Bulletin

ISSUE: March 2018

Audit & Governance Committee

Welcome…

Welcome to the Audit & Governance Committee Bulletin.
The purpose of this bulletin is to keep Members and officers up to date with local and national issues relevant to the Audit & Governance Committee.

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Internal Audit update

The consultation period for the revised structure of Orbis-Internal Audit ended on 12 February 2018. Observations made within that process will be considered by the Chief Internal Auditor before the team structure is finalised before the end of the month. Recruitment and appointment to the various posts will then follow with the intention of having all staff in post before the commencement of financial year 2018/19 on 1st April.

Within the Surrey sovereign audit team we said farewell to two colleagues, who have taken new opportunities outside of the council: Tasneem Ali, who had contracted with us for many years, and Tim Semken, Lead Auditor. We wish them both well in their future endeavours.

Currently a significant amount of stakeholder engagement is underway to understand risks and issues to shape the 2018/19 Internal Audit Annual Plan, which will be presented to Audit & Governance Committee in April for approval. This process, covering both officers and members, will be the first fully aligned annual audit plan between the three authorities under the Orbis-Internal Audit banner, and will allow for joint working and shared skills to benefit all three sovereign clients.

Gifts and Hospitality Update

The effectiveness of the Gifts & Hospitality policy continues to be dependent upon officer awareness of policy and declaration of any receipt of gifts and hospitality received. Through revision of policy and guidance documents, the HR Service has provided further clarity in areas such as receipt of 'luxury' items and small cash gifts. In addition there is general guidance for at risk officers working in a social care setting

Further amendments to the policy include naming the Head of HR as the policy owner, and delegating responsibility to Heads of Services to ensure that resources are in put in place within their services to allow officers to record any gifts received

The HR Service have been progressive in ensuring that there is sufficient scrutiny of the register by ensuring the annual register is published on the Surrey County Council public website, and putting measures in place to review register on a quarterly basis and provide assurance that the policy is being followed.

There was a need for the general awareness of the policy to be increased, especially at out-posted establishments where local registers were being maintained and corporate policy was not always being followed. As part of the relaunch of the G&H policy the HR service has taken active steps to raise awareness through the use of intranet promotion, promotional material and presentation of new policy at management level in services with out-posted establishments.

Babcock 4S Ltd Director's Report and Financial Statements for the Year Ended March 2017

The Audit & Governance Committee has annually reviewed the Annual Report and financial statements of Babcock 4S. The documents are this year attached to the bulletin, as annex 1.

Petitions

The Committee will received information on petitions reaching 1,000 or more signatories. This if for information only to inform you of the big concerns of residents.

No petitions have been received reaching 1,000 or more signatories since the last bulletin.

Further information

Local government ethical standards: stakeholder consultation	The Committee on Standards in Public Life invites responses to its consultation to inform its review of local government ethical standards. Robust standards arrangements are needed to safeguard local democracy, maintain high standards of conduct, and to protect ethical practice in local government. This consultation closes at 5pm on 18 May 2018. For details please follow this link - https://www.gov.uk/government/consultations/local-government-ethical-standards-stakeholder-consultation

Upcoming

The next meeting of the Audit & Governance Committee is on 12 April 2018.

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Committee Contacts

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Babcock 4S Limited

Annual report

For the year ended 31 March 2017

Company registration number:

04889149

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Directors and advisors

Current Directors

T Newman
J Russell
R Taylor

Company secretary

M Liang

Registered Office

33 Wigmore Street
London
W1U 1QX

Independent Auditors

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

Strategic report for the year ended 31 March 2017

The directors present their Strategic report on the Company for the year ended 31 March 2017.

Principal activities

The principal activities of the Company are the provision of school support services and the generation of income from other related services.

Review of the business

The company has net liabilities of £3,688,000 (2016: net assets of £752,000)

The company has produced the following financial statements under FRS 101.

	2017	2016
	£000	£000
Revenue	**15,103**	18,087
Profit for the financial year	**7**	927

The company completed its thirteenth year of operation. Funding reductions have continued to cause a decline in revenue. Close resource and cost monitoring have reduced the impact on gross profit margin which is 22% (2016: 23%).

Going forward, the company faces a number of operational risks including price pressure from reducing budgets, political direction, efficiency in delivery and other risks in delivering its main contracts and increased competition from its competitors.

All the major contracts are subject to performance measurement via the use of a large number of key performance indicators and regular meetings are held with our stakeholders to manage this process.

Principal risks and uncertainties

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

The key risks and uncertainties affecting the Company are considered to be related to contractual performance and the political and regulatory environment. The company's business is susceptible to individual contract performance. All the company's contracts are affected by changes in government policy, budget allocations and the changing political environment. The directors manage this risk by maintaining regular discussions with the relevant customers and controlling both direct and indirect expenditure as necessary.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 68 to 79 of the annual report of Babcock International Group PLC, which does not form part of this report.

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Strategic report for the year ended 31 March 2017 *(continued)*

Future developments

Over recent years the company's core contract with Surrey County Council has reduced significantly and is due to expire in March 2019. As a result, the majority of the company's revenue now derives from sales of services to schools and the Directors are developing a business plan for the company to operate as a fully traded business should a renewal of the core contract not be secured.

To generate and preserve value in the longer term the company is committed to developing its people and sustaining talent. As part of the Babcock Group employees are subject to a comprehensive talent management system co-ordinated across the Group.

Key performance indicators

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Support Services, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 30 to 37 and 48 to 53 of the annual report of Babcock International Group PLC, which does not form part of this report.

On behalf of the board

T Newman

Director

19 December 2017

Directors' report for the year ended 31 March 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2017.

Dividends

There were no dividends paid during the current year and the directors do not recommend a final dividend (2016: £nil).

Future developments

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

Going Concern

The Directors have prepared the financial statements on a going concern basis as confirmation has been received from Babcock Support Services (Investments) Limited that they will ensure the Company is able to meet its liabilities as they fall due, and that they will not seek repayment of any amounts due from Babcock 4S Limited to other companies within its group for a period of at least 12 months from the date of approval of these financial statements unless the Company generates sufficient cash flows from its operations to meet the repayments and its third party obligations as they fall due.

Financial risk management

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

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

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

Credit risk
The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company also monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk
The Company retains access to pooled cash resources to ensure it has sufficient available funds for operations. The Company also has access to long term funding from its ultimate parent undertaking if required.

Directors' report for the year ended 31 March 2017 *(continued)*

Financial risk management (continued)

Interest rate risk
The Company has interest-bearing assets in the form of cash balances. It also has interest-bearing liabilities in the form of pension liabilities. Interest bearing assets and liabilities earn and attract interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Directors

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

K Garvey	(resigned 24 August 2016)
G Leeming	(resigned 1 July 2016)
T Newman	(appointed 31 March 2017)
D Olney	(resigned 31 March 2017)
J Russell	
R Taylor	(appointed 1 July 2016)

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.

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.

Environment

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

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

Directors' report for the year ended 31 March 2017 *(continued)*

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.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

On behalf of the board

T Newman
Director

19 December 2017

Registered number 04889149

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Independent auditors' report to the members of Babcock 4S Limited

Report on the financial statements

Our opinion

In our opinion, Babcock 4S Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended:
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 March 2017
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Independent auditors' report to the members of Babcock 4S Limited *(continued)*

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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Independent auditors' report to the members of Babcock 4S Limited *(continued)*

Responsibilities for the financial statements and the audit (continued)

What an audit of financial statements involves *(continued)*

We primarily focus our work in these areas by assessing the directors' judgments against available evidence, forming our own judgments, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Sarah Harrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
19 December 2017

Income statement
for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Revenue	4	**15,103**	18,087
Cost of sales		**(11,819)**	(13,885)
Gross profit		**3,284**	4,202
Administrative expenses		**(2,846)**	(2,929)
Operating profit	5	**438**	1,273
Finance income	6	**36**	68
Finance expenses	6	**(175)**	(130)
Profit before income tax		**299**	1,211
Income tax expense	9	**(292)**	(284)
Profit for the financial year		**7**	927

All of the above results derive from continuing operations.

Statement of Comprehensive Income
for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Profit for the financial year		**7**	927
Other comprehensive expenses:			
Items that will not be subsequently reclassified to income statement:			
Actuarial losses on pension scheme	17	**(5,320)**	(1,509)
Tax on net defined benefit obligation	9	**873**	206
Other comprehensive expenses		**(4,447)**	(1,303)
Total comprehensive expense for the year		**(4,440)**	(376)

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Balance sheet
as at 31 March 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	10	**42**	68
		42	68
Current assets			
Inventories	12	**6**	9
Trade and other receivables	13	**3,120**	2,608
Cash and cash equivalents		**8,768**	11,824
		11,894	14,441
Trade and other payables – amounts falling due within one year	14	**(5,003)**	(7,623)
Net current assets		**6,891**	6,818
Total assets less current liabilities		**6,933**	6,886
Provisions for liabilities	15	**(1,052)**	(1,321)
Post-employment benefits	17	**(9,569)**	(4,813)
Net (liabilities)/ assets		**(3,688)**	752
Equity			
Called up share capital	21	**1**	1
Share premium account		**1,999**	1,999
Accumulated losses		**(5,688)**	(1,248)
Total shareholders' (deficit) funds		**(3,688)**	752

The notes on pages 13 to 33 are an integral part of these financial statements.

The financial statements on pages 10 to 33 were approved by the board of directors and signed on its behalf by:

T Newman
Director
19 December 2017

Statement of changes in equity
for the year ended 31 March 2017

	Called-up share capital £000	Share premium account £000	Accumu-lated Losses £000	Total share-holders' funds/ (deficit) £000
Balance at 1 April 2015	**1**	**1,999**	**(872)**	**1,128**
Profit for the financial year	-	-	927	927
Other Comprehensive Expense	-	-	(1,303)	(1,303)
Balance at 31 March 2016	**1**	**1,999**	**(1,248)**	**752**
Profit for the financial year	-	-	7	7
Other Comprehensive Expense	-	-	(4,447)	(4,447)
Balance at 31 March 2017	**1**	**1,999**	**(5,688)**	**(3,688)**

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Notes to the financial statements

1. General information

Babcock 4S Limited is a private company limited by shares which is incorporated and domiciled in the UK. The address of the registered office is 33 Wigmore Street, London W1U 1QX.

2. Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements have been prepared in accordance with Companies Act 2006 and Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

These financial statements are prepared on a going concern basis, under the historical cost convention in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. 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 is subsidiary of Babcock Education Holdings Limited and of its ultimate parent, Babcock International Group PLC.

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

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

e) The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), 10(f), 16, 38, 40, 111, and 134-136

f) IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors

g) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
h) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Notes to the financial statements (continued)

2. Summary of significant accounting policies *(continued)*

Basis of preparation (continued)

Going Concern

The Directors have prepared the financial statements on a going concern basis as confirmation has been received from Babcock Support Services (Investments) Limited that they will ensure the Company is able to meet its liabilities as they fall due, and that they will not seek repayment of any amounts due from Babcock 4S Limited to other companies within its group for a period of at least 12 months from the date of approval of these financial statements unless the Company generates sufficient cash flows from its operations to meet the repayments and its third party obligations as they fall due.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from services rendered is recognised by reference to the stage of completion of the transaction or as the company fulfils contractual obligations. Revenue from services provided on a short-term or one-off basis is recognised when the service is complete.

Intangible assets

Computer software

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

Acquired Intangibles

Acquired Intangible assets were recognised on previous acquisitions and have been fully amortised in prior periods.

Other Intangibles

Other intangible assets were recognised on previous licence costs and have been fully amortised in prior periods.

Notes to the financial statements (continued)

2. Summary of significant accounting policies *(continued)*

Tangible Assets

Tangible Assets are shown at cost less subsequent depreciation and 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 the asset over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Leasehold property	Lease term
Computer Equipment	6.6% to 33.3%
Office Equipment	6.6% to 33.3%

Tangible Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the 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.

Inventories

Inventory is valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out method. In the case of finished goods, cost comprises direct material costs.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

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

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies *(continued)*

Financial liabilities

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

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, less any bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Taxation

(a) Current income tax

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies *(continued)*

Taxation (continued)

(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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Pensions costs and other post-retirement benefits

The company operates a contributory defined benefit pension scheme and the company is a participating employer. The scheme assets are held separately from those of the company in an independently administered fund. The fund is valued every three years by a professionally qualified independent actuary. The rates of contribution payable are determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

Pensions and other post-retirement benefits are accounted for in accordance with IAS19 'Employee Benefits'. The amounts charged to operating profit are the current costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of comprehensive income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount within net interest payable. Actuarial gains and losses are recognised immediately in the statement of changes in equity.

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

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies *(continued)*

Pension costs and other post-retirement benefits (continued)

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis. A provision is made where the operating leases are deemed to be onerous.

Provisions for liabilities

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

3. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures of the defined benefit pension scheme.

Contract Provisions

The Company has an obligation to pay certain costs should the main customer contract not be renewed in 2019. This has been calculated based upon assumptions including staff attrition and prevailing wage rates. There are a number of uncertainties which mean the actual required payments may result in a difference to the calculated provision. See note 15 for the disclosures of the provision.

Dilapidation Provisions

Dilapidation provisions comprise provisions on leasehold properties and are made when the liability can be reasonably estimated. See note 15 for the disclosures of the provision.

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Notes to the financial statements (continued)

4. Revenue

Revenue is wholly attributable to the principal activities of the Company and arises solely from the sale of services in the United Kingdom.

5. Operating profit

Operating profit is stated after charging / (crediting):

	2017 £000	2016 £000
Amortisation of intangible assets	**26**	11
Impairment of trade receivables	**(1)**	32
Restructuring	**-**	90
Impairment of inventory	**-**	33
Operating lease charges	**633**	633
Inventories charged to cost of sales	**3**	33
Audit fees payable to the Company's auditors	**20**	24

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

6. Finance income and expenses

	2017 £000	2016 £000
Finance income:		
Bank interest	**36**	68
Finance expenses:		
Net interest cost on defined benefit pension liability (note 17)	**(175)**	(130)

7. Staff costs

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

	2017 Number	2016 Number
By activity:		
Operations	**139**	165
Management and administration	**25**	32
	164	197

Notes to the financial statements (continued)

7. Staff costs (continued)

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	**6,233**	7,868
Social security costs	**731**	767
Other pension costs (note 17)	**837**	986
	7,801	9,621

Included in other pension costs are £609,000 (2016: £650,000) in respect of the LGPS scheme, £52,000 (2016: £61,000) in respect of the Teacher's pension scheme and £176,000 (2016: £217,000) in respect of the defined contribution scheme.

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

8. Directors' remuneration

No directors received remuneration from the company in the current year *(2016: Nil)*.

All of the directors of the company are subject to service agreements with, and are remunerated by, other group or related party companies. It is not possible to make an accurate apportionment of their emoluments resulting from services provided to the company.

9. Income tax expense

Tax expense included in income statement

	2017 £000	2016 £000
Current tax:		
UK Corporation tax on profits for the year	**-**	39
Adjustment in respect of prior periods	**112**	-
Current tax charge for the year	**112**	39
Deferred tax:		
Origination and reversal of timing differences	**179**	202
Adjustment in respect of prior years	**(1)**	18
Impact of change in UK tax rate	**2**	25
Total deferred tax charge (note 16)	**180**	245
Income tax expense	**292**	284

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Notes to the financial statements (continued)

9. Income tax expense (continued)

Tax expense included in other comprehensive expense

	2017 £000	2016 £000
Current tax	-	-
Deferred tax:		
- Tax impact of actuarial gains/losses on pension liability	1,064	302
- Impact of change in UK tax rates	(191)	(96)
Tax expense included in other comprehensive expense	**873**	206

Tax expense for the year is higher (2016: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2017 of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before income tax	**299**	1,211
Profit before income tax multiplied by standard UK corporation tax rate of 20% (2016: 20%)	60	242
Effects of:		
Group relief surrendered	119	-
Income not subject to tax	-	(1)
Adjustments in respect of deferred taxation for prior years	(1)	18
Adjustments in respect of prior periods	112	-
Impact of change in UK tax rate	2	25
Total tax charge for the year	292	284

In the UK 2015 Budget it was announced that the UK corporation tax rate will reduce to 19% for April 2017. It was announced in the 2016 UK Budget that it will be further reduced to 18% from April 2020. It was subsequently announced in 2017 UK Budget that it will be reduced to 17% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 17% as this is the tax rate that will apply on reversal.

Notes to the financial statements (continued)

10. Intangible assets

Cost	Other Intangibles £000	Computer Software £000	Acquired Intangibles £000	Total £000
At 1 April 2016 and 31 March 2017	**298**	**79**	**700**	**1,077**
Accumulated amortisation and impairment				
At 1 April 2016	298	11	700	1,009
Amortisation	-	26	-	26
At 31 March 2017	**298**	**37**	**700**	**1,035**
Net book value				
At 31 March 2017	**-**	**42**	**-**	**42**
At 31 March 2016	-	68	-	68

Intangible assets amortisation is recorded in administrative expenses in the income statement.

11. Tangible assets

Cost	Leasehold property £000	Computer equipment £000	Office equipment £000	Total £000
At 1 April 2016	866	1,168	526	2,560
Disposal	-	(1,168)	-	(1,168)
At 31 March 2017	**866**	**-**	**526**	**1,392**
Accumulated depreciation				
At 1 April 2016	866	1,168	526	2,560
Disposal	-	(1,168)	-	(1,168)
At 31 March 2017	**866**	**-**	**526**	**1,392**
Net book value				
At 31 March 2017	**-**	**-**	**-**	**-**
At 31 March 2016	-	-	-	-

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Notes to the financial statements (continued)

12. Inventories

	2017 £000	2016 £000
Finished goods and goods for resale	**6**	9
	6	9

13. Trade and other receivables

	2017 £000	2016 £000
Amounts falling due within one year:		
Trade receivables	**441**	540
Amounts owed by related parties	**149**	263
Amounts owed by group undertakings	**67**	213
Deferred tax asset (note 16)	**1,779**	1,086
Other receivables	**372**	107
Prepayments and accrued income	**312**	399
	3,120	2,608

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

All financial assets of the Company are carried at amortised cost.

Trade receivables are stated after provisions for impairment of £31,000 (2016: £32,000).

14. Trade and other payables

	2017 £000	2016 £000
Amounts falling due within one year:		
Trade creditors	**901**	716
Amounts owed to parent and group undertakings	**2,030**	2,366
Amounts owed to other related parties	**4**	1,403
Taxation and social security	**144**	733
Other payables	**196**	175
Accruals and deferred income	**1,728**	2,230
	5,003	7,623

Amounts owed to parent and group undertakings are unsecured, interest free, and repayable on demand. All financial liabilities of the Company are carried at amortised cost

Notes to the financial statements (continued)

15. Provisions for liabilities

	Contract Provisions £000	Other provisions £000	Total £000
At 1 April 2016	1,007	314	1,321
Released to the income statement	(269)	-	(269)
At 31 March 2017	**738**	**314**	**1,052**

Contract provisions

Contract provisions relate to committed costs should the Company's main contract not be renewed in 2019. These are based on the assessment of future costs and are assessed with reference to past experience. These provisions are expected to be fully utilised during the year ended 31 March 2019. The release to the income statement took place after a reduction in the total provision required following the annual revaluation. During the year £nil was used in relation to a single smaller contract (2016: £90,000).

Other provisions

Other provisions comprise dilapidation provisions on leasehold properties. These provisions are made where the liability can be reasonably estimated. It is expected that the provisions will unwind within a two year period.

16. Deferred taxation

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

Deferred tax assets	Accelerated capital allowances £000	Relating to the pension deficit £000	Other short term timing differences £000	Total £000
At 1 April 2015	**39**	**822**	**264**	**1,125**
- (Charged) / credited to the income statement	(10)	(162)	(73)	(245)
- (Charged) / credited to other comprehensive income	-	206	-	206
At 1 April 2016	**29**	**866**	**191**	**1,086**
- (Charged) / credited to the income statement	(6)	(112)	(62)	(180)
- (Charged) / credited to other comprehensive income	-	873	-	873
At 31 March 2017	**23**	**1,627**	**129**	**1,779**

Notes to the financial statements (continued)

17. Post-employment benefits

The company accounts for post-employment costs in accordance with IAS 19 and participates in a number of pension schemes as follows:

Multi-employer schemes

Teachers' Pension Scheme

The company participates in Teachers Pension Scheme "TPS" which is a national teachers' pension scheme providing benefits based on final pensionable pay. The company's only obligation is to pay the contributions as they fall due and if the company ceases to employ members of the scheme, it will have no obligation to pay any further contributions to cover any shortfall against the cost of the benefits earned by its own employees in previous years. Therefore the scheme is accounted for as a defined contribution scheme for the purpose of IAS 19. The current contribution rate is 16.4% of pensionable salary for eligible members.

The total cost of pension contributions for employees of the company during the year was £52,000 *(2016: £64,000)* and there was a creditor of £6,000 *(2016: £9,000)* in the balance sheet. The company expects to pay contributions of a similar level in the next financial year.

Defined contribution schemes

Babcock Defined Contribution scheme (formerly Shipbuilding Industries Pension Scheme)

The Company participates in a defined contribution scheme. Obligations for contributions to the defined benefit pension plan are recognised as an expense in the income statement. The pension cost charge for the year includes contributions made by the company to that fund amounting to £176,000 *(2016: £217,000)* and there was a creditor of £nil *(2016: £nil)* in the balance sheet.

Notes to the financial statements (continued)

17. Post-employment benefits *(continued)*

Defined Benefit Schemes

Local Government Pension Scheme – Surrey Pension Fund
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. During the period ended 31 March 2005 a number of employees of Surrey County Council transferred to the company, but continued to be members of the Surrey Pension Fund section of the LGPS. Under the terms and conditions of the transfer, the associated pension fund assets and liabilities are separately identifiable and segregated for funding purposes.

The last formal valuation which is publically available was carried out at 31 March 2016 and was updated for accounting purposes to 2017 by a qualified independent actuary, using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The market value of the entire LGPS scheme's assets (not just the Surrey Pension Fund section) was £3.9 billion.

The company does not expect to contribute to its defined benefit plans in the next financial year.

The risks of the scheme are as follows:

(a) Asset volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The first stage of this process was completed in 2014 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in UK government securities only. The corporate bonds are securities with an emphasis on the UK.

(b) Changes in bond yields
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy
The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) Inflation risk
The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Notes to the financial statements (continued)

17. Post-employment benefits *(continued)*

For the LGPS, the IAS 19 valuation has been updated at 31 March 2017 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2016. The major assumptions used for the IAS 19 valuation were:

Major assumptions	2017 %	2016 %
Rate of increase in salaries	2.30	2.40
Rate of increase in pension payment	2.23	2.23
Discount rate	2.60	3.70
Inflation	2.10	2.10

The mortality assumptions used were set based upon actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at 65:

	2017 Years	2016 Years
Life expectancy from age 65 (male age 65)	22.2	22.7
Life expectancy from age 65 (male age 45)	23.9	25.0

The changes to the Company balance sheet at March 2017 and the changes to the Company income statement for the year to March 2018, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2017 £000	Income statement projection 2018 £000
Initial assumptions	54,007	957
Discount rate assumptions increased by 0.5%	49,049	789
Discount rate assumptions decreased by 0.5%	58,964	1,075
Inflation rate assumptions increased by 0.5%	58,077	1,110
Inflation rate assumptions decreased by 0.5%	50,084	809
Total life expectancy increased by half a year	54,678	983
Total life expectancy decreased by half a year	53,336	931
Salary increase assumptions increased by 0.5%	55,092	1,009
Salary increase assumptions decreased by 0.5%	52,932	905

Notes to the financial statements (continued)

17. Post-employment benefits *(continued)*

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

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March were:

Analysis of assets and expected returns per annum:

	2017	**2016**
	£000	**£000**
Equities	**32,594**	29,329
Property	**3,178**	2,660
Bonds	**6,734**	6,360
Cash and other	**2,156**	1,518
Total assets	**44,662**	39,867
Present market value of liabilities - funded	**(54,007)**	(44,488)
Present market value of liabilities unfunded	**(224)**	(192)
Gross Pension liability	**(9,569)**	(4,813)

Investments have been valued for this purpose at fair value at the balance sheet date. Equity investments and bonds are valued at bid price.

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Notes to the financial statements (continued)

17. Post-employment benefits *(continued)*

Analysis of amount charged to the income statement	2017 £000	2016 £000
Current service cost	**609**	705
Total included within operating profit	**609**	705
Net interest cost	**175**	130
Total charged to the income statement	**784**	835

Analysis of amount included in statement of comprehensive income	2017 £000	2016 £000
Actuarial (loss)/gain recognised on liabilities	**(8,699)**	133
Actuarial gain / (loss) recognised on assets	**3,411**	(1,599)
Actuarial loss recognised on unfunded arrangements	**(32)**	(43)
	(5,320)	(1,509)

Reconciliation of present value of scheme liabilities	2017 £000	2016 £000
At 1 April	**44,488**	43,172
Current service cost	**609**	705
Interest cost	**1,557**	1,470
Employee contributions	**175**	223
Benefits paid	**(1,521)**	(949)
Actuarial loss / (gain)	**8,699**	(133)
At 31 March	**54,007**	44,488

Reconciliation of present value of scheme assets	2017 £000	2016 £000
At 1 April	**39,867**	39,207
Expected return on scheme assets	**1,382**	1,340
Actuarial gain / (loss)	**3,411**	(1,599)
Benefits paid	**(1,521)**	(949)
Contributions paid by employer	**1,348**	1,645
Employee contributions	**175**	223
At 31 March	**44,662**	39,867

Notes to the financial statements (continued)

18. Dividends

There were no dividends paid in 2017 (2016: £nil).

19. Guarantees and financial commitments

a) Contingent liabilities

At the year end date the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2016: £nil) provided to certain group companies. In addition, the Company had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £nil (2016: £nil).

b) Operating lease commitments

At 31 March, the Company had future minimum rental payable under non-cancellable operating leases as follows:

	2017 Land and buildings £000	**2017 Other £000**	2016 Land and buildings £000	2016 Other £000
Future minimum rentals payable under non-cancellable operating leases:				
- within one year	**568**	**115**	567	47
- between two and five years	**662**	**119**	1,229	283
	1,230	**234**	1,796	330

The Company leases one office under a non-cancellable operating lease agreement. The Company also leases various motor vehicles under non-cancellable operating lease agreements.

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Notes to the financial statements (continued)

20. Related party disclosures

During the year the company entered into transactions with related parties. These consisted of subsidiaries of Babcock International Group PLC and also with Surrey County Council. All transactions were on an arm's length basis.

Transactions entered into and trading balances outstanding at 31 March 2017 are as follows:

	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
Related party	£000	£000	£000	£000
Babcock Aerospace Limited	19	-	2	-
Babcock Civil Infrastructure Limited	63	-	-	-
Babcock Communications	6	-	-	-
Babcock Communications Limited	-	(10)	-	-
Babcock Corporate Services Limited	-	(10)	-	(1)
Babcock Skills, Development & Training Ltd	-	-	1	-
Babcock Education & Skills Limited	-	(88)	-	(48)
Babcock Education Holdings Limited	272	(1,084)	-	(31)
Babcock International Group PLC	-	(63)	-	(54)
Babcock Land Limited	11	-	-	-
Babcock Learning & Development Partnership LLP	104	(80)	46	(9)
Babcock Pension Trust	-	(42)	-	-
Babcock Skills Development & Training Limited	3	-	-	-
Babcock Support Services (Investments) Limited	107	-	-	-
Babcock Support Services Limited	-	(5)	-	(1,887)
Babcock Training Limited	568	(99)	18	-
Skills 2 Learn Limited	3	-	-	-
VT (UK) Limited	-	(11)	-	-
Surrey County Council	11,387	(14)	149	(4)

Notes to the financial statements (continued)

20. Related party disclosures *(continued)*

Transactions entered into and trading balances outstanding at 31 March 2016 are as follows:

	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
Related party	£000	£000	£000	£000
Babcock Aerospace Limited	1	-	-	-
Babcock Civil Infrastructure Limited	317	2	45	-
Babcock Communications	-	-	8	-
Babcock Communications Limited	121	-	-	-
Babcock Corporate Services Limited	-	31	-	(6)
Babcock Critical Services Limited	3	-	4	-
Babcock Education & Skills Limited	-	90	-	(10)
Babcock Education Holdings Limited	95	-	-	(514)
Babcock International Group PLC	-	126	-	(60)
Babcock Land Limited	9	-	-	-
Babcock Learning & Development Partnership LLP	394	89	8	-
Babcock Pension Trust	-	-	18	-
Babcock Skills Development & Training Limited	4	-	-	-
Babcock Support Services Limited	-	6	-	(5)
Babcock Training Limited	439	144	130	(1,768)
Cavendish Nuclear	-	28	-	-
Skills 2 Learn Limited	3	8	-	-
VT (UK) Limited	-	3	-	(3)
Surrey County Council	11,875	410	263	(1,403)

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

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Notes to the financial statements (continued)

21. Called up Share capital

	2017 £000	2016 £000
Allotted and fully paid		
801 (2016 :801) "A" ordinary shares of £1 each	1	1
199 (2016 :199) "B" ordinary shares of £1 each	-	-
	1	1

Shares classified as equity

The ordinary A and B shares rank pari passu except for;

- In the event that any resolution is put to the shareholders to remove any Director appointed by B shareholders it shall be deemed that each B shareholder carries 1,000 votes on such resolution, and;
- Under the shareholder agreement, B shareholders are entitled to 30% of any dividends declared.

22. Ultimate parent undertaking

The company's ultimate parent company 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