

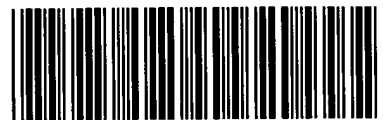
Classification: UNCLASSIFIED

Babcock Management Limited
Annual Report and Financial Statements
For the year ended 31 March 2022

Company registration number:

00107414 (England and Wales)

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Classification: UNCLASSIFIED
Babcock Management Limited

Directors and advisors

Current directors

N Borrett
R Clark
S Doherty

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

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Strategic report for the year ended 31 March 2022

The directors present their Strategic report on Babcock Management Limited ("the Company") for the year ended 31 March 2022.

Review of the business and principal activities

Babcock Management Limited is an investment holding company. The level of activity during the year fluctuates depending on the dividends paid upwards from subsidiaries and the impairments made on investments in subsidiaries. The directors do not expect this to change significantly in the next financial period.

	2022	2021
	£000	£000
		*Restated
Profit / (loss) for the financial year	202,359	(42,226)
Impairment of investments	202,845	(42,874)

The profit for the financial year is driven by reversal of prior year impairment of investment in Babcock Support Services (Investments) Limited of £202.4 million. This is partially offset by foreign exchange losses and finance costs in the form of loan interest payable from group undertakings.

The value for the investment in group undertakings increased by £202.8 million during the year due to reversal of prior year impairments, as noted above. Prior year saw a £42.9m reduction due to the impairment detailed above. Further details regarding the impairment of investments are discussed in note 7.

* In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 15.

Principal risks and uncertainties

The Company's ultimate controlling parent is Babcock International Group PLC. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group PLC. The principal risks and uncertainties of Babcock International Group PLC are discussed in its Annual Report and Financial Statements for the year ended 31 March 2022.

Further discussion of these risks and uncertainties, in the context of the Group as a whole is provided on pages 76 to 87 of the Annual Report and Financial Statements of Babcock International Group PLC, which does not form part of this report.

Key performance indicators

The Babcock Group'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.

Strategic report for the year ended 31 March 2022 (continued)

S172(1) Statement and Stakeholder engagement

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

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

Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 52, 53, 100, and 101 of the Annual Report and Financial Statements of Babcock International Group PLC, which does not form part of this report.

Employees

Our success is led by our employees. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose. These engagement activities form part of the Group-wide People Strategy as described on pages 18, 19 and 63 to 66 of the Annual Report and Financial Statements of Babcock International Group PLC.

Business relationships

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

Strategic report for the year ended 31 March 2022 (continued)

S172(1) Statement and Stakeholder engagement (continued)

To support our global business operations and strategy we require an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the Group-wide Procurement Strategy as described on pages 21 and 69 to 72 of the Annual Report and Financial Statements of Babcock International Group PLC.

The community and environment

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

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

Climate action is a key focus: we are continuing to progress our Group-wide decarbonisation programme (Plan Zero 40). Aligned with the Plan Zero 40 pathway announced last year, we commenced baselining our carbon footprint and are on track to submit carbon reduction targets to the Science-Based Targets initiative by April 2023. These are to be achieved by 2030 and will set us on course for decarbonising our estate, assets and operations to reach our overarching goal of net zero emissions by 2040. Further information is included on pages 54 to 62 of the Annual Report and Financial Statements of Babcock International Group PLC.

These activities form part of the Group-wide ESG Strategy as described on pages 54 to 75 of the Annual Report and Financial Statements of Babcock International Group PLC.

This report was approved by the board on 27th September 2023 and signed on its behalf by:



R Clark
Director

Directors' report for the year ended 31 March 2022

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2022.

Dividends

Dividends declared and paid during the financial year were £nil (2021: £nil). In view of the deficit on retained earnings the Directors are unable to recommend the payment of any dividend (2021: £nil).

Directors and their interests

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

N Borrett	
S Doherty	(appointed 31 May 2022)
I Urquhart	(resigned 31 May 2022)
R Clark	(appointed 3 February 2023)

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

Future developments

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

Going concern

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

As the Company is part of a larger group, it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries.

The Company is in a net current liabilities position of £213.3m, comprised of intercompany amounts due to parent and group companies. The Company is not expected to settle the intercompany amounts due to parent and group undertakings until the Company has sufficient liquidity to do so and the Company has received confirmation from the other group companies these amounts are due to confirming this position. Additionally, the Company is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock International Group PLC confirming this position. In completing this analysis, the Directors have considered the ability of Babcock International Group PLC to provide such finance.

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

Financial risk management

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail within the Annual Report and Financial Statements for Babcock International Group PLC.

Directors' report for the year ended 31 March 2022 (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.

Post balance sheet events

There have been no significant events since the balance sheet date which materially affect the position of the Company.

Statement of disclosure of information to auditors

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

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

Appointment of auditors

At the 2022 Annual General meeting of Babcock International Group plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

This report was approved by the board on 27th September 2023 and signed on its behalf by:



R Clark
Director

Statement of Directors' responsibilities

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

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

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

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

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

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

Independent auditors' report to the members of Babcock Management Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 16.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

Independent Auditors' report to the members of Babcock Management Limited (continued)

Report on the audit of the financial statements (continued)

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

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

Independent Auditors' report to the members of Babcock Management Limited (continued)

Report on the audit of the financial statements (continued)

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

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

Carrying value of investments in subsidiaries

- obtained an understanding of key controls in relation to the investment impairment assessment process;
- evaluated management's assessment of whether any indicators of impairment existed;
- reconciled the cash flows and other key assumptions used to determine the recoverability of the Group's CGUs for the goodwill impairment review, which were subject to separate audit procedures;
- reperformed the investment impairment calculation to determine the accuracy of management's calculation in conjunction with valuation specialists;
- considered whether the impairment reversal indicated in the impairment model for 31 March 2022 reflected a change in service potential of the asset and therefore a valid reversal to record under IAS 36; and
- assessed the appropriateness of the disclosures.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Report on other legal and regulatory requirements *(continued)*

Matters on which we are required to report by exception

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

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


We have nothing to report in respect of these matters.

Independent Auditors' report to the members of Babcock Management Limited *(continued)*

Report on the audit of the financial statements *(continued)*

Use of our report

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



Makhan Chahal FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27th September 2023

Income Statement
for the year ended 31 March 2022

	Note	2022 £000	2021 £000 *Restated
Administrative (expense) / income		<u>(378)</u>	824
Operating (loss) / profit	4	(378)	824
Impairment of investments	7	<u>202,845</u>	<u>(42,874)</u>
Profit / (loss) before interest and taxation		202,467	(42,050)
Finance costs	5	<u>(108)</u>	<u>(176)</u>
Profit / (loss) before taxation		202,359	(42,226)
Income tax expense	6	<u>-</u>	<u>-</u>
Profit / (loss) for the financial year		202,359	(42,226)

* In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 15.

All of the above results derive from continuing operations.

There have been no other comprehensive gains / (losses) during either the current or prior year other than as disclosed in the profit and loss account and therefore no separate statement of comprehensive income has been presented.

Classification: UNCLASSIFIED
Babcock Management Limited

Statement of Financial Position
as at 31 March 2022

	Note	2022 £000	2021 £000 *Restated
Non-current assets			
Investments in subsidiaries	7	1,212,043	1,009,198
Trade and other receivables	8	303,751	304,494
		<u>1,515,794</u>	<u>1,313,692</u>
Current Assets			
Trade and other receivables	8	743	-
		<u>743</u>	<u>-</u>
Current liabilities			
Trade and other payables	9	(214,053)	(213,567)
Net current liabilities		<u>(213,310)</u>	<u>(213,567)</u>
Net assets		<u>1,302,484</u>	<u>1,100,125</u>
Equity			
Called up share capital	10	48,002	48,002
Share premium account		942,296	942,296
Other reserves		350,000	350,000
Retained deficit		(37,814)	(240,173)
Total shareholders' funds		<u>1,302,484</u>	<u>1,100,125</u>

* In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 15.

The notes on pages 16 to 26 are an integral part of these financial statements.

The financial statements on pages 13 to 26 were approved by the Board of directors on 27th September 2023 and signed on its behalf by:



R Clark
Director
27th September 2023

Statement of Changes in Equity
for the year ended 31 March 2022

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained deficit £000 *Restated	Total shareholders' funds £000 *Restated
Balance at 1 April 2020	48,002	942,296	350,000	(197,947)	1,142,351
Loss for the financial year	-	-	-	(42,226)	(42,226)
Balance at 31 March 2021	48,002	942,296	350,000	(240,173)	1,100,125
Profit for the financial year	-	-	-	202,359	202,359
Balance at 31 March 2022	48,002	942,296	350,000	(37,814)	1,302,484

Other Reserves balance of £350m represents a capital contribution, received in May 2011 from the Company's immediate parent company, Babcock Investments Limited.

* In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 15.

Notes to the Financial Statements

1 General information

Babcock Management Limited is a private company limited by shares, under the companies act 2006 and registered in the UK 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 principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest thousand.

The 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 Investments Limited and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

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

- a) 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).
- b) 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 of IAS 16 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between carrying amount at the beginning and end of the period).
- c) Paragraphs 10(d), 10(f), 16, 38, 40, 111, and 134-136 of IAS 1 'Presentation of financial statements'.
- d) IAS 7, 'Statement of cash flows'.
- e) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'.
- f) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation;
- g) 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)*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The Company intends to continue to prepare its financial statements in accordance with FRS 101.

Going concern

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

As the Company is part of a larger group, it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries.

The Company is in a net current liabilities position of £213.3m, comprised of intercompany amounts due to parent and group companies. The Company is not expected to settle the intercompany amounts due to parent and group undertakings until the Company has sufficient liquidity to do so and the Company has received confirmation from the other group companies these amounts are due to confirming this position. Additionally, the Company is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock International Group PLC confirming this position. In completing this analysis, the Directors have considered the ability of Babcock International Group PLC to provide such finance.

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

Investments

Fixed asset investments are stated at cost less accumulated impairment losses.

Impairment of non-current assets

The Company performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU (Cash Generating Unit) to which the asset belongs. The recoverable amount is the higher of fair value less costs of disposal, and value-in-use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Company income statement. Where an impairment loss on other non-financial non-current assets subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years.

Trade and other receivables

Trade and other receivables (including amounts due from group undertakings) are stated at their cost less expected credit losses. A provision for expected credit losses is established when there is objective evidence that the collection of the debt is no longer probable.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Trade and other payables

Trade and other payables (including amounts due to group undertakings) are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the EIR (Effective Interest Rate) method (although, in practice, the discount is often immaterial). If payment is due within one year or less payables are classified as current liabilities. If not, they are presented as non-current liabilities.

Taxation

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.

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.

3 Critical accounting estimates and judgements

In the course of preparation of the financial statements no critical judgements have been made in applying the Company's accounting policies, other than those involving estimates, that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in forward looking estimates may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year. Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. The key assumptions about the future, and other key sources of estimation uncertainty at the reporting year end that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Critical accounting estimates – Impairment of investment in subsidiaries

The Company's impairment policies require management to perform impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU (Cash Generating Unit) to which the asset belongs. The CGU for the purpose of this analysis is the sub-groups of entities which the Company has an investment in. The recoverable amount is the higher of the fair value less costs of disposal, and value-in-use.

The carrying value of investment in subsidiaries is tested annually for impairment, in accordance with IAS 36. The impairment assessment is based on assumptions in relation to the cash flows expected to be generated by the subsidiaries, together with appropriate discounting of the cash flows. Note 7 provides information on key assumptions and sensitivity analysis performed.

Notes to the financial statements (continued)

4 Operating (loss) / profit

Operating (loss) / profit is stated after (charging) / crediting:

	2022 £000	2021 £000
Foreign exchange (loss) / gain	(373)	830

The fee payable to the parent Company's auditors in respect of the audit of the Company's financial statements was £7,000 (2021: £2,700) and was borne by Babcock International Limited.

There were no staff employed by the Company during the current or prior year. All Directors emoluments are paid by Babcock International Limited and amounts for services to the Company are immaterial.

5 Finance costs

	2022 £000	2021 £000
Loan interest payable to group undertakings	(100)	(168)
Bank interest payable	(8)	(8)
	(108)	(176)

6 Income tax expense

Tax expense for the year is lower (2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2022 of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000 *Restated
Profit / (loss) before taxation	202,359	(42,226)
Profit /(loss) before taxation multiplied by standard UK corporation tax rate of 19% (2021: 19%)	38,448	(8,023)
Effects of:		
(Income) / Expenses not deductible for tax purposes	(38,540)	8,146
Group relief for nil consideration	92	(123)
Tax charge for the year	-	-

In the 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.

* In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 15.

Notes to the financial statements (continued)

7 Investments

	2022 £000	2021 £000 *Restated
Shares in group undertakings		
Cost		
At 1 April and 31 March	<u>1,593,243</u>	<u>1,593,243</u>
Accumulated impairment		
At 1 April	(584,045)	(541,171)
Impairment	<u>202,845</u>	<u>(42,874)</u>
At 31 March	<u>(381,200)</u>	<u>(584,045)</u>
Net book value		
At 31 March	<u>1,212,043</u>	<u>1,009,198</u>

* In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 15.

Results of the current year impairment assessment:

The impairment test for the year ended 31 March 2022 resulted in a reversal of impairment of £202.8million for the investment in Babcock Support Services (Investments) Limited due to an increase in value in use in the year.

The directors believe that the carrying value of the investments is supported by their future cash flow projections. A full list of all subsidiary undertakings has been included in note 14 Related Undertakings.

Key Assumptions:

The key assumptions to which the recoverable amount of the Company's investment in subsidiary undertakings is most sensitive are future cash flows, long-term growth rates and discount rates. Further details on how these inputs are determined are set out in note 12 of the Group financial statements for the year ending 31 March 2022.

The value-in-use calculations do not include the anticipated benefits of the Group's revised operating model or the implementation costs of this project, reflecting that the Group was not committed to the project at 31 March 2022.

The discount rates used to determine the recoverable amount of the Company's investment in subsidiary undertakings are 11.3% - 11.8% (2021: 10.9%). The long-term growth rates used to determine the recoverable amount of the Company's investment in subsidiary undertakings are 2.0% - 2.4% (2021: 2.0% - 3.0%).

Notes to the financial statements (continued)

7 Investments (continued)

Sensitivity:

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

The Company's calculation of recoverable value presents a reversal of impairment of £202.8 million in the year ending 31 March 2022, as well as an additional impairment of £42.9 million in the prior year. Further detail around the prior year additional impairment is included in note 15. Accordingly, reasonably possible changes in estimates could give rise to a material impairment in the following year. The Company carried out sensitivity analysis on the reasonably possible changes in the discount rate and long-term growth rate used in the value-in-use models for the Company's investment in subsidiary undertakings.

An increase to the pre-tax discount rate of 100 basis points would not cause an increase to the impairment charge. A decrease to the long-term growth rate of 50 basis points would not cause an increase to the impairment charge.

The Directors consider that key cash flow assumptions in the calculation of the recoverable value of the Company's investment in subsidiary undertakings include short-term cash flows. If the year-on-year growth is decreased by 15%, the value in use for the Company's investment in subsidiary undertakings would not be affected.

8 Trade and other receivables

	2022 £000	2021 £000 *Restated
Non-current		
Amounts due by group undertakings	303,093	303,836
Group tax relief due by group undertakings	658	658
	<u>304,751</u>	<u>304,494</u>
Current		
Amounts due by group undertakings	743	-
	<u>743</u>	<u>-</u>

* In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 15.

Amounts included in trade and other receivables, including Group tax relief, are unsecured, repayable on demand and are non-interest bearing.

Notes to the financial statements (continued)

9 Trade and other payables

	2022 £000	2021 £000 *Restated
Current		
Amounts due to group undertakings	213,318	212,852
Bank loans and overdraft	735	715
	<u>214,053</u>	<u>213,567</u>

* £1.4 million of UK corporation tax payable has been reclassified in the prior year to Amounts due to group undertaking within one year. This is to reflect another group company making payments to HMRC on behalf of the Company under the Group Payment Arrangement (GPA).

In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 15.

Amounts due to group undertakings are repayable on demand and comprises of:

- £nil (2021: £13.0 million) bearing interest at SONIA +1%;
- £1.9 million (2021: £1.8 million) bearing interest US LIBOR; and
- The remaining £210.0 million (2021: £196.6 million) is non-interest bearing.

Bank loans and overdrafts represent balances on accounts that form part of the Babcock Group plc cash pool facility. The group changed providers in the period between 31 March 2022 and the date of signing of the accounts and as part of this transition the overdraft balances were settled in full.

The Company has access to the Babcock International Group PLC overdraft facility.

10 Called up share capital

	2022 £000	2021 £000
Allotted and fully paid		
48,001,645 ordinary shares of £1 each (2021: 48,001,645)	<u>48,002</u>	<u>48,002</u>

11 Dividends

Dividends declared and paid during the financial year were £nil (2021: £nil). There are no plans for further dividends.

12 Contingent liabilities

The Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with utilisation of £383,600,000 at 31 March 2022 (2021: £371,300,000).

13 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. There are no other related party transactions or balances requiring disclosure.

Notes to the financial statements (continued)

14 Related undertakings

A full list of subsidiary undertakings and significant holdings as at 31 March 2022 is disclosed below:

Name	Registered Office address	Ultimate %
ABC Electrification Ltd	8th Floor, The Place, High Holborn, London, WC1V 7AA, United Kingdom	33.33%
Babcock Assessments Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	93%
Babcock Civil Infrastructure Limited	BDO LLP, 55, Baker Street, London, England, W1U 7EU, United Kingdom	100%
Babcock Communications Cyprus Limited	Spyrou Kyprianou, 47, 1st Floor, Mesa Geitonia, 4004 Limassol, Cyprus	100%
Babcock Communications Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%
Babcock Education & Training Holdings LLP	33 Wigmore Street, London, W1U 1QX, United Kingdom	93%
Babcock Education Holdings Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	93%
Babcock Integration LLP	33 Wigmore Street, London, W1U 1QX, United Kingdom	5.19%
Babcock IP Management (Number One) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	5.21%
Babcock IP Management (Number Two) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	5.19%
Babcock Learning and Development Partnership LLP	33 Wigmore Street, London, W1U 1QX, United Kingdom	74.49%
Babcock Luxembourg Investments I S.a.r.l.	12F rue Guillaume Kroll, L-1882, Luxembourg	100%
Babcock Luxembourg Investments S.a.r.l.*	12F rue Guillaume Kroll, L - 1882, Luxembourg	100%
Babcock Malta Finance Limited*	Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta	100%
Babcock Malta Holdings Limited	Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta	100%
Babcock Marine Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%
Babcock Rail Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%

Classification: UNCLASSIFIED
Babcock Management Limited

Notes to the financial statements (continued)

14 Related undertakings (continued)

Name	Registered Office address	Ultimate %
Babcock Services Group Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%
Babcock Services Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%
Babcock Support Services (Investments) Limited*	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%
Babcock Training Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	93%
BIL Solutions Limited	BDO LLP, 55, Baker Street, London, England, W1U 7EU, United Kingdom	100%
Cavendish Boccard Nuclear Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	51%
Cavendish Dounreay Partnership Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	50%
Cavendish Fluor Partnership Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	65%
Cavendish Nuclear (Overseas) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%
Cavendish Nuclear Japan KK	Regus Tokyo , Arca Central - Office 104, Arca Central Building 14F, 1- 2-1, Kinshi , Sumida-ku, Tokyo, Japan	100%
Cavendish Nuclear Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%
FSP (2004) Limited	Kintail House, 3 Lister Way, Hamilton International Park, Blantyre, G72 0FT, Scotland	50%
HCTC Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	93%
INS Innovation Limited	BDO LLP, 5 Temple Square, Temple Street, Liverpool , England, L2 5RH, United Kingdom	100%
KML (UK) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	93%
National Training Institute LLC	PO Box 267, MadinatQaboos, Sultanate of Oman, 115, Oman	65.1%
SBRail Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100%
Scimco Limited	BDO LLP, 5 Temple Square, Temple Street, Liverpool , England, L2 5RH, United Kingdom	100%
Skills2Learn Ltd	33 Wigmore Street, London, W1U 1QX, United Kingdom	93%
Touchstone Learning & Skills Ltd	33 Wigmore Street, London, W1U 1QX, United Kingdom	93%

* directly held by Babcock Management Limited

Notes to the financial statements (continued)

15 Restatement

In the year ended 31 March 2022 the Company restated prior year financial information. The restatements are summarised below:

Impact on the income statement for the year ended 31 March 2021

	Previously Published 2021 £000	(a) Impairment of investments £000	Restated 2021 £000
Income statement			
Impairment of investments	(487,741)	444,867	(42,874)
Loss for the financial year *	(487,093)	444,867	(42,226)

31 March 2021 – Statement of Financial Position (extract)

	Previously Published 2021 £000	(a) Additional impairment of investment £000	(b) Intra- group receivables £000	(c) Bank overdraft £000	Restated 2021 £000
Assets					
Non-current assets					
Investments in subsidiaries	1,099,709	(90,511)	-	-	1,009,198
Trade and other receivables	-	-	304,494	-	304,494
Total non-current assets *	1,099,709	(90,511)	304,494	-	1,313,692
Current assets					
Trade and other receivables	304,494	-	(304,494)	-	-
Current liabilities					
Trade and other payables	(212,852)	-	-	(715)	(213,567)
Bank loans and overdraft	(715)	-	-	715	-
Net current assets/(liabilities) *	90,927	-	(304,494)	-	(213,567)
Equity					
Accumulated profit / (losses) (brought forward at 1 April 2020)	337,431	(535,378)	-	-	(197,947)
Accumulated profit / (losses) at 31 March 2021	(149,661)	(90,511)	-	-	(240,172)
Total Equity (brought forward at 1 April 2020) *	1,677,729	(625,889)	-	-	1,051,840
Total Equity at 31 March 2021*	1,190,636	(90,511)	-	-	1,100,125

* The tables above include only those financial statement line items which have been restated. The total profit for the year, non-current assets, net current assets/(liabilities) and equity, do not therefore represent the sum of the line items presented above.

Notes to the financial statements *(continued)*

15 Restatement *(continued)*

(a) Impairment of Investment

In the year ended 31 March 2022, it was identified that the impairment assessment for the Company's investment in subsidiary undertakings incorrectly calculated the recoverable amount for the two prior years. Re-performance of this assessment using the appropriate recoverable amounts, results in a partial reversal of the impairment in year ending 31 March 2021 and a change to the impairment charge in the year ending 31 March 2020. Impairment had been understated in the year ending 31 March 2020, which results in a change to opening Retained Earnings for the year ending 31 March 2021 of £535.4 million.

The prior year reversal of impairment of £444.9 million results in a net investment value of £1,009.2million. Further detail is included in the restatement table above.

(b) Intra-Group Receivables

In the prior year, amounts due by group undertakings were presented as falling due within one year and classified within current assets. Based on the underlying terms of the agreement and considering the fact that these assets are not expected to be settled within the next 12 months the classification has been reassessed, and the amounts due by group undertakings presented within non-current assets. The balance sheet and applicable note in the comparative period have been restated accordingly.

(c) Bank overdraft

Bank loans and overdrafts represent balances on accounts that form part of the Babcock Group plc cash pool facility. The bank overdraft has therefore been disclosed in Trade and other payables.

16 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Investments Limited, a company registered in England and Wales. The Company's ultimate parent company and ultimate 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