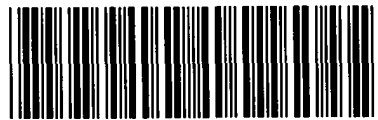


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**Airwork Limited**  
**Annual Report**  
**For the year ended 31 March 2021**  
**Company Registered Number:**  
**00322249**

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**Directors and advisors**

NJW Borrett  
DM Jones  
IS Urquhart

**Company secretary**

Babcock Corporate Secretaries Limited

**Registered office**

33 Wigmore Street  
London  
W1U 1QX

**Independent Auditors**

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

## Strategic report

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

### Principal activities

The principal activity of the Company is the provision of technical support predominantly in the field of military aircraft maintenance and repair.

### Review of the business

	2021	2020
	£000	£000
Revenue	7,443	8,145
(Loss)/Profit for the financial year	(126)	1,172

The Company's principal business continues to be the supply of manpower under a subcontract arrangement to the Company's subsidiary company, Airwork Technical Services and Partners LLC, in connection with the Royal Air Force Oman contract. The contract was renewed for a three year term with effect from 1 January 2021.

Over the course of the year, the Company's core business activities continued to perform in line with expectations. The company recorded a loss for the financial year principally due to foreign exchange losses on the translation of cash and revenue denominated in Rials during the year, and higher group management charges. The directors consider the financial position of the company 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 Babcock International Group (the "Group") level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risks and uncertainties affecting the Company are considered to be related to the political and regulatory environment. The directors manage this risk by meeting on a regular basis to discuss these risks.

Airwork, through its subsidiary company Airwork Technical Services LLC, provide critical services as a defence contractor to the Royal Air Force of Oman. We have maintained operations throughout the ongoing COVID-19 pandemic through our employees who are deployed to the military bases in Oman. There has been no material impact on trading in the financial year ending 31 March 2021 attributable to COVID-19 and we have experienced minimal disruption to business to date during the financial year ending 31 March 2022.

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

The directors are confident about the future trading prospects of the Company in light of the historic relationship with the Royal Air Force of Oman and additional emerging opportunities in the Middle East.

An agreement for a further three year extension on substantially the same terms as the current arrangement was signed in August 2021 with effect from January 2021.

**Strategic report (continued)**

**Key performance indicators**

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Marine, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 50 and 51 of the annual report of Babcock International Group PLC, which does not form part of this report.


**S172 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.

**Strategic report (continued)**

The disclosure in the Group annual report considered all relevant factors for the Company, in particular the Company's engagement with its customers and employees. During the year, the Directors additionally considered the renewal of its contract to Airwork Technical Services LLC from January 2021.

On behalf of the board



DM Jones

**Director**

21<sup>st</sup> December 2021

## **Directors' report**

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

## **Results and dividends**

The Company's results for the year are set out in the income statement. No dividends were paid during the current or comparative year. No final dividend for the year ended 31 March 2021 has been paid or is proposed by the directors (2020: £nil).

## **Future developments**

The directors are confident about the future trading prospects of the Company in light of the historic relationship with the Royal Air Force of Oman and additional emerging opportunities in the Middle East.

## **Financial risk management**

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

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance department. Each 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.

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

### *Price risk*

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

### *Credit risk*

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

**Directors' report (continued)**

**Financial risk management (continued)**

*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 interest-bearing assets. The interest-bearing assets are cash balances which 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.

*Foreign exchange risk*

The Company is exposed principally to fluctuations in the exchange rates between pound sterling and the Oman Rial. Income is principally received in Rials while the Company's costs are both Sterling and Rials. This risk is managed in conjunction with the Group treasury function.

**Directors**

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

NJW Borrett  
DM Jones  
IS Urquhart

**Employment of disabled persons**

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

**Employee involvement**

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

**Safety policy**

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

## **Directors' report (continued)**

### **Environment**

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

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

### **Overseas branch**

The Company has a branch in Oman. Its registered office is PO Box 248, Muscat, Postal Code 113, Sultanate of Oman and it represents the Oman operations of Airwork Limited.

### **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.

### **Qualifying Third Party Indemnity Provisions**

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

**Directors' report (continued)**

**Going concern**

The renewal of its subsidiary's contract with the Royal Air Force of Oman, was successfully concluded on substantially the same terms as the previous arrangement on the 31 August 2021 for a period of three years from 1 January 2021 ending 31 December 2023.

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore, the directors have concluded that there is no material uncertainty with respect to the Company's going concern and that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**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.

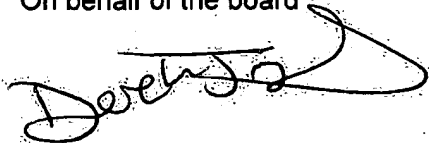
**Statement of disclosure of information to auditors**

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.

**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



DM Jones

**Director**

21<sup>st</sup> December 2021



# Independent auditors' report to the members of Airwork Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Airwork 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, which comprise: the Balance sheet as at 31 March 2021; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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.

### 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.

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

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 the 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 the Directors' report***

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 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 the 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.

### ***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 fraud and unethical and prohibited business practices and indirect and direct tax laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and financial reporting standards. 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 the posting of inappropriate or fictitious journal entries to manipulate the financial performance or financial performance of the Company and management bias

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

in accounting estimates to achieve budgeted and forecast results. Audit procedures performed by the engagement team included:

- Enquiry of management around actual and potential fraud and non-compliance with laws and regulations.
- Auditing the risk of management override of controls, including through the testing of journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), incorporation of an element of unpredictability into the audit procedures performed, and evaluating the business rationale of significant transactions outside the normal course of business
- Audit of the compliance and completeness of disclosures in the financial statements and a review of the completeness, compliance and consistency with the financial statements of disclosures the Strategic Report and Directors' Report, with respect to required legal requirements, such as The Companies Act 2006.
- Review of legal expenses and enquiry of staff in compliance functions to identify any instances of non-compliance with 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.

### *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.



Christopher Solomides (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
21 December 2021

**Income Statement***for the year ended 31 March 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Revenue</b>	4	<b>7,443</b>	8,145
<b>Cost of sales</b>		<b>(6,623)</b>	(7,070)
<b>Gross profit</b>		<b>820</b>	1,075
<b>Administrative expenses</b>		<b>(997)</b>	(64)
<b>Other operating income</b>			196
<b>Operating (loss)/profit</b>	5	<b>(177)</b>	1,207
<b>Income from shares in Group undertakings</b>	9	<b>67</b>	158
<b>Interest receivable and similar income</b>		<b>1</b>	17
<b>(Loss)/Profit before income tax</b>		<b>(109)</b>	1,382
<b>Income tax expense</b>	8	<b>(17)</b>	(210)
<b>(Loss)/Profit for the financial year</b>		<b>(126)</b>	1,172

All of the above results derive from continuing operations

**Statement of comprehensive income***for the year ended 31 March 2021*

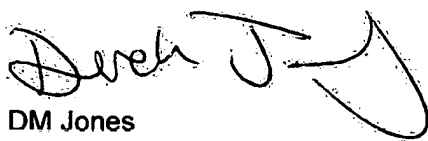
	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>(Loss)/Profit for the financial year</b>		<b>(126)</b>	1,172
<b>Total other comprehensive expense for the year, net of tax</b>			-
<b>Total comprehensive (expense)/income for the year, net of tax</b>		<b>(126)</b>	1,172

**Balance Sheet**  
as at 31 March 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Investments	9	230	230
		<u>230</u>	<u>230</u>
<b>Current assets</b>			
Inventories	10	-	8
Trade and other receivables	11	21,093	14,936
Cash and cash equivalents		99	6,014
		<u>21,192</u>	<u>20,958</u>
Trade and other payables	12	(1,727)	(1,367)
<b>Net current assets</b>		<u>19,465</u>	<u>19,591</u>
<b>Total assets less current liabilities</b>		<b>19,695</b>	<b>19,821</b>
Provisions for liabilities	13	(6)	(6)
<b>Net assets</b>		<u>19,689</u>	<u>19,815</u>
<b>Equity</b>			
Called up share capital	15	20	20
Retained earnings		19,669	19,795
<b>Total shareholders' funds</b>		<u>19,689</u>	<u>19,815</u>

The notes on pages 14-29 form an integral part of these financial statements.

The financial statements on pages 11 to 29 were approved by the board of directors on 21st December 2021 and signed on its behalf by:



DM Jones

Director

21<sup>st</sup> December 2021

**Statement of changes in equity**  
for the year ended 31 March 2021

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance as at 1 April 2019	20	18,623	18,643
Profit for the financial year	-	1,172	1,172
Other comprehensive expense	-	-	-
Total comprehensive income for the financial year	-	1,172	1,172
<b>Balance as at 31 March 2020</b>	<b>20</b>	<b>19,795</b>	<b>19,815</b>
Loss for the financial year	-	(126)	(126)
Other comprehensive expense	-	-	-
Total comprehensive expense for the financial year	-	(126)	(126)
<b>Balance as at 31 March 2021</b>	<b>20</b>	<b>19,669</b>	<b>19,689</b>

**Notes to the financial statements**  
(forming part of the financial statements)

**1 General information**

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

**2 Summary of significant accounting policies**

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

**Basis of preparation**

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

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006, as applicable to companies using FRS101. The financial statements are prepared in pounds sterling which is the functional and presentational 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 Defence & Security Holdings LLP and of its ultimate parent, 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 and the shareholders of the Company have been notified accordingly:

- a) IFRS 7, 'Financial Instruments: Disclosures'.
- b) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosures 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;
  - Paragraph 73(e) of IAS 16 Property, plant and equipment; and
  - Paragraph 118(e) of IAS38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- d) The following paragraphs of IAS 1, 'Presentation of financial statements';
  - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- e) IAS 7, 'Statement of cash flows'
- f) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- g) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation

**Notes to the financial statements (continued)**  
*(forming part of the financial statements)*

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

**Basis of preparation (continued)**

- h) The requirements of IAS 24, 'Related party transactions' to disclose related party transactions entered into between two or more members of a group
- i) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment'.
- j) Paragraphs 130(f) (ii), 130(f) (iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets (disclosures when the recoverable amount is fair value less costs of the disposal, assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).

**Adoption of new and revised standards**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021 that have a material impact on the company's financial statements.

**Revenue**

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of business. Revenue is recognised in line with IFRS 15.

IFRS 15 requires the identification of performance obligations in contracts, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

**(a) Performance obligations**

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract.

**(b) Allocation of contract price to performance obligations**

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



**Notes to the financial statements (continued)**  
*(forming part of the financial statements)*

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

**Revenue (continued)**

**(c) Revenue and profit recognition**

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over a period of time and the Company determines, for each performance obligation, whether it is satisfied over time or at a point in time.

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

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

The Company's service contract meets the requirements to satisfy performance obligations and recognise revenue over time because the customer simultaneously receives and consumes the benefits of the Company's performance as it is performed. Principally, the customer is billed each month, at an agreed rate, for the number of placements provided.

For the sale of goods, performance obligations are recognised at the point in time that control is transferred to the customer.

**(d) Principal versus agent considerations**

The Company's contracts include performance obligations in relation to procurement activity undertaken on behalf of customers, together with other performance obligations. For such procurement activity, management exercises judgement in the consideration of principal versus agent based on the risks and rewards associated with the procurement activity. Factors that influence this judgement include the level of responsibility the Company has under the contract for the provision of the goods or services, the extent to which the Company is incentivised to fulfil orders on time and within budget and the extent to which the Company exercises responsibility in determining the selling price of the goods and services. As a result of these considerations, the Company's sales of goods are accounted as principal transactions.

**Going concern**

The renewal of its subsidiary's contract with the Royal Air Force of Oman, was successfully concluded on substantially the same terms as the previous arrangement on the 31 August 2021 for a period of three years from 1 January 2021 ending 31 December 2023

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore the directors have concluded that there is no material uncertainty with respect to the Company's going concern and that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Notes to the financial statements** (continued)  
(forming part of the financial statements)

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

**Investments**

Investments are stated at cost less provision for impairment in value.

**Inventories**

Inventories are valued at the lower of costs and net realisable value. Cost is determined of a first-in first-out method. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads

**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 reporting date.

*b) Deferred tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred 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 tax is determined using tax rates (and laws) that have been enacted, or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively.

**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 reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, either as other operating income for gains and administrative expenses for losses.

**Notes to the financial statements (continued)**  
*(forming part of the financial statements)*

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

**Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. A provision for bad debt is established when there is objective evidence that the collection of the debt is no longer probable.

**Cash and cash equivalents**

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

**Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Provisions**

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

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Company incurring further costs.

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

**3 Critical accounting estimates and judgements**

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

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

**Notes to the financial statements (continued)**  
*(forming part of the financial statements)*

**4 Revenue**

Revenue is wholly attributable to the principal activities of the Company, the provision of technical support predominantly in the field of military aircraft maintenance and repair and arises as follows:

	2021	2020
	£000	£000
By geographical area:		
UK	323	569
Middle East	7,120	7,576
Total	<u>7,443</u>	<u>8,145</u>

**5 Operating (loss)/ profit**

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

	2021	2020
	£000	£000
Staff costs (note 6)	6,291	6,472
Foreign exchange losses/(gains)	458	(193)

Fees payable for the statutory audit of the financial statements in 2021 of £9,018 (2020: £7,156) have been borne by the Company's fellow subsidiary Babcock International Limited (2020: Babcock International Limited).

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 requirement.

## Notes to the financial statements (continued)

## 6 Staff costs

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

	2021 Number	2020 Number
<b>By Activity</b>		
Operational and technical	180	182
Management and administration	31	32
	<u>211</u>	<u>214</u>

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and Salaries	6,291	6,462
Social Security costs	-	10
<b>Total</b>	<u>6,291</u>	<u>6,472</u>

## 7 Directors' remuneration

All of the directors of the Company 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 in the current or prior year.

Notes to the financial statements *(continued)***8 Income tax expense**

<b>Tax expense included in income statement</b>	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>£000</b>	<b>£000</b>
<b>Current tax:</b>			
UK corporation tax on (losses)/profits for the year		<b>(46)</b>	<b>54</b>
Overseas tax		<b>46</b>	<b>172</b>
<b>Current tax charge for the year</b>		<b>-</b>	<b>226</b>
<b>Deferred tax:</b>			
Origination and reversal of timing differences		<b>3</b>	<b>7</b>
Adjustment in respect of prior years		<b>14</b>	<b>(20)</b>
Impact of change in UK tax rate		<b>-</b>	<b>(3)</b>
<b>Total deferred tax income</b>	<b>14</b>	<b>17</b>	<b>(16)</b>
<b>Income tax expense</b>		<b>17</b>	<b>210</b>

**Notes to the financial statements (continued)****8 Income tax expense (continued)**

The tax assessed for the year is higher (2020: lower) 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
<b>(Loss)/profit before income tax</b>	<b>(109)</b>	<b>1,382</b>
(Loss)/profit before income tax multiplied by standard UK corporation tax rate of 19% (2020: 19%)	(21)	263
Effects of:		
Group relief claimed for nil consideration	37	-
Overseas tax	46	172
Double tax relief	(46)	(172)
Non-taxable income	(13)	(30)
Adjustment in respect of deferred tax for prior years	14	(20)
Impact of change in UK tax rate	-	(3)
<b>Total tax charge for the year</b>	<b>17</b>	<b>210</b>

**Factors affecting current and future tax charges**

In 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. As the increase of the rate to 25% had not been substantively enacted at the Balance Sheet date, its effects are not included in these Financial Statements.

## Notes to the financial statements (continued)

## 9 Investments

Cost and net book value	Shares in group undertakings £000	Shares in joint ventures £000	Total £000
At 1 April 2019	210	20	230
Additions			
<b>At 31 March 2020</b>	<b>210</b>	<b>20</b>	<b>230</b>
At 1 April 2020	210	20	230
Additions			
<b>At 31 March 2021</b>	<b>210</b>	<b>20</b>	<b>230</b>

The shares in group undertakings relate to the Company's investment in Airwork Technical Services and Partners LLC (see note 18). The shares in joint ventures relate to the Company's investment in Airwork Advanced Group Co WLL (see note 18).

On 15 September 2010, proprietary know-how, not capitalised in the financial statements of the Company in accordance with FRS 10 'Goodwill and Intangible Assets', was transferred to Babcock Integration LLP in exchange for an interest in this partnership. This was in order to facilitate the integration of the Babcock and VT Groups. The partnership interest has been recognised at a cost of £nil given that the know-how transferred was not recognised in the financial statements of the Company prior to the transfer. A royalty is payable at the rate of 1.5% of non-Group turnover. The charge for the year is £5,000 (2020: £9,000).

The aggregate investment in all associated undertakings and joint ventures under the equity method of valuation was £20,000 (2020: £20,000).

In 2021 the Company received a dividend of £67,000 (2020: £158,000) from Airwork Technical Services and Partners LLC.

The directors believe that the carrying value of the investments is supported by their underlying net assets or value in use.

Details of the shares in Group undertakings are included in note 19.



**Notes to the financial statements (continued)****10 Inventories**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Finished goods and goods for resale		8
		<u>8</u>

**11 Trade and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	63	146
Amounts owed by Group undertakings	17,234	14,000
Amounts owed by related parties	3,699	682
Other receivables	21	51
Deferred tax (Note 14)	6	23
Other taxation	57	33
Prepayments and accrued income	13	1
	<u>21,093</u>	<u>14,936</u>

Amounts owed by Group undertakings are unsecured and repayable within one year. They accrue nil interest.

Amounts owed by related parties includes a balance of £1,885,000 (2020: £nil) which bears interest at LIBOR plus 4%, is repayable on demand and is unsecured. Other amounts owed by related parties are unsecured, interest free and repayable on demand.

Trade receivables are stated after provisions for impairment of £24,000 (2020: £24,000).

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

**12 Trade and other payables**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Trade payables	10	18
Amounts owed to Group undertakings	116	6
Amounts owed to related parties	479	74
Corporation tax payable	742	885
Other taxation and social security	5	14
Other payables	8	4
Accruals and deferred income	367	366
	<u>1,727</u>	<u>1,367</u>

**Notes to the financial statements (continued)****12 Trade and other payables (continued)**

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

**13 Provisions for liabilities**

	<b>Contract provision £000</b>	<b>Total £000</b>
At 1 April 2020	6	6
Released during the year	-	-
At 31 March 2021	<b>6</b>	<b>6</b>

**Contract provisions**

Contract provisions are based on the assessment of future costs and claims with reference to past experience. They are expected to be utilised when the contract expires.

**14 Deferred taxation**

<b>Deferred tax asset</b>	<b>Accelerated capital allowances £000</b>	<b>Other timing differences £000</b>	<b>Total £000</b>
At 1 April 2020	6	17	23
- Charged to the income statement	(1)	(16)	(17)
At 31 March 2021	<b>5</b>	<b>1</b>	<b>6</b>

**Deferred tax asset**

At 1 April 2019	7	7
- Credited/(charged) to the income statement	(1)	17
At 31 March 2020	<b>6</b>	<b>23</b>

**Notes to the financial statements (continued)****15 Called up share capital**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted and fully paid</b>		
20,000 (2020 : 20,000) ordinary shares of £1 each	<b>20</b>	<b>20</b>
	<b>20</b>	<b>20</b>

**16 Guarantees and financial commitments****Contingent liabilities**

At the year-end date the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2020: £nil) provided to certain Group companies. In addition, the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2020: £nil).

**17 Related party disclosures**

During the year the Company has entered into transactions in the ordinary course of business with Airwork Technical Services and Partners LLC, an Omani-registered company in which the Company owns a 51% shareholding in the form of ordinary shares.

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

	<b>Sales to related party</b>	<b>Purchases from related party</b>	<b>Amounts owed by related party</b>	<b>Amounts owed to related party</b>
<b>Related party</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Airwork Technical Services and Partners LLC</b>	<b>7,120</b>	<b>-</b>	<b>1,814</b>	<b>-</b>
<b>Airwork Advanced Group Co WLL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>
<b>Babcock Oman</b>	<b>-</b>	<b>405</b>	<b>1,885</b>	<b>405</b>

**Notes to the financial statements (continued)****17 Related party disclosures (continued)**

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

	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
Related party	£'000	£'000	£'000	£'000
Airwork Technical Services and Partners LLC	7,576	-	682	-
Airwork Advanced Group Co WLL	-	-	-	74

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.

All dealings with related parties are conducted on an arm's length basis.

**18 Related undertakings**

All related undertakings for the Company are as listed below:

	Country of incorporation	Principal activity	Class and percentage of shares held
<b>Subsidiary undertakings</b>			
Airwork Technical Services and Partners LLC	Oman	Maintenance of aircraft	Ordinary - 51%
PO Box 248, Muscat, Postal Code 113, Sultanate of Oman			
<b>Participating interests</b>			
Airwork Advanced Group Co WLL	UAE	Dormant	Ordinary - 49%
1104, 11 <sup>th</sup> Floor, Al Masaoood Tower, Sheikh Hamdan Bin Mohammed Street, Al Markaziya, Abu Dhabi			

**Notes to the financial statements (continued)****18 Related undertakings (continued)**

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class and percentage of shares held</b>
<b>Participating interests</b>			
Babcock Integration LLP	England	Holding Company	0.03%

33 Wigmore Street  
London  
W1U 1QX

**19 Pension commitments**

The Company is severally liable, along with the other participating employers, for the assets and liabilities of the Babcock International Group Pension Scheme, although it is was not a contributing member in the current or prior year as it had no employees as active members (2020: nil).

The nature of the scheme is that the employees contribute to the schemes with contributing employers paying the balance of the cost required. The contributions required and the assessment of the assets and the liabilities that have accrued to members and any deficit recovery payments required are agreed by the participating employer companies with the trustees who are advised by an independent, qualified actuary.

The key risks relate primarily to longevity, the expected inflation rate in the future which impacts on pension increases and indirectly salary increases and the discount rate used to value the liabilities. The schemes have mitigated some of these risks by taking out longevity swaps in respect of pensioners and their spouses, through a common investment committee we have significantly hedged the interest rate and inflation risk though derivative instruments and introduced benefit changes impacting future service benefits which included capping of pensionable salaries, capping pension increases, increased normal retirement age in line with state pension ages and increased the level of member contributions.

The scheme is funded by payments to legally separate trustee-administered funds. The trustees of the scheme are required by law to act in the best interests of the scheme's members. In addition to determining future contribution requirements (with the agreement of the participating employers), the trustees are responsible for setting the schemes' investment strategy (subject to consultation). The scheme has an independent trustee and member nominated trustees. The scheme is subject to regulation under the funding regime set out in Part III of the Pensions Act 2004.

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

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

### 19 Pension commitments *(continued)*

The extent to which the Company recognises its share of the income statement charge, the assets and liabilities of the scheme, and the actuarial gain or loss is determined by the proportion of active members of the scheme that it employs. The Company has no active members of the scheme at 31 March 2021, 31 March 2020 and 31 March 2019, and so no share of the Scheme surplus has been recognised at these balance dates and no postings to the Income Statement or Other Comprehensive income have been made in the financial years then ended.

Although it is anticipated that the scheme surplus will be utilised during the life of the scheme to address member benefits, a retirement benefit surplus is recognised in full by the Group on the basis that it is management's judgement that there are no substantive restrictions on the return of residual scheme assets in the event of a winding-up of the scheme after all member obligations have been met. Management also considers that the trustees do not have the power to unilaterally wind up the schemes or vary benefits.

The date of the last full actuarial valuation was 31 March 2019. The IAS 19 valuation has been updated at 31 March 2021 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The scheme surplus was £17.5m (2020: £110.6m).

Further details of the IAS 19 valuation and assumptions are disclosed in the financial statements of fellow subsidiary Babcock Aerospace Limited, which are publicly available at Companies House in the United Kingdom.

### 20 Ultimate parent undertaking

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

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

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

### 21 Dividends

No dividends were paid during the current or comparative year. No final dividend for the year ended 31 March 2021 has been paid or is proposed by the directors (2020: £nil).

### 22 Post balance sheet events

The renewal of its subsidiary's contract with the Royal Air Force of Oman, was successfully concluded on substantially the same terms as the previous arrangement on the 31<sup>st</sup> August 2021, for a period of three years with effect from 1<sup>st</sup> January 2021.