016.

In the last financial year, the Babcock International Group Pension Scheme was closed to future accrual for some employees. These members moved from active to active deferred members of the scheme, retaining a final salary link.

Guidance Pension Scheme (GPS)

The "Guidance Pension Scheme" (GPS) was closed during 2011 for future accrual for all members. However it was re-opened for the month of February 2013 to enable the transfer in of one Babcock Training Limited employee for one month to enact the apportionment of GPS into the company. The latest triennial review was 6 April 2017. The company expects to contribute approximately £600,000 (2019: £600,000) in the next financial year.

Citrus Pension Scheme (CPS)

The company participates in the superannuation agreements of the Citrus Pension Plan, which is a centralised defined benefit scheme for certain employees, with assets held in separate trustee-administered funds. The latest triennial review was 31 March 2018. The company expects to contribute approximately £795,000 (2019: £795,000) in the next financial year.

Notes to the financial statements *(continued)*

21 Post-employment benefits *(continued)*

Local Government Pension Scheme (LGPS)

The company also participates in the Local Government Pension Scheme (LGPS), a centralised defined benefits scheme with the assets held in separate trustee-administered funds. The company expects to contribute approximately £121,000 (2019: £121,000) in the next financial year.

London Fire Brigade

A number of employees working on the London Fire Brigade contract continue to be members of the LGPS. Under the terms and conditions of the original transfer, the associated pension fund assets and liabilities are separately identifiable and segregated for funding purposes.

The last formal valuation was carried out at 31 March 2016.

In December 2018, the Court of Appeal handed down a judgement regarding two employment tribunal cases (McCloud and Sargeant), which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. The judgement concluded that the transitional protection offered to some members as part of scheme reforms amounted to unlawful discrimination. On 27 June 2019, the Supreme Court denied the Government's request to appeal the judgement.

It was noted by the Government in its 15 July 2019 statement that it expects to have to amend all public service pension schemes in light of the judgement, including the LGPS. However, it is not yet clear how this judgement may affect LGPS members' benefits

Additionally, in March 2019 the High Court ruled that firefighters making additional earnings through working extended hours or doing additional duties are pensionable.

In both of these cases the company is working with the trustees of the pension scheme, and the actuarial and legal advisers, to understand the extent to which the judgements crystallise additional liabilities. The initial estimates demonstrate that the impact is not material to the financial statements and therefore the company anticipates that any adjustment necessary will be recognised in the March 2021 statutory accounts.

The major assumptions used for the IAS 19 valuation were:

	2020 BPS	2020 GPS	2020 CPS	2020 LGPS	2019 BPS	2019 GPS	2019 CPS	2019 LGPS
Discount rate (past service)	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Salary increases (past service)	2.00%	N/A	N/A	2.00%	2.30%	N/A	N/A	2.30%
Deferred revaluation (past service)	2.60%	1.80%	1.80%	1.80%	3.20%	2.10%	2.10%	2.10%
Pension increases (past service)	2.55%	2.68%	1.98%	1.98%	2.96%	2.23%	3.14 %	2.23%
Discount rate (future service)	2.60%	N/A	N/A	2.60%	2.60%	N/A	N/A	2.60%
Salary increases (future service)	1.80%	N/A	N/A	1.80%	2.20%	N/A	N/A	2.20%
Deferred revaluation (future service)	2.40%	N/A	N/A	1.60%	3.10%	N/A	N/A	2.00%
Pension increases (future service)	1.55%	N/A	N/A	1.82%	1.77%	N/A	N/A	2.15%
Inflation assumption	1.70%	1.70%	1.70%	1.70%	2.40%	2.40%	2.40%	2.40%

Notes to the financial statements *(continued)*

21 Post-employment benefits *(continued)*

The mortality assumptions used were:

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

Years	2020 BPS	2020 GPS	2020 CPS	2020 LGPS	2019 BPS	2019 GPS	2019 CPS	2019 LGPS
Life expectancy from age 65 (Male age 65)	22.1	21.6	20.9	20.6	21.7	21.4	21.5	20.8
Life expectancy from age 65 (Male age 45)	22.7	22.6	22.9	21.7	22.7	23.4	22.5	21.9

The changes to the company balance sheet at 31 March 2020 and the changes to the company income statement for the year to 31 March 2020, if the assumptions were sensitised by the amounts below, would be:

£'m	2020 BPS*	2020 GPS	2020 CPS	2020 LGPS	2020 BPS*	2020 GPS	2020 CPS	2020 LGPS
	Defined benefit obligations				Income statement			
Initial assumptions	1276.8	22.9	31.8	10.4	4.1	0.1	0.2	0.2
Discount rate assumptions increased by 0.5%	1,190.1	20.6	28.9	8.9	0.5	0.1	0.2	0.2
Discount rate assumptions decreased by 0.5%	1,363.8	25.1	34.73	11.9	6.9	0.1	0.3	0.3
Inflation rate assumptions increased by 0.5%	1,328.6	25.1	34.3	11.0	5.9	0.2	0.3	0.2
Inflation rate assumptions decreased by 0.5%	1,229.3	20.6	29.4	9.8	2.5	0.1	0.2	0.2
Total life expectancy increased by half a year	1,306.3	23.3	32.4	10.6	4.9	0.1	0.3	0.2
Total life expectancy decreased by half a year	1,247.3	22.4	31.2	10.3	3.3	0.1	0.2	0.2
Salary increase assumptions increased by 0.5%	1,283.7	22.9	31.8	11.4	4.5	0.1	0.2	0.3
Salary increase assumptions decreased by 0.5%	1,269.9	22.9	31.8	9.5	3.7	0.1	0.2	0.2

*Sensitivities on BPS represent changes to the overall scheme, not solely the company's share

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year. The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March were:

Notes to the financial statements *(continued)*

21 Post-employment benefits *(continued)*

Analysis of assets

£'000	2020 BPS*	2020 GPS	2020 CPS	2020 LGPS	2019 BPS*	2019 GPS	2019 CPS	2019 LGPS
Equities / Private equity / GTAA	17,851	-	7,132	4,471	444,412	-	11,539	4,637
Property / Infrastructure	136,091	-	2,433	1,325	136,658	-	-	1,288
Corporate bonds / Credit / EMD	-	-	-	-	-	-	-	-
Government bonds	588,848	5,553	10,957	1,987	326,937	5,647	9,559	2,319
Repo obligations	-	-	-	-	-	-	-	-
Collateral	65,642	-	-	-	60,111	-	-	-
Funds awaiting investment	-	-	-	-	-	-	-	-
Multi Strategy Funds	87,564	11,654	2,611	-	16,135	12,281	2,569	-
Matching Assets	557,023	196	4,027	497	484,723	104	3,756	343
Active position on longevity swaps	(65,642)	-	-	-	(60,111)	-	-	-
Fair value of assets	**1,387,377**	**17,403**	**27,160**	**8,280**	**1,408,865**	**18,032**	**27,423**	**8,587**

*Amounts for BPS are for the overall scheme, not solely the company's share.

Investments have been valued for this purpose at fair value at the balance sheet date. Equity investments and bonds are valued at bid price. The longevity swaps have been valued in line with assumptions that are consistent with the requirements of IFRS 13, the valuation of which is equal to the amount of collateral posted by the schemes as at balance sheet date.

Analysis of amount charged/(credited) to the income statement

£'000	2020 BPS	2020 GPS	2020 CPS	2020 LGPS	2020 Total	2019 BPS	2019 GPS	2019 CPS	2019 LGPS	2019 Total
Current service cost	-	-	-	203	**203**	51	-	-	193	**244**
Administrative expenses	-	-	181	-	**181**	10	-	132	-	**142**
Past service cost	-	-	-	-	**-**	72	60	319	-	**451**
Settlement	-	-	-	-	**-**	1	-	-	-	**1**
Net interest cost/(income)	-	145	100	61	**306**	(8)	234	119	59	**404**
Net Periodic Benefit Cost	**-**	**145**	**281**	**264**	**690**	**126**	**294**	**570**	**252**	**1,242**

The amounts charged to the income statement in the Babcock International Group plc financial statements for BPS were £6,693,000 for current service cost (2019: £9,615,000), £1,970,000 for administrative expenses (2019: £1,965,000), past service costs £nil (2019: £13,646,000) and net interest income of £1,300,000 (2019: net interest income £1,524,000).

Notes to the financial statements *(continued)*

21 Post-employment benefits *(continued)*

Analysis of amount included in statement of comprehensive income ("SOCI")

£'000	2020 BPS	2020 GPS	2020 CPS	2020 LGPS	2020 Total	2019 BPS	2019 GPS	2019 CPS	2019 LGPS	2019 Total
Assumptions gain/(loss) on liabilities	-	1,656	1,515	980	**4,151**	(138)	(906)	(344)	(602)	**(1,990)**
Experience (loss)/gain on liabilities	-	-	(1,393)	-	**(1,393)**	17	3,715	(331)	-	**3,401**
(Loss)/gain on assets	-	(1,205)	(724)	(512)	**(2,441)**	115	(108)	1,021	417	**1,445**
Other (losses)/gains put through SOCI	(263)	-	(218)	-	**(481)**	(246)	-	3	-	**(243)**
SOCI	**(263)**	**451**	**(820)**	**468**	**(164)**	**(252)**	**2,701**	**349**	**(185)**	**2,613**

The amounts included in the statement of comprehensive income in the Babcock International Group plc financial statements for BPS was an actuarial gain of £56,807,000 (2019: £4,077,000 gain), experience losses of £6,371,000 (2019: £3,181,000 gain) and other losses of £4,088,000 (2019: other losses £8,666,000).

Reconciliation of present value of scheme liabilities

£'000	2020 BPS*	2020 GPS	2020 CPS	2020 LGPS	2019 BPS*	2019 GPS	2019 CPS	2019 LGPS
Opening present value of the defined benefit obligation	1,359,140	24,387	31,773	11,061	1,380,628	26,824	30,944	10,095
Current service cost	6,693	-	-	203	9,615	-	-	193
Administrative expenses	1,970	-	181	-	1,965	-	132	-
Interest on liabilities	31,602	581	759	267	34,972	687	791	262
Contributions by employee	140	-	-	50	272	-	-	43
Actuarial gain)/loss on financial assumptions	(54,871)	(1,749)	(1,338)	(812)	47,464	1,329	953	816
Actuarial loss/(gain) on demographic assumptions	6,350	93	(177)	(168)	(21,380)	(422)	(609)	(214)
Experience loss/(gain)	6,371	-	1,393	-	(3,181)	(3,715)	331	-
Benefits and expenses paid	(80,602)	(460)	(1,234)	(173)	(102,320)	(376)	(1,088)	(134)
Past service cost	-	-	-	-	13,646	60	319	-
Settlement	-	-	-	-	(2,541)	-	-	-
Transfer between plans	-	-	459	-	-	-	-	-
Closing present value of the defined benefit obligation	**1,276,793**	**22,852**	**31,816**	**10,428**	**1,359,140**	**24,387**	**31,773**	**11,061**

*Amounts for BPS are for the overall scheme, not solely the company's share

Notes to the financial statements *(continued)*

21 Post-employment benefits *(continued)*

Reconciliation of fair value of plan assets (including reimbursement rights)

£'000	2020 BPS*	2020 GPS	2020 CPS	2020 LGPS	2019 BPS*	2019 GPS	2019 CPS	2019 LGPS
Opening fair value of assets	1,408,865	18,032	27,423	8,587	1,440,828	17,582	26,034	7,952
Interest on assets	32,901	436	658	206	36,495	453	672	203
Actuarial gains/(losses)	4,199	(1,205)	(723)	(511)	13,341	(108)	1,021	417
Contributions by employer	21,874	600	795	121	23,010	481	784	106
Contributions by employee	140	-	-	50	272	-	-	43
Benefits and expenses paid	(80,602)	(460)	(1,234)	(173)	(102,320)	(376)	(1,088)	(134)
Settlement	-	-	-	-	(2,761)	-	-	-
Transfer between plans	-	-	241	-	-	-	-	-
Closing fair value of assets	**1,387,377**	**17,403**	**27,160**	**8,280**	**1,408,865**	**18,032**	**27,423**	**8,587**

*Amounts for BPS are for the overall scheme, not solely the company's share.

Statement of financial position

£'000	2020 GPS	2020 CPS	2020 LGPS	2020 Total	2019 GPS	2019 CPS	2019 LGPS	2019 Total
Fair value of assets	17,403	27,160	8,280	**52,843**	18,032	27,423	8,587	**54,042**
Present value of the defined benefit obligation	(22,852)	(31,816)	(10,428)	**(65,096)**	(24,387)	(31,773)	(11,061)	**(67,221)**
	(5,449)	**(4,656)**	**(2,148)**	**(12,253)**	**(6,355)**	**(4,350)**	**(2,474)**	**(13,179)**
Company's allocation of BPS assets and liabilities				-				263
Balance sheet				**(12,253)**				**(12,916)**

22 Contingent liabilities

At the year-end date the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2019: £nil) provided to certain Group companies. In addition, the company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2019: £nil).

No securities have been provided by the company in relation to these contingent liabilities. There is no current expectation that these contingent liabilities will crystallise.

The company is a member of a wider Babcock VAT group, and as a result is jointly and severally liable with the other members for the VAT liability of the group. At 31 March 2020 the accrued VAT liability of the group was £1,367,780 (2019: £1,039,344).

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Notes to the financial statements *(continued)*

23 Related party disclosures

The company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available.

The company also entered into transactions with Babcock Learning and Development LLP, a partnership which is 80.1% owned by Babcock Education Holdings Limited.

Transactions entered into and trading balances outstanding in 2020 were as follows:

	Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Babcock Learning and Development Partnership LLP	3	430	0	34

Transactions entered into and trading balances outstanding in 2019 were as follows:

	Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Babcock Learning and Development Partnership LLP	83	34	13	24

All dealings with related parties noted above arise in the normal course of business and are subject to normal terms and conditions.

24 Called up Share capital

	2020 £000	2019 £000
Allotted and fully paid		
17,051,110 ordinary shares of £1 each (2019: 17,051,110)	**17,051**	17,051

Notes to the financial statements *(continued)*

25 Subsidiary, and associate and joint venture undertakings

All related undertakings for the company are as listed below:

Company Name	Direct/Indirect	Shareholding
KML (UK) Limited	Direct	100.0%
HCTC Limited	Direct	100.0%
Touchstone Learning and Skills Limited	Indirect	100.0%
Babcock Skills, Development and Training Limited	Direct	100.0%
Babcock Careers Guidance Limited	Direct	100.0%
Babcock Assessments Limited	Indirect	100.0%
Babcock Careers Guidance (South) Limited	Indirect	100.0%
Guidance Services Limited	Indirect	100.0%
Capital Careers Limited	Indirect	88.25%
Skills2Learn Limited	Direct	100.0%
National Training Institute LLC	Direct	70%
Skills Development Training Institute LLC	Indirect	49%

The registered office of all undertakings with the exception of National Training Institute LLC, Skills Development Training Institute LLC and their subsidiaries is 33 Wigmore Street, London, W1U 1QX, England. The registered office of National Training Institute LLC and its subsidiaries is PO Box 267, Postal code 115, Madinat Qaboos, Sultanate of Oman. All subsidiary undertakings with the exception of National Training Institute LLC are incorporated and operate in the United Kingdom. National Training Institute LLC and its subsidiaries are incorporated and operate in the Sultanate of Oman. Skills Development Training Institute LLC and its subsidiaries are incorporated in the Kingdom of Saudi Arabia.

The company's investments in all subsidiary undertakings take the form of a holding of Ordinary shares.

26 Ultimate parent undertaking

The company's immediate parent company is Babcock Education and Training Holdings LLP, a limited liability partnership registered in England and Wales. The company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC Financial Statements are available from the following address:

The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London
W1U 1QX