
Babcock IP Management (Number One) Limited

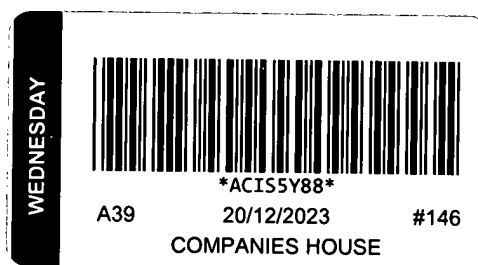
Annual Report and Financial Statements

For the year ended 31 March 2022

Company registration number:

09634332 (England and Wales)

Registered number 09634332



Babcock IP Management (Number One) Limited

Directors and advisors

Current directors

N Borrett
S Doherty
R Clark
B Yelland

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX
United Kingdom

Independent auditors

Deloitte LLP
1 New Street Square
London
EC4A 3HQ
United Kingdom

Babcock IP Management (Number One) Limited

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Babcock IP Management (Number One) Limited

Strategic report for the year ended 31 March 2022

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

Review of the business and principal activities

The principal activity of the company is management of group intellectual property (IP) for Babcock International Group PLC. On 21 May 2021 the Company transferred part of the business to LGE IP Management Company Limited, including the assignment of various intellectual property including trademarks, patents and the benefit of certain applications for patents. Revenue and profit have decreased in the year ended 31 March 2022 as a result of the transferred business.

Revenue reduced by 60% to £7.1m in the year ending 31 March 2022 (2021: £17.9m restated) which is in line with the expectations of the directors following the transfer of business highlighted above. The remaining fall in profit for the financial year is driven by a tax charge as opposed to a tax credit received through group relief in the year end 31 March 2021. The financial position of the company has strengthened during the year ended 31 March 2022 with net assets increasing to £60.2m due to the profit for the financial year.

	2022	2021
	£000	£000
		*Restated
Revenue	7,082	17,860
Profit for the financial year	2,377	17,612

*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 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 the Company, a business of Babcock International Group PLC, is discussed in annual report of Babcock International Group PLC, which does not form part of this report.

Babcock IP Management (Number One) Limited

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.

Point b) above is not relevant as the Company has no employees.

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

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;

We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

This report was approved by the board on 30 November 2023 and signed on its behalf by:

S Doherty
Director



Babcock IP Management (Number One) Limited

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). No final dividend was paid.

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)
J Hall	(resigned 1 July 2022)
I Jewell	(resigned 31 March 2022)
I Urquhart	(resigned 31 May 2022)
R Clark	(appointed 3 February 2023)
B Yelland	(appointed 15 November 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 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. 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 £31m, but 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 respective other group companies 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.

Given the above assessment, 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.

Babcock IP Management (Number One) Limited**Directors' report for the year ended 31 March 2022 (continued)****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, which does not form part of this report.

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 30 November 2023 and signed on its behalf by:

S Doherty
Director



Babcock IP Management (Number One) Limited

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.

Babcock IP Management (Number One) Limited

Independent Auditors' report to the members of Babcock IP Management (Number One) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Babcock IP Management (Number One) 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 profit 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.

Babcock IP Management (Number One) Limited

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

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.

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:

Babcock IP Management (Number One) Limited

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

- 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.

We discussed among the audit engagement team including relevant internal specialists, such as IT 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.

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.

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.

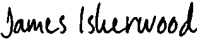
We have nothing to report in respect of these matters.

Babcock IP Management (Number One) Limited

Independent Auditors' report to the members of Babcock IP Management (Number One) Limited (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.

DocuSigned by:

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James Isherwood ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
30th November 2023

Babcock IP Management (Number One) Limited**Income Statement***for the year ended 31 March 2022*

	Note	2022 £000	2021 £000 *Restated
Revenue	4	7,082	17,860
Amortisation of intangible assets	8	(721)	(721)
Administrative expenses		(122)	(650)
Operating profit	5	6,239	16,489
Finance costs	6	(42)	(22)
Profit before income tax		6,197	16,467
Income tax (charge) / credit	7	(3,820)	1,158
Profit for the financial year		2,377	17,625

All of the above results derive from continuing operations.

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

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.

Babcock IP Management (Number One) Limited**Statement of Financial Position**
as at 31 March 2022

	Note	2022 £000	2021 £000 *Restated
Non-current assets			
Intangible assets	8	2,343	3,064
Deferred tax asset	9	1,073	4,893
Trade and other receivables	10	87,364	70,059
		<u>90,433</u>	<u>78,016</u>
Current assets			
Trade and other receivables	10	10,999	17,684
Current liabilities			
Bank loans and overdraft		(6,748)	(2,998)
Trade and other payables	11	(34,823)	(34,871)
		<u>(41,571)</u>	<u>(37,869)</u>
Net current liabilities		<u>(30,572)</u>	<u>(20,185)</u>
Net assets		<u>60,208</u>	<u>57,831</u>
Equity			
Called up share capital	12	-	-
Share premium account		7,210	7,210
Retained earnings		52,998	50,621
Total shareholders' funds		<u>60,208</u>	<u>57,831</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 15 to 23 are an integral part of these financial statements.

The financial statements on pages 12 to 23 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

S Doherty
Director

30 November 2023



Babcock IP Management (Number One) Limited**Statement of Changes in Equity**
for the year ended 31 March 2022

	Called up share capital £000	Share premium account £000	Retained earnings £000 *Restated	Total shareholders' funds £000 *Restated
Balance at 1 April 2020	-	7,210	32,996	40,206
Profit for the financial year	-	-	17,625	17,625
Balance at 31 March 2021	-	7,210	50,621	57,831
Profit for the financial year	-	-	2,377	2,377
Balance at 31 March 2022	-	7,210	52,998	60,208

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

Babcock IP Management (Number One) Limited

Notes to the financial statements

1 General information

Babcock IP Management (Number One) Limited is a private 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 Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is a wholly-owned subsidiary of Babcock Integration LLP and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available.

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 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
- c) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136;
- 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.

The Company intends to continue to prepare its financial statements in accordance with FRS 101.

Babcock IP Management (Number One) Limited

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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. 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 £31m, but 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 respective other group companies 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.

Given the above assessment, 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.

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, Revenue from Contracts with Customers. 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. All revenue generated by the company is in the form of royalties due from Intellectual Property, as such the performance obligation is identical for all contracts.

(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. Given the nature of many of the services the Company provides, stand-alone selling prices are generally not available. In this circumstance, the Company allocates a percentage to each customer based on their external revenue generated in the financial year.

Babcock IP Management (Number One) Limited

Notes to the financial statements *(continued)*

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 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.

All of the Company's contracts meet 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.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. The intangible assets are amortised on a straight-line basis as follows:

a) *Intellectual property*

The intangible assets refer to the intellectual property, which are held on the balance sheet at cost. The carrying value of the intellectual property is amortised straight-line over a useful life of 10 years.

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 cashflows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

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 Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the EIR 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.

Babcock IP Management (Number One) 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, 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.

3 Critical accounting estimates and judgements

In the course of preparation of the financial statements no 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. No critical accounting judgements or key sources of estimation uncertainty have been identified.

4 Revenue

	2022 £000	2021 £000 *Restated
Group royalty revenue	7,082	17,860

Revenue for both years originated in the United Kingdom.

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

Babcock IP Management (Number One) Limited**Notes to the financial statements (continued)****5 Operating profit**

Operating profit is stated after charging:

	2022 £000	2021 £000
Amortisation of intangible assets	(721)	(721)

The fee payable to the parent Company's auditors in respect of the audit of the Company's financial statements was £10,166 (2021: £4,100) 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.

6 Finance costs

	2022 £000	2021 £000
Bank interest	(42)	(22)

7 Income tax charge / (credit)

	2022 £000	2021 £000
Deferred tax:		*Restated
Origination and reversal of timing differences	2,550	(1,158)
Adjustments in respect of deferred tax for prior years	1,270	-
Total tax charge / (credit) for the year	3,820	(1,158)

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

Tax credit for the year is the lower (2021: lower) 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
Profit before taxation	6,197	16,467
Profit multiplied by standard UK corporation tax rate of 19% (2021: 19%)	1,177	3,129
Effects of:		
(Income not taxable) / expenses not deductible for tax purposes	(2,943)	137
Group relief for nil consideration	1,766	(3,266)
Adjustments in respect of deferred tax for prior years	1,270	-
Deferred tax asset derecognised on patent box benefit	2,550	(1,158)
Total tax charge / (credit) for the year	3,820	(1,158)

On 24 May 2022, the Finance Act 2022 was substantively enacted, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023.

Babcock IP Management (Number One) Limited**Notes to the financial statements (continued)****8 Intangible assets**

	2022 £000	2021 £000
Intellectual property		
Cost		
At 1 April and 31 March	<u>7,210</u>	<u>7,210</u>
Accumulated amortisation		
At 1 April	(4,146)	(3,425)
Amortisation	<u>(721)</u>	<u>(721)</u>
At 31 March	<u>(4,867)</u>	<u>(4,146)</u>
Net book value		
At 31 March	<u>2,343</u>	<u>3,064</u>

9 Deferred tax assets

	2022 £000	2021 £000
		*Restated
At 1 April	4,893	3,735
Current year (debit) / credit to the income statement	(2,550)	1,158
Adjustments in respect of deferred tax for prior years	<u>(1,270)</u>	<u>-</u>
	<u>1,073</u>	<u>4,893</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.

10 Trade and other receivables

	2022 £000	2021 £000
		*Restated
Non-current		
Amounts due from group undertakings	87,364	70,059
Current		
Group royalty revenue receivable	4,321	17,645
VAT receivable	397	39
Amounts due from group undertakings	<u>6,281</u>	<u>-</u>
	<u>10,999</u>	<u>17,684</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 due from group undertakings are unsecured, interest free and repayable on demand.

Babcock IP Management (Number One) Limited**Notes to the financial statements (continued)****11 Trade and other payables**

	2022 £000	2021 £000
Current		
Amounts due to group undertakings	34,823	34,871

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

12 Called up share capital

	2022 £000	2021 £000
Allotted and fully paid		
1,007 (2021: 1,007) ordinary shares of £0.01 each	-	-

13 Dividends

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

14 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.

15 Restatements

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

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

	Previously Published 2021 £000	Royalty Charge £000	Restated 2021 £000
Revenue	18,166	(306)	17,860
Profit before income tax	16,773	(306)	16,467
Income tax credit	1,184	(26)	1,158
Profit for the financial year	17,957	(332)	17,625

*The table above includes only those financial statement line items which have been restated.

Babcock IP Management (Number One) Limited**Notes to the financial statements (continued)****15 Restatements (continued)****Impact on the statement of financial position for the year ending 31 March 2021****31 March 2021 – Statement of financial position (extract)**

	Previously Published 2021 £000	Group Receivable Reclassific- ation £000	Royalty Charge £000	Deferred Tax £000	Receivable and payable reclassific- ation £000	Restated 2021 £000
Non-current assets						
Trade and other receivables	-	72,174	(2,115)	-	-	70,059
Deferred tax asset	5,061	-	-	(168)	-	4,893
Current assets						
Trade and other receivables	90,563	(72,174)	144	-	(849)	17,684
Current liabilities						
Trade and other payables	(35,720)	-	-	-	849	(34,871)
Equity						
Retained earnings	52,760	-	(1,971)	(168)	-	50,621

*The table above includes only those financial statement line items which have been restated. The total non-current assets, current assets, and equity may not therefore represent the sum of the line items presented above.

Group Receivables Reclassification

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.

Royalty Charge

In prior years, royalty charges to LGE Ltd were incorrectly calculated using revenues that included amounts not generated by the intellectual property owned by Babcock IP Management (Number One) Ltd. As a result, the royalty charges for 2021 and previous years were overstated by £2,115,000, of which £450,000 relates to the year ended 31 March 2021. Therefore, as at 1 April 2020 the balances for Trade and other receivables and Retained earnings have been restated by £1,665,000. The Revenue for the year ended 31 March 2021 has been restated by £450,000, which resulted in trade and other receivables as at 31 March 2021 being restated by the same amount. In addition, there was a £144,000 difference in accrual estimation for FY21 royalty charge which has been restated, increasing revenue for the year ended 31 March 2021.

Deferred Tax

The restatement of prior year royalty charges resulted in a restatement of the deferred tax balance as at 1 April 2020 by £142,000. The revised royalty charges resulted in a £26,000 reduction in the deferred tax asset and income tax credit recognised in respect of patent box benefits for the year ended 31 March 2021.

Babcock IP Management (Number One) Limited

Notes to the financial statements *(continued)*

15 Restatements *(continued)*

Receivable and payable reclassification

In the prior year, the Group patent charge was added to amounts due from group undertakings instead of reducing the intercompany creditor. Correction of this error has resulted in a reduction of trade and other receivables and trade and other payables by £849,000. There is no impact to retained earnings.

16 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Integration 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