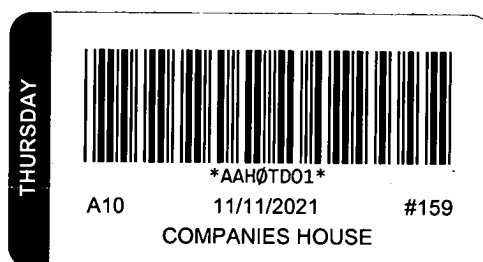


**Babcock International Limited**  
**Annual report and financial statements**  
**For the year ended 31 March 2021**  
**Company registration number:**  
**00065805**



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# **Babcock International Limited**

## **Directors and advisors**

### **Current directors**

I Urquhart  
N Borrett

### **Company secretary**

Babcock Corporate Secretaries Limited

### **Registered office**

33 Wigmore Street  
London  
W1U 1QX

### **Independent auditors**

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

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# Babcock International Limited

## Strategic report for the year ended 31 March 2021

The directors present their Strategic report on the Company for the year ended 31 March 2021.

### Principal activities

The principal activity of the Company continues to be that of a Group finance company within the Group headed by Babcock International Group PLC.

### Review of the business

	2021	2020
	£'000	£'000
Loss for the financial year	(505)	(844)

The reduction in the loss for the year reflects an intra Group foreign exchange gain that arose in the current year offset by additional administration expenses incurred in connection with the disposal of a fellow subsidiary company, receipt of a dividend from a subsidiary undertaking in the prior year (referred to below) and movement in deferred tax assets in relation to accelerated capital allowances. There has been a return of capital of £nil (2020: £20,337,910) from subsidiaries dissolved during the year. No dividend (2020: £394,653) was received from subsidiaries dissolved during the year. The company is in a net asset position of £18,583,000 (2020: £19,088,000). The directors regard the position of the company at the year end to be satisfactory.

### 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 Committee.

The impact of COVID-19 has been minimal on the company given the nature of the services provided by the Company to the Group and employees have been able to work remotely and continue to support the Group to an equivalent level.

Further discussion of these risks and uncertainties in the context of the Group as a whole and including the expected impact of COVID-19 is provided on pages 84 to 95 of the annual report of Babcock International Group PLC, which does not form part of this report.

### Future developments

There are no plans to alter significantly the business of the Company.


### Key performance indicators

The Company's principal activity is that of a group finance company and, for this reason, the 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.

### S172(1) statement and stakeholder engagement

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 58, 59, 79 and 114 to 116 of the annual report of Babcock International group PLC, which does not form part of this report.

On behalf of the Board

  
I Urquhart  
Director  
5 November 2021

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# Babcock International Limited

## Directors' report for the year ended 31 March 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2021.

### Dividends

No dividend was paid during the financial year (2020: £nil). No final dividends for the year ended 31 March 2021 have been proposed by the directors (2020: £nil).

### Future developments

There are no plans to alter significantly the business of the Company.

### Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in 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.

All treasury transactions are carried out only with prime rated counterparties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 47 to 49 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

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.

#### *Credit risk*

Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

#### *Liquidity risk*

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

#### *Interest rate cash flow risk*

The Company has both interest-bearing assets and interest-bearing liabilities. The interest-bearing assets earn interest at a floating rate. Interest-bearing liabilities accrue interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

### Directors

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

I Urquhart  
F Martinelli (resigned 30 November 2020)  
N Borrett

**Directors' report for the year ended 31 March 2021 (*continued*)**

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and 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, 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 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 also 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.

**Directors' confirmations**

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

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

**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.

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## Babcock International Limited

### **Directors' report for the year ended 31 March 2021 (*continued*)**

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

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

#### **Independent auditors**

PricewaterhouseCoopers LLP has now completed its final audit as external auditor. Deloitte LLP has been selected as the Company's external auditor for the financial year ending 31 March 2022 following shareholder approval at the Annual General Meeting of the Ultimate Parent, Babcock International Group PLC.

On behalf of the board



I Urquhart  
**Director**

5 November 2021

**Independent auditors' report to the members of Babcock International Limited**

**Report on the audit of the financial statements**

**Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 March 2021; the Income statement, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

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

**Independence**

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

**Conclusions relating to going concern**

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.

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.

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

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

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

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

**Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

**Responsibilities for the financial statements and the audit**

**Responsibilities of the directors for the financial statements**

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

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



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

**Auditors' responsibilities for the audit of the financial statements**

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and corporate tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to understatement of expenditure or management bias in the recognition of accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations and fraud.
- Tested a sample of accounting estimates and challenged any assumptions and judgements made by management in the recognition of accounting estimates
- Tested the accuracy of a sample of expenditure and accruals entries and searched for unrecorded liabilities.
- Identified and tested a sample of journal entries, based on our risk assessment (relating to potential understatement of expenditure). As part of this testing, we considered whether these entries were indicative of management error, bias or fraud.
- Agreed the financial statement disclosures to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

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## Babcock International Limited

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

#### **Use of this report**

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

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Sasha Lewis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton  
5 November 2021

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## Babcock International Limited

### Income statement

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Administrative expenses		437	(723)
<b>Operating profit / (loss)</b>	4	437	(723)
Income from shares in group undertakings		-	395
Finance income	5	133	200
Finance costs	5	(840)	(973)
<b>Loss before income tax</b>		(270)	(1,101)
Tax on loss	6	(235)	257
<b>Loss for the financial year</b>		<u>(505)</u>	<u>(844)</u>

All of the above results derive from continuing operations.

### Statement of comprehensive income

For the year ended 31 March 2021

	2021 £'000	2020 £'000
<b>Loss for the financial year</b>	<u>(505)</u>	<u>(844)</u>
<b>Total comprehensive loss for the year</b>	<u>(505)</u>	<u>(844)</u>

# Babcock International Limited

## Statement of financial position

As at 31 March 2021

	Note	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Tangible assets	7	184	271
Right of use assets	8	5,370	6,539
Investments	9	500	500
Trade and other receivables	10	-	10,000
Deferred tax	14	94	329
		<u>6,148</u>	<u>17,639</u>
<b>Current assets</b>			
Trade and other receivables (2021: including debtors due after more than one year £10,000,000)	10	586,370	530,606
Cash and cash equivalents		2	2
		<u>586,372</u>	<u>530,608</u>
<b>Current liabilities</b>			
Trade and other payables : amounts falling due within one year	11	(549,019)	(503,005)
Lease liabilities	12	(1,303)	(1,240)
		<u>(550,322)</u>	<u>(504,245)</u>
<b>Net current assets</b>		<u>36,050</u>	<u>26,363</u>
		<u>42,198</u>	<u>44,002</u>
<b>Total assets less current liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables : amounts falling due after more than one year	11	(18,469)	(18,469)
Lease liabilities	12	(5,146)	(6,445)
		<u>(23,615)</u>	<u>(24,914)</u>
<b>Net assets</b>		<u>18,583</u>	<u>19,088</u>
<b>Equity</b>			
Called up share capital	13	10,500	10,500
Share premium account		4,633	4,633
Retained earnings		3,450	3,955
<b>Total shareholders' funds</b>		<u>18,583</u>	<u>19,088</u>

Amounts due from group undertakings of £10,000,000 have been moved from non-current assets in 2020 to current assets in 2021, in accordance with the requirements of the Companies Act 2006. This is not a material adjustment to the prior year balance sheet position.

# Babcock International Limited

## Statement of financial position (*continued*)

The notes on pages 13-25 are an integral part of these financial statements.

The financial statements on pages 10-25 were approved by the Board of directors and signed on its behalf by:



I Urquhart  
**Director**  
5 November 2021

## Statement of changes in equity

*For the year ended 31 March 2021*

	<b>Called-up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Retained earnings £'000</b>	<b>Total shareholders' funds £'000</b>
<b>Balance at 1 April 2019</b>	10,500	4,633	5,162	20,295
Adjustment on transition to IFRS 16 at 1 April 2019	-	-	(363)	(363)
Loss for the financial year	-	-	(844)	(844)
Total comprehensive loss	-	-	(844)	(844)
<b>Balance at 31 March 2020</b>	10,500	4,633	3,955	19,088
Loss for the financial year	-	-	(505)	(505)
Total comprehensive loss	-	-	(505)	(505)
<b>Balance at 31 March 2021</b>	<b>10,500</b>	<b>4,633</b>	<b>3,450</b>	<b>18,583</b>

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# Babcock International Limited

## Notes to the financial statements

### 1 General information

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

### 2 Summary of significant 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 except as specified below:

#### 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 £'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 a wholly owned subsidiary of Babcock Holdings Limited, a company incorporated in England and Wales. The Company's ultimate parent company and ultimate controlling party is Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

- a) 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:
  - paragraph 79(a) (iv) of IAS 1 Share capital and reserves; and
  - paragraph 73(e) of IAS 16 Property, plant and equipment.
- d) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- 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'
- g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- h) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- i) 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*)**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The impact of COVID-19 has been minimal on the company given the nature of the services provided by the Company to the Group and employees have been able to work remotely and continue to support the Group to an equivalent level. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

**Investments in subsidiaries**

Fixed asset investments in subsidiaries shares are held at cost less any provision for impairment as necessary.

**Tangible assets**

Tangible fixed 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 tangible fixed assets over the estimated useful lives at the following annual rates:

Leasehold property	Lease term
Plant and machinery	6.6% to 33.3%

Tangible fixed assets are 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 the asset's fair value less cost to sell or value in use.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within current liabilities.

**Financial assets**

Basic financial assets, including Trade and other receivables, cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

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

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

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

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.

The Company assesses on a forward-looking basis the expected credit losses associated with financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

**Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and overdrafts and amounts due to group undertakings 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.

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.

**Taxation**

**(a) Current income tax**

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

**(b) Deferred 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 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.



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

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

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.

**Foreign currencies**

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

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

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

**Leases**

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

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

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

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

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

**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.

There were no areas involving a higher degree of judgment or complexity or areas where significant assumptions and estimates were made in the preparation of these financial statements.

**4 Operating profit / (loss)**

	2021 £'000	2020 £'000
Operating profit/(loss) is stated after (crediting)/charging:		
Foreign exchange (gains) / losses	(1,157)	539
Depreciation – owned fixed assets	124	210
Depreciation – right of use assets	1,176	1,183

Auditors' remuneration has been borne by another group entity. 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.

The average monthly number of employees (including directors) employed by the Company during the year was 106 (2020: 100 employees). All staff costs incurred by this entity are recharged to other group companies.

All of the directors are 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.

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# Babcock International Limited

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

### 5 Finance income and finance costs

	2021 £'000	2020 £'000
<b>Finance income:</b>		
Bank interest	-	3
Loan interest receivable from group undertakings	133	197
	<u>133</u>	<u>200</u>
	2021 £'000	2020 £'000
<b>Finance costs:</b>		
Bank interest	(264)	(186)
Loan interest payable to group undertakings	(250)	(403)
Lease interest	(326)	(384)
	<u>(840)</u>	<u>(973)</u>

Notes to the financial statements (*continued*)

## 6 Tax on loss

## Tax charge/ (credit) included in income statement

	2021 £'000	2020 £'000
<b>Current tax:</b>		
UK Corporation tax on loss for the year	-	-
Adjustment in respect of prior years	-	-
<b>Current tax charge for the year</b>	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	10	(249)
Adjustment in respect of prior years	225	-
Impact of change in UK tax rate	-	(8)
<b>Total deferred tax charge / (credit) (note 14)</b>	235	(257)
<b>Tax charge / (credit) on loss</b>	235	(257)

Tax charge / (credit) for the year is higher (2020: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2021 of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Loss before income tax	(270)	(1,101)
Tax on loss before income tax multiplied by standard UK corporation tax rate of 19% (2020: 19%)	(51)	(209)
Effects of:		
Expenses not deductible / (income not taxable) for tax purposes	19	(75)
Group relief surrendered for nil consideration	42	35
Adjustment in respect of prior years	225	-
Impact of change in UK tax rate	-	(8)
<b>Total tax charge / (credit) for the year</b>	235	(257)

In the UK 2020 budget, it was announced that the decrease in the UK rate of corporation tax from 19% to 17% was cancelled. On 24 May 2021, the Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The deferred tax asset and liability are measured at the tax rates which are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. As these changes to the tax rate were not enacted or substantively enacted at the balance sheet date, the closing deferred tax balances are therefore measured at 19%. The impact of the proposed rate change is not expected to have a material impact on the closing deferred tax asset / liability.

Notes to the financial statements (*continued*)

**7 Tangible assets**

	Leasehold property	Plant and machinery	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 April 2020	1,981	281	2,262
Additions	-	37	37
<b>At 31 March 2021</b>	<b>1,981</b>	<b>318</b>	<b>2,299</b>
<b>Accumulated depreciation</b>			
At 1 April 2020	1,770	221	1,991
Charge for the year	98	26	124
<b>At 31 March 2021</b>	<b>1,868</b>	<b>247</b>	<b>2,115</b>
<b>Net book value</b>	<b>113</b>	<b>71</b>	<b>184</b>
<b>At 31 March 2021</b>			
At 31 March 2020	211	60	271

**8 Right of use assets**

	Property	Plant and equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 April 2020	11,221	8	11,229
Additions	-	7	7
Terminations	-	(2)	(2)
<b>At 31 March 2021</b>	<b>11,221</b>	<b>13</b>	<b>11,234</b>
<b>Accumulated depreciation</b>			
At 1 April 2020	4,684	6	4,690
Charge for the year	1,171	5	1,176
Terminations	-	(2)	(2)
<b>At 31 March 2021</b>	<b>5,855</b>	<b>9</b>	<b>5,864</b>
<b>Net book value</b>	<b>5,366</b>	<b>4</b>	<b>5,370</b>
<b>At 31 March 2021</b>			
At 31 March 2020	6,537	2	6,539

# Babcock International Limited

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

### 9 Investments

	2021			2020		
	Investments in group undertakings at cost £'000	Provisions for impairment £'000	Total £'000	Investments in group undertakings at cost £'000	Provisions for impairment £'000	Total £'000
At 1 April	500	-	500	21,454	(616)	20,838
Return of capital	-	-	-	(20,954)	616	(20,338)
<b>At 31 March</b>	<b>500</b>	<b>-</b>	<b>500</b>	<b>500</b>	<b>-</b>	<b>500</b>

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

<u>Company</u>	<u>Country of Registration</u>	<u>Principal Activities</u>
Babcock Integration LLP	England	Investing
Babcock IP Management (Number One) Limited	England	Other
Babcock IP Management (Number Two) Limited	England	Other

On 15 September 2010, the use of the Babcock name was sublicensed to Babcock Integration LLP in exchange for an interest in the partnership. This was in order to facilitate the integration of the Babcock and VT groups. The Babcock name was not capitalised in the financial statements of the Company in accordance with FRS10 "Goodwill and Intangible Assets".

The partnership interest has been recognised at a cost of £nil given that the use of the Babcock name was not recognised in the financial statements of the Company prior to the sublicense to the LLP.

Full lists of related undertakings for the Company have been disclosed in note 16.

# Babcock International Limited

## Notes to the financial statements (continued)

### 10 Trade and other receivables

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	51	93
Amounts due from group undertakings	573,416	528,611
Amounts due from Joint Ventures	-	95
Other receivables	507	561
Prepayments and accrued income	2,396	1,246
	<b>576,370</b>	<b>530,606</b>

All amounts due from group undertakings are interest free and repayable on demand. There are £nil (2020: £nil) expected credit losses.

	2021 £'000	2020 £'000
<b>Amounts due after more than one year:</b>		
Amounts due from group undertakings	10,000	10,000

Included in amounts due from group undertakings due after more than one year, is an amount of £10,000,000 (2020: £10,000,000) that bears an interest rate of UK LIBOR plus 100 basis points.

### 11 Trade and other payables

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Bank loans and overdrafts	12,028	9,512
Trade creditors	10,365	8,895
Amounts due to group undertakings	519,660	480,404
Taxation and social security	781	532
Accruals and deferred income	6,185	3,662
	<b>549,019</b>	<b>503,005</b>

Included in amounts due to group undertakings are loans of £3,398,000 (2020: £3,398,000) bearing interest at UK LIBOR plus 100 basis points and a loan of £10,959,000 (US\$15,100,000) (2020: £12,160,000) that bears interest at US LIBOR plus 100 basis points. The remaining balances are repayable on demand and non-interest bearing.

	2021 £'000	2020 £'000
<b>Amounts falling due after more than one year:</b>		
Amounts due to group undertakings	18,469	18,469

The debt of £18,469,000 (2020: £18,469,000) bears an interest rate of UK LIBOR plus 100 basis points. The loan is repayable on 31 August 2026. Repayment may be made before this date with the consent of both the Company and the counterparty.

# Babcock International Limited

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

### 12 Lease liabilities

The entity leases three floors of an office building under separate non-cancellable operating lease agreements. The entity also leases plant and machinery under non-cancellable operating leases.

The Company acts as a pass through entity for the above leases and accordingly the entire rental costs are recharged back to the group entities.

The total cash outflow for leases was £1,893,000 (2020: £1,890,000).

Discounted future minimum lease payments are as follows:

	2021 £'000	2020 £'000
Within one year	1,303	1,240
In more than one year, but not more than five years	5,146	5,637
After five years	-	808
Carrying value of liability	<u>6,449</u>	<u>7,685</u>

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.75%.

### 13 Called up share capital

	£'000
<b>Allotted, issued and fully paid</b>	
100,000,000 (2020: 100,000,000) ordinary shares of £0.10 each	10,000
5,000,000 (2020: 5,000,000) preference shares of £0.10 each	500
<b>At 31 March 2020 and 31 March 2021</b>	<u><b>10,500</b></u>

The ordinary shares and preference shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption. On a return of capital, liquidation, reduction of capital or otherwise the preference shares shall be entitled to a sum equal to any unpaid dividend due to them.



# Babcock International Limited

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

### 14 Deferred tax

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

	Accelerated capital allowances £'000
<b>Deferred tax (assets):</b>	
At 1 April 2019	(72)
Credited to the income statement	(257)
At 31 March 2020	(329)
Charged to the income statement	235
At 31 March 2021	(94)

### 15 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.

During the year the Company entered into transactions in the ordinary course of business with Ascent Flight Training (Management) Limited in which Babcock International Group PLC holds a 50% shareholding.

Transactions entered into and trading balances outstanding at 31 March 2021 are as follows:

	Recharges to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
<i>Related party</i>				
Ascent Flight Training (Management) Limited	415	-	-	-

Transactions entered into and trading balances outstanding at 31 March 2020 are as follows:

	Recharges to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
<i>Related party</i>				
Ascent Flight Training (Management) Limited	569	-	-	-

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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## Babcock International Limited

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

#### 16 Related undertakings

The Company's subsidiary undertakings, all of which are wholly-owned unless otherwise stated are listed in note 9; all related undertakings are as follows:

Company Name	Address	Interest	Ultimate %	Immediate %
Babcock Integration LLP	33 Wigmore Street, London, W1U 1QX, United Kingdom	Partnership interest	66.80%	66.80%
Babcock IP Management (Number One) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	10,002 ORDINARY shares	66.7666%	0.00%
Babcock IP Management (Number Two) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	10,001 ORDINARY shares	66.80%	0.00%

#### 17 Parent undertakings

The Company's immediate parent company is Babcock Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking and controlling party is Babcock International Group PLC, a company incorporated in Great Britain and registered in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Babcock International Group PLC. Copies of Babcock International Group PLC consolidated financial statements can be obtained from the following address:

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