

**Babcock Training Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2024**  
Company registration number 02817838

# Babcock Training Limited

## COMPANY INFORMATION

<b>Directors</b>	J Parker J Rayson M Abbott
<b>Company secretary</b>	Babcock Corporate Secretaries Limited
<b>Registered number</b>	02817838
<b>Registered office</b>	33 Wigmore Street London W1U 1QX
<b>Independent auditors</b>	Deloitte LLP 1 New Street Square London EC4A 3HQ

**CONTENTS**

	<b>Page</b>
Strategic report	3
Directors' report	8
Independent Auditors report	12
Income statement	16
Statement of comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18
Notes to the financial statements	19

# Babcock Training Limited

## Strategic report for the year ended 31 March 2024

The directors present their Strategic report on the company for the year ended 31 March 2024.

### Principal activities

The principal activities of the company are the provision of apprenticeship and other vocational training across the emergency services and defence sectors to a range of customers including the London Fire Brigade and the Metropolitan Police Service.

### Review of the business

	<b>2024</b>	2023
	<b>£'000</b>	£'000
Revenue	<b>59,728</b>	75,150
Profit before tax	<b>2,977</b>	5,877
Net assets	<b>71,406</b>	67,479

The company is a significant provider of apprenticeship and other vocational training across the emergency services and defence sectors.

During the prior year the company divested part of its Civil Training business through the sale of trade and assets at net book value to its subsidiary Babcock Skills Development and Training Limited (BSDTL). On 1 February 2023 the company completed the sale of BSDTL to Inspirit Tulip Bidco Limited with a loss on disposal of £12,678,000 this was offset by a final distribution of £13,668,000. Following the divestment and sale the company only continues its contracts with the London Fire Brigade, the Metropolitan Police Service and certain UK Ministry of Defence related customers.

The decrease in revenue and profit is principally driven by the divestment of the Civil Training business and reduced profitability on certain contracts. Increase in net assets is principally driven by a reduction in value of investments offset by an increase in pension assets and trade receivables.

### Principal risks and uncertainties

The company's ultimate controlling parent is Babcock International Group PLC. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group PLC. The principal risks and uncertainties of Babcock International Group PLC are discussed in its Annual Report for the year ended 31 March 2024 which does not form part of this report.

The management of the business and the execution of the company's strategy are subject to various 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, is provided on pages 89 to 106 of the annual report of Babcock International Group PLC, which does not form part of this report.

# Babcock Training Limited

## Strategic report for the year ended 31 March 2024 (continued)

### Key performance indicators

The company's activities are managed on a divisional basis. The growth and performance of Land, a sector of Babcock International Group PLC, which includes the company, is discussed on page 52 of the annual report of Babcock International Group PLC, which does not form part of this report.

Management continues to use all relevant financial information in operating the company's contracts and in controlling its cost base. Individual contracts have key performance indicators (KPIs) integrated into their terms and conditions. The KPIs for the company are principally based on the successful delivery of training courses and the progression of learners to achieving their qualification. These KPIs are at the heart of the company's activities and customer satisfaction and as such they are monitored by management on a regular basis.

In the last year the company has continued to maintain the high levels of service KPIs to its existing and new customers and deliver a consistently high service to the customer throughout the year. The company's key customers continue to be satisfied with the level of performance.

We have identified the following financial and non-financial key performance indicators that reflect the internal benchmarks we use to measure the success of our company business and strategy.

	2024	2023
Revenue Growth	-20.5%	0.8%
Operating Return on Revenue	-6.7%	-14.4%
Order Book	£438.7m	£436.1m

### Revenue Growth

The decrease in revenue in the current financial year is driven by the divestment of the Civil Training business.

### Operating Return on Revenue

The increase in return reflects the one off impact of the loss on disposal of BSDTL recognised in the prior year.

### Order Book

The company has a number of long-term contracts which provide a significant order book giving strong visibility of revenue for a number of years.

### S172(1) Statement and Stakeholder engagement

This statement contains an overview of how the directors have performed their duty to promote the success of the company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

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

# Babcock Training Limited

## Strategic report for the year ended 31 March 2024 *(continued)*

### S172(1) Statement and Stakeholder engagement *(continued)*

The company manages stakeholder engagement in accordance with Group policies and procedures which are discussed on pages 60, 61, and 119 of the annual report of Babcock International Group PLC, which does not form part of this report.

The company manages stakeholder engagement in accordance with Group policies and procedures which are discussed on pages 60, 61, and 119 of the annual report of Babcock International Group PLC, which does not form part of this report.

Depending on the matter under consideration the relevance of the different factors set out in s172(1) will vary. The Board does seek to balance the interests of its different stakeholders, but, where there are competing interests, not every decision the Board has made will result in a positive outcome for all our stakeholders. However, by considering key stakeholder groups and aligning our activities with our strategic plan, as well as the company's culture and values, we aim to act fairly, transparently and in the best interests of the company over the long term. Stakeholder engagement in relation to key stakeholder groups includes the following:

#### **Customers**

The future success of the company is driven by the long-term relationships with our customers. The directors are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations. We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs.

What matters to them:

- Safety
- Operational excellence
- Value for money

#### **Suppliers**

The company requires an efficient and highly effective supply chain to support its business operations and strategy. This means the directors need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the company's implementation of the Group-wide Procurement Strategy as described on pages 16-17 and 86-87 of the annual report of Babcock International Group PLC.

#### **Regulators**

We are committed to providing safe and effective operations. We must maintain positive and constructive relationships with regulators to be able to operate, to help shape policy in our markets and to position for future opportunities.

What matters to them:

- Regulations, policies and standards
- Governance and transparency
- Trust and ethics
- Safety and compliance of operations
- Sustainability

## Strategic report for the year ended 31 March 2024 *(continued)*

### Employees

Employee engagement is a primary focus for the directors of the company. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose. These engagement activities form part of the company's implementation of the Group-wide People Strategy as described on pages 12 to 17 and 80 to 84 of the annual report of Babcock International Group PLC, which does not form part of this report.

What matters to them:

- Remuneration and reward
- Professional development
- The Company's aims, goals, priorities and reputation
- Health, safety and wellbeing
- Inclusion and diversity

### Communities

We are committed to the communities in which we operate and the broader interests of the customers we serve. As good corporate citizens, we want to make a genuine difference by supporting our local communities both economically and socially; community engagement and social value creation is a key aspect of our ESG strategy.

### Business relationships

We are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations. We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs. We build and maintain long-term relationships with our customers to promote the future success of the company.

The company requires an efficient and highly effective supply chain to support its business operations and strategy. This means the directors need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers.

### Sustainability and environment

Sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: to create a safe and secure world, together. We have done a lot in the past year to drive our sustainability programme across the Group, ensure progress towards our corporate commitments and deliver our five ESG priorities shown below.

1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040.
2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources.
3. We will ensure the safety and wellbeing of all our people.
4. We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies.
5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

# Babcock Training Limited

## Strategic report for the year ended 31 March 2024 *(continued)*

### Sustainability and environment *(continued)*

Climate action remains a key focus. Building on our Group wide climate-related risk management process from last year, which considered the following time horizons: short (present to 2030), medium (2030 to 2040), and long-term horizons (2040 to 2100), sectors and regions considered the insight and recommendations from the KPMG climate-related risk assessment report and identified the immediate actions required in their five-year strategic plans to support corporate commitments. These included Net Zero, wider environmental targets, and to address key climate-related risks and opportunities.

These activities form part of the Group-wide ESG Strategy as described on pages 62 to 88 of the annual report of Babcock International Group PLC, which does not form part of this report.

This report was approved by the board on 21 November 2024 and signed on its behalf by:



J Parker  
Director  
21 November 2024



# Babcock Training Limited

## Directors' report for the year ended 31 March 2024

The directors present their report and the audited financial statements of the company for the year ended 31 March 2024.

### Dividends

A dividend of £nil was paid in the year (2023: £nil).

### Directors and their interests

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

S Doherty (resigned 20 September 2024)

J Parker

J Rayson

M Abbott (appointed 19 November 2024)

The Board is not aware of any contract of significance in relation to the company in which any director has, or has had, a material interest.

### 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 in the emergency services and defence sectors. 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.

### Going concern

The company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic report. In addition, within the Directors' report there are details of the financial risks that the directors have highlighted as significant to the business.

As the company is part of a larger group it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The company is in a net current asset position of £41,374,000. Amounts owed by group undertaking of £48,948,000 were settled in July 2024 and are currently swept into the group cash pooling arrangements.

Given the above assessment the directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Financial risk management

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail within the annual report for Babcock International Group PLC, which does not form part of this report.

### 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.

# **Babcock Training Limited**

## **Directors' report for the year ended 31 March 2024 (continued)**

### **Employees**

The company is committed to equal opportunities and will not discriminate on the basis of disability, age, race, colour, ethnic origin, gender, marital status, religious or political beliefs or sexual orientation.

We believe that only by encouraging applicants from the widest pool of talent possible, and then selecting the best candidate based on their ability to do the job, can we ensure we continue to deliver our best for our customers and safeguard the future of Babcock. For more information about our inclusion and diversity policy, please see pages 12 to 17 and 81 to 84 of the annual report for Babcock International Group PLC, which does not form part of this report.

Engagement with UK employees has been considered on page 6 of the Strategic Report.

### **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.

### **Energy and carbon reporting**

The company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2024 of its ultimate parent, Babcock International Group PLC.

### **Engagement with suppliers and customers**

Engagement with suppliers and customers has been considered in the Strategic report on page 6.

### **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.

### **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.

### **Post balance sheet events**

There have been no significant events affecting the company since the year end.

### **Statement of disclosure of information to auditors**

Each director, as at the date of this report, has confirmed that in so far as they are 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 this information.

This confirmation is given and should be interpreted in accordance with the provisions of the s418 of the Companies Act 2006.

## Babcock Training Limited

### Directors' report for the year ended 31 March 2024 *(continued)*

#### Appointment of auditors

Deloitte LLP are not seeking reappointment as auditors of the Company. A resolution appointing Forvis Mazars LLP as their replacement for Babcock International Group plc and its subsidiaries has been proposed and approved by the Audit Committee and approved at the 2024 AGM.

This report was approved by the Board on 21 November 2024 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J Parker', is written over a light grey rectangular background.

J Parker  
Director  
21 November 2024

### Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

# **Babcock Training Limited**

## **Independent auditor's report to the members of Babcock Training Limited**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **OPINION**

In our opinion the financial statements of Babcock Training Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **CONCLUSIONS RELATING TO GOING CONCERN**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Babcock Training Limited**

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

#### **OTHER INFORMATION**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

#### **RESPONSIBILITIES OF DIRECTORS**

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Independent auditors' report to the members of Babcock Training Limited

*(continued)*

#### **EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant pensions and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists, including tax, pensions and IT specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

#### Revenue and margin recognition on key long-term contracts with significant management judgment

- Obtaining an understanding of relevant manual and IT controls and project accounting processes which management have established to ensure that contracts are appropriately forecast, managed, challenged and accounted for;
- Making inquiries of contract project teams and other personnel to obtain an understanding of the performance of the project throughout the year and at year-end;
- Analysing historical contract performance and understanding the reason for in-year movements or changes;
- Testing the underlying calculations used in the contract assessments for accuracy and completeness, including the estimated costs to complete the contract and associated contingencies. We considered historical forecasting accuracy of costs, compared to similar programmes, and challenged future cost expectations with reference to those data points;
- Examining external correspondence to assess the timeframe for delivery of the product or service and any judgements made in respect of these;
- Examining external evidence to assess contract status and estimation of variable consideration (including associated recoverability of contract balances), such as customer correspondence;
- Enquiring with in-house regarding contract related litigation and claims; and
- Considering whether there were any indicators of management override of controls or bias in arriving at their reported position.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

## Babcock Training Limited

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

##### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

##### USE OF OUR REPORT

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

Signed by:  
  
19750BCA07604EA...

James Isherwood ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom  
21 November 2024



## Babcock Training Limited

### Income Statement for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
<b>Revenue</b>	4	<b>59,728</b>	75,150
Cost of sales		<b>(56,025)</b>	(68,551)
<b>Gross profit</b>		<b>3,703</b>	6,599
Administrative expenses		<b>(1,438)</b>	(1,494)
Impairment of investments	5	<b>(6,288)</b>	(3,239)
Disposal of subsidiary	5	-	(12,678)
<b>Operating loss</b>	5	<b>(4,023)</b>	(10,812)
Income from shares in group undertakings		-	17,191
Finance income	6	<b>7,531</b>	61
Finance expenses	6	<b>(531)</b>	(563)
<b>Profit before taxation</b>		<b>2,977</b>	5,877
Income tax expense	9	<b>(446)</b>	(292)
<b>Profit for the financial year</b>		<b>2,531</b>	5,585

The notes on pages 19 to 45 are an integral part of these financial statements.

All of the above results derive from continuing operations.

### Statement of Comprehensive Income for year ended 31 March 2024

	Note	2024 £'000	2023 £'000
<b>Profit for the financial year</b>		<b>2,531</b>	5,585
<b>Other comprehensive income/(loss):</b> <i>Items that will not be subsequently reclassified to income statement:</i>			
Gain on re-measurement of net defined benefit obligation	17	<b>1,861</b>	6,916
Tax on net defined benefit obligation	9	<b>(465)</b>	(1,800)
<b>Total other comprehensive income</b>		<b>1,396</b>	5,116
<b>Total comprehensive income</b>		<b>3,927</b>	10,701

# Babcock Training Limited

## Statement of Financial Position as at 31 March 2024

	Note	2024 £'000	2023 £'000
<b>Non-current assets</b>			
Intangible assets	10	15,260	15,463
Tangible assets	11	7,609	7,980
Right-of-use assets	12	7,722	6,813
Investments	13	2,999	9,287
Deferred tax asset	9	-	736
Trade and other receivables	14	4,953	3,937
Post-employment benefits	17	3,693	271
		<b>42,236</b>	44,487
<b>Current assets</b>			
Trade and other receivables	14	59,154	47,773
Contract assets	14	3,193	5,639
Cash and cash equivalents		-	121
		<b>62,347</b>	53,533
<b>Current liabilities</b>			
Trade and other payables	15	(10,979)	(11,224)
Contract liabilities	15	(9,283)	(9,989)
Lease liabilities	12	(695)	(599)
Bank overdraft		(16)	-
		<b>41,374</b>	31,721
<b>Net current assets</b>		<b>41,374</b>	31,721
<b>Total assets less current liabilities</b>		<b>83,610</b>	76,208
<b>Non-current liabilities</b>			
Deferred tax liability	9	(175)	-
Lease liabilities	12	(8,413)	(6,511)
Provisions for liabilities	16	(3,616)	(2,218)
		<b>71,406</b>	67,479
<b>Net assets</b>		<b>71,406</b>	67,479
<b>Equity</b>			
Called up share capital	20	17,051	17,051
Share premium account		37,499	37,499
Other reserves		2	2
Retained earnings		16,854	12,927
<b>Total shareholders' funds</b>		<b>71,406</b>	67,479

The notes on pages 19 to 46 are an integral part of these financial statements.

The financial statements on pages 16 to 46 were approved by the Board of Directors on 21 November 2024 and signed on its behalf by:



J Parker  
Director  
21 November 2024

## Babcock Training Limited

### Statement of Changes in Equity as at the 31 March 2024

	Called up share capital £'000	Share premium account £'000	Other Reserves £'000	Accumulate d losses/ retained earnings £'000	Total Share- holders' funds £'000
<b>Balance at 31 March 2022</b>	<b>17,051</b>	<b>37,499</b>	<b>2</b>	<b>2,226</b>	<b>56,778</b>
Profit for the financial year	-	-	-	<b>5,585</b>	<b>5,585</b>
Total other comprehensive income	-	-	-	<b>5,116</b>	<b>5,116</b>
<b>Balance at 31 March 2023</b>	<b>17,051</b>	<b>37,499</b>	<b>2</b>	<b>12,927</b>	<b>67,479</b>
Profit for the financial year	-	-	-	<b>2,531</b>	<b>2,531</b>
Total other comprehensive income	-	-	-	<b>1,396</b>	<b>1,396</b>
<b>Balance at 31 March 2024</b>	<b>17,051</b>	<b>37,499</b>	<b>2</b>	<b>16,854</b>	<b>71,406</b>

# Babcock Training Limited

## 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 and Wales, UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX. Its ultimate controlling party is disclosed in note 23.

The principal activity of the company is set out in the Strategic report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

### 2 Summary of material accounting policies

The principal 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.

#### 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. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest thousand.

The company is a wholly owned subsidiary of Babcock Education and Training Holdings LLP and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Where relevant, equivalent disclosures have been given in the group accounts of Babcock International Group PLC. In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions have been taken:

- a) IFRS 7, 'Financial instruments: Disclosures'
- b) 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).
- c) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
- d) paragraph 79(a) (iv) of IAS 1 'Share capital and reserves';
- e) paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
- f) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- g) IAS 7, 'Statement of cash flows'
- h) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
- 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 asset
- m) 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.

# Babcock Training Limited

## Notes to the financial statements

### 2 Summary of material accounting policies (continued)

#### Basis of preparation (continued)

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

The company intends to continue to prepare its financial statements in accordance with FRS 101.

#### Adoption of new and revised standards

The following standards and amendments to IFRS became effective for the annual reporting period beginning on 1 April 2023 and did not have a material impact on the consolidated financial statements:

- IFRS 17, '*Insurance Contracts*': IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4.
- Amendments to IAS 1, '*Presentation of Financial Statements*': The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies.
- Amendments to IAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*': The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates.
- Amendments to IAS 12, '*Income Taxes*': The amendments introduce a further exception from the initial recognition exemption.

The company has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that these standards and amendments will be adopted on the applicable effective date. The following new or amended IFRS accounting standards, amendments and interpretations not yet adopted are not expected to have a significant impact on the company:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1: Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

All standards listed above will be adopted with effect from 1 April 2024 with the exception of the Amendments to IFRS 10 and IAS 28 for which the mandatory effective date has not yet been set by the IASB

#### Going concern

The company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic report. In addition, within the Directors' report there are details of the financial risks that the directors have highlighted as significant to the business.

As the company is part of a larger group it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The company is in a net current asset position of £41,374,000. Amounts owed by group undertakings of £48,948,000 were settled in July 2024 and are currently swept into the group cash pooling arrangements.

Given the assessment above, the directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# Babcock Training Limited

## Notes to the financial statements *(continued)*

### 2 Summary of material accounting policies *(continued)*

#### Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of the company's activities. The company recognises revenue in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, determination of contract price, 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 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.

In assessing whether the performance obligations are separately identifiable, the services are reviewed to determine the extent to which the goods or services within a contract are interrelated and whether they modify other goods or services within a contract. The company also considers whether the goods and/or services are integrated and represent a combined output for which the customer has contracted. The integrated output nature of many of the services provided by the company results in some contracts only having one performance obligation.

#### (b) Determination of contract price

The contract price represents the amount of consideration which the company expects to be entitled in exchange for delivering the promised goods or services to the customer. Contracts can include both fixed and variable consideration.

Inclusion of variable consideration in the contract price requires the exercise of judgement in relation to the amount to be received through unpriced contract variations and claims (see section (e) below for further details) and variable elements of existing contracts, such as performance-based penalties and incentives, and gain/pain share arrangements where cost under/overspends are shared with the customer. Elements of variable consideration are estimated at contract inception and at the end of each reporting period. Any required adjustment is made against the contract price in the period in which the adjustment occurs.

Variable consideration is estimated using either the expected value or the most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved. This judgement is made by suitably qualified and experienced personnel based on the contract terms, status of negotiations with customers and historical experience with customers and with similar contracts. As part of this judgement, variable consideration may be constrained until the uncertainty is resolved. In the case of unpriced variations, these will be constrained to the extent that such variable consideration is not considered highly probable.

Variable consideration may be included in the total transaction price or, in certain circumstances, may be allocated to a specific time period. Where variable consideration is allocated to a specific time period this will typically be in relation to performance related deductions.

#### (c) Allocation of contract price to performance obligations

Given the bespoke nature of many of the goods and services the company provides, standalone selling prices are generally not observable and, in these circumstances, the company allocates the contract price to performance obligations based on cost plus margin. This amount would be the standalone selling price of each performance obligation if contracted with a customer separately.

# Babcock Training Limited

## Notes to the financial statements (*continued*)

### 2 Summary of material accounting policies (*continued*)

#### Revenue (*continued*)

##### (d) 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.

##### Revenue recognised over time

Performance obligations are satisfied over time if any of the following criteria are satisfied:

- 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.

Typical performance obligations in the company's contracts that are recognised over time include the delivery of services (such as maintenance, engineering and training), as the customer simultaneously receives and consumes the benefits of the company's performance as it performs the services. Revenue from the design, manufacture and enhancement of bespoke assets is also recognised over time, as 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 performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin.

Where the company satisfies performance obligations over time, the company primarily uses an input method to measure satisfaction of each performance obligation based on costs incurred compared to total estimated contract costs. For the majority of the company's contracts, this is deemed to be the most appropriate method to measure Babcock's effort in satisfying the applicable performance obligations. Costs are included in the measurement of progress towards satisfying the performance obligation to the extent that there is a direct relationship between the input and satisfaction of the performance obligation. For contracts where costs incurred is not deemed to be the most appropriate measure, the company uses time elapsed to measure satisfaction of the performance obligation.

Under most of the company's contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the amount of revenue recognised by the company (as measured by the methods described above) exceed the amount of cash received from the customer then the difference will be held on the statement of financial position. This will typically be comprised of a mixture of contract assets and trade receivables. If the amount of cash collected together with amounts due under the contract but uncollected exceeds the amount of revenue recognised then the difference is also held on the statement of financial position as a contract liability. See section (h) for further details on how contract assets and liabilities are recognised.

##### Revenue recognised at a point in time

If control of the goods or services is not transferred to the customer 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 receive payment by the company.

##### Assessment of contract profitability

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.

# Babcock Training Limited

## Notes to the financial statements *(continued)*

### 2 Summary of material accounting policies *(continued)*

#### Revenue *(continued)*

##### Assessment of contract profitability *(continued)*

Estimating contract revenues can involve judgements around whether the company will meet performance targets and earn incentives, as well as consideration as to whether it is necessary to constrain variable revenues to meet the highly probable not to significantly reverse test set out in paragraph 56 of IFRS 15. When considering variations, claims and contingencies, the company analyses various factors including the contractual terms, status of negotiations with the customer and historical experience with that customer and with similar contracts. Estimates of costs include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge and estimation uncertainty is resolved on a contract-by-contract basis as contracts near the end of the project lifecycle.

If a contract is deemed to be loss making the present obligation is recognised and measured as provisions. Further detail is included in the Provisions accounting policy.

#### **(e) Contract modifications**

##### Claims and variations

The company's contracts are often amended for changes in the customers' requirements. Contract modifications can relate to changes in both contract scope and price arising in the ordinary course of delivering contracts, which are referred to as contract variations. Such variations may arise as a result of customer requests or instructions or from requests from the company in response to matters arising during the delivery of contracts. For example, some contracts include the requirement to conduct surveys and to report on or to recommend additional work as required. Some contracts may require the company to proceed with variations and to agree pricing subsequently. See further detail on accounting for contract modifications below.

Contract modifications can also refer to changes in price only, with no change in scope, where there is a difference of view or dispute in relation to interpretation of contracts.

These contract claims and variations are considered to be modifications as referred to in paragraph 18 of IFRS 15.

##### Accounting for contract modifications

The company accounts for contract modifications in one of three ways, based on the facts and circumstances of the contract modification:

- a) Prospectively, as an additional, separate contract;
- b) Prospectively, as a termination of the existing contract and creation of a new contract; or
- c) As part of the original contract using a cumulative catch-up.

The company recognises contract variations, which impact both scope and price, when they are approved in accordance with IFRS 15. The company's preferred approach is to approve contract modifications by formal contract amendment. However, the approval of contract modifications often requires to be carried out at pace and other mechanisms, informed by established customer relationships and local working arrangements, can be used to achieve approval of contract modifications. In approving contract modifications in these circumstances, the company considers the scope of the contract modification in the context of the contract scope and contract terms. Contract variations where the formal contract amendment has not been received but which are, in management's judgement, approved are accounted for as a contract modification in accordance with IFRS 15 paragraph 18. Revenue from these contract variations is treated as variable consideration and subject to constraint as outlined in section (b) above, until the pricing is agreed.

Contract claims are also considered to be contract modifications in accordance with IFRS 15, and revenue is subject to constraint as outlined in section (b).



# Babcock Training Limited

## Notes to the financial statements (*continued*)

### 2 Summary of material accounting policies (*continued*)

#### Revenue (*continued*)

##### **Claims and variations which are not deemed to be contract modifications**

Claims can also be raised by Babcock against third-party sub-contractors or suppliers to the company. As these do not relate to contracts with customers, but rather relate to contracts with suppliers, they are not accounted for under IFRS 15. The company's accounting policy is to account for such claims in accordance with the contingent asset guidance per IAS 37. Income in relation to these claims will only be recognised once it is virtually certain.

##### **(f) Costs of obtaining a contract**

Directly attributable costs to obtain a contract with a customer that the company would not have incurred if the contract had not been won are recognised as an asset and amortised on a straight-line basis. Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

##### **(g) Costs to fulfil a contract**

Costs to fulfil a contract which do not fall within the scope of another standard are recognised under IFRS 15 as an asset in capitalised contract costs where they meet all of the following criteria:

- i. the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- iii. the costs are expected to be recovered.

Costs of recruiting or training staff are expensed as incurred.

##### **(h) Contract assets and liabilities**

Contract assets represent amounts for which the company has a conditional right to consideration in exchange for goods or services that the company has transferred to the customer. Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Payment terms are set out in the contract and reflect the timing and performance of service delivery. For substantially all contracts the payment terms are broadly in line with satisfaction of performance obligations, and therefore recognition of revenue, such that each contract has either a contract asset or contract liability, however these are not overly material in the context of the contract.

#### **Finance costs**

Finance costs are recognised as an expense in the period in which they are incurred unless they are attributable to an asset under construction, in which case finance costs are capitalised.

#### **Finance income**

Finance income is recognised in the period to which it relates using the effective interest rate method.

#### **Employee benefits**

##### **a) Pension obligations**

The company participates in a defined benefit scheme that shares risks between entities under common control. The 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 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 so that the company's statement of financial position reflects the IAS 19 measurement of the schemes' surpluses or deficits at the statement of financial position date.

# Babcock Training Limited

## Notes to the financial statements *(continued)*

### 2 Summary of material accounting policies *(continued)*

#### Employee benefits *(continued)*

##### a) Pension obligations *(continued)*

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy using appropriate valuation techniques.

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

##### b) Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned.

#### Taxation

##### (a) Current income tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### (b) Deferred income 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 consolidated 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 substantively enacted, by the reporting 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. Deferred tax assets are recognised where deferred tax liabilities exist and are expected to reverse in the same period as the deferred tax asset or in periods into which a loss arising from a deferred tax asset can be carried forward or back.

In the absence of sufficient deferred tax liabilities, deferred tax assets are recognised where it is probable that there will be future taxable profits from other sources against which a loss arising from the deferred tax asset can be offset. In assessing the availability of future profits, the company uses profit forecasts consistent with those used for goodwill impairment testing. Profits forecast beyond the company's five-year budget cycle are risk-weighted to reflect commercial uncertainties.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

# Babcock Training Limited

## Notes to the financial statements *(continued)*

### 2 Summary of material accounting policies *(continued)*

#### Taxation *(continued)*

##### **(b) Deferred income tax** *(continued)*

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.

#### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment. 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. Annual impairment reviews are performed as outlined in note 10.

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

##### **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 eight years.

#### **Property, plant and equipment**

Property, plant and equipment 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 property, plant and equipment 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% to 8%
Assets under construction	Not depreciated
Leasehold improvements	Depreciation over duration of lease
Plant and equipment	6.6% to 33.3%

Property, plant and equipment 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.

#### **Leases**

##### **(a) The company as lessee**

For all leases in which the company is a lessee (other than those meeting the criteria detailed below), the company recognises a right of use asset and corresponding lease liability at commencement of the lease.

The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on a number of factors including asset type, lease currency and lease term. Lease payments include fixed payments and variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date. The lease term reflects any extension or termination options that the company is reasonably certain to exercise.

# Babcock Training Limited

## Notes to the financial statements *(continued)*

### 2 Summary of material accounting policies *(continued)*

#### Leases *(continued)*

##### **(a) The company as lessee** *(continued)*

The lease liability is subsequently measured at amortised cost using the effective interest rate method, with interest on the lease liability being recognised as a finance expense in the income statement. The lease liability is remeasured, with a corresponding adjustment to the right of use asset, if there is a change in future lease payments, for example resulting from a rent review, change in a rate/index or change in the Company's assessment of whether it is reasonably certain to exercise an extension, termination or purchase option.

The right of use asset is initially recorded at cost, being equal to the lease liability, adjusted for any initial direct costs, lease payments made prior to commencement date, lease incentives received and any dilapidation costs. Depreciation of right of use assets is recognised as an expense in the income statement on a straight-line basis over the shorter of the asset's useful life or expected term of the lease.

Right of use assets arising from sale and leaseback transactions are measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the company. Gains arising on sale and leaseback transactions are recognised to the extent that they relate to the rights transferred to the buyer-lessor whilst losses arising on sale and leaseback transactions are recognised in full.

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, with the impairment expense being recognised in the income statement. Where a lease is terminated early, any termination fees or gain or loss relating to the release of right of use asset and lease obligation are recognised as a gain or loss through the income statement.

Payments in respect of short-term leases not exceeding 12 months in duration or low-value leases are expensed straight line to the income statement as permitted by IFRS 16, 'Leases'.

#### Investments

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

#### Impairment of non-current assets

Goodwill and indefinite life intangibles are reviewed for impairment at least annually. For all other non-financial non-current assets (including acquired intangible assets, capitalised development costs, software assets, property, plant and equipment and right of use assets) the company performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value-in-use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the company income statement.

#### Impairment of non-current assets *(continued)*

Where an impairment loss on other non-financial non-current assets subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Goodwill impairments are not subsequently reversed.

#### Cash and cash equivalents

Company cash and cash equivalents consist of cash at bank and cash in hand, together with short-term deposits with an original maturity of three months or less and money market funds.

# **Babcock Training Limited**

## **Notes to the financial statements (continued)**

### **2 Summary of material accounting policies (continued)**

#### **Trade and other receivables**

Trade and other receivables are stated at their cost less provision for bad debts. A provision for bad debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The company writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery.

Trade and other receivables (including amounts due from group undertakings) are also stated at their cost less expected credit losses. A provision for expected credit losses is established under IFRS 9 when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The Group measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors.

Forward-looking factors are applied to homogenous groups of receivables which share characteristics and are based on an estimate of how corporate failure rates may change relative to historic levels given the current economic environment.

Current intercompany trade receivables are expected to be settled in the company's usual operating cycle of 12 months or less and relate to balances due in the normal course of business.

Amounts due from group undertakings in relation to intercompany loans are recorded on the statement of financial position in line with settlement terms on underlying loan agreements. Inter-company loans receivable at the balance sheet date that are settled within twelve months are recorded as current assets.

#### **Trade and other payables**

Trade and other payables are stated at actual cost, or estimated cost in respect of accruals.

Current intercompany trade payables are expected to be settled in the company's usual operating cycle of 12 months or less and relate to balances due in the normal course of business.

Amounts due to group undertakings in relation to intercompany loans are recorded on the statement of financial position in line with settlement terms on underlying loan agreements. Inter-company loans payable at the balance sheet date that are settled within twelve months are recorded as current liabilities.

#### **Provisions**

A provision is recognised in the statement of financial position 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 can be 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. Onerous contract provisions are recognised after impairment of any assets directly related to the onerous contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Group incurring further costs.

Provisions for onerous revenue contracts are recorded when it becomes probable that total remaining contract fulfilment costs will exceed total remaining revenue not yet recognised. Provisions for losses on contracts are recognised after impairment of any assets directly related to fulfilling the loss-making contract. Losses are determined based on estimated results on completion of contracts and are updated regularly.

# Babcock Training Limited

## Notes to the financial statements *(continued)*

### 2 Summary of material accounting policies *(continued)*

#### **Provisions** *(continued)*

A provision for the contractual maintenance, overhaul and repair requirements of right of use aircraft and specific associated aircraft components arising from return condition obligations in aircraft lease contracts is recognised as the obligation to perform contractual maintenance arises with each hour flown. Where lease contracts contain contractual penalties in the event that the Company returns leased aircraft in a condition that does not meet the contractual return condition obligation, the associated provision is measured at the lower of the restoration cost and the detriment penalty in the lease. When maintenance of a leased aircraft component is performed, if the component's remaining flying hours are greater than the return condition outlined in the lease contract then a leasehold improvement asset is recognised in proportion to the excess flying hours above the contractual return condition. Maintenance provisions are not recognised in respect of aircraft components which are maintained under Power-by-the-hour maintenance arrangements, instead the associated payments to the maintenance provider are expensed as incurred. Any additional payments made to or received from maintenance providers at the conclusion of Power-by-the-hour maintenance arrangements are recognised as an expense or as income at the time at which they are incurred or received.

#### **Contingent liabilities**

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur or the value of such outflow cannot be measured reliably. A provision is recognised for any amounts that the Directors consider may become payable. See note 18 for details of contingent liabilities.

#### **Financial instruments**

##### **a) Financial assets and liabilities at amortised cost**

Cash and cash equivalents, trade receivables, amounts due from related parties and other debtors are classified as financial assets held at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Trade receivables, contract assets and lease receivables include a provision for expected credit losses. The company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. For all other financial assets carried at amortised cost, including loans to joint ventures and associates and other debtors, the company measures the provision at an amount equal to 12-month expected credit losses.

Trade and other payables, amounts due to related parties, other creditors, accruals and bank loans and overdrafts are classified as financial liabilities held at amortised cost.

##### **b) Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at fair value. The company designates certain of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, fair value gains or losses are deferred in equity until the underlying transaction is recognised.

# **Babcock Training Limited**

## **Notes to the financial statements (*continued*)**

### **2 Summary of material accounting policies (*continued*)**

#### **Fair value measurement**

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the year-end date. Fair value measurements are used on a recurring basis except where used in the acquisition of assets and liabilities through a business combination.

The fair values of derivative financial instruments are determined by the use of valuation techniques based on assumptions that are supported by observable market prices or rates. The fair values of non-financial assets and liabilities are based on observable market prices or rates.

The carrying values of financial assets and liabilities which are not held at fair value in the company balance sheet are assumed to approximate to fair value due to their short-term nature, with the exception of fixed rate bonds.

There have been no changes to the valuation techniques used during the year.

#### **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.

#### **Foreign currencies**

##### **a) Functional and presentation currency**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

##### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency of the company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional 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 reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **3 Critical accounting estimates and judgements**

In the course of preparation of the financial statements judgements and estimates have been made in applying the company's accounting policies 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 certain forward-looking estimates may result in a material adjustment to the carrying amounts 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 and judgements in relation to these financial statements are considered below.

#### **Critical accounting judgements**

There are no critical accounting judgements.

# Babcock Training Limited

## Notes to the financial statements (continued)

### 3 Critical accounting estimates and judgements (continued)

#### Key sources of estimation uncertainty

The key sources of estimation uncertainty at the reporting period end that may result in significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below:

#### Revenue and profit recognition

The company's revenue recognition policies require management to make an estimate of the cost to complete for long-term contracts. Management estimates outturn costs on a contract-by-contract basis and estimates are carried out by suitably qualified and experienced personnel. Estimates of cost to complete include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge, and judgements and estimates are reviewed regularly throughout the contract life based on latest available information and adjustments are made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn.

#### Defined benefit pension schemes obligations

The company's defined benefit pension schemes are assessed annually in accordance with IAS 19 and the valuation of the defined benefit pension obligations is sensitive to the inflation and discount rate actuarial assumptions used. There is a range of possible values for the assumptions and small changes to the assumptions may have a significant impact on the valuation of the defined benefit pension obligations. In addition to the inflation and discount rate estimates, management is required to make an accounting judgement relating to the expected availability of future accounting surpluses under IFRIC 14. Further information on the key assumptions and sensitivities is included in note 17.

#### Valuation of loan notes

Management is required to make an estimate of cashflow in order to fair value the loan notes on initial recognition following the disposal of Babcock Skills Development and Training Limited to Inspirit Tulip Bidco Limited. This valuation has been determined by considering the future cash flow of the disposed entity and adjusting for potential risk.

### 4 Revenue

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

	<b>2024</b>	2023
	<b>£'000</b>	£'000
By area of activity:		
Provision of services – transferred over time	<b>59,728</b>	75,150

All the revenue in the year ended 31 March 2024 originated in the United Kingdom.

### 5 Operating loss

<b>Operating loss is stated after charging/ (crediting):</b>	<b>2024</b>	2023
	<b>£'000</b>	£'000
Depreciation of property, plant and equipment (note 11)	<b>561</b>	584
Right-of-use assets depreciation (note 12)	<b>1,119</b>	920
Amortisation of intangible assets (note 10)	<b>203</b>	419
Loss allowance in trade receivables	<b>(16)</b>	21
Reduction in carrying value of investments (note 13)	<b>6,288</b>	3,239
Loss on disposal of investment (note 13)	-	12,678



## Babcock Training Limited

### Notes to the financial statements (continued)

#### 5 Operating (loss)/profit (continued)

The auditors' remuneration for the current (£203,000) and prior year (£203,000) has been borne by a fellow group company. Fees paid to the company's auditors, Deloitte LLP and its associates are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC.

#### 6 Finance income and costs

	2024 £'000	2023 £'000
<b>Finance income:</b>		
Loan interest receivable from group undertakings (note 14)	3,375	61
Movement in fair value of loan note	4,101	-
Exchange rate gain	5	-
Other finance income – pension (note 17)	50	-
	<u>7,531</u>	<u>61</u>
<b>Finance expenses:</b>		
Bank interest	-	(5)
Loan interest payable from group undertakings	-	(13)
Lease interest	(531)	(350)
Exchange rate loss	-	(3)
Other finance costs – pension (note 17)	-	(192)
	<u>(531)</u>	<u>(563)</u>

#### 7 Staff costs

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

	2024 Number	2023 Number
<b>By activity:</b>		
Operations	555	747
Management and administration	59	160
	<u>614</u>	<u>907</u>

Their aggregate remuneration comprised:

	2024 £'000	2023 £'000
Wages and salaries	20,455	29,761
Social security costs	2,231	3,354
Other pension costs (note 17)	2,408	3,086
	<u>25,094</u>	<u>36,201</u>

Included in other pension costs are £299,000 (2023: £403,000) in respect of the defined benefit schemes and £2,108,928 (2023: £2,683,371) 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.

# Babcock Training Limited

## Notes to the financial statements (continued)

### 8 Directors' emoluments

During this year and the prior 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.

During this year and the prior year all of the directors of the company were remunerated by other Babcock Group companies. 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.

### 9 Tax

#### Income tax expense

	2024 £'000	2023 £'000
<b>Analysis of tax expense in the year</b>		
<b>Deferred tax:</b>		
Origination and reversal of timing differences	446	276
Impact of change in UK tax rate	-	16
<b>Total deferred tax expense</b>	<u>446</u>	<u>292</u>
<b>Tax expense included in other comprehensive income</b>		

	2024 £'000	2023 £'000
<b>Deferred tax:</b>		
Tax impact of actuarial gains on post-employment benefits	465	1,314
Impact of change in UK tax rate	-	486
<b>Tax expense included in other comprehensive income</b>	<u>465</u>	<u>1,800</u>

The tax for the year is lower (2023: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2024 £'000	2023 £'000
<b>Profit before income tax</b>	<u>2,977</u>	<u>5,877</u>
Loss before income tax multiplied by standard UK corporation tax rate of 25% (2023: 19%)	744	1,117
Effects of:		
Group Relief surrendered for nil consideration	(1,993)	(2,243)
Expenses not deductible for tax purposes	1,695	1,402
Adjustments in respect of deferred tax for prior years	-	-
Impact of change in UK tax rate	-	16
<b>Total tax for the year</b>	<u>446</u>	<u>292</u>

## Babcock Training Limited

### Notes to the financial statements (continued)

#### 9 Tax (continued)

##### Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below

	Accelerated capital allowances £'000	Retirement Benefit Obligations £'000	Other £'000	Total £'000
<b>Deferred tax (assets)/liability</b>				
<b>At 1 April 2023:</b>	<b>(466)</b>	<b>68</b>	<b>(338)</b>	<b>(736)</b>
Credited/(charged) to the income statement	106	390	(50)	446
Credited to other comprehensive income	-	465	-	465
<b>At 31 March 2024:</b>	<b>(360)</b>	<b>923</b>	<b>(408)</b>	<b>175</b>
<b>At 1 April 2022</b>	<b>(551)</b>	<b>(1,958)</b>	<b>(319)</b>	<b>(2,828)</b>
Credited/(charged) to the income statement	85	226	(19)	292
Credited to other comprehensive income	-	1,800	-	1,800
<b>At 31 March 2023:</b>	<b>(466)</b>	<b>68</b>	<b>(338)</b>	<b>(736)</b>

#### 10 Intangible assets

	Software £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 April 2023	1,589	14,316	15,905
<b>At 31 March 2024</b>	<b>1,589</b>	<b>14,316</b>	<b>15,905</b>
<b>Accumulated amortisation</b>			
At 1 April 2023	(442)	-	(442)
Amortisation	(203)	-	(203)
<b>At 31 March 2024</b>	<b>(645)</b>	<b>-</b>	<b>(645)</b>
<b>Net book value</b>			
<b>At 31 March 2024</b>	<b>944</b>	<b>14,316</b>	<b>15,260</b>
At 31 March 2023	1,147	14,316	15,463

Intangible assets amortisation relating to software is recorded in cost of sales in the income statement. The amortisation period is between three and eight years.

## Babcock Training Limited

### Notes to the financial statements (*continued*)

#### 10 Intangible assets (continued)

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.

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 and discount factor to apply at a Sector level.

#### 11 Property, plant and equipment

	Freehold land & buildings	Motor Vehicles, Plant and machinery	Fixtures, Fittings and Equipment	Leasehold Improvements	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 April 2023	13,785	80	1,082	271	15,218
Additions	-	-	190	-	190
Disposals	-	-	(4)	-	(4)
<b>At 31 March 2024</b>	<b>13,785</b>	<b>80</b>	<b>1,268</b>	<b>271</b>	<b>15,404</b>
<b>Accumulated Depreciation</b>					
At 1 April 2023	(6,132)	(50)	(790)	(266)	(7,238)
Charge for the year	(492)	(7)	(62)	-	(561)
Disposals	-	-	4	-	4
<b>At 31 March 2024</b>	<b>(6,624)</b>	<b>(57)</b>	<b>(848)</b>	<b>(266)</b>	<b>(7,795)</b>
<b>Net book value</b>					
<b>At 31 March 2024</b>	<b>7,161</b>	<b>23</b>	<b>420</b>	<b>5</b>	<b>7,609</b>
At 31 March 2023	7,653	30	292	5	7,980

Contractual commitments for property, plant and equipment at year end is £nil (2023: £nil).

The principal assets relate to the London Fire Brigade Training facility at Park Royal which are depreciated over the life of the contract.

## Babcock Training Limited

### Notes to the financial statements *(continued)*

#### 12 Leases

##### Right-of-use assets

The Company leases buildings and vehicles under non-cancellable lease arrangements.

	Property £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2023	11,746	1,024	12,770
Additions	1,983	78	2,061
Terminations	-	(992)	(992)
<b>At 31 March 2024</b>	<b>13,729</b>	<b>110</b>	<b>13,839</b>
<b>Accumulated depreciation</b>			
At 1 April 2023	(5,103)	(854)	(5,957)
Charge for the year	(983)	(136)	(1,119)
Terminations	-	959	959
<b>At 31 March 2024</b>	<b>(6,086)</b>	<b>(31)</b>	<b>(6,117)</b>
<b>Net book value</b>			
<b>At 31 March 2024</b>	<b>7,643</b>	<b>79</b>	<b>7,722</b>
At 31 March 2023	6,643	170	6,813

Cost and accumulated depreciation at 31 March 2023 have been adjusted by £102,000.

##### Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2024 £'000	2023 £'000
Opening value of liability	7,110	7,904
Additions	1,568	66
Disposals	(36)	(67)
Interest charged	531	350
Payments	(65)	(1,143)
Closing value of liability	<b>9,108</b>	7,110

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:

	2024 £'000	2023 £'000
Within one year	695	599
In more than one year, but not more than five years	2,730	2,129
After five years	5,683	4,382
Carrying value of liability	<b>9,108</b>	7,110

## Babcock Training Limited

### Notes to the financial statements (continued)

#### 12 Leases (continued)

The following are the amounts recognised in profit or loss:

	2024 £'000	2023 £'000
Expense relating to short-term leases	103	92
Expense relating to leases of low-value assets	10	14
	<u>113</u>	<u>106</u>

#### 13 Investments

	Shares in group undertaking £'000
<b>Cost</b>	
At 1 April 2023	19,566
<b>At 31 March 2024</b>	<u><b>19,566</b></u>
<b>Accumulated impairment</b>	
At 1 April 2023	10,279
Charge for the year	6,288
<b>At 31 March 2024</b>	<u><b>16,567</b></u>
<b>Carrying amount at 31 March 2024</b>	<u><b>2,999</b></u>
Carrying amount at 31 March 2023	<u>9,287</u>

The impairment charged to the income statement (£6,288,000) relates to a reduction in the carrying value of National Training Institute LLC. Details of the investments are outlined in note 21.

#### **Key assumptions**

The key assumptions to which the recoverable amount of the company's investment in subsidiary undertakings is most sensitive are future cash flows, long-term growth rates and discount rates. Further details on how these inputs are determined are set out in note 10 of the Group financial statements for the year ending 31 March 2024.

The discount rates used to determine the recoverable amount of the company's investment in subsidiary undertakings are 12.2% (2023: 13.1%). The long-term growth rates used to determine the recoverable amount of the company's investment in subsidiary undertakings are 2.2% (2023: 2.1%).

#### **Sensitivity**

The directors carried out sensitivity analysis on the reasonably possible changes in key assumptions used to determine the recoverable value of the company's investment in subsidiary undertakings.

The company's calculation of recoverable value presents an impairment charge of £6,288,000 in the year ending 31 March 2024. Further detail around the impairment reversal is included in note 21. Accordingly, reasonably possible changes in estimates could give rise to a material impairment in the following year. The company carried out sensitivity analysis on the reasonably possible changes in the discount rate and long-term growth rate used in the value-in-use models for the company's investment in subsidiary undertakings.

## Babcock Training Limited

### Notes to the financial statements (continued)

#### 13 Investments (continued)

An increase to the pre-tax discount rate of 100 basis points would cause an increase to the impairment of £0.2m. An increase to the long-term growth rate of 50 basis points would cause an increase to the impairment of £0.1m.

The directors consider that key cash flow assumptions in the calculation of the recoverable value of the company's investment in subsidiary undertakings include short-term cash flows. If the year-on-year growth is decreased by 15%, the value in use for the company's investment in subsidiary undertakings increases by £0.1m.

#### 14 Trade and other receivables

	2024 £'000	2023 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	534	6,204
Amounts owed by group undertakings	49,107	35,092
Other receivables	1,141	270
Accrued income	7,741	5,463
Prepayments	101	214
Capitalised contract costs	530	530
	<b>59,154</b>	<b>47,773</b>
Contract asset	<b>3,193</b>	<b>5,639</b>
	<b>62,347</b>	<b>53,412</b>
<b>Amounts falling due after one year:</b>		
Loan note	3,011	1,464
Capitalised contract costs	1,942	2,473
	<b>4,953</b>	<b>3,937</b>

Amounts due from Group undertakings are all due from fellow subsidiary companies of the ultimate parent, Babcock International Group Plc and comprise the following:

Two loans totalling £48,948,000 (2023: £34,624,000) are repayable on demand, and are interest bearing. Debtors totalling £159,000 (2023: £468,000) are repayable on demand, with no interest charge.

The loan notes have arisen following the disposal Babcock Skills Development and Training Limited to Inspirit Tulip Bidco Limited the principal amount of loan notes are £12,829,000. The notes are repayable over a period of 5 years to the extent the disposed business has cash in excess of £2,000,000. The notes are interest bearing with an initial rate of 3.25% above the Bank of England base rate. The interest rate increases by 1% each year up to a maximum of 7.25% in the fifth year. Upon initial recognition the loan notes were fair valued at £1,464,000 and following a receipt of £2,554,381 in FY24 and consideration of the future cash flows the loan notes have been fair valued at £3,011,000 at March 2024.

Other receivables have increased in the current year due to the rent-free period on one of the leased properties.

## Babcock Training Limited

### Notes to the financial statements *(continued)*

#### 14 Trade and other receivables *(continued)*

	<b>Contract asset £'000</b>
Significant changes in contract assets during the year are as follows:	
At 1 April 2023	5,639
Transfers from contract assets recognised at the beginning of the year to trade receivables	(5,639)
Increase due to work done not transferred from contract assets	3,193
<b>At 31 March 2024</b>	<b>3,193</b>

#### 15 Trade and other payables

	<b>2024 £'000</b>	<b>2023 £'000</b>
<b>Amounts falling due within one year:</b>		
Trade creditors	<b>304</b>	13
Amounts owed to group undertakings	<b>292</b>	1,522
Other taxation and social security	<b>1,560</b>	1,902
Other payables	<b>73</b>	77
Accruals	<b>8,750</b>	7,710
	<b>10,979</b>	11,224
Contract liabilities	<b>9,283</b>	9,989

Amounts owed to parent and group undertakings are unsecured, interest free, and repayable on demand. Amounts due to Group undertakings are all due to fellow subsidiary companies of the ultimate parent, Babcock International Group Plc and comprise the following:

Two loans totalling £20,000 (2023: £20,000 one loan) are repayable on demand, with no interest charge. Creditors totalling £272,000 (2023: £1,502,000).

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 stated in note 18.

	<b>Contract liabilities £'000</b>
At 1 April 2023	9,989
Revenue recognised that was included in contract liabilities at the beginning of the year	(8,114)
Increase due to cash advanced, excluding amounts recognised as revenue	7,408
<b>At 31 March 2024</b>	<b>9,283</b>



## Babcock Training Limited

### Notes to the financial statements (*continued*)

#### 16 Provisions for liabilities

	Contract provisions £000	Dilapidation provisions £000	Employee related provisions £000	Total £000
<b>At 1 April 2023</b>	<b>679</b>	<b>522</b>	<b>1,451</b>	<b>2,652</b>
Charged to the income statement	135	61	-	196
Utilised	-	(61)	(569)	(630)
<b>At 31 March 2023</b>	<b>814</b>	<b>522</b>	<b>882</b>	<b>2,218</b>
Charged to the income statement	1,213	122	484	1,819
Utilised	-	-	(421)	(421)
<b>At 31 March 2024</b>	<b>2,027</b>	<b>644</b>	<b>945</b>	<b>3,616</b>

#### *Contract provisions*

A contract provision has been recognised to provide against expected future losses on two long term contracts. It has been determined based on the assessment of future costs compared to expected revenue having made reference to past experience. The provisions are expected to be utilised over the next 7 financial years.

#### *Dilapidation provisions*

Dilapidation provisions relate to the cost of dilapidations to leasehold properties. These provisions are expected to be utilised in the next 15 years.

#### *Employee related provisions*

The balance relates principally to certain employee related exposures. The amount has been determined based on the future anticipated costs which have been discounted to reflect the time value of money. The balance is expected to be utilised over the next 20 years.

#### 17 Post-employment benefits

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

#### **Defined Contribution Schemes**

The company contributes into the Babcock International Group Pension Scheme. The total cost of pension contributions for employees of the company during the year was £2,109,000 (2023: £2,683,000).

#### **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 2024 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19.

#### **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 5 April 2023. The company expects to contribute approximately £900,000 (2023: £900,000) in the next financial year.

## Babcock Training Limited

### Notes to the financial statements (*continued*)

#### 17 Post-employment benefits (*continued*)

##### **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 2021. The company expects to contribute approximately £797,000 (2023: £797,000) in the next financial year.

##### **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 £114,000 (2023: £85,000) 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 2022.

##### *London Fire Brigade (continued)*

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.

As a result, all the public sector pension schemes will need to amend benefits for those affected, including the LGPS.

From 1 October 2023, the LGPS rules changed to remove the discrimination. Following the new legislation pension funds must review all the pensions it is paying to work out which ones will increase. By 31 August 2025, all annual benefit statements issued will include information about underpin protection for all qualifying members.

The last formal valuation as at 31 March 2022 made an allowance for the impact of McCloud. As allowance is made within future triennial funding valuations for McCloud, allowance will also be made within future financial statements.

# Babcock Training Limited

## Notes to the financial statements (continued)

### 17 Post-employment benefits (continued)

	2024 GPS	2024 CPS	2024 LGPS	2023 GPS	2023 CPS	2023 LGPS
<b>Major assumptions</b>						
Rate of increase in pensionable salaries	N/A	N/A	2.90%	N/A	N/A	3.00%
Rate of increase in pensions	3.09%	2.72%	2.72%	3.27%	2.82%	2.82%
Discount rate	4.90%	4.80%	4.90%	4.80%	4.80%	4.80%
Inflation rate (RPI)	3.10%	3.2%	3.10%	3.30%	3.30%	3.20%
Inflation rate (CPI)	2.30%	2.7%	2.7%	2.50%	2.80%	2.80%
Weighted average duration of cash flows (years)	15	13	16	15	14	18
Total life expectancy for current pensioners aged 65 (years) - male	21.6	20.5	20.8	21.7	20.6	20.9
Total life expectancy for current pensioners aged 65 (years) - female	24.1	23.9	22.4	22.6	24.0	22.5
Total life expectancy for future pensioners currently aged 45 (years) - male	22.5	21.6	21.0	22.6	21.7	21.1
Total life expectancy for future pensioners currently aged 45 (years) - female	25.2	24.9	24.6	25.4	25.1	24.8

The company's cash contribution rates payable to the schemes are expected to be as follows:

	GPS	CPS	LGPS
Future service contribution rate	N/A	N/A	19.2%
Future service cash contributions	N/A	N/A	125
Deficit contributions	900	692	-
Expense contributions	-	105	-
Additional longevity swap payments	N/A	N/A	-
<b>Expected employer cash costs for 2024/25</b>	<b>900</b>	<b>797</b>	<b>125</b>
Expected salary sacrifice contributions	N/A	N/A	-
<b>Expected total employer contributions</b>	<b>900</b>	<b>797</b>	<b>125</b>

The changes to the company balance sheet at March 2024 and income statement for the year to March 2025, if the assumptions were sensitised by the amounts below, would be:

£'m	2024 GPS	2024 CPS	2024 LGPS	2025 GPS	2025 CPS	2025 LGPS
	Defined Benefit			Income Statement		
Initial assumptions	17.3	24.0	9.5	0.04	(0.04)	0.00
Discount rate assumptions increased by 0.5%	16.1	22.6	8.8	(0.02)	(0.13)	(0.07)
Discount rate assumptions decreased by 0.5%	18.4	25.6	10.2	0.09	0.04	0.06
Inflation rate assumptions increased by 0.5%	18.5	25.4	10.3	0.05	(0.02)	0.01
Inflation rate assumptions decreased by 0.5%	16.2	22.8	8.8	0.03	(0.06)	(0.01)
Total life expectancy increased by half a year	17.5	24.4	9.6	0.10	0.03	0.06
Total life expectancy decreased by half a year	17.0	23.7	9.4	(0.01)	(0.10)	(0.05)
Salary increase assumptions increased by 0.5%	N/A	N/A	9.6	N/A	N/A	00.1
Salary increase assumptions decreased by 0.5%	N/A	N/A	9.3	N/A	N/A	(0.01)

## Babcock Training Limited

### Notes to the financial statements (continued)

#### 17 Post-employment benefits (continued)

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 2024 were:

Fair value of plan of assets

£'000	2024 GPS	2024 CPS	2024 LGPS	2023 GPS	2023 CPS	2023 LGPS
Growth assets	-	-	-	-	-	-
Equities	5,142	3,943	7,188	4,978	2,373	6,309
Property funds	-	1,943	2,573	-	3,176	2,450
High yield bonds/emerging market debt	369	-	-	444	-	-
Absolute return and multi-strategy funds	6,690	4,827	-	7,525	4,925	-
Low-risk assets	-	-	-	-	-	-
Bonds	9,348	12,725	2,186	751	12,961	2,85
Matching assets*	(5,512)	2,939	133	2,222	1,979	244
Longevity swaps	-	-	-	-	-	-
Fair value of assets	16,037	26,377	12,080	15,592	25,414	11,088
Percentage of assets quoted	71%	71%	71%	70%	70%	80%
Percentage of assets unquoted	29%	29%	29%	30%	30%	20%
Present value of defined benefit obligations:						
Active members	-	-	3,747	-	-	2,512
Deferred pensioners	9,372	12,495	2,692	12,665	12,315	2,939
Pensioners	7,897	11,544	3,054	5,541	12,150	4,029
Total defined benefit obligations	17,269	24,039	9,493	18,206	24,465	9,480
Net (liabilities)/assets recognised in the statement of financial position	(1,232)	2,338	2,587	(2,286)	949	1,608

The longevity swaps have been valued in line with assumptions that are consistent with the requirements of IFRS 13 using Level 3 inputs. The key inputs to the valuation are the discount rate and mortality assumptions.

The amounts recognised in the company income statement are as follows:

£'000	2024 GPS	2024 CPS	2024 LGPS	2024 Total	2023 GPS	2023 CPS	2023 LGPS	2023 Total
Current service cost	-	-	156	156	-	-	200	200
Incurred expenses	-	143	-	143	-	181	-	181
Past service cost	-	-	-	-	-	-	-	-
Curtailment	-	-	-	-	-	-	-	-
Total included within operating profit	-	143	156	299	-	181	200	381
Net interest cost/(credit)	89	(62)	(77)	(50)	145	100	61	306
Total included within income statement	89	81	79	249	145	281	261	687

# Babcock Training Limited

## Notes to the financial statements *(continued)*

### 17 Post-employment benefits *(continued)*

Amounts recorded in the company statement of comprehensive income.

£'000	2024 GPS	2024 CPS	2024 LGPS	2024 Total	2023 GPS	2023 CPS	2023 LGPS	2023 Total
Actual return less interest on pension scheme assets	869	(391)	(620)	(142)	1,060	1,378	1,199	3,637
Experience gains/(losses) arising on scheme liabilities	(827)	(377)	(360)	(1,564)	1,343	582	260	2,185
Changes in assumptions on scheme liabilities	(285)	94	36	(155)	1,347	1,960	1,027	4,334
	<b>(243)</b>	<b>(674)</b>	<b>(944)</b>	<b>(1,861)</b>	3,750	3,920	2,486	10,156

Analysis of movement in the Group statement of financial position:

£'000	2024 GPS	2024 CPS	2024 LGPS	2023 GPS	2023 CPS	2023 LGPS
Fair value of plan assets						
At 1 April	15,920	25,414	11,088	22,425	31,593	10,981
Interest on assets	769	1,204	529	610	848	295
Actuarial gain on assets*	(869)	391	620	(7,463)	(6,575)	(161)
Employer contributions	900	797	114	900	797	85
Employee contributions	-	-	43	-	-	54
Benefits paid	(683)	(1,429)	(314)	(552)	(1,249)	(166)
Settlements	-	-	-	-	-	-
At 31 March	16,037	26,377	12,080	15,920	25,414	11,088

£'000	2024 GPS	2024 CPS	2024 LGPS	2023 GPS	2023 CPS	2023 LGPS
Present value of benefit obligations						
At 1 April	18,206	24,465	9,480	24,597	35,178	13,055
Service cost	-	-	156	-	-	317
Incurred expenses	-	143	-	-	86	-
Interest cost	858	1,143	452	657	935	354
Employee contributions	-	-	43	-	-	54
Experience (gain)/loss	(285)	94	36	1,272	951	573
Actuarial loss/(gain) – demographics	(733)	(307)	(328)	(223)	(251)	(44)
Actuarial (gain)/loss – financial	(94)	(70)	(32)	(7,545)	(11,185)	(4,663)
Benefits paid	(683)	(1,429)	(314)	(552)	(1,249)	(166)
Past service costs	-	-	-	-	-	-
Curtailement	-	-	-	-	-	-
At 31 March	17,269	24,039	9,493	18,206	24,465	9,480
Net surplus/(deficit) at 31 March	(1,232)	2,338	2,587	(2,286)	949	1,608

## Babcock Training Limited

### Notes to the financial statements (continued)

#### 18 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 £8.3m (2023: £21.0m) 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 (2023: £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 2024 the accrued VAT liability of the Group was £960,572 (2023: £1,321,000).

#### 19 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.

#### 20 Called up Share capital

	2024 £000	2023 £000
Allotted and fully paid		
17,051,110 ordinary shares of £1 each (2023: 17,051,110)	<u>17,051</u>	<u>17,051</u>

#### 21 Subsidiary, and associate and joint venture undertakings

All related undertakings for the company are as listed below:

Company Name	Country	Address	Interest	Direct %
<b>Direct;</b>				
Babcock Assessments Limited	United Kingdom	33 Wigmore Street, London, W1U 1QX, England	166,000 ordinary shares	100.0%
Skills2Learn Limited	United Kingdom	33 Wigmore Street, London, W1U 1QX, England	100 ordinary shares	100.0%
National Training Institute LLC	Sultanate of Oman	PO Box 267, Postal code 115, Madinat Qaboos, Sultanate of Oman	350,000 shares	70.00%

All subsidiary undertakings with the exception of National Training Institute LLC are incorporated and operate in the United Kingdom. National Training Institute LLC is incorporated and operates in the Sultanate of Oman.

\*Babcock Training Limited holds 70% shareholding in National Training Institute LLC which provides it with 99.9% of the economic performance rights

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

## **Babcock Training Limited**

### **Notes to the financial statements (*continued*)**

#### **22 Post balance sheet events**

On 11 November 2024 the Company sold its investment in National Training Institute LLC to Skills and Development Company LLC for a total consideration of OMR 49,500.

#### **23 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