

**Babcock Environmental Services Limited**

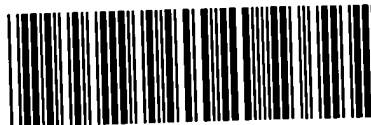
**Annual Report**

**For the year ended 31 March 2018**

**Company registration number:**

**6122711**

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# **Babcock Environmental Services Limited**

## **Directors and advisors**

### **Current directors**

S C Bowen

K J Garvey

### **Company secretary**

Babcock Corporate Secretaries Limited

### **Registered office**

33 Wigmore Street

London

England

W1U 1QX

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Donington Court

Pegasus Business Park

Herald Way

East Midlands

DE74 2UZ

# **Babcock Environmental Services Limited**

## **Strategic report for the year ended 31 March 2018**

The directors present their Strategic report on the Company for the year ended 31 March 2018.

### **Principal activities**

The principal activity of the Company is to act as an intermediate holding Company.

### **Review of the business**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Loss for the financial year after taxation	<b>(837)</b>	<b>(942)</b>

The loss in the year and in the prior year resulted from group and bank loan interest.

### **Principal risks and uncertainties**

The Company's is subject to risks and uncertainties. These are managed through the operational review process supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risks and uncertainties affecting the Company relate to interest rates.

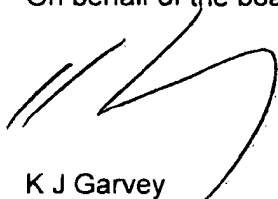
### **Future developments**

The principal activity of the Company is not expected to change in the foreseeable future.

### **Key performance indicators**

The 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. The growth and performance of Nuclear, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 54 to 59 of the Group's report, which does not form part of this report.

On behalf of the board



K J Garvey

Director

12 July 2018

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## **Babcock Environmental Services Limited**

### **Directors' report for the year ended 31 March 2018**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

#### **Dividends**

The directors do not propose payment of a dividend (2017: £Nil).

#### **Directors**

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

S C Bowen (appointed 28 June 2017)  
F Martinelli (resigned 28 June 2017)  
K J Garvey (appointed 28 June 2017)  
R H Taylor (resigned 28 June 2017)

#### **Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of fellow subsidiary undertaking Babcock Overseas Investments Limited. The directors have received confirmation that Babcock Overseas Investments Limited intend to support the Company for at least one year after these financial statements are signed.

#### **Statement of directors' responsibilities**

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

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

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

The directors are 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 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.

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## **Babcock Environmental Services Limited**

### **Directors' report for the year ended 31 March 2018 *(continued)***

#### **Directors' confirmations**

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

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

#### **Qualifying third party indemnity provisions**

Babcock International Group PLC provides protections for directors of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by the 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 were in force during the financial year and also at the date of approval of the financial statements.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board



K J Garvey

Director

12 July 2018

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## **Independent auditors' report to the members of Babcock Environmental Services Limited**

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

#### **Opinion**

In our opinion Babcock Environmental Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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 2018; the income statement, the statement of comprehensive income, 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**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

#### **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.

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

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

**Reporting on other information** *(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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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.

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**Independent auditors' report to the members Babcock Environmental Services Limited** *(continued)*

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

**Auditors' responsibilities for the audit of the financial statements** *(continued)*

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 received 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.



Alan Walsh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

13 July 2018



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**Babcock Environmental Services Limited****Income statement***for the year ended 31 March 2018*

	Note	2018 £000	2017 £000
<b>Operating result</b>		-	-
Finance costs	3	<u>(837)</u>	<u>(942)</u>
<b>Loss before taxation</b>		(837)	(942)
Income tax	7	<u>-</u>	<u>-</u>
<b>Loss for the financial year</b>		<u>(837)</u>	<u>(942)</u>

All of the above results derive from continuing operations.

**Statement of comprehensive income***for the year ended 31 March 2018*

	2018 £000	2017 £000
<b>Loss for the financial year</b>	<u>(837)</u>	<u>(942)</u>
<b>Other comprehensive income:</b>	-	-
<b>Total comprehensive expense for the year</b>	<u>(837)</u>	<u>(942)</u>

## Babcock Environmental Services Limited

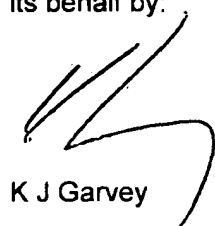
### Balance sheet

as at 31 March 2018

	Note	2018 £000	2017 £000
<b>Current assets</b>			
Trade and other receivables	8	40,339	40,339
<b>Current liabilities</b>			
Trade and other payables – amounts falling due within one year	9	(45,554)	(44,717)
<b>Net current liabilities</b>		(5,215)	(4,378)
Trade and other payables – amounts falling due after more than one year	9	(33,141)	(33,141)
<b>Net liabilities</b>		(38,356)	(37,519)
<b>Equity</b>			
Called up share capital	10	-	-
Accumulated losses		(38,356)	(37,519)
<b>Total shareholders' deficit</b>		(38,356)	(37,519)

The notes on pages 11 to 15 are an integral part of these financial statements.

The financial statements on pages 8 to 15 were approved by the board of directors and signed on its behalf by:



K J Garvey

Director

12 July 2018

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**Babcock Environmental Services Limited****Statement of changes in equity**  
*for the year ended 31 March 2018*

	Called-up share capital £000	Accumulated losses £000	Total shareholders' deficit £000
<b>Balance at 1 April 2016</b>	-	<b>(36,577)</b>	<b>(36,577)</b>
Loss and total comprehensive expense for the year	-	(942)	<b>(942)</b>
<b>Balance at 31 March 2017</b>	-	<b>(37,519)</b>	<b>(37,519)</b>
Loss and total comprehensive expense for the year	-	(837)	<b>(837)</b>
<b>Balance at 31 March 2018</b>	-	<b>(38,356)</b>	<b>(38,356)</b>

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## **Babcock Environmental Services Limited**

### **Notes to the financial statements**

#### **1 General information**

Babcock Environmental Services Limited is a private limited company 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 the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

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

- a) 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;
- b) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- c) IAS 7, 'Statement of cash flows'
- d) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- e) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements as the Company's fellow group undertaking, Babcock Overseas Investments Limited has confirmed that it will provide such financial support and other support as is necessary to enable the Company to meet its liabilities for the foreseeable future.

##### **Going concern**

At 31 March 2018 the company had net current liabilities of £5,215,000 (2017: net current liabilities of £4,378,000). The Company is dependent upon the continued support of a fellow group undertaking, Babcock Overseas Investments Limited, which has expressed its willingness to support the Company for at least 12 months from the signing of these financial statements. On this basis the directors consider it appropriate that these financial statements have been prepared on a going concern basis.

# Babcock Environmental Services Limited

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

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

#### Taxation

##### (a) Current income tax

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

##### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

#### Critical accounting estimates and judgements

The directors consider the receivables balances to be recoverable and that interest rate risk in relation to intercompany loans can be mitigated as the Company's ultimate parent undertaking has confirmed that it will provide such financial support and other support as is necessary to enable the Company to meet its liabilities for the foreseeable future.

### 3 Finance costs

	2018 £000	2017 £000
Bank interest	(11)	(69)
Loan interest payable to group undertakings	(826)	(873)
	<u>(837)</u>	<u>(942)</u>

### 4 Operating result

Operating result is stated after charging:

	2018 £000	2017 £000
Audit fees payable to the Company's auditor	<u>2</u>	<u>2</u>

## Babcock Environmental Services Limited

### Notes to the financial statements (continued)

#### 4 Operating result (continued)

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

#### 5 Staff costs

The Company has no employees (2017: Nil).

#### 6 Directors' emoluments

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. No recharge is made for costs borne by the Company in relation to services performed by the directors in relation to other Babcock Group companies.

#### 7 Income tax expense

##### Tax expense included in income statement

	2018 £000	2017 £000
Current tax	-	-
Deferred tax	-	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

Tax expense for the year is higher (2017: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2017 of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
<b>Loss on ordinary activities before taxation</b>	<b>(837)</b>	<b>(942)</b>
Loss before taxation multiplied by standard UK corporation tax rate of 19% (2017: 20%)	(159)	(188)
Effects of:		
Group relief for nil consideration	159	188
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

## Babcock Environmental Services Limited

### Notes to the financial statements (continued)

#### 7 Income tax expense (continued)

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

#### 8 Trade and other receivables

	2018 £000	2017 £000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	40,339	40,339

Amounts owed by group undertakings comprise two loans which are unsecured, interest free and repayable on demand.

#### 9 Trade and other payables

	2018 £000	2017 £000
<b>Amounts falling due within one year:</b>		
Bank loans and overdrafts	928	917
Amounts owed to parent and group undertakings	44,626	43,800
	45,554	44,717

Amounts owed to group undertakings are unsecured and repayable on demand.

There are five loans (2017: five) to group companies amounting to £44,626,000 (2017: £43,800,000) which are repayable on demand, with no interest charge.

	2018 £000	2017 £000
<b>Amounts falling due after more than one year:</b>		
Amounts owed to parent and group undertakings	33,141	33,141

Interest on the outstanding balance is calculated daily based on 6 month LIBOR plus a variable margin depending on the amount of the facility drawn down and at 31 March 2018 is 2% (2017: 2%).

#### 10 Called up Share capital

	2018 £000	2017 £000
<b>Allotted and fully paid</b>		
1 (2017: 1) ordinary shares of £1 each	-	-

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

**11 Guarantees and financial commitments**

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 (2017: £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 (2017: £nil).

**12 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.

**13 Ultimate parent undertaking**

The Company's immediate parent company is Babcock Southern Holdings Limited, a company 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