Group income statement

For the year ended 31 March 2019	Note	2019 £m	2019 Total £m	2018 £m	2018 Total £m
Revenue[1]	3		**4,474.8**		4,659.6
Cost of revenue			**(3,928.3)**		(3,971.7)
Gross profit			**546.5**		687.9
Distribution expenses			**(11.9)**		(12.8)
Administration expenses			**(338.1)**		(304.5)
Operating profit before share of results of joint ventures and associates	3, 4		**196.5**		370.6
Share of results of joint ventures and associates	3, 14		**83.8**		68.5
Group and joint ventures and associates					
Operating profit before amortisation of acquired intangibles		**559.3**		554.6	
Investment income		**29.1**		30.0	
Underlying operating profit[2]	3	**588.4**		584.6	
Amortisation of acquired intangibles	5	**(101.0)**		(103.9)	
Exceptional items	5	**(160.8)**		–	
Group investment income		**(1.3)**		(1.9)	
Joint ventures and associates finance costs		**(24.1)**		(22.2)	
Joint ventures and associates income tax expense		**(20.9)**		(17.5)	
Operating profit			**280.3**		439.1
Finance costs					
Investment income	3	**1.3**		1.9	
Retirement benefit interest	25	**0.3**		(2.3)	
Finance costs	6	**(62.7)**		(61.9)	
Finance income	6	**16.0**		14.3	
			(45.1)		(48.0)
Profit before tax	3		**235.2**		391.1
Income tax expense	8		**(35.4)**		(53.4)
Profit for the year			**199.8**		337.7
Attributable to:					
Owners of the parent			**199.4**		336.3
Non-controlling interest			**0.4**		1.4
			199.8		337.7
Earnings per share	10				
Basic			**39.5p**		66.6p
Diluted			**39.4p**		66.5p

1. Revenue does not include the Group's share of revenue from joint ventures and associates of £685.8 million (2018: £703.2 million).
2. Including IFRIC 12 investment income but before exceptional items and amortisation of acquired intangibles.

Group statement of comprehensive income

For the year ended 31 March 2019	Note	2019 £m	2018 £m
Profit for the year		**199.8**	337.7
Other comprehensive income			
Items that may be subsequently reclassified to income statement			
Currency translation differences		**(31.0)**	(25.9)
Fair value adjustment of interest rate and foreign exchange hedges		**(0.5)**	(7.5)
Tax on fair value adjustment of interest rate and foreign exchange hedges		**0.4**	1.2
Hedging gains reclassified to profit or loss		**(1.3)**	1.4
Fair value adjustment of joint ventures and associates derivatives	14	**1.8**	24.3
Tax, including rate change impact, on fair value adjustment of joint ventures and associates derivatives	14	**(0.3)**	(7.4)
Items that will not be reclassified to income statement			
Remeasurement of retirement benefit obligations	25	**(58.4)**	49.7
Tax on remeasurement of retirement benefit obligations		**10.4**	(10.3)
Impact of change in UK tax rates		**(0.4)**	1.9
Other comprehensive income, net of tax		**(79.3)**	27.4
Total comprehensive income		**120.5**	365.1
Total comprehensive income attributable to:			
Owners of the parent		**122.3**	363.6
Non-controlling interest		**(1.8)**	1.5
Total comprehensive income		**120.5**	365.1

Group statement of changes in equity

For the year ended 31 March 2019	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Owners of the parent £m	Non-controlling interest £m	Total equity £m
At 31 March 2017	303.4	873.0	768.8	30.6	757.9	(86.5)	22.6	2,669.8	22.4	2,692.2
Total comprehensive income	–	–	–	–	377.5	12.0	(25.9)	363.6	1.5	365.1
Dividends	–	–	–	–	(143.9)	–	–	(143.9)	(3.8)	(147.7)
Share-based payments	–	–	–	–	6.4	–	–	6.4	–	6.4
Tax on share-based payments	–	–	–	–	1.9	–	–	1.9	–	1.9
Transactions with non-controlling interests	–	–	–	–	(0.7)	–	–	(0.7)	(2.0)	(2.7)
Own shares and other	–	–	–	–	(4.2)	–	–	(4.2)	–	(4.2)
Net movement in equity	–	–	–	–	237.0	12.0	(25.9)	223.1	(4.3)	218.8
At 31 March 2018	**303.4**	**873.0**	**768.8**	**30.6**	**994.9**	**(74.5)**	**(3.3)**	**2,892.9**	**18.1**	**2,911.0**
Total comprehensive income	**–**	**–**	**–**	**–**	**151.0**	**0.1**	**(28.8)**	**122.3**	**(1.8)**	**120.5**
Dividends	**–**	**–**	**–**	**–**	**(150.5)**	**–**	**–**	**(150.5)**	**(2.8)**	**(153.3)**
Share-based payments	**–**	**–**	**–**	**–**	**2.4**	**–**	**–**	**2.4**	**–**	**2.4**
Tax on share-based payments	**–**	**–**	**–**	**–**	**2.4**	**–**	**–**	**2.4**	**–**	**2.4**
Transactions with non-controlling interests (note 30)	**–**	**–**	**–**	**–**	**(2.0)**	**–**	**–**	**(2.0)**	**3.9**	**1.9**
Net movement in equity	**–**	**–**	**–**	**–**	**3.3**	**0.1**	**(28.8)**	**(25.4)**	**(0.7)**	**(26.1)**
At 31 March 2019	**303.4**	**873.0**	**768.8**	**30.6**	**998.2**	**(74.4)**	**(32.1)**	**2,867.5**	**17.4**	**2,884.9**

The other reserve relates to the rights issue of new ordinary shares on 7 May 2014 and the capital redemption reserve relates to the issue and redemption of redeemable 'B' preference shares in 2001.

Group balance sheet

As at 31 March 2019	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Goodwill	11	**2,584.2**	2,600.9
Other intangible assets	12	**448.9**	529.3
Property, plant and equipment	13	**1,014.3**	1,028.4
Investment in joint ventures and associates	14	**153.2**	119.3
Loan to joint ventures and associates	14	**42.5**	27.8
Retirement benefits	25	**226.9**	240.1
Trade and other receivables	17	**9.3**	6.7
IFRIC 12 financial assets		**15.5**	17.8
Other financial assets	21	**93.8**	76.0
Deferred tax asset	15	**150.9**	104.0
		4,739.5	4,750.3
Current assets			
Inventories	16	**196.5**	181.4
Trade and other receivables	17	**907.8**	1,060.1
Income tax recoverable		**11.1**	15.4
Other financial assets	21	**48.0**	27.5
Cash and cash equivalents	18, 27	**275.2**	286.3
		1,438.6	1,570.7
Total assets		**6,178.1**	6,321.0
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	23	**303.4**	303.4
Share premium		**873.0**	873.0
Capital redemption and other reserves		**692.9**	721.6
Retained earnings		**998.2**	994.9
		2,867.5	2,892.9
Non-controlling interest		**17.4**	18.1
Total equity		**2,884.9**	2,911.0
Non-current liabilities			
Bank and other borrowings	20	**1,357.6**	1,485.2
Trade and other payables	19	**2.0**	2.3
Deferred tax liabilities	15	**103.2**	112.8
Other financial liabilities	21	**9.3**	5.0
Retirement liabilities	25	**254.9**	245.1
Provisions for other liabilities	22	**40.5**	61.1
		1,767.5	1,911.5
Current liabilities			
Bank and other borrowings	20	**53.9**	38.1
Trade and other payables	19	**1,381.4**	1,392.1
Income tax payable		**22.1**	21.7
Other financial liabilities	21	**4.9**	11.9
Provisions for other liabilities	22	**63.4**	34.7
		1,525.7	1,498.5
Total liabilities		**3,293.2**	3,410.0
Total equity and liabilities		**6,178.1**	6,321.0

The notes on pages 156 to 207 are an integral part of the consolidated financial statements. The Group financial statements on pages 152 to 207 were approved by the Board of Directors on 21 May 2019 and are signed on its behalf by:

A Bethel
Director

F Martinelli
Director

Group cash flow statement

For the year ended 31 March 2019	Note	2019 £m	2018 £m
Cash flows from operating activities			
Operating profit before amortisation of acquired intangible and exceptional items		**452.5**	468.7
Amortisation of acquired intangible and exceptional items	5	**(256.0)**	(98.1)
Operating profit before share of results of joint ventures and associates	3	**196.5**	370.6
Depreciation and impairment of property, plant and equipment		**123.1**	91.3
Amortisation of intangible assets		**110.0**	111.1
Investment income	3	**1.3**	1.9
Equity share-based payments		**2.4**	6.4
Profit on disposal of subsidiaries, businesses and joint ventures and associates	29	**(14.8)**	–
Profit on disposal of property, plant and equipment		**(5.4)**	(4.1)
Loss on disposal of intangible assets		**0.3**	–
Cash generated from operations before movement in working capital		**413.4**	577.2
Increase in inventories		**(34.0)**	(19.5)
Decrease/(increase) in receivables		**138.8**	(137.4)
Increase in payables		**4.1**	102.6
Increase/decrease in provisions		**10.7**	(27.7)
Retirement benefit contributions in excess of income statement		**(25.1)**	(47.3)
Cash generated from operations		**507.9**	447.9
Income tax paid		**(74.0)**	(74.3)
Interest paid		**(63.1)**	(67.9)
Interest received		**15.6**	14.3
Net cash flows from operating activities		**386.4**	320.0
Cash flows from investing activities			
Disposal of subsidiaries and joint ventures and associates, net of cash disposed	29	**29.5**	(0.2)
Dividends received from joint ventures and associates		**44.6**	42.9
Proceeds on disposal of property, plant and equipment		**78.5**	70.0
Purchases of property, plant and equipment		**(194.3)**	(150.4)
Purchases of intangible assets		**(32.7)**	(32.3)
Investment in, loan movements and interest received from joint ventures and associates	14	**(14.6)**	(1.5)
Net cash flows from investing activities		**(89.0)**	(71.5)
Cash flows from financing activities			
Dividends paid	9	**(150.5)**	(143.9)
Finance lease principal payments	27	**(26.4)**	(27.5)
Finance lease assets issued and repaid	27	**(19.4)**	9.6
Bank loans repaid	27	**(103.4)**	(88.4)
Loans raised		**–**	121.9
Dividends paid to non-controlling interest		**(2.8)**	(3.8)
Transactions with non-controlling interest	30	**(0.5)**	(5.3)
Movement on own shares		**–**	(4.2)
Net cash flows from financing activities		**(303.0)**	(141.6)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(5.6)**	106.9
Cash, cash equivalents and bank overdrafts at beginning of year		**286.3**	185.6
Effects of exchange rate fluctuations		**(5.5)**	(6.2)
Cash, cash equivalents and bank overdrafts at end of year	27	**275.2**	286.3

1. Basis of preparation and significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, as set out in the Directors' report on page 138, and in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments. Babcock International Group PLC is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

Significant accounting policies

The significant accounting policies adopted by the Group are set out below. They have been applied consistently throughout the year and the comparative period except as specified below.

New and amended standards adopted by the Group

The Group applied the following standards and amendments for the first time for the period beginning on 1 April 2018:

- IFRS 9: 'Financial instruments'
- IFRS 15: 'Revenue from contracts with customers'

The impact of adoption of these standards and the key changes to the accounting policies are disclosed below.

The following standards and amendments to IFRSs became effective for the period beginning on 1 April 2018 and did not have a material impact on the consolidated financial statements:

- IFRIC 22: Foreign Currency Transactions and Advance Consideration;
- Classification and Measurement of Share-Based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements 2014-2016 Cycle; and
- Transfers of Investment Property – Amendments to IAS 40.

(a) IFRS 9

The Group adopted IFRS 9 from 1 April 2018. In accordance with the transition provisions in the Standard, comparatives have not been restated.

Classification of financial assets

IFRS 9 requires the use of two criteria to determine the classification of financial assets: the entity's business model for the financial assets and the contractual cash flow characteristics of the financial assets. The Standard goes on to identify three categories of financial assets – amortised cost; fair value through profit or loss (FVTPL); and fair value through other comprehensive income (FVOCI).

The adoption of IFRS 9 has not impacted the measurement of the Group's financial assets: derivative financial assets continue to be held at FVTPL (except those subject to hedge accounting) and the Group's other financial assets continue to be held at amortised cost.

Impairment of financial assets

IFRS 9 introduces an expected credit loss approach to impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

No material adjustments to the Group's impairment provisions were made on transition to IFRS 9. The majority of trade receivables are with government, government backed institutions or blue chip corporations and as such credit risk is considered small. Where an appropriate approach was already applied to establish impairment provisions, the inclusion of specific expected credit loss considerations did not have a material impact.

Hedge accounting

Updated IFRS 9 hedge accounting requirements have not had a material impact on the Group, but additional disclosure requirements have been met.

(b) IFRS 15

The Group adopted IFRS 15: 'Revenue from contracts with customers' from 1 April 2018 using the fully retrospective approach. The accounting policies have been updated to reflect the five-step approach to revenue recognition required by IFRS 15. This resulted in no impact on the cumulative amount of revenue recognised at 1 April 2018 or for the year ended 31 March 2019.

Following adoption of IFRS 15, capitalised contract costs are now presented separately within trade and other receivables. These amounts were previously included within amounts due from customers for contract work.

1. Basis of preparation and significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the Company financial statements and its subsidiary undertakings together with its share of joint ventures and associates results. Intra-group transactions, balances, income and expenses are eliminated on consolidation.

(a) Subsidiaries

A subsidiary is an entity controlled by the Group. An entity is controlled by the Group regardless of the level of the Group's equity interest in the entity, when the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to impact those returns through its power over the entity.

In determining whether control exists, the Group considers all relevant facts and circumstances to assess its control over an entity such as contractual commitments and potential voting rights held by the Group if they are substantive.

Subsidiaries are fully consolidated from the date control has been transferred to the Group and de-consolidated from the date control ceases. Where control ceases the results for the year up to the date of relinquishing control or closure are analysed as continuing or discontinued operations.

(b) Joint ventures and associates

Associates are those entities over which the Group exercises its significant influence when it has the power to participate in the financial and operating policy decisions of the entity but it does not have the power to control or jointly control the entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group's interests in joint ventures and associates are accounted for by the equity method of accounting and are initially recorded at cost. The Group's investment in joint ventures and associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its joint ventures and associates post-acquisition profits or losses after tax is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint venture and associate. The Group's share of joint venture revenue is disclosed after elimination of sales to that joint venture. Loans to joint ventures are valued at amortised cost.

Critical accounting estimates and judgements

In the course of preparation of the financial statements no judgements have been made in applying the Group'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 Group's accounting policies requires the use of estimates and the inherent uncertainty in certain forward looking estimates may result in a material adjustment to the carrying amounts 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. Critical accounting estimates in relation to these financial statements are considered below:

- Revenue and profit recognition

  Revenue and profit recognition on contracts is based on estimates of outturn revenues and costs on a contract-by-contract basis. Both of these estimates can involve significant levels of estimation uncertainty. Estimating contract revenues can involve judgements around whether the Group will meet performance targets, earn incentives and the pricing of any scope changes, variations or claims under the contract. When considering variations to contracts, the Group must make a judgement as to whether the variation should be accounted for as a separate, distinct contract or be considered, and accounted for, as part of the original contract. This judgement will depend on the scope of the variation, its pricing and the contractual terms. Contract outturn assessments are carried out by suitably qualified and experienced Group personnel and include assessments of variable consideration and contract contingencies arising out of technical, commercial, operational and other risks. When considering variations, claims and contingencies, the Group analyses various factors including the contractual terms, status of negotiations with the customer and historic experience with that customer and with similar contracts. The assessments of all significant contracts are subject to review and challenge. As contracts near completion, often less judgement is needed to determine the expected outturn. The level of estimation uncertainty in the financial statements as a whole is therefore mitigated by the size of the Group's portfolio of contracts, which are of various types and at various stages of completion. Nevertheless, the levels of estimation can be significant and material changes in estimates made could affect the profitability of individual contracts. Further information is set out in the Revenue accounting policy below.

1. Basis of preparation and significant accounting policies (continued)

Critical accounting estimates (continued)

- Defined benefit pension schemes defined benefit obligations

  The Group's defined benefit pension schemes are assessed annually in accordance with IAS 19 and the valuation of the defined benefit obligations is sensitive to the inflation and discount rate actuarial assumptions used. There is a range of possible values for the assumptions and small changes to the assumptions may have a significant impact on the valuation of the defined benefit obligations. Further information on the key assumptions and sensitivities is included at note 25.

- Deferred tax

  The Group has carried forward losses for tax purposes in a number of jurisdictions and has recognised deferred tax assets to the extent that it is considered that the losses will be utilised. That assessment is reached by prudently estimating the future taxable profits in the jurisdictions in question (or the particular company in question, where the utilisation of losses is entity-restricted) and assessing these against the jurisdiction-specific rules around the carry forward and utilisation of tax losses. In circumstances where the Group considers that either of those tests (future profitability or future availability of carried forward losses) might not be passed, no deferred tax asset is recognised to that extent. Further information on the level of tax losses recognised and unrecognised is given in note 15.

- The carrying value of goodwill

  Goodwill is tested annually for impairment, in accordance with IAS 36, and the impairment assessment is based on assumptions in relation to the cashflows expected to be generated by cash generating units, together with appropriate discounting of the cashflows. Whilst the Group does not believe that a reasonably possible change in assumptions could generate a material impairment in the coming financial year, the carrying value of goodwill is included as a critical accounting estimate as a result of the significance of the goodwill held and the inherent judgemental nature of impairment testing. Note 11 provides information on key assumptions and sensitivity analyses performed.

Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of the Group's activities. The Group recognises revenue 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. 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. The integrated output nature of many of the services provided by the Group can result in contracts with one performance obligation.

(b) Allocation of contract price to performance obligations

The contract price represents the amount of consideration which the Group 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 Group provides, stand-alone selling prices are generally not available and, in these circumstances, the Group allocates the contract price to performance obligations based on cost plus margin. The Group's contracts typically do not include significant financing components.

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

Most of the Group's contracts meet the requirements to satisfy performance obligations and recognise revenue over time either because the customer simultaneously receives and consumes the benefits of the Group's performance as it performs or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for work done.

1. Basis of preparation and significant accounting policies (continued)

Revenue (continued)

(c) Revenue and profit recognition (continued)

Where the Group satisfies performance obligations over time, revenue is recognised using costs incurred as a proportion of total estimated costs to assess stage of completion, but with the stage of completion and revenue assessed in relation to each performance obligation. In some circumstances the Group also uses an output based earned value approach, as an indicator, to validate the cost based input approach and this approach uses suitably qualified and experienced Group personnel to assess the stage of completion of performance obligations.

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to payment by the Group. As can be seen from note 3, sale of goods represents approximately 15% of Group revenues. These revenues are delivered predominantly by the Land sector and include sales of equipment to commercial customers and procurement of consumables on behalf of the Ministry of Defence (MOD). The procurement of consumables for MOD is within the scope of the principal versus agent consideration at paragraph (f) below.

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis, including consideration of technical and other risks, by suitably qualified and experienced Group personnel and the assessments of all significant contracts are subject to review and challenge. Assessment of outcomes is in relation to separate performance obligations and includes variable consideration, which can include judgements on contract variations and claims, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Judgement on contract variations and claims may consider, amongst other matters, the contract terms and conditions, previous experience with customers and the status of negotiations at the time the judgement is made. Any expected loss on a contract is recognised immediately in the income statement.

The Group operates in a partnering environment with some customers and certain contracts include pain/gain share arrangements under which cost under/over spends against the contract target cost are shared with the customer. These contract sharing arrangements are included in the assessment of contract outturns.

In circumstances where costs incurred plus recognised profits (less recognised losses) exceed progress billings the Group presents as an asset the gross amount due from customers as “amounts due from customers for contract work”. Similarly, in circumstances where progress billings exceed costs incurred plus recognised profits (less recognised losses), the Group presents as a liability the gross amount due to customers as “amounts due to customers for contract work”.

(d) Costs of obtaining a contract

Pre-contract costs are recognised as expenses as incurred, except that directly attributable costs incurred from the point that it can be reliably expected that a contract will be obtained, typically at preferred bidder stage, are recognised as an asset in Capitalised contract costs and amortised to cost of revenue over the life of the contract provided that the contract is expected to result in future net cash inflows.

(e) Contract mobilisation costs

Post-contract award but pre-contract operational start-up mobilisation costs are recognised as an asset in capitalised contract costs and amortised to cost of revenue over the life of the contract. These mobilisation costs are included within the contract value and relate to ensuring that assets and resources are mobilised as necessary to support delivery of performance obligations in accordance with contract requirements.

(f) Principal versus agent considerations

A number of the Group’s contracts include performance obligations in relation to procurement activity undertaken on behalf of customers at low or nil margin, together with other performance obligations. For such procurement activity, management exercises judgement in the consideration of principal versus agent based on an assessment as to whether the Group controls goods or services prior to transfer to customers. Factors that influence this judgement include the level of responsibility the Group has under the contract for the provision of the goods or services, the extent to which the Group is incentivised to fulfil orders on time and within budget, either through gainshare arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Group exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Group then comes to a judgement as to whether it acts as principal or agent on a contract by contract basis.

Exceptional items

Items that are exceptional in size or nature are presented as exceptional items within the consolidated income statement. The separate reporting of exceptional items helps provide a better indication of the Group’s underlying business performance. Events which may give rise to the classification of items as exceptional include gains or losses on the disposal of businesses, material acquisition costs along with the restructuring of businesses and asset impairments.

Transactions with non-controlling interest

The Group’s policy is to treat transactions with non-controlling interest as transactions with owners of the parent which are therefore reflected in movements in reserves.

1. Basis of preparation and significant accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Group 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 can be 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 Group 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 Group 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 Group incurring further costs.

Provisions for losses on contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write downs of contract balances for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly.

A provision is made where operating leases are deemed to be onerous.

A provision for deferred consideration on acquisitions is recognised at the fair value at acquisition. Fair value is based on an assessment of the likelihood of payment.

A provision for employee benefits is recognised when there is a probable outflow of economic benefits that can be reliably estimated.

Goodwill and intangible assets

(a) Goodwill

When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets, the difference is treated as purchased goodwill and is capitalised. When the fair value of the consideration for an acquired undertaking is less than the fair value of its separable net assets, the difference is taken directly to the income statement.

Goodwill relating to acquisitions prior to 1 April 2004 is maintained at its net book value on the date of transition to IFRS. From that date goodwill is not amortised but is reviewed at least annually for impairment.

Annual impairment reviews are performed as outlined in note 11.

(b) Acquired intangibles

Acquired intangibles are the estimated fair value of customer relationships and brands which are in part contractual, represented by the value of the acquired order book, and in part non-contractual, represented by the risk adjusted value of future orders expected to arise from the relationships.

The carrying value of the contracted element is amortised straight-line over the remaining period of the orders that are in process or the future period in which the orders will be fulfilled, as the case may be. The amortisation periods, reflecting the lengths of the various contracts, are mainly in the range one year to five years, with a minority of contracts and hence amortisation periods, up to fifteen years.

The carrying value of the non-contracted element is amortised over the period in which it is estimated that the relationships are likely to bring economic benefit via future orders. The method of amortisation is tailored to the expectations of the timing of the receipt of specific future orders and therefore the charge to the income statement matches the timing of value likely to be generated in those years.

Relationships are valued on a contract-by-contract and customer-by-customer basis and the pattern of amortisation reflects the expected pattern of benefit in each case. The amortisation profile is determined on a case-by-case basis and in all cases results in a front-loaded profile, reflecting the greater certainty of future orders in the near term compared with the longer term. The amortisation period is in the range one year to fifteen years.

Acquired brand names are valued dependent on the characteristics of the market in which they operate and the likely value a third party would place on them. Useful lives are likewise dependent on market characteristics of the acquired business brand. These are amortised on a straight-line basis up to five years.

(c) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit but not exceeding seven years.

(d) Computer software

Computer software, excluding the Group's Enterprise Resource Planning (ERP) system, includes software licences acquired plus the costs incurred in bringing the software into use and is shown at cost less accumulated amortisation and is amortised over its expected useful life of between three and five years.

The Group is implementing an ERP system in phases over several years. The ERP system is amortised over its useful life of 10 years from the date when the asset is available for use, which occurs once the implementation has been completed for each respective phase.

1. Basis of preparation and significant accounting policies (continued)

Property, plant and equipment (PPE)

Property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of PPE over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Freehold property	2% to 8%
Leasehold property	Lease term
Plant and equipment	6.6% to 33.3%
Aircraft airframes	3.33%
Aircraft components	14% to 33.3%

PPE is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell or value in use.

Net debt

Net debt consists of the total of loans, bank overdrafts, cash and cash equivalents, joint venture and associate loans and finance leases granted or received plus any derivatives whose objective is to fair value hedge the underlying debt. This will include swaps of the currency of the debt into the functional currency of the company carrying the debt and fair value hedges.

Leases

Assets under finance leases are capitalised and the outstanding capital element of instalments is included in borrowings. The interest element is charged against profits so as to produce a constant periodic rate of charge on the outstanding obligations. Depreciation is calculated to write the assets off over their expected useful lives or over the lease terms where these are shorter.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis. A provision is made where the operating leases are deemed to be onerous.

As a lessor, the Group recognises assets held under a finance lease in the balance sheet as a financial asset. The lease payment receivable is treated as finance income and a repayment of principal including initial direct costs. Finance income is allocated over the lease term, with the gross receivable being reviewed for impairment on a regular basis.

Inventory and work in progress

Inventory is valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. 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, including UK Corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively 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 consolidated 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 substantively 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

1. Basis of preparation and significant accounting policies (continued)

Foreign currencies

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentational currency.

(b) Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as part of the net investment of a foreign operation.

Exchange differences arising from the translation of the balance sheets and income statements of foreign operations into Sterling are recognised as a separate component of equity on consolidation. Results of foreign subsidiary undertakings are translated using the average exchange rate for the month of the applicable results. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at period end exchange rates.

Finance costs

Finance costs are recognised as an expense in the period in which they are incurred unless they are attributable to an asset under construction, in which case finance costs are capitalised.

Employee benefits

(a) Pension obligations

The Group operates a number of pension schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

For defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit actuarial valuation method. The service cost and associated administration costs of the Group's pension schemes are charged to operating profit. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income so that the Group's balance sheet reflects the IAS 19 measurement of the schemes' surpluses or deficits at the balance sheet date.

(b) Share-based compensation

The Group operates equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models. The charge is recognised in the income statement over the vesting period of the award.

The shares purchased by the Group's ESOP trusts are recognised as a deduction to equity.

(c) Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned.

Financial instruments

(a) Financial assets and liabilities at amortised cost

Cash and cash equivalents, trade receivables, amounts due from related parties and other debtors are classified as financial assets held at amortised cost. Trade creditors, amounts due to related parties, other creditors, accruals and bank loans and overdrafts are classified as financial liabilities held at amortised cost.

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

(b) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at fair value. The Group designates certain of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

1. Basis of preparation and significant accounting policies (continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, gains and losses are deferred in equity until such time as the firm commitment is recognised, at which point any deferred gain or loss is included in the asset's carrying amount. These gains or losses are then realised through the income statement as the asset is sold.

Service concession arrangements

IFRIC 12 'Service concession arrangements' addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. For all arrangements falling within the scope of the Interpretation (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator recognises:

- a financial asset – where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or
- an intangible asset – where the operator's future cash flows are not specified (eg where they will vary according to usage of the infrastructure asset); or
- both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

As a consequence of this treatment the operator recognises investment income in respect of the financial asset on an effective interest basis and amortisation of any intangible asset arising.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their fair value. The Group designates certain derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, gains and losses are deferred in equity until such time as the firm commitment is recognised, at which point any deferred gain or loss is included in the assets' carrying amount. These gains or losses are then realised through the income statement as the asset is sold.

Certain derivatives do not qualify or are not designated as hedging instruments and any movement in their fair values is recognised in the income statement immediately.

Dividends

Dividends are recognised as a liability in the Group's financial statements in the period in which they are approved. Interim dividends are recognised when paid.

Standards, amendments and interpretations to published standards

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2019 or later periods but which the Group has not early adopted.

(a) Standards, amendments and interpretations that are not yet effective and the impact on the Group's operations is currently being assessed but is not expected to be significant:

- IFRS 17, 'Insurance Contracts', May 2017 issue, effective 1 April 2021.
- IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', October 2018 amendments regarding the definition of material, effective 1 April 2020.
- IFRS 3, 'Business Combinations', October 2018 amendment to clarify the definition of a business, effective 1 April 2020.
- IAS 28, 'Investments in Associates and Joint Ventures', October 2017 amendment, effective 1 April 2019.
- 2017 Annual improvements, effective 1 April 2019.

1. Basis of preparation and significant accounting policies (continued)

(b) Standards, amendments and interpretations that are not yet effective and the impact on the Group's operations is currently being assessed:

- IFRS 16, 'Leases', became effective on 1 April 2019, replacing IAS 17, 'Leases', and the Group has adopted the new standard from 1 April 2019. The modified retrospective transition approach has been adopted so prior year financial information will not be restated. The new standard requires almost all leases to be recognised on the balance sheet with a right-of-use asset capitalised and depreciated over the estimated lease term with a corresponding liability that will reduce over the same period. The operating lease charge that was previously recognised in the income statement under IAS 17 will be replaced by depreciation and interest expenses. Details of the estimated impact of IFRS 16 on the financial statements are disclosed in note 31.
- IAS 19, 'Employee Benefits', May 2018 amendment, effective 1 April 2019.

2. Financial risk management

The Group's treasury and capital policies in respect of the management of debt, interest rates, liquidity, and currency are outlined below. The Group's treasury policies are kept under close review given the continuing volatility and uncertainty in the financial markets.

Capital availability

The Company defines capital as shareholder equity plus net debt but in addition considers available financial capital which adds committed undrawn facilities to capital as a measure.

Objective on available financial capital

To ensure an appropriate level of capital and available financial capital to maintain operational flexibility and meet financial obligations whilst funding the Group's organic and acquisitive growth. The Group seeks to maintain the necessary headroom to cover the peaks and troughs in its working capital cycle, and sufficient liquidity to see it through any periods of tightened liquidity in the market.

Policy

The Board aims to maintain a balance between equity and debt capital which optimises the Group's cost of capital whilst allowing access to both equity and debt capital markets at optimum pricing when appropriate. The Group, in considering its capital structure and financial capital, views net debt to EBITDA at circa two times or below as being steady state and sustainable in normal market and economic conditions. This level may be tempered in periods of market volatility and economic and/or political uncertainty. This is not to rule out acquisition spikes above two times, as illustrated by previous acquisitions, but only to the extent that the Group can see a clear path to reducing net debt to EBITDA back to circa two times or below within a reasonable time frame.

Performance

The gearing, interest cover and net debt to EBITDA ratios, used by the Group to evaluate capital, are set out below. These align with the Group's key performance indicators as set out and defined on pages 26 and 27. Net debt to EBITDA improved to 1.4 times in 2019 (2018: 1.6 times), demonstrating further progress in reducing gearing, both through the pay down of debt and increasing profits attributable to shareholders.

	2019	2018
Interest cover	**14.9**	14.5
Net debt to EBITDA	**1.4x**	1.6x
Gearing	**33%**	38%

The Group has interest cover and net debt to EBITDA covenants that utilise JV dividends rather than share of JV profits included in the Group's key performance indicators and these ratios are below covenanted levels. The reduced gearing leaves sufficient headroom for bolt-on acquisitions and funding of organic growth. The Group considers that capital markets remain accessible, if or when required.

Financial risk management

Financial instruments, in particular forward currency contracts and interest rate swaps, are used to manage the financial risks arising from the business activities of the Group and the financing of those activities.

The Group looks in the first instance to prime rated counterparties with which to carry out treasury transactions, including investments of cash and cash equivalents.

The Group's customers are mainly from government, government backed institutions or blue chip corporations and as such credit risk is considered small.

Treasury activities within the Group are managed in accordance with the parameters set out in the treasury policies and guidelines approved by the Board. A key principle within the treasury policy is that trading in financial instruments for the purpose of profit generation is prohibited, with all financial instruments being used solely for risk management purposes.

The Group only enters into financial instruments where it has a high level of confidence of the hedged item occurring. Both the treasury department and the business sectors have responsibility for monitoring compliance within the Group to ensure adherence with the principal treasury policies and guidelines.

2. Financial risk management (continued)

Management of capital

The Group's capital structure is derived from equity and net debt and is overseen by the Board through the Group Finance Committee.

All the Group's material borrowings are arranged by the treasury department, and funds raised are lent onward to operating subsidiaries as required.

A range of gearing and liquidity ratios are used to monitor and measure capital structure and performance, including: Net debt to EBITDA (defined as net debt divided by underlying earnings before interest, tax, depreciation and amortisation), Gearing (defined as net debt, divided by shareholders funds, excluding retirement benefit deficits or surpluses), ROIC (defined as underlying operating profit divided by net debt and by shareholder funds excluding retirement benefit deficits or surpluses) and interest cover (defined as underlying earnings before interest, tax, depreciation and amortisation divided by net Group finance costs). These ratios are discussed under the Financial review.

Through the monitoring of these metrics it remains the Group's intention to ensure the business is prudently funded, balancing risk and price on the capital markets and retaining sufficient flexibility to fund future organic and acquisitive growth.

Foreign exchange risk

The functional and presentational currency of Babcock International Group PLC and its UK subsidiaries is Sterling. The Group has exposure primarily to EUR, USD, ZAR and increasingly AUD, CAD, NOK, OMR and SEK. The USD exposure arises firstly through the US$500 million US Private Placements which are swapped into Sterling and secondly, through a number of activities in the Babcock Mission Critical Services business, where it has some revenue and costs denominated in USD. The EUR exposure is largely due to the activities of the Babcock Mission Critical Services business in Europe, where both translational and transactional exposure exists. The ZAR exposure arises from the activities of Babcock's subsidiaries in South Africa where both translational and transactional exposure exist. The increasing AUD, CAD, NOK, OMR and SEK exposure arises from the activities of Babcock's subsidiaries in those countries where both transactional and translational exposure exists.

Objective	To reduce exposure to volatility in earnings and cash flows from movements in foreign currency exchange rates. The Group is exposed to a number of foreign currencies, the most significant being the Euro, US Dollar and South African Rand.
Policy – Transactional risk	The Group is exposed to movements in foreign currency exchange rates in respect of foreign currency denominated transactions. To mitigate this risk, the Group's policy is to hedge all material transactional exposures, using financial instruments where appropriate. Where possible, the Group seeks to apply IFRS 9 hedge accounting treatment to all derivatives that hedge material foreign currency transaction exposures.
Policy – Translational risk	The Group is exposed to movements in foreign currency exchange rates in respect of the translation of net assets and income statements of foreign subsidiaries and joint ventures and associates. It is not the Group's policy to hedge through the use of derivatives the translation effect of exchange rate movements on the income statements or balance sheets of overseas subsidiaries and joint ventures and associates it regards as long-term investments. However, where the Group has material assets denominated in a foreign currency, it will consider matching the aforementioned assets with foreign currency denominated debt.
Performance	There have been no material unhedged foreign exchange losses in the year.

A key principle within the treasury policy is that trading in financial instruments for the purpose of profit generation is prohibited, with all financial instruments being used solely for risk management purposes.

The Group only enters into financial instruments where it has a high level of confidence of the hedged item occurring. Both the treasury department and the business sectors have responsibility for monitoring compliance within the Group to ensure adherence with the principal treasury policies and guidelines.

The largest foreign exchange exposure of Group entities on the net monetary position against their respective functional currencies results from exposure of Euro to US Dollars, being £15.2 million (2018: Euro to US Dollars £25.7 million).

The pre-tax effect on profit and equity, increase or decrease, if the rates moved up or down by an appropriate percentage volatility, assuming all other variables remained constant, would in total be £0.5 million (2018: £0.2 million). The reasonable shifts in exchange rates are based on historical volatility and range from 10% for Sterling and US Dollars; 15% for Euro and Omani Rial; and 25% for Canadian and Australian Dollars and South African Rand.

2. Financial risk management (continued)

Interest rate risk

The fair values of debt, and related hedging instruments are affected by movements in interest rates. The following table illustrates the sensitivity in interest rate-sensitive instruments and associated debt to a hypothetical parallel shift of the forward interest rate curves of ±50bp (2018: ±50bp), with pre-tax effect annualised and an additional shift in variable rates for the floating rate element of the gross debt. All other variables are held constant. The Group believes ±50bp is an appropriate measure of volatility at this time.

	2019		2018	
	£m +50bp	£m –50bp	£m +50bp	£m –50bp
Net results for the year	**(2.0)**	**2.0**	(2.3)	2.3
Equity	**1.9**	**(1.9)**	2.1	(2.1)

Interest rate risk is managed through the maintenance of a mixture of fixed and floating rate debt and interest rate swaps, each being reviewed on a regular basis to ensure the appropriate mix is maintained.

Objective	To manage exposure to interest rate fluctuations on borrowings by varying the proportion of fixed rate debt relative to floating rate debt to reflect the underlying nature of its commitments and obligations. As a result, the Group does not maintain a specific set proportion of fixed versus floating debt, but monitors the mix to ensure that it is compatible with its business requirements and capital structure.
Policy	Interest hedging and the monitoring of the mix between fixed and floating rates are the responsibility of the treasury department, and are subject to the policy and guidelines set by the Board.
Performance	As at 31 March 2019, the Group had 74% fixed rate debt (2018: 69%) and 26% floating rate debt (2018: 31%) based on gross debt including derivatives of £1,336.4 million (2018: £1,475.6 million). For further information see note 21.

Liquidity risk

Liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines (see note 20).

Each of the sectors in the Group provides regular cash forecasts for both management and liquidity purposes. These cash forecasts are used to monitor and identify the liquidity requirements of the Group, and ensure that there is sufficient cash to meet operational needs while maintaining sufficient headroom on the Group's committed borrowing facilities. The cash performance of the business sectors is a KPI.

The Group adopts a conservative approach to the investment of its surplus cash. It is deposited with strong financial institutions for short periods, with bank counterparty credit risk being monitored closely on a systematic and ongoing basis. A credit limit is allocated to each institution taking account of its market capitalisation and credit rating.

Objective	With debt as a key component of available capital, the Group seeks to ensure that there is an appropriate balance between continuity, flexibility and cost of debt funding through the use of borrowings, whilst also diversifying the sources of these borrowings with a range of maturities and rates of interest, to reflect the long-term nature of the Group's contracts and commitments and its risk profile.
Policy	All the Group's material borrowings are arranged by the treasury department, and funds raised are lent onward to operating subsidiaries as required. It remains the Group's policy to ensure the business is prudently funded and that sufficient headroom is maintained on its facilities to fund its future growth.
Performance	The Group continues to keep under review its capital structure to ensure that the sources, tenor and availability of finance are sufficient to meet its stated objective. The Group's main debt facilities include: a £750 million Revolving Credit Facility maturing in December 2021, a £40 million loan note maturing in January 2020, US$500 million US private placement notes maturing in March 2021, a EUR 550 million Eurobond maturing in October 2022, a £100 million Term Debt Facility maturing in August 2020 and a £300 million ten year Sterling bond maturing in October 2026. These debt facilities provide the Group with total available committed banking facilities and loan notes of £1.97 billion and sufficient sources of liquidity and headroom to meet the Group's ongoing commitments. For further information see note 20.

2. Financial risk management (continued)

Liquidity risk (continued)

The table below analyses the Group's liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contract maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of interest is not significant.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 March 2019				
Bank and other borrowings*	**62.9**	**424.1**	**632.6**	**316.3**
Derivative financial instruments	**(1.2)**	**74.1**	**(4.7)**	**(1.5)**
Trade and other payables**	**1,142.6**	**0.5**	**0.4**	**0.8**
At 31 March 2018				
Bank and other borrowings*	47.0	81.9	1,095.8	322.5
Derivative financial instruments	(7.5)	(1.5)	50.3	(1.2)
Trade and other payables**	1,141.4	0.6	0.4	0.9

* Includes fixed rate committed interest

** Does not include amounts due to customers for contract work, deferred income, payroll taxes and social security.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Held for trading contracts are economic hedges and not hedge accounted.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 March 2019				
Forward derivative contracts – hedges:				
– outflow	**392.6**	**418.0**	**117.9**	**16.2**
– inflow	**391.4**	**493.3**	**113.6**	**15.1**
Forward derivative contracts – held for trading:				
– outflow	**–**	**–**	**–**	**–**
– inflow	**–**	**–**	**–**	**–**
At 31 March 2018				
Forward derivative contracts – hedges:				
– outflow	461.3	141.5	360.1	17.5
– inflow	443.5	140.0	409.8	16.9
Forward derivative contracts – held for trading:				
– outflow	1.2	–	–	–
– inflow	1.3	–	–	–

3. Segmental information

The Group has four reporting segments, determined by reference to the goods and services they provide and the markets they serve.

Marine – through life support of submarines, naval ships and infrastructure in the UK and internationally.

Land – large scale critical vehicle fleet management, equipment support and training for military and civil customers worldwide.

Aviation – critical engineering services to defence and civil customers worldwide, including pilot training, equipment support, airbase management and operation of aviation fleets delivering emergency and offshore services.

Nuclear – complex engineering services in support of major decommissioning programmes and projects, training and operation support, new build programme management and design and installation in the UK and, increasingly, internationally.

The Group Chief Executive, the chief operating decision maker as defined by IAS 8, monitors the results of these reporting segments and makes decisions about the allocation of resources. The Group's business in South Africa meets the definition of an operating segment, as defined by IAS 8. However the business represents less than 10% of the Group's revenues, profits and assets and, as permitted by IAS 8, the Group therefore includes the business in the Land sector reportable segment on the basis that they have similar economic characteristics (assessed with reference to their operating profit margins) and that the nature of the services provided, the type of customer and the methods used to deliver services are similar to those in the sector in which they are included.

2019	Marine £m	Land £m	Aviation £m	Nuclear £m	Unallocated £m	Total £m
Revenue including joint ventures and associates	1,706.6	1,620.2	1,135.5	698.3	–	5,160.6
Less: joint ventures and associates revenue	20.3	60.2	139.6	465.7	–	685.8
Revenue	1,686.3	1,560.0	995.9	232.6	–	4,474.8
Operating profit/(loss) before share of results of joint ventures and associates	178.6	42.3	(25.0)	21.6	(21.0)	196.5
Exceptional items	33.6	17.7	86.4	4.9	18.2	160.8
Acquired intangible amortisation	4.7	44.1	45.7	0.7	–	95.2
Operating profit*	216.9	104.1	107.1	27.2	(2.8)	452.5
IFRIC 12 investment income – Group	0.3	1.0	–	–	–	1.3
Share of operating profit – joint ventures and associates	3.3	39.5	27.0	37.0	–	106.8
Share of IFRIC 12 investment income – joint ventures and associates	–	1.4	26.4	–	–	27.8
Underlying operating profit	220.5	146.0	160.5	64.2	(2.8)	588.4
Share of finance costs – joint ventures and associates	(0.4)	(0.1)	(23.6)	–	–	(24.1)
Share of tax – joint ventures and associates	(1.3)	(7.1)	(5.3)	(7.2)	–	(20.9)
Acquired intangible amortisation – Group	(4.7)	(44.1)	(45.7)	(0.7)	–	(95.2)
Share of acquired intangible amortisation – joint ventures and associates	–	(2.0)	(3.8)	–	–	(5.8)
Net finance costs – Group	–	–	–	–	(46.4)	(46.4)
Exceptional items	(33.6)	(17.7)	(86.4)	(4.9)	(18.2)	(160.8)
Profit before tax	180.5	75.0	(4.3)	51.4	(67.4)	235.2

* Before amortisation of acquired intangibles and exceptional items.

3. Segmental information (continued)

2018	Marine £m	Land £m	Aviation £m	Nuclear £m	Unallocated £m	Total £m
Revenue including joint ventures and associates	1,788.9	1,849.1	1,022.1	702.7	–	5,362.8
Less: joint ventures and associates revenue	22.4	88.7	101.0	491.1	–	703.2
Revenue	1,766.5	1,760.4	921.1	211.6	–	4,659.6
Operating profit/(loss) before share of results of joint ventures and associates	225.6	59.7	58.9	30.1	(3.7)	370.6
Acquired intangible amortisation	5.3	47.5	44.2	1.1	–	98.1
Operating profit*	230.9	107.2	103.1	31.2	(3.7)	468.7
IFRIC 12 investment income – Group	0.4	1.5	–	–	–	1.9
Share of operating profit – joint ventures and associates	3.8	29.9	14.6	37.6	–	85.9
Share of IFRIC 12 investment income – joint ventures and associates	–	1.5	26.6	–	–	28.1
Underlying operating profit	235.1	140.1	144.3	68.8	(3.7)	584.6
Share of finance costs – joint ventures and associates	–	(0.9)	(21.3)	–	–	(22.2)
Share of tax – joint ventures and associates	(1.3)	(5.4)	(3.7)	(7.1)	–	(17.5)
Acquired intangible amortisation – Group	(5.3)	(47.5)	(44.2)	(1.1)	–	(98.1)
Share of acquired intangible amortisation – joint ventures and associates	–	(2.0)	(3.8)	–	–	(5.8)
Net finance costs – Group	–	–	–	–	(49.9)	(49.9)
Profit before tax	228.5	84.3	71.3	60.6	(53.6)	391.1

* Before amortisation of acquired intangibles and exceptional items.

Inter divisional revenue is immaterial.

Revenues of £2.2 billion (2018: £2.4 billion) are derived from a single external customer. These revenues are attributable across all sectors.

The segment assets and liabilities at 31 March 2019 and 31 March 2018 and capital expenditure for the years then ended are as follows:

	Assets		Liabilities		Capital expenditure	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Marine	**1,041.2**	1,062.8	**546.0**	589.6	**52.3**	44.8
Land	**1,673.2**	1,744.0	**515.5**	529.9	**16.2**	22.8
Aviation	**2,466.9**	2,561.7	**408.3**	367.1	**141.4**	80.2
Nuclear	**163.2**	163.4	**26.7**	36.3	**6.4**	0.1
Unallocated	**833.6**	789.1	**1,796.7**	1,887.1	**10.7**	34.8
Group total	**6,178.1**	6,321.0	**3,293.2**	3,410.0	**227.0**	182.7

Capital expenditure represents additions to property, plant and equipment and intangible assets. Proceeds from the sale of assets totalled £78.5 million (2018: £70.0 million). Proceeds are in the main within the Aviation section. See note 19 relating to the treatment of amounts payable in respect of capital expenditure.

All assets and liabilities are allocated to their appropriate segments except for cash, cash equivalents, borrowings, income and deferred tax and retirement benefit surpluses which are included in the unallocated segment.

The segmental analysis of joint ventures and associates is detailed in note 14.

3. Segmental information (continued)

The segmental depreciation on tangible assets and amortisation of intangible assets for the years ended 31 March 2019 and 31 March 2018 is as follows:

	Depreciation		Amortisation of intangible assets	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Marine	**28.5**	30.3	**9.8**	11.2
Land	**17.9**	17.7	**46.2**	49.4
Aviation	**39.9**	36.0	**46.6**	45.1
Nuclear	**0.6**	1.3	**0.8**	1.2
Unallocated	**6.9**	6.0	**6.6**	4.2
Group total	**93.8**	91.3	**110.0**	111.1

The geographic analysis for non-current assets by location of those assets for the years ended 31 March 2019 and 31 March 2018 is as follows:

	2019 £m	2018 £m
United Kingdom	**2,827.3**	2,817.9
Rest of Europe	**1,171.7**	1,226.7
Africa	**34.2**	45.9
North America	**7.0**	6.2
Australasia	**175.0**	176.2
Rest of World	**37.2**	39.5
Non-current segment assets	**4,252.4**	4,312.4
Retirement benefits	**226.9**	240.1
IFRIC 12 financial assets	**15.5**	17.8
Other financial assets	**93.8**	76.0
Tax	**150.9**	104.0
Total non-current assets	**4,739.5**	4,750.3

The geographic analysis by origin of customer for the years ended 31 March 2019 and 31 March 2018 is as follows:

	Revenue	
Geographic analysis	**2019 £m**	2018 £m
United Kingdom	**2,954.3**	3,159.0
Rest of Europe	**649.4**	586.1
Africa	**353.6**	413.5
North America	**181.3**	205.8
Australasia	**189.2**	162.8
Rest of World	**147.0**	132.4
Group total	**4,474.8**	4,659.6

The analysis of revenue for the years ended 31 March 2019 and 31 March 2018 is as follows:

	2019 £m	2018 £m
Sales of goods – transferred at a point in time	**635.7**	615.4
Sale of goods – transferred over time	**61.8**	25.8
Sale of goods	**697.5**	641.2
Provision of services – transferred over time	**3,768.6**	4,010.3
Rental income	**8.7**	8.1
Revenue	**4,474.8**	4,659.6

The sale of goods at a point in time is mainly in the Land sector. This includes revenue subject to judgement as to whether the Group operates as principal or agent. The sale of goods over time is in the Marine sector. Provision of services over time is across all sectors. Further disaggregation of revenue is set out in the Strategic report on page 6.

4. Operating profit for the year

The following items have been included in arriving at operating profit for the year:

	2019 £m	2018 £m
Employee costs (note 7)	**1,611.6**	1,588.3
Inventories		
– cost of inventories recognised as an expense	**504.5**	444.0
– increase/(decrease) in inventory provisions	**(5.9)**	1.8
Depreciation of property, plant and equipment (PPE)		
– owned assets	**81.0**	81.7
– under finance leases	**12.8**	9.6
	93.8	91.3
Amortisation of intangible assets		
– acquired intangibles	**95.2**	98.1
– other	**14.8**	13.0
	110.0	111.1
Impairment of goodwill	**–**	–
Profit on disposal of property plant and equipment	**(5.4)**	(4.1)
Loss on disposal of intangible assets	**0.3**	–
Operating lease rentals payable		
– property	**32.4**	30.0
– vehicles, plant and equipment	**124.4**	115.4
Research and development	**0.4**	1.0
Trade receivables charged	**1.6**	1.3
Net foreign exchange (gain)/loss	**(5.9)**	16.1

In addition to the vehicle operating lease rentals above is £53.5 million (2018: £53.6 million) for the Phoenix contract where the leases are directly on behalf of and benefit to the customer.

Services provided by the Group's auditor and network firms

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor as detailed below:

	2019 £m	2018 £m
Audit fees:		
Fees payable to the parent auditor and its associates for the audit of the parent company's individual and consolidated financial statements	**0.6**	0.4
Fees for other services:		
Fees payable to the parent auditor and its associates in respect of the audit of the Company's subsidiaries	**1.9**	1.8
Audit related services	**–**	0.2
Other non-audit services	**–**	0.1
Total fees paid to the Group's auditor and network firms	**2.5**	2.5

5. Exceptional items and acquired intangible amortisation

	Group		Joint ventures and associates		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Oil and Gas[1]						
– Asset impairment	**39.0**	–	–	–	**39.0**	–
– Onerous lease provisions	**42.1**	–	–	–	**42.1**	–
Oil and Gas – total	**81.1**	–	–	–	**81.1**	–
Capacity restructuring[2]	**42.4**	–	–	–	**42.4**	–
Exit[3]	**21.4**	–	–	–	**21.4**	–
Profit on disposal of subsidiaries and businesses (note 29)	**(14.8)**	–	–	–	**(14.8)**	–
Pension GMP equalisation and bulk transfer[4]	**30.7**	–	–	–	**30.7**	–
Exceptional items[5]	**160.8**	–	–	–	**160.8**	–
Exceptional tax items and tax on exceptional items[6]	**(16.7)**	–	–	–	**(16.7)**	–
Exceptional items – net of tax	**144.1**	–	–	–	**144.1**	–
Acquired intangible amortisation	**95.2**	98.1	**5.8**	5.8	**101.0**	103.9
Tax on acquired intangibles amortisation	**(20.4)**	(21.1)	**(1.1)**	(1.1)	**(21.5)**	(22.2)
Acquired intangible amortisation – net of tax	**74.8**	77.0	**4.7**	4.7	**79.5**	81.7

Exceptional items are those items which are exceptional in nature or size.

1. During the period the Oil and Gas business was reshaped to reflect the current market and to allow for the resultant business to optimise future cashflows. Assets and leases were marked to current market value to allow for sale, sub lease or alternate use. The total exceptional charge is £81.1 million and the cash costs are expected to be offset by tax effects and proceeds from the disposal of assets. Refer to notes 13 and 17 for the asset impairments, and there are also minor impairments to inventory. Refer to note 22 for the onerous lease provisions.
2. Capacity reduction and restructuring costs reflect the rightsizing, restructuring and closure of businesses across the sectors including Appledore, Rail and Magnox. Refer to note 22 for related provision movements.
3. The Group continued with its strategy of exiting small, low margin businesses. The costs of exiting renewables, mining and construction, scaling down powerlines (South Africa), mobile telecom, infrastructure and cabling are reflected within exit costs. Refer to note 13 for related asset write downs.
4. On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The past service costs totalling £25.9 million reflect our estimate of the extent to which the judgment crystallises additional liabilities for our pension schemes.

   The Group also recognised a £4.8 million one off cost for settlement of a pension scheme liability (note 25).
5. £88.9 million of the exceptional charge has been charged through Cost of revenue and the balance of £71.9 million through Administration expenses.
6. The tax credit of £16.7 million on exceptional items includes a charge of £10.0 million as a result of a reorganisation in anticipation of Brexit.

Strategic report
Governance
Financial statements

6. Net finance costs

	2019 £m	2018 £m
Finance costs		
Loans, overdrafts and associated interest rate hedges	**41.9**	42.7
Finance leases	**5.3**	5.4
Amortisation of issue costs of bank loan	**1.4**	1.7
Other	**14.1**	12.1
Total finance costs	**62.7**	61.9
Finance income		
Bank deposits, loans and finance leases	**16.0**	14.3
Total finance income	**16.0**	14.3
Net finance costs	**46.7**	47.6

7. Employee costs

	2019 £m	2018 £m
Wages and salaries	**1,319.2**	1,306.6
Social security costs	**159.9**	162.4
Share-based payments (note 24)	**2.4**	6.4
Pension costs – defined contribution plans (note 25)	**69.5**	65.6
Pension charges – defined benefit plans (note 25)	**60.6**	47.3
	1,611.6	1,588.3

The average number of people employed by the Group during the year was:

	2019 Number	2018 Number
Operations	**30,554**	30,950
Administration and management	**4,735**	4,477
	35,289	35,427

Emoluments of the Executive Directors are included in employee costs above and reported in the Remuneration report.

Key management compensation

Key management is defined as those employees who are directly responsible for the operational management of the key cash-generating units. The employees would typically report to the Chief Executive. The key management figures given below include Directors.

	2019 £m	2018 £m
Salaries	**10.3**	10.8
Post-employment benefits	**–**	–
Share-based payments	**0.2**	1.4
	10.5	12.2

8. Income tax expense

	Total 2019 £m	Total 2018 £m
Analysis of tax charge in the year		
Current tax		
– UK current year charge	**51.6**	67.3
– UK prior year charge	**11.6**	–
– Overseas current year charge	**22.8**	26.0
	86.0	93.3
Deferred tax		
– UK current year credit	**(33.6)**	(22.3)
– Overseas current year credit	**(1.3)**	(18.4)
– Overseas prior year credit	**(17.0)**	–
– Impact of change in UK tax rate	**1.3**	1.3
– Impact of change in French (2018: French) tax rate	**–**	(0.5)
	(50.6)	(39.9)
Total income tax expense	**35.4**	53.4

The tax for the year is lower (2018: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £m	2018 £m
Profit before tax	**235.2**	391.1
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2018: 19%)	**44.7**	74.3
Effects of:		
Expenses not deductible for tax purposes	**0.4**	0.5
Re-measurement of deferred tax re change in UK tax rate	**1.3**	1.3
Re-measurement of deferred tax re change in French (2018: French) tax rate	**–**	(0.5)
Difference in respect of joint venture results	**(15.9)**	(13.0)
Differences in respect of foreign rates and UK consortium relief rates	**3.4**	(5.1)
Adjustments in respect of earlier years	**(5.4)**	–
Other (including effect of exceptional items at effective tax rate)	**6.9**	(4.1)
Total income tax expense	**35.4**	53.4

In the UK 2015 Budget it was announced that the UK corporation tax rate would reduce to 19% from 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 the 2017 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. As a result a charge of £1.3 million has been taken to the income statement in respect of the remeasurement of year end UK deferred tax balances to 17%. A further £0.4 million has been debited to reserves in respect of the remeasurement of year end UK deferred tax balances to 17%.

The exceptional tax item and the tax effect of the other exceptional items are set out in more detail in note 5.

9. Dividends

	2019 £m	2018 £m
Final dividend for the year ended 31 March 2018 of 22.65p (2017: 21.65p) per 60p share	**115.5**	109.2
Interim dividend for the year ended 31 March 2019 of 7.10p (2018: 6.85p) per 60p share	**35.0**	34.7
	150.5	143.9

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2019 of 22.9p (2018: 22.65p) per share which will absorb an estimated £115.7 million (2018: £114.3 million) of shareholders' equity. It will be paid on 9 August 2019 to shareholders who are on the register of members on 5 July 2019. These financial statements do not reflect this dividend payable which is subject to approval at the Annual General Meeting on 18 July 2019. The full year declared dividend per share is 30.0p per 60p ordinary share (2018: 29.5p per 60p ordinary share).

10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year excluding those held in the Babcock Employee Share Trust.

The calculation of the basic and diluted EPS is based on the following data:

Number of shares

	2019 Number	2018 Number
Weighted average number of ordinary shares for the purpose of basic EPS	**505,165,728**	504,881,495
Effect of dilutive potential ordinary shares: share options	**947,702**	858,150
Weighted average number of ordinary shares for the purpose of diluted EPS	**506,113,430**	505,739,645

Earnings

	2019 Earnings £m	2019 Basic per share Pence	2019 Diluted per share Pence	2018 Earnings £m	2018 Basic per share Pence	2018 Diluted per share Pence
Earnings from continuing operations	**199.4**	**39.5**	**39.4**	336.3	66.6	66.5
Add back:						
Amortisation of acquired intangible assets, net of tax	**79.5**	**15.7**	**15.7**	81.7	16.2	16.2
Exceptional items, net of tax	**144.1**	**28.5**	**28.5**	–	–	–
Impact of change in statutory tax rates	**1.3**	**0.3**	**0.3**	0.8	0.2	0.2
Earnings before amortisation, exceptional items and other	**424.3**	**84.0**	**83.9**	418.8	83.0	82.9

11. Goodwill

	2019 £m	2018 £m
Cost		
At 1 April	**2,608.0**	2,615.9
On disposal of subsidiaries (note 29)	**(9.4)**	–
Exchange adjustments	**(9.6)**	(7.9)
At 31 March	**2,589.0**	2,608.0
Accumulated impairment		
At 1 April	**7.1**	7.1
On disposal of subsidiaries (note 29)	**(2.3)**	–
Impairment	**–**	–
At 31 March	**4.8**	7.1
Net book value at 31 March	**2,584.2**	2,600.9

During the year, goodwill was tested for impairment in accordance with IAS 36. The recoverable amount of the Group's goodwill was assessed by reference to value-in-use calculations derived from the three–year budgeted cash flows, and extrapolated cash flows thereafter based on an estimated growth rate of 3.0% (2018: 3.0%). The process by which the budget is prepared, reviewed and approved benefits from historical experience, visibility of long–term work programmes in relation to elements of the work undertaken for the UK government, available government spending information (both UK and overseas) and the Group's order book and bid pipeline.

A pre-tax discount rate in the range 9.5% to 10.5% (2018: 8.5% to 9.8%) was used in the value-in-use calculations. The Group's weighted average cost of capital post-tax is approximately 7.8% to 8.6% (2018: 7.0% to 8.0%).

Goodwill is allocated to the Group's cash-generating units (CGUs) as presented below. These align with the Group's operating segments and represent the lowest level in the Group at which goodwill is monitored.

	2019 £m	2018 £m
Marine	**524.3**	522.4
Land	**889.7**	900.0
Aviation	**1,100.2**	1,108.5
Nuclear	**70.0**	70.0
	2,584.2	2,600.9

Key assumptions in relation to the cashflows included in the value in use models are set out below:

Marine	Continuing delivery of work programmes with the UK Ministry of Defence.
Land	Continuing demand for large scale vehicle fleet management, equipment support and training from both military and civil customers, noting that significant elements of equipment support and training are the subject of long–term contracts.
Aviation	Continuing delivery of long–term contracts with the UK Ministry of Defence and growth in aerial emergency services worldwide where the Group has a number of leadership positions.
Nuclear	Continuing delivery of opportunities in the civil nuclear decommissioning programme together with maintenance of ongoing spend in provision of nuclear engineering services to operational power stations, and some growth in support of the UK new build programme.

The value in use calculations present significant headroom in respect of all the operating segments. Sensitivity analyses were carried out for each of the segments in relation to constraining the rate of growth of the budget cashflows by 28%, reducing the long–term growth rate by 1% and increasing the discount rate used in the value in use calculations by 1%. In each case significant headroom remained for each segment. The sensitivities were also applied in the aggregate and in this case a marginal amount of headroom remained for Aviation and significant headroom remained for the other segments.

12. Other intangible assets

	Acquired intangibles – relationships £m	Acquired intangibles – brands £m	Acquired intangibles – total £m	Software development costs and licences £m	Development costs and other £m	Total £m
Cost						
At 1 April 2018	**1,174.4**	**23.9**	**1,198.3**	**153.0**	**8.0**	**1,359.3**
Additions	**–**	**–**	**–**	**21.4**	**10.8**	**32.2**
Disposals at cost	**–**	**–**	**–**	**(2.3)**	**–**	**(2.3)**
Exchange adjustments	**(4.9)**	**(0.2)**	**(5.1)**	**(0.1)**	**(0.2)**	**(5.4)**
At 31 March 2019	**1,169.5**	**23.7**	**1,193.2**	**172.0**	**18.6**	**1,383.8**
Accumulated amortisation and impairment						
At 1 April 2018	**751.5**	**19.7**	**771.2**	**57.9**	**0.9**	**830.0**
Amortisation charge	**94.6**	**0.6**	**95.2**	**14.3**	**0.5**	**110.0**
Amortisation on disposals	**–**	**–**	**–**	**(1.9)**	**–**	**(1.9)**
Exchange adjustments	**(2.8)**	**(0.1)**	**(2.9)**	**(0.2)**	**(0.1)**	**(3.2)**
At 31 March 2019	**843.3**	**20.2**	**863.5**	**70.1**	**1.3**	**934.9**
Net book value at 31 March 2019	**326.2**	**3.5**	**329.7**	**101.9**	**17.3**	**448.9**
Cost						
At 1 April 2017	1,175.3	23.9	1,199.2	123.4	6.2	1,328.8
Additions	–	–	–	30.1	1.7	31.8
Disposals at cost	–	–	–	(0.3)	–	(0.3)
Exchange adjustments	(0.9)	–	(0.9)	(0.2)	0.1	(1.0)
At 31 March 2018	1,174.4	23.9	1,198.3	153.0	8.0	1,359.3
Accumulated amortisation and impairment						
At 1 April 2017	655.3	19.2	674.5	45.8	0.5	720.8
Amortisation charge	97.5	0.6	98.1	12.7	0.3	111.1
Amortisation on disposals	–	–	–	(0.3)	–	(0.3)
Exchange adjustments	(1.3)	(0.1)	(1.4)	(0.3)	0.1	(1.6)
At 31 March 2018	751.5	19.7	771.2	57.9	0.9	830.0
Net book value at 31 March 2018	422.9	4.2	427.1	95.1	7.1	529.3

Acquired intangible amortisation charges for the year have been charged through cost of revenue.

13. Property, plant and equipment

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2018	**124.9**	**35.4**	**614.0**	**625.4**	**90.0**	**1,489.7**
On disposal of subsidiaries (note 29)	**(0.7)**	**(0.1)**	**(22.8)**	**–**	**–**	**(23.6)**
Additions	**4.2**	**3.6**	**45.8**	**100.7**	**47.5**	**201.8**
Disposals	**(2.9)**	**(0.8)**	**(14.2)**	**(76.9)**	**(16.3)**	**(111.1)**
Reclassification	**–**	**–**	**0.1**	**4.7**	**(4.8)**	**–**
Capitalised borrowing costs	**–**	**–**	**1.7**	**–**	**–**	**1.7**
Exchange adjustments	**(0.4)**	**(0.1)**	**(9.4)**	**(9.6)**	**(2.9)**	**(22.4)**
At 31 March 2019	**125.1**	**38.0**	**615.2**	**644.3**	**113.5**	**1,536.1**
Accumulated depreciation						
At 1 April 2018	**56.8**	**9.1**	**327.5**	**67.9**	**–**	**461.3**
On disposal of subsidiaries (note 29)	**(0.2)**	**(0.1)**	**(18.3)**	**–**	**–**	**(18.6)**
Charge for the year	**5.0**	**1.5**	**63.6**	**23.7**	**–**	**93.8**
Impairment*	**–**	**–**	**–**	**29.3**	**–**	**29.3**
Disposals	**(1.2)**	**(0.6)**	**(13.8)**	**(22.3)**	**–**	**(37.9)**
Exchange adjustments	**–**	**(0.1)**	**(4.5)**	**(1.5)**	**–**	**(6.1)**
At 31 March 2019	**60.4**	**9.8**	**354.5**	**97.1**	**–**	**521.8**
Net book value at 31 March 2019	**64.7**	**28.2**	**260.7**	**547.2**	**113.5**	**1,014.3**
Cost						
At 1 April 2017	117.4	32.4	568.3	598.1	112.8	1,429.0
Additions	8.0	4.6	61.5	44.7	23.7	142.5
Disposals	(0.7)	(1.9)	(16.3)	(27.8)	(38.6)	(85.3)
Reclassification	–	–	0.2	9.3	(9.5)	–
Capitalised borrowing costs	–	0.2	1.6	–	–	1.8
Exchange adjustments	0.2	0.1	(1.3)	1.1	1.6	1.7
At 31 March 2018	124.9	35.4	614.0	625.4	90.0	1,489.7
Accumulated depreciation						
At 1 April 2017	50.1	7.2	282.1	52.7	–	392.1
Charge for the year	6.5	2.2	58.8	23.8	–	91.3
Disposals	–	(0.3)	(12.6)	(6.6)	–	(19.5)
Exchange adjustments	0.2	–	(0.8)	(2.0)	–	(2.6)
At 31 March 2018	56.8	9.1	327.5	67.9	–	461.3
Net book value at 31 March 2018	68.1	26.3	286.5	557.5	90.0	1,028.4

* The Group impaired eight owned helicopters as a result of the reshaping of our Oil and Gas business, as set out in note 5.

The assets have been written down using market values to estimate fair value less costs of disposal observing Level 2 inputs. The eight assets have been written down to a combined recoverable amount of £39 million.

A capitalisation rate of 3% (2018: 3%) was used to determine the amount of borrowing costs eligible for capitalisation.

Assets held under finance leases have the following net book value within property, plant and equipment:

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Assets in course of construction £m	Total £m
2019						
Cost	**–**	**–**	**45.1**	**113.3**	**–**	**158.4**
Aggregate depreciation	**–**	**–**	**(18.0)**	**(24.8)**	**–**	**(42.8)**
Net book value	**–**	**–**	**27.1**	**88.5**	**–**	**115.6**
2018						
Cost	–	–	49.5	157.0	–	206.5
Aggregate depreciation	–	–	(14.7)	(28.3)	–	(43.0)
Net book value	–	–	34.8	128.7	–	163.5

14. Investment in and loans to joint ventures and associates

	Investment in joint ventures and associates		Loans to joint ventures and associates		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
At 1 April	**119.3**	71.9	**27.8**	32.3	**147.1**	104.2
Disposal of joint ventures and associates (note 29)	**(6.6)**	(1.8)	**–**	–	**(6.6)**	(1.8)
Loans repaid by joint ventures and associates	**–**	–	**(2.3)**	(4.5)	**(2.3)**	(4.5)
Investment in joint ventures and associates	**–**	6.9	**10.8**	–	**10.8**	6.9
Share of profits	**83.8**	68.5	**–**	–	**83.8**	68.5
Interest accrued and capitalised	**–**	–	**6.5**	0.9	**6.5**	0.9
Interest received	**–**	–	**(0.3)**	(0.9)	**(0.3)**	(0.9)
Dividends received	**(44.6)**	(42.9)	**–**	–	**(44.6)**	(42.9)
Fair value adjustment of derivatives	**1.8**	24.3	**–**	–	**1.8**	24.3
Tax on fair value adjustment of derivatives	**(0.3)**	(7.4)	**–**	–	**(0.3)**	(7.4)
Foreign exchange	**(0.2)**	(0.2)	**–**	–	**(0.2)**	(0.2)
At 31 March	**153.2**	119.3	**42.5**	27.8	**195.7**	147.1

Included within investment in joint ventures and associates is goodwill of £1.2 million (2018: £1.2 million).

The total investment in joint ventures is attributable to the following segments:

	2019 £m	2018 £m
Marine	**6.0**	7.0
Land	**77.4**	49.1
Aviation	**70.2**	65.6
Nuclear	**42.1**	25.4
Net book value	**195.7**	147.1

14. Investment in and loans to joint ventures and associates (continued)

Included within joint ventures and associates are:

	Country of incorporation	Assets £m	Liabilities £m	Revenue £m	Operating profit/(loss)* £m	Total comprehensive income/(loss) £m	% interest held
2019							
Holdfast Training Services Limited	United Kingdom	**46.3**	**(3.6)**	**80.6**	**28.4**	**23.6**	**74%**
ALC (Superholdco) Limited	United Kingdom	**19.1**	**–**	**19.3**	**11.3**	**8.3**	**50%**
AirTanker Limited	United Kingdom	**409.3**	**(390.6)**	**42.5**	**13.4**	**10.2**	**13%**
AirTanker Services Limited	United Kingdom	**32.9**	**–**	**43.7**	**5.0**	**3.1**	**22%**
Ascent Flight Training (Holdings) Limited	United Kingdom	**113.5**	**(98.7)**	**61.5**	**5.0**	**5.3**	**50%**
Naval Ship Management (Australia) Pty Limited	Australia	**5.2**	**(4.1)**	**23.7**	**4.2**	**2.9**	**50%**
Cavendish Dounreay Partnership Limited	United Kingdom	**39.4**	**(19.8)**	**110.5**	**7.8**	**6.2**	**50%**
Cavendish Fluor Partnership Limited	United Kingdom	**102.6**	**(80.2)**	**390.8**	**28.9**	**23.4**	**65%**
ABC Electrification Limited	United Kingdom	**2.6**	**–**	**50.7**	**(0.2)**	**(0.2)**	**33%**
Other		**21.8**	**–**	**33.9**	**3.0**	**1.0**	
		792.7	**(597.0)**	**857.2**	**106.8**	**83.8**	
2018							
Holdfast Training Services Limited	United Kingdom	40.1	(14.0)	77.4	18.4	14.8	74%
ALC (Superholdco) Limited	United Kingdom	18.6	–	20.1	10.9	7.4	50%
AirTanker Limited	United Kingdom	421.0	(410.2)	29.9	4.0	2.6	13%
AirTanker Services Limited	United Kingdom	29.8	–	41.3	4.4	2.7	22%
Ascent Flight Training (Holdings) Limited	United Kingdom	116.5	(104.7)	48.0	3.1	5.2	50%
Naval Ship Management (Australia) Pty Limited	Australia	5.0	(4.3)	26.5	4.3	3.0	50%
Helidax S.A.S.	France	30.2	(24.7)	8.6	3.2	1.3	50%
Cavendish Dounreay Partnership Limited	United Kingdom	38.2	(24.8)	118.5	5.8	4.7	50%
Cavendish Fluor Partnership Limited	United Kingdom	100.1	(88.2)	395.6	31.8	25.8	65%
ABC Electrification Limited	United Kingdom	2.9	–	69.4	0.2	0.2	33%
Other		20.2	(4.6)	64.3	(0.2)	0.8	
		822.6	(675.5)	899.6	85.9	68.5	

* Before amortisation of acquired intangibles.

Joint ventures and associates revenue excluding Group sub-contract revenue is £685.8 million (2018: £703.2 million).

The joint ventures and associates have no significant contingent liabilities to which the Group is exposed.

None (2018: non) of the joint ventures or associates had material amounts of other comprehensive income or profits from discontinued operations and therefore the total comprehensive income noted in the table above is in line with profits from continuing operations.

Holdfast Training Services Limited and Cavendish Fluor Partnership Limited are equity accounted as unanimous decisions making is required over key decisions which drive the relevant activities of the business. Both the Holdfast Training Services Limited and Cavendish Fluor Partnership Limited joint arrangements are shown as joint ventures as the Group has the right to net assets of the joint arrangement rather than separate rights and obligations to the assets and liabilities of the joint arrangement respectively. Holdfast Training Services Limited and Cavendish Fluor Partnership Limited had other comprehensive income of £nil in the year (2018: £nil).

AirTanker Limited is shown as an associate due to the level of management input and the relative share ownership. AirTanker benefitted from an improved cumulative margin position in the year.

The Cavendish Fluor Partnership Limited is deemed material to the Group. All the assets and liabilities are current. Of the assets shown above £1.8 million (2018: £6.2 million) was cash and cash equivalents. During the year dividends of £12.9 million (2018: £24.2 million) were received. The retained profit is after income tax expense of £5.5 million (2018: £6.0 million).

15. Deferred tax

	2019 £m	2018 £m
Deferred tax asset	**150.9**	104.0
Deferred tax liability	**(103.2)**	(112.8)
	47.7	(8.8)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction as permitted by IAS 12) during the period are shown below:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Tax losses £m	Other £m	Total £m
At 1 April 2018	**(8.0)**	**0.8**	**41.4**	**(43.0)**	**(8.8)**
Income statement credit	**–**	**11.4**	**–**	**11.8**	**23.2**
Exceptional credit at 19%	**3.4**	**–**	**–**	**5.8**	**9.2**
Exceptional credit at 17%	**2.2**	**–**	**–**	**0.1**	**2.3**
Prior year adjustment	**–**	**–**	**17.0**	**–**	**17.0**
Tax credit to equity	**–**	**10.4**	**–**	**2.8**	**13.2**
Transfer (to)/from corporation tax	**–**	**(17.4)**	**13.8**	**(3.4)**	**(7.0)**
Effect of change in UK tax rate					
– income statement	**(0.2)**	**–**	**–**	**(1.1)**	**(1.3)**
– equity	**–**	**(0.5)**	**–**	**0.1**	**(0.4)**
Exchange differences	**–**	**–**	**–**	**0.3**	**0.3**
At 31 March 2019	**(2.6)**	**4.7**	**72.2**	**(26.6)**	**47.7**
At 1 April 2017	(8.0)	17.8	37.7	(69.0)	(21.5)
Income statement credit	–	9.4	3.7	27.7	40.8
Tax credit to equity	–	(10.3)	–	3.1	(7.2)
Transfer to corporation tax	–	(18.1)	–	(2.6)	(20.7)
Effect of change in UK tax rate					
– income statement	–	–	–	(1.3)	(1.3)
– equity	–	2.0	–	(0.1)	1.9
Effect of change in Italian tax rate					
– income statement	–	–	–	0.5	0.5
Exchange differences	–	–	–	(1.3)	(1.3)
At 31 March 2018	(8.0)	0.8	41.4	(43.0)	(8.8)

The net deferred tax assets of £47.7 million includes deferred tax assets of £99.1 million and deferred tax liabilities of £69.1 million in respect of the Group's non-UK operations.

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets because the Directors believe that it is probable that these assets will be recovered.

The net deferred tax liability in respect of 'Other items' is primarily made up of the deferred tax liability in respect of intangibles less deferred tax assets in respect of other short–term timing differences.

15. Deferred tax (continued)

Deferred tax expected to be recovered within 12 months:

	2019 £m	2018 £m
Deferred tax liability	**(21.5)**	(19.6)
	(21.5)	(19.6)

At the balance sheet date, deferred tax assets of £72.0 million (2018: £41.4 million) have been recognised in respect of unused tax losses available for carry forward. This is out of a total potential deferred tax asset in respect of unutilised tax losses (excluding capital losses) of approximately £80 million.

16. Inventories

	2019 £m	2018 £m
Raw materials and spares	**87.9**	65.6
Work-in-progress	**7.7**	5.7
Finished goods and goods for resale	**100.9**	110.1
Total	**196.5**	181.4

17. Trade and other receivables

	2019 £m	2018 (restated) £m
Current assets		
Trade receivables	**255.5**	283.1
Less: provision for impairment of receivables	**(6.0)**	(4.9)
Trade receivables – net	**249.5**	278.2
Amounts due from customers for contract work	**266.0**	409.3
Accrued income	**133.2**	118.5
Capitalised contract costs	**62.9**	53.5
Contract assets	**462.1**	581.3
Retentions	**9.1**	9.4
Amounts due from related parties (note 34)	**11.4**	13.3
Other debtors	**99.0**	115.1
Prepayments	**76.7**	62.8
	907.8	1,060.1
Non-current assets		
Other debtors	**9.3**	6.7

Trade and other receivables are stated at amortised cost.

17. Trade and other receivables (continued)

Significant changes in contract assets during the year are as follows:

	Amounts due from customers for contract work £m	Accrued income £m	Capitalised contract costs £m	Contract assets £m
31 March 2018	**462.8**	**118.5**	**–**	**581.3**
Reclassification – IFRS 15 adoption	**(53.5)**	**–**	**53.5**	**–**
1 April 2018 – restated	**409.3**	**118.5**	**53.5**	**581.3**
Transfers from contract assets recognised at the beginning of the year to receivables	**(394.7)**	**(112.5)**	**–**	**(507.2)**
Increase due to work done not transferred from contract assets	**264.5**	**128.5**	**–**	**393.0**
Amounts capitalised	**–**	**–**	**26.5**	**26.5**
Amortisation of contract assets	**–**	**–**	**(8.7)**	**(8.7)**
Write down of contract assets*	**(14.4)**	**–**	**(6.3)**	**(20.7)**
Other	**–**	**(1.0)**	**–**	**(1.0)**
Exchange adjustment	**1.3**	**(0.3)**	**(2.1)**	**(1.1)**
31 March 2019	**266.0**	**133.2**	**62.9**	**462.1**

31 March 2017	222.4	124.4	–	346.8
Reclassification – IFRS 15 adoption	(31.2)	–	31.2	–
31 March 2017 – restated	191.2	124.4	31.2	346.8
Transfers from contract assets recognised at the beginning of the year to receivables	(182.4)	(124.0)	–	(306.4)
Increase due to work done not transferred from contract assets	401.4	117.9	–	519.3
Amounts capitalised	–	–	29.5	29.5
Amortisation of contract assets	–	–	(6.1)	(6.1)
Exchange adjustment	(0.9)	0.2	(1.1)	(1.8)
31 March 2018	409.3	118.5	53.5	581.3

* As discussed in note 5, amounts due from customers have been written down in relation to the exit of small low margin businesses and capitalised contract costs have been written down as a result of the reshaping of our Oil and Gas business. Further to this, minor amounts in other debtors have been written down in relation to both the reshaping of our Oil and Gas business and the exit of small, low margin businesses.

Under IFRS 15, contract mobilisation costs and costs of obtaining contracts are no longer presented within an overall contract balance with customers. These have therefore been reclassified at the date of transition to IFRS 15 (1 April 2018) from Amounts due from customers for contract work to a separate category called Capitalised contract costs.

No material revenue was recognised in 2019 from performance obligations satisfied in previous periods, arising from changes in stage of completion, or transaction price allocation (2018: No material revenue).

Within the Group's order book £10.6 billion represents the transaction price allocated to unsatisfied or partially satisfied performance obligations. Management expects that 28% of the transaction price allocated to unsatisfied performance obligations as at 31 March 2019 will be recognised as revenue during the next reporting period. A further 48% of the transaction price allocated to unsatisfied performance obligations is expected to be recognised as revenue in years two to five after 31 March 2019. In addition there are £3.4 billion of orders where pricing is still to be finalised and £3.0 billion of orders within joint ventures and associates.

17. Trade and other receivables (continued)

Movements on the provision for impairment of trade receivables are as follows:

	2019 £m	2018 £m
Balance at 1 April*	**(4.9)**	(6.1)
Provision for receivables impairment	**(1.6)**	(1.3)
Receivables written off during the year as uncollectable	**0.2**	0.2
Unused amounts reversed	**0.2**	2.3
Exchange differences	**0.1**	–
Balance at 31 March	**(6.0)**	(4.9)

* No adjustment to the impairment of trade receivables was required on transition from IAS 39 to IFRS 9.

The creation and release of provisions for impairment of receivables have been included in cost of revenue in the income statement. Amounts charged to the impairment provision are generally written off when there is no expectation of recovering additional cash.

The total provision held against trade receivables and contract assets is immaterial. No further disclosures relating to impairment provisions have been included as these are not to be considered material.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security other than retention of title clauses issued as part of the ordinary course of business.

18. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**275.0**	277.3
Short-term bank deposits (overnight)	**0.2**	9.0
	275.2	286.3

The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

	2019		2018	
	Total £m	Floating rate £m	Total £m	Floating rate £m
Currency				
Sterling	**66.4**	**66.4**	62.2	62.2
Euro	**72.7**	**72.7**	83.6	83.6
US Dollar	**5.7**	**5.7**	13.4	13.4
South African Rand	**69.4**	**69.4**	65.7	65.7
Canadian Dollar	**36.8**	**36.8**	32.9	32.9
Omani Rial	**5.6**	**5.6**	6.5	6.5
Australian Dollar	**1.2**	**1.2**	3.3	3.3
Norwegian Krone	**1.9**	**1.9**	–	–
Swedish Krone	**3.2**	**3.2**	2.9	2.9
New Zealand Dollar	**0.1**	**0.1**	6.8	6.8
Brazilian Real	**6.0**	**6.0**	4.4	4.4
Other currencies	**6.2**	**6.2**	4.6	4.6
	275.2	**275.2**	286.3	286.3

The above balances are typically invested at short-term, floating rates linked to LIBOR in the case of Sterling, EURIBOR in the case of Euro, the prime rate in the case of South African Rand and the local prime rate for other currencies.

Impairment of cash and cash equivalents has been determined to be trivial.

19. Trade and other payables

	2019 £m	2018 £m
Current liabilities		
Contract cost accruals	**188.5**	179.9
Amounts due to customers for contract work	**192.8**	173.4
Deferred income	**40.0**	60.0
Contract liabilities	**421.3**	413.3
Trade creditors	**510.6**	545.3
Amounts due to related parties (note 34)	**1.0**	0.8
Other creditors	**63.9**	84.6
Other taxes and social security	**125.6**	119.6
Accruals	**259.0**	228.5
	1,381.4	1,392.1
Non-current liabilities		
Other creditors	**2.0**	2.3

Included in creditors is £19.5 million (2018: £10.8 million) relating to capital expenditure which has therefore not been included in working capital movements within the cashflow.

Significant changes in contract liabilities during the year are as follows:

	Contract cost accrual £m	Amounts due to customers for contract work £m	Deferred income £m	Contract liabilities £m
31 March 2018	**179.9**	**173.4**	**60.0**	**413.3**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	**(143.8)**	**(56.4)**	**(200.2)**
Increase due to cash received, excluding amounts recognised as revenue	**–**	**168.5**	**37.4**	**205.9**
Amounts accrued	**183.7**	**–**	**–**	**183.7**
Amounts utilised	**(167.2)**	**–**	**–**	**(167.2)**
Disposal	**(6.0)**	**(4.1)**	**–**	**(10.1)**
Exchange adjustment	**(1.9)**	**(1.2)**	**(1.0)**	**(4.1)**
31 March 2019	**188.5**	**192.8**	**40.0**	**421.3**

31 March 2017	186.0	180.4	66.9	433.3
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	(168.2)	(66.9)	(235.1)
Increase due to cash received, excluding amounts recognised as revenue	–	161.4	60.1	221.5
Amounts accrued	181.0	–	–	181.0
Amounts utilised	(185.3)	–	–	(185.3)
Exchange adjustment	(1.8)	(0.2)	(0.1)	(2.1)
31 March 2018	179.9	173.4	60.0	413.3

20. Bank and other borrowings

	2019 £m	2018 £m
Current liabilities		
Bank loans and overdrafts due within one year or on demand		
Secured	**0.3**	2.0
Unsecured	**38.3**	20.3
	38.6	22.3
Finance lease obligations*	**15.3**	15.8
	53.9	38.1
Non-current liabilities		
Bank and other borrowings		
Secured	**22.0**	38.9
Unsecured	**1,285.1**	1,371.0
	1,307.1	1,409.9
Finance lease obligations*	**50.5**	75.3
	1,357.6	1,485.2

* Finance leases are secured against the assets to which they relate.

The Group has entered into interest rate and currency swaps, details of which are included in note 21.

The carrying amount of the Group's borrowings are denominated in the following currencies:

	2019		
Currency	**Total £m**	**Floating rate £m**	**Fixed rate £m**
Sterling	**505.4**	**134.7**	**370.7**
Euro	**508.1**	**19.9**	**488.2**
US Dollar*	**382.1**	**229.3**	**152.8**
South African Rand	**15.9**	**15.9**	**–**
	1,411.5	**399.8**	**1,011.7**

	2018		
Currency	Total £m	Floating rate £m	Fixed rate £m
Sterling	576.3	200.8	375.5
Euro	558.3	36.1	522.2
US Dollar*	354.9	212.9	142.0
South African Rand	33.8	33.8	–
	1,523.3	483.6	1,039.7

* US$500 million (2018: US$500 million) has been swapped into Sterling, with US$300 million (2018: US$300 million) equivalent into floating rates and US$200 million (2018: US$200 million) equivalent into fixed rate. This is included in the US Dollar amount above.

The weighted average interest rate of Sterling fixed rate borrowings is 2.3%. The weighted average period for which these interest rates are fixed is four years.

The floating rate for borrowings is linked to LIBOR in the case of Sterling, EURIBOR in the case of Euro, the prime rate in the case of South African Rand and the local prime rate for other currencies.

The exposure of the Group to interest rate changes when borrowings re-price is as follows:

Total borrowings	**1 year £m**	**1–5 years £m**	**>5 years £m**	**Total £m**
As at 31 March 2019	**352.6**	**753.9**	**305.0**	**1,411.5**
As at 31 March 2018	415.4	317.9	790.0	1,523.3

20. Bank and other borrowings (continued)

The effective interest rates at the balance sheet dates were as follows:

	2019 %	2018 %
UK bank overdraft	**1.3**	1.3
UK bank borrowings	**2.4**	1.6
US private placement – fixed	**6.0**	6.0
US private placement – floating	**3.1**	2.9
Eurobond	**1.8**	1.8
£300 million bond	**1.9**	1.9
Other borrowings	**4.8 – 9.7**	4.8 – 9.4
Finance leases	**0.4 – 9.0**	0.7 – 9.0

Repayment details

The total borrowings of the Group at 31 March are repayable as follows:

	2019		2018	
	Loans and overdrafts £m	Finance lease obligations £m	Loans and overdrafts £m	Finance lease obligations £m
Within one year	**38.6**	**15.3**	22.3	15.8
Between one and two years	**382.2**	**19.2**	40.0	17.5
Between two and five years	**623.2**	**23.5**	1,067.6	43.8
Greater than five years	**301.7**	**7.8**	302.3	14.0
	1,345.7	**65.8**	1,432.2	91.1

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 31 March:

	2019 £m	2018 £m
Expiring in less than one year	**4.6**	64.0
Expiring in more than one year but not more than five years	**778.2**	722.3
	782.8	786.3

The minimum lease payments under finance leases fall due as follows:

	2019 £m	2018 £m
Not later than one year	**18.8**	20.3
Later than one year but not more than five years	**46.3**	68.4
More than five years	**8.0**	14.5
	73.1	103.2
Future finance charges on finance leases	**(7.3)**	(12.1)
Present value of finance lease liabilities	**65.8**	91.1

21. Other financial assets and liabilities

Financial instruments and finance leases granted

	Fair value			
	Assets		Liabilities	
	2019 £m	2018 £m	2019 £m	2018 £m
Non-current				
US private placement – currency and interest rate swaps	**75.2**	47.7	**1.0**	–
Interest rate hedge	**–**	1.5	**0.8**	0.9
Other currency hedges	**2.0**	3.5	**7.5**	4.1
Financial derivatives	**77.2**	52.7	**9.3**	5.0
Finance leases granted	**16.6**	23.3	**–**	–
Total non-current other financial assets and liabilities	**93.8**	76.0	**9.3**	5.0
Current				
Interest rate hedge	**–**	–	**0.1**	0.2
Other currency hedge	**3.7**	4.3	**4.8**	11.7
Financial derivatives	**3.7**	4.3	**4.9**	11.9
Finance leases granted	**44.3**	23.2	**–**	–
Total current other financial assets and liabilities	**48.0**	27.5	**4.9**	11.9

The Group enters into forward foreign currency contracts to hedge the currency exposures that arise on sales, purchases, deposits and borrowings denominated in foreign currencies, as the transactions occur. There is no material ineffectiveness on any of the Group's hedging activities.

The Group enters into interest rate hedges against interest rate exposure and to create a balance between fixed and floating interest rates.

The fair values of the financial instruments are based on valuation techniques (level 2) using underlying market data and discounted cash flows.

The Group entered into a facility to sell its finance lease debtors on the FOMEDEC equipment supply contract. The Group analysed the terms of the facility and considers that the facility transfers substantially all the risks and rewards associated with the finance lease debtors. Finance lease debtors are derecognised at the date they are discounted by the bank. At 31 March 2019 the non-recourse balance was £137 million which will be recovered over approximately four years.

Interest rate hedges

The notional principal amount of outstanding interest rate swap contracts at 31 March 2019 included £6.3 million of UK interest rate swaps and interest rate swaps in relation to the US$500 million US$ to GBP cross-currency swap.

The Group held the following interest rate hedges at 31 March 2019:

	Amount £m	Fixed payable %	Floating receivable %	Maturity
Hedged				
Interest rate swap	**4.7**	**4.745**	**Six month LIBOR**	**31/3/2029**

	Amount US$m	Amount at swapped rates £m	Swap %	Maturity
Hedged				
Cross currency and interest rate swap	**200.0**	**122.9**	**Fixed 5.64% US$ to fixed 5.95% GBP**	**17/3/2021**
Cross currency and interest rate swap	**300.0**	**184.3**	**Fixed 5.64% US$ to floating three-month LIBOR + margin GBP**	**17/3/2021**
Total cross currency and interest rate swap	**500.0**	**307.2**		

Finance leases granted

In South Africa the Group operates its own finance company to facilitate the sale of DAF vehicles. It obtains external borrowings and sells vehicles on finance leases to external customers. At the year end the present value of the minimum lease receivable amounted to £24.4 million (2018: £37.2 million), these were split as £7.8 million (2018: £13.9 million) due within one year and £16.6 million (2018: £23.3 million) between one and five years. In addition there is £36.5 million due within one year in respect of our FOMEDEC contract.

21. Other financial assets and liabilities (continued)

Fair values of non-current borrowings and loans

The fair values of non-current borrowings and loans at the balance sheet date were:

	2019 Book value £m	2019 Fair value £m	2018 Book value £m	2018 Fair value £m
Fair value of non-current borrowings and loans				
Long-term borrowings	**(1,357.6)**	**(1,404.6)**	(1,485.2)	(1,531.8)
Loan to joint venture	**42.5**	**42.5**	27.8	27.8
	(1,315.1)	**(1,362.1)**	(1,457.4)	(1,504.0)

Fair values of long-term borrowings are based on cash flows discounted using a rate of 4% to 5% (2018: 4% to 5%).

22. Provisions for other liabilities

	Insurance provisions (a) £m	Contract/ warranty (b) £m	Employee benefits and business reorganisation costs (c) £m	Property and other (d) £m	Expected credit losses £m	Total provisions £m
At 1 April 2018	**1.0**	**12.8**	**45.7**	**36.3**	**–**	**95.8**
On disposal of subsidiaries (Note 29)	**–**	**(0.7)**	**–**	**(0.2)**	**–**	**(0.9)**
(Released)/charged to income statement	**(0.5)**	**(2.3)**	**60.7**	**(2.9)**	**0.4**	**55.4**
Utilised in year	**–**	**(0.8)**	**(40.9)**	**(3.8)**	**–**	**(45.5)**
Foreign exchange	**–**	**(0.2)**	**(0.2)**	**(0.4)**	**(0.1)**	**(0.9)**
At 31 March 2019	**0.5**	**8.8**	**65.3**	**29.0**	**0.3**	**103.9**

Provisions have been analysed between current and non-current as follows:

	2019 £m	2018 £m
Current	**63.4**	34.7
Non-current	**40.5**	61.1
	103.9	95.8

(a) The insurance provisions arise in the Group's captive insurance companies, Chepstow Insurance Limited, Peterhouse Insurance Limited and VT Insurance Services Limited. They relate to specific claims assessed in accordance with the advice of independent actuaries.

(b) The contract/warranty provisions relate to onerous contracts and warranty obligations on completed contracts and disposals.

(c) The employee benefits and reorganisation costs arise mainly in relation to acquired businesses, personnel related costs and payroll taxes. £59.4 million of provisions were recognised in the year in respect of exceptional costs. At March 2019 there remains £26.7 million of provisions in respect of the reshaping of our Oil and Gas business (see note 5). In relation to capacity reductions and restructuring, as discussed in note 5, there remains £12.7 million in provisions at March 2019.

(d) Property and other in the main relate to provisions for onerous leases, dilapidation costs and contractual obligations in respect of infrastructure.

Included within provisions is £9 million expected to be utilised over approximately ten years. Other than these provisions the Group's non-current provisions are expected to be utilised within two to five years.

23. Share capital

	Ordinary shares of 60p Number	Total £m
Allotted, issued and fully paid		
At 1 April 2018 and 31 March 2019	**505,596,597**	**303.4**
Allotted, issued and fully paid		
At 1 April 2017 and 31 March 2018	505,596,597	303.4

Potential issues of ordinary shares

The table below shows options and conditional share awards existing over the Company's shares as at 31 March 2019 that are capable of being met on exercise or vesting by the issue of new shares. They represent outstanding awards granted under the Company's executive share plans. The awards were granted directly by the Company and satisfied either by the Trustees of the Babcock Employee Share Trust (BEST) – a total of 7,747,703 shares (2018: 8,023,002 shares) – or the Trustees of the Peterhouse Employee Share Trust (PEST) – a total of nil shares (2018: 4,085 shares). The Company decides from time to time whether to satisfy the awards by way of a fresh issue of shares (either to the award holder or to the employee share trust) or by way of financing the employee share trusts to purchase already issued shares in the market. This decision is made according to available headroom within the dilution limits contained in the relevant share plan rules and what the Directors consider to be in the best interest of the Company at the time.

Grant date	Type	Exercise period	2019 Number	2018 Number
14 June 2014	PSP[1]	12/06/2017 – 12/06/2018	**–**	55,731
29 January 2015	PSP[1]	29/01/2018 – 29/01/2019	**–**	3,761
14 June 2014	DBMP2	12/06/2017 – 12/06/2018	**–**	34,162
11 June 2015	PSP[1]	11/06/2018 – 11/06/2019	**23,897**	1,512,199
2 November 2015	PSP[1]	02/11/2018 – 02/11/2019	**–**	27,388
11 June 2015	DBMP[2]	11/06/2018 – 11/06/2019	**24,279**	900,438
15 June 2016	DBP[4]	15/06/2019 – 15/06/2020	**62,845**	62,845
15 June 2016	DBP[3]	15/06/2018 – 15/06/2019	**–**	14,714
15 June 2016	PSP[1]	15/06/2019 – 15/06/2020	**1,786,612**	1,951,615
12 October 2016	PSP[1]	12/10/2019 – 12/10/2020	**27,578**	27,578
15 June 2016	DBMP[2]	15/06/2019 – 15/06/2020	**444,648**	474,699
14 June 2017	DBP[3]	14/06/2019 – 14/06/2020	**91,284**	103,246
14 June 2017	DBP[4]	14/06/2020 – 14/06/2021	**179,263**	186,949
14 June 2017	PSP[1]	14/06/2020 – 14/06/2021	**1,507,664**	1,769,338
14 June 2017	PSP[1]	14/06/2022 – 14/06/2023	**839,723**	902,424
13 June 2018	DBP[3]	13/06/2020 – 13/06/2021	**84,207**	–
13 June 2018	DBP[4]	13/06/2021 – 13/06/2022	**187,433**	–
13 June 2018	PSP[1]	14/06/2021 – 14/06/2022	**1,628,113**	–
13 June 2018	PSP[1]	14/06/2023 – 14/06/2024	**860,157**	–
			7,747,703	8,027,087

Options granted to Directors are summarised in the Remuneration report on pages 101 to 131 and are included in the outstanding options set out above.

1. 2009 Performance Share Plan.
2. 2012 Deferred Bonus Matching Plan.
3. Award issued without matching shares, has two–year vesting period.
4. Award issued without matching shares, has three–year vesting period.

23. Share capital (continued)

The table below shows shares already held by the trustees of the BEST and PEST in order to meet these awards.

	2019		2018	
	Shares newly issued by the Company	Shares bought in the market	Shares newly issued by the Company	Shares bought in the market
BEST	–	239,862	–	1,051,973
PEST	–	–	2,748	15,000
Total	–	239,862	2,748	1,066,973

A reconciliation of PSP and DBMP movements is shown below:

	2019 Number '000	2018 Number '000
Outstanding at 1 April	8,027	7,425
Granted	2,838	3,016
Exercised	(830)	(800)
Forfeited/lapsed	(2,287)	(1,614)
Outstanding at 31 March	7,748	8,027
Exercisable at 31 March	48	94

The weighted average share price for awards exercised during the year was 832.3p per share (2018: 856.3p per share).

During the year no ordinary shares (2018: 600,000 shares) were acquired or subscribed for through either the Babcock Employee Share Trust or the Peterhouse Employee Share Trust (together 'the Trusts'). The Trusts hold shares to be used towards satisfying awards made under the Company's employee share schemes. During the year ended 31 March 2019, 829,859 shares (2018: 799,726 shares) were disposed of by the Trusts resulting from options exercised. At 31 March 2019, the Trusts held between them a total of 239,862 ordinary shares (2018: 1,069,721 ordinary shares) at a total market value of £1,183,719 (2018: £7,154,294) representing 0.05% (2018: 0.21%) of the issued share capital at that date. The Company elected to pay dividends to the Babcock Employee Share Trust at the rate of 0.001p per share during the year, though full dividends were paid in respect of shares held by the Peterhouse Employee Share Trust. The Company meets the operating expenses of the Trusts. In July 2018 the Peterhouse Employee Share Trust was closed and the remaining13,663 ordinary shares were transferred to the Babcock Employee Share Trust.

The Trusts enable shares in the Company to be held or purchased and made available to employees through the exercise of rights or pursuant to awards made under the Company's employee share schemes. The Trusts are discretionary settlements for the benefit of employees within the Group. The Company is excluded from benefiting under them. They are controlled and managed outside the UK and each has a single corporate trustee which is an independent trustee services organisation. The right to remove and appoint the trustees rests ultimately with the Company. The trustee of the Babcock Employee Share Trust is required to waive both voting rights and dividends payable on any share in the Company in excess of 0.001p, unless otherwise directed by the Company, but the trustee of the Peterhouse Employee Share Trust does not have the power to waive dividends due on Babcock ordinary shares and therefore receives the full amount of any dividends declared.

24. Share-based payments

The charge to the income statement has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below is included within the Remuneration report.

During the year the total charge relating to employee share-based payment plans was £2.4 million (2018: £6.4 million), all of which related to equity-settled share-based payment transactions.

After tax, the income statement charge was £2.0 million (2018: £5.2 million).

The fair value per option granted and the assumptions used in the calculation are as follows:

DBMP, PSPs and DBP[1]

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – EPS/ROCE %	Fair value per option – TSR Pence	Fair value per option – EPS/ROCE Pence	Correlation %	Grant or modification date
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56%	13/06/18
2018 PSP	1,699,32	856.0	14.0%	4.0	–	370.9	856.0	56%	13/06/18
2018 DBP	187,433	856.0	14.0%	4.0	100%	–	856.0	56%	13/06/18
2018 DBP	90,777	856.0	14.0%	3.0	100%	–	856.0	56%	13/06/18
2017 PSP	902,424	905.5	15.0%	6.0	–	131.2	905.5	46%	14/06/17
2017 PSP	1,769,33	905.5	15.0%	4.0	–	131.2	905.5	46%	14/06/17
2017 DBP	186,949	905.5	15.0%	4.0	100%	–	905.5	46%	14/06/17
2017 DBP	103,246	905.5	15.0%	3.0	100%	–	905.5	46%	14/06/17
2016 DBMP Matching	479,065	974.5	14.0%	4.0	13%	379.1	974.5	46%	15/06/16
2016 PSP	2,085,42	974.5	14.0%	4.0	15%	389.9	974.5	46%	15/06/16
2016 DBP	14,714	974.5	14.0%	3.0	100%	–	974.5	46%	15/06/16
2016 DBP	62,845	974.5	14.0%	4.0	100%	–	974.5	46%	15/06/16
2016 PSP	27,578	991.0	14.0%	3.75	15%	396.4	991.0	46%	12/10/16

Both the vesting period and the expected life of all DBMP and PSP awards is three years, but for the DBP it is two years, other than for Executive Directors where the vesting period is three years. The holders of all awards receive dividends.

The DBMP Matching and PSP awards are split evenly between the performance criteria of TSR, EPS and ROCE, except that in 2015 the PSP awards were split evenly between TSR and EPS. There are no performance conditions attached to the DBP.

The expected volatility is based on historical volatility over the last one to three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 92,772 matching shares (2018: 79,475 matching shares) at a cost of £0.6 million (2018: £0.6 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 82 matching shares vested (2018: nil) leaving a balance of 918 matching shares (2018: 1,000 matching shares).

1. DBMP = 2012 Deferred Bonus Matching Plan, PSP = 2009 Performance Share Plan and DBP = 2012 Deferred Bonus Plan.

25. Retirement benefits and liabilities

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	2019 £m	2018 £m
Defined contribution schemes	**69.5**	65.6

Defined benefit schemes

Balance sheet assets and liabilities recognised are as follows:

	2019 £m	2018 £m
Retirement benefits – funds in surplus	**226.9**	240.1
Retirement benefits – funds in deficit	**(254.9)**	(245.1)
	(28.0)	(5.0)

The Group provides a number of pension schemes for its employees. The principal defined benefit pension schemes for employees in the UK are the Devonport Royal Dockyard Pension Scheme, the Babcock International Group Pension Scheme and the Rosyth Royal Dockyard Pension Scheme (the Principal schemes). The nature of these schemes is that the employees contribute to the schemes with the employer 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 Group with the trustees who are advised by independent, qualified actuaries.

The key risks in all of the defined benefit schemes 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 Principal schemes have mitigated some of these risks by taking out longevity swaps in respect of pensioners and their spouses at the time, through a common investment strategy which has significantly hedged the interest rate and inflation risk through derivative instruments, and introduced benefit changes in 2014 and 2015 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 members' contributions.

The Group also participates in the Babcock Rail Shared Cost Section of the Railways Pension Scheme (the Railways scheme). This scheme is a multi-employer shared cost scheme with the contributions required, the assessment of the assets and the liabilities that have accrued to members and any deficit recovery payments all agreed with the trustees who are advised by an independent, qualified actuary. The costs are, in the first instance, shared such that the active employees contribute 40% of the cost of providing the benefits and the employer contributes 60%. However the assumption is that as the active membership reduces, the liability will ultimately revert to the Group. The Group's share of the assets and liabilities is separately identified to those of other employers in the scheme and therefore the Group cannot be held liable for the obligations of other entities that participate in this scheme.

The schemes are prudently funded by payments to legally separate trustee-administered funds. The trustees of each scheme are required by law to act in the best interests of each scheme's members. In addition to determining future contribution requirements (with the agreement of the Group), the trustees are responsible for setting the schemes' investment strategy (subject to consultation with the Group). All the schemes have at least one independent trustee and member nominated trustees. The schemes are subject to regulation under the funding regime set out in Part III of the Pensions Act 2004. The detail of the latest formal actuarial valuation of the scheme is as follows. The next valuations of the Babcock International Group Pension Scheme and the Rosyth Royal Dockyard scheme are currently being undertaken:

	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme
Date of last formal completed actuarial valuation	31/03/2017	31/03/2016	31/03/2015	31/12/2016
Number of active members at above date	2,241	1,103	829	279
Actuarial valuation method	Projected unit	Projected unit	Projected unit	Projected unit
Results of formal actuarial valuation:				
Value of assets	£1,860.8m	£1,230.0m	£714.0m	£253.9m
Level of funding	91%	91%	74%	90%

The Group also participates in or provides a number of other smaller pension schemes including a number of sections of the local government pension schemes where in most cases the employer contribution rates are fully reimbursed by the administering authorities. It also participates in the Magnox Electric Group of the Electricity Supply Pension Scheme and runs the Babcock Naval Services Pension Scheme for which the MOD fully reimburses the contributions payable.

25. Retirement benefits and liabilities (continued)

The Group's cash contribution rates payable to the schemes are as follows:

	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme	Other	Total
Future service contribution rate	23.7%	29.9%	21.5%	11.1%	–	–
Future service cash contributions	£15.8m	£8.5m	£4.4m	£0.7m	£1.2m	£30.6m
Deficit contributions	£18.6m	£8.5m	£17.5m	£1.3m	£1.3m	£47.2m
Longevity swap payments	£7.3m	£3.6m	£4.4m	–	–	£15.3m
Expected employer cash costs for 2019/20	£41.7m	£20.6m	£26.3m	£2.0m	£2.5m	£93.1m
Expected salary sacrifice contributions	£5.7m	£1.1m	£1.8m	£1.2m	£0.2m	£10.0m
Expected total employer contributions	£47.4m	£21.7m	£28.1m	£3.2m	£2.7m	£103.1m

Where salary sacrifice arrangements are in place, the Group effectively meets the members' contributions. The above level of funding is expected to continue until the next actuarial valuation of each scheme; valuations are carried out every three years.

The expected payments from the schemes are primarily pension payments and lump sums. Most of the pensions increase at a fixed rate or in line with RPI or CPI inflation when in payment. Benefit payments commence at retirement, death or incapacity and are predominantly calculated with reference to final salary. The level of deficit contributions reflected above are expected to continue until technical provisioning funding levels are met either through asset performance or funding. The current discussions regarding the Rosyth Royal Dockyard Scheme are expected to require an increased level of funding.

Although the Group anticipates that scheme surpluses will be utilised during the life of the scheme to address member benefits, the Group recognises its retirement benefit surpluses in full in respect of the schemes in surplus, 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. The Group also considers that the trustees do not have the power to unilaterally wind up the schemes or vary benefits.

The latest full actuarial valuations of the Group's defined benefit pension schemes have been updated to 31 March 2019 by independent qualified actuaries for IAS 19 purposes, on a best estimate basis, using the following assumptions:

March 2019	**Devonport Royal Dockyard Scheme**	**Babcock International Group Scheme**	**Rosyth Royal Dockyard Scheme**	**Babcock Rail Ltd section of the Railways Pension Scheme**
Rate of increase in pensionable salaries	**2.3%**	**2.3%**	**2.3%**	**2.3%**
Rate of increase in pensions (past service)	**2.2%**	**3.0%**	**3.3%**	**2.2%**
Discount rate	**2.4%**	**2.4%**	**2.4%**	**2.4%**
Inflation rate (RPI)	**3.2%**	**3.2%**	**3.2%**	**3.2%**
Inflation rate (CPI)	**2.1%**	**2.1%**	**2.1%**	**2.1%**
Weighted average duration of cashflows (years)	**17**	**16**	**18**	**17**
Total life expectancy for current pensioners aged 65 (years)	**85.6**	**86.7**	**84.7**	**85.7**
Total life expectancy for future pensioners currently aged 45 (years)	**86.6**	**87.7**	**85.7**	**86.8**

March 2018				
Rate of increase in pensionable salaries	2.2%	2.2%	2.2%	2.2%
Rate of increase in pensions (past service)	2.2%	2.9%	3.2%	2.2%
Discount rate	2.6%	2.6%	2.6%	2.6%
Inflation rate (RPI)	3.1%	3.1%	3.1%	3.1%
Inflation rate (CPI)	2.0%	2.0%	2.0%	2.0%
Weighted average duration of cashflows (years)	17	15	17	18
Total life expectancy for current pensioners aged 65 (years)	86.1	87.2	85.2	86.1
Total life expectancy for future pensioners currently aged 45 (years)	87.2	88.2	86.3	87.4

25. Retirement benefits and liabilities (continued)

The fair value of the assets and the present value of the liabilities of the Group pension schemes at 31 March were as follows:

	2019				2018			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Fair value of plan assets								
Growth assets								
Equities	**1,267.4**	**15.0**	**24.9**	**1,307.3**	892.2	15.7	64.8	972.7
Property	**337.2**	**5.6**	**1.9**	**344.7**	305.5	7.8	7.9	321.2
Absolute return and multi-strategy funds	**127.6**	**192.1**	**18.8**	**338.5**	78.5	158.6	16.1	253.2
Low risk assets								
Bonds	**822.9**	**33.3**	**98.3**	**954.5**	1,165.3	57.7	95.1	1,318.1
Matching assets*	**1,736.7**	**0.6**	**87.0**	**1,824.3**	1,869.7	–	168.0	2,037.7
Active position on longevity swaps	**(187.1)**	**–**	**–**	**(187.1)**	(168.0)	–	–	(168.0)
Fair value of assets	**4,104.7**	**246.6**	**230.9**	**4,582.2**	4,143.2	239.8	351.9	4,734.9
Percentage of assets quoted	**100%**	**100%**	**100%**	**100%**	100%	100%	100%	100%
Percentage of assets unquoted	**–**	**–**	**–**	**–**	–	–	–	–
Present value of defined benefit obligations								
Active members	**1,075.0**	**93.7**	**113.5**	**1,282.2**	1,257.1	91.1	201.2	1,549.4
Deferred pensioners	**947.4**	**86.2**	**63.8**	**1,097.4**	929.0	83.8	88.3	1,101.1
Pensioners	**2,037.9**	**131.2**	**61.5**	**2,230.6**	1,879.7	123.9	85.6	2,089.2
Total liabilities	**4,060.3**	**311.1**	**238.8**	**4,610.2**	4,065.8	298.8	375.1	4,739.7
Deficit/(surplus)	**(44.4)**	**64.5**	**7.9**	**28.0**	(77.4)	59.0	23.2	4.8
Present value of unfunded obligations	**–**	**–**	**–**	**–**	–	–	0.2	0.2
Net liabilities/(assets) recognised in the balance sheet	**(44.4)**	**64.5**	**7.9**	**28.0**	(77.4)	59.0	23.4	5.0

* The matching assets aim to hedge the liabilities and consist of gilts, repos, cash and swaps. They are shown net of repurchase obligations of £1,655 million (2018: £1,977 million).

The schemes do not invest directly in assets or shares of the Group.

The longevity swaps have been valued in line with assumptions that are consistent with the requirements of IFRS 13, the valuation of which is equal to the amount of collateral posted by the schemes as at balance sheet date. This is a level 3 derivative and the key inputs to the valuation are the discount rate and mortality assumptions.

The amounts recognised in the Group income statement are as follows:

	2019				2018			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Current service cost	**34.2**	**2.7**	**2.0**	**38.9**	37.7	3.2	2.4	43.3
Incurred expenses	**3.4**	**0.2**	**0.2**	**3.8**	3.7	0.2	0.1	4.0
Past service costs	**24.3**	**1.0**	**0.6**	**25.9**	–	–	–	–
Settlements*	**4.8**	**–**	**(12.8)**	**(8.0)**	–	–	–	–
Total included within operating profit	**66.7**	**3.9**	**(10.0)**	**60.6**	41.4	3.4	2.5	47.3
Net interest (credit)/cost	**(2.3)**	**1.5**	**0.5**	**(0.3)**	0.3	1.6	0.4	2.3
Total included within income statement	**64.4**	**5.4**	**(9.5)**	**60.3**	41.7	5.0	2.9	49.6

* Settlement gain in Other schemes is offset by movements in contract balances and is accordingly not classified as exceptional.

25. Retirement benefits and liabilities (continued)

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The past service costs totalling £26.0 million reflect our estimate of the extent to which the judgment crystallises additional liabilities for our pension schemes.

The settlement cost for the Principal schemes is due to a transfer of liability for members who were previously in the Principal Civil Service Pension Scheme back into that scheme.

The settlement credit for the other schemes is due to the termination of a contract that included employees in a section of the local government pension schemes. Responsibility for those employees' pension entitlements has now passed back to the local authority. When the contract was terminated, the fair value of plan assets was greater than the present value of defined benefit obligations and the Group was not liable for that difference.

Amounts recorded in the Group statement of comprehensive income

	2019				2018			
	Principal schemes £m	**Railways scheme £m**	**Other schemes £m**	**Total £m**	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Actual return less interest on pension scheme assets	**110.3**	**6.1**	**20.8**	**137.2**	53.5	(1.5)	8.8	60.8
Experience (losses)/gains arising on scheme liabilities	**(35.7)**	**(5.5)**	**3.0**	**(38.2)**	(35.8)	–	6.2	(29.6)
Changes in assumptions on scheme liabilities	**(131.6)**	**(5.1)**	**(20.7)**	**(157.4)**	33.2	4.9	(19.6)	18.5
At 31 March	**(57.0)**	**(4.5)**	**3.1**	**(58.4)**	50.9	3.4	(4.6)	49.7

Analysis of movement in the Group balance sheet

	2019				2018			
	Principal schemes £m	**Railways scheme £m**	**Other schemes £m**	**Total £m**	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Fair value of plan assets (including reimbursement rights)								
At 1 April	**4,143.2**	**239.8**	**351.9**	**4,734.9**	4,088.9	241.4	345.9	4,676.2
Interest on assets	**105.5**	**6.1**	**3.8**	**115.4**	105.3	6.2	4.3	115.8
Actuarial gain/(loss) on assets	**110.3**	**6.1**	**20.8**	**137.2**	53.5	(1.5)	8.8	60.8
Employer contributions	**88.4**	**4.4**	**2.7**	**95.5**	92.4	4.2	2.8	99.4
Employee contributions	**0.4**	**–**	**0.1**	**0.5**	0.5	–	0.2	0.7
Benefits paid	**(301.4)**	**(9.8)**	**(28.2)**	**(339.4)**	(197.4)	(10.5)	(10.1)	(218.0)
Settlements	**(41.7)**	**–**	**(120.2)**	**(161.9)**	–	–	–	–
At 31 March	**4,104.7**	**246.6**	**230.9**	**4,582.2**	4,143.2	239.8	351.9	4,734.9
Present value of benefit obligations								
At 1 April	**4,065.8**	**298.8**	**375.1**	**4,739.7**	4,113.1	303.0	364.4	4,780.5
Service cost	**34.2**	**2.7**	**2.0**	**38.9**	37.7	3.2	2.4	43.3
Incurred expenses	**3.4**	**0.2**	**0.2**	**3.8**	3.7	0.2	0.1	4.0
Interest cost	**103.2**	**7.6**	**4.3**	**115.1**	105.6	7.8	4.7	118.1
Employee contributions	**0.4**	**–**	**0.1**	**0.5**	0.5	–	0.2	0.7
Experience loss/(gain)	**35.7**	**5.5**	**(3.0)**	**38.2**	35.8	–	(6.2)	29.6
Actuarial (gain)/loss – demographics	**(35.4)**	**(9.3)**	**(2.5)**	**(47.2)**	(0.8)	(1.2)	2.1	0.1
Actuarial loss /(gain)– financial	**167.0**	**14.4**	**23.2**	**204.6**	(32.4)	(3.7)	17.5	(18.6)
Benefits paid	**(301.4)**	**(9.8)**	**(28.2)**	**(339.4)**	(197.4)	(10.5)	(10.1)	(218.0)
Past service costs	**24.3**	**1.0**	**0.6**	**25.9**	–	–	–	–
Settlements	**(36.9)**	**–**	**(133.0)**	**(169.9)**	–	–	–	–
At 31 March	**4,060.3**	**311.1**	**238.8**	**4,610.2**	4,065.8	298.8	375.1	4,739.7
Present value of unfunded obligations	**–**	**–**	**–**	**–**	–	–	0.2	0.2
Net deficit/(surplus) at 31 March	**(44.4)**	**64.5**	**7.9**	**28.0**	(77.4)	59.0	23.4	5.0

The movement in net deficits for the year ending 31 March 2019 is as a result of the movement in assets and liabilities shown above.

25. Retirement benefits and liabilities (continued)

The changes to the Group balance sheet at March 2019 and the charges to the Group income statement for the year to March 2020, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2019 £m	Income statement 2020 £m
Initial assumptions	**4,610.2**	**43.3**
Discount rate assumptions increased by 0.5%	**(355.8)**	**(19.3)**
Discount rate assumptions decreased by 0.5%	**355.8**	**7.7**
Inflation rate assumptions increased by 0.5%	**284.9**	**9.3**
Inflation rate assumptions decreased by 0.5%	**(257.4)**	**(8.6)**
Total life expectancy increased by half a year	**91.1**	**2.7**
Total life expectancy decreased by half a year	**(91.1)**	**(2.7)**
Salary increase assumptions increased by 0.5%	**58.2**	**2.5**
Salary increase assumptions decreased by 0.5%	**(58.2)**	**(2.5)**

The figures in the table above have been calculated on an approximate basis, using information about the expected future benefit payments out of the schemes. The analysis above may not be representative of actual changes to the position since changes in assumptions are unlikely to happen in isolation. The change in inflation rates is assumed to affect the assumed rate of RPI inflation, CPI inflation and future pension increases by an equal amount. The fair value of the schemes' assets (including reimbursement rights) are assumed not to be affected by any sensitivity changes shown and so the balance sheet values would increase or decrease by the same amount as the change in the defined benefit obligations.

26. Movement in net debt

	2019 £m	2018 £m
(Decrease)/increase in cash in the year	**(5.6)**	106.9
Cash flow from the increase in debt and lease financing	**(27.4)**	(43.7)
Change in net funds resulting from cash flows	**(33.0)**	63.2
New finance leases – granted	**176.6**	28.1
Movement in joint venture and associate loans	**14.7**	(4.5)
Foreign currency translation differences	**(1.0)**	(28.3)
Movement in net debt in the year	**157.3**	58.5
Net debt at the beginning of the year	**(1,115.0)**	(1,173.5)
Net debt at the end of the year	**(957.7)**	(1,115.0)

27. Changes in net debt

	31 March 2018 £m	Cash flow £m	Disposal of subsidiaries £m	New finance leases £m	Exchange movement £m	31 March 2019 £m
Cash and bank balances	286.3	(35.1)	29.5	–	(5.5)	**275.2**
Bank overdrafts	–	–	–	–	–	**–**
Cash, cash equivalents and bank overdrafts	286.3	(35.1)	29.5	–	(5.5)	**275.2**
Debt	(1,432.2)	103.4	–	–	(16.9)	**(1,345.7)**
Finance leases – received	(91.1)	26.4	–	–	(1.1)	**(65.8)**
Finance leases – granted	46.5	(157.2)	–	176.6	(5.0)	**60.9**
	(1,476.8)	(27.4)	–	176.6	(23.0)	**(1,350.6)**
Net debt before derivatives and joint ventures and associates loans	(1,190.5)	(62.5)	29.5	176.6	(28.5)	**(1,075.4)**
Net debt derivative	47.7	–	–	–	27.5	**75.2**
Joint ventures and associates loans	27.8	14.7	–	–	–	**42.5**
Net debt	(1,115.0)	(47.8)	29.5	176.6	(1.0)	**(957.7)**

28. Acquisitions

There were no acquisitions in the year nor in the previous year.

29. Disposal of subsidiaries, businesses and joint ventures and associates

In September 2018 the Group disposed of its media business for £28.7 million, which resulted in a profit of £14.0 million. In the second half of the year three further disposals were made for a total consideration of £11.4 million, which resulted in a profit on disposal of £0.8 million.

During the previous year the Group disposed of its schools infrastructure business, which resulted in a loss of £0.9 million.

During both the current and previous years the Group paid certain accrued costs on previously disposed of businesses of £0.8 million (2018: £2.0 million).

	2019						2018		
	Babcock Media Services £m	Babcock 4S Limited £m	Powerlines £m	Helidax S.A.S £m	Previously disposed of business £m	Total £m	Schools Infrastructure business £m	Previously disposed of business £m	Total £m
Goodwill	7.1	–	–	–	–	7.1	–	–	–
Investment in joint ventures and associates	–	–	–	6.6	–	6.6	1.8		1.8
Property, plant and equipment	1.4	–	3.6	–	–	5.0	–	–	–
Inventory	7.4	–	–	–	–	7.4	–	–	–
Current assets	4.0	0.5	–	–	–	4.5	–	–	–
Cash, cash equivalents and bank overdrafts	2.6	4.9	–	–	–	7.5	–	–	–
Current liabilities	(9.6)	(2.2)	–	–	–	(11.8)	0.3	–	0.3
Provisions	–	(0.9)	–	–	–	(0.9)	–	–	–
Net assets disposed	12.9	2.3	3.6	6.6	–	25.4	2.1	–	2.1
Disposal costs	1.8	1.3	–	–	–	3.1	0.6	–	0.6
Deferred consideration	–	–	(3.2)	–	–	(3.2)	–	–	–
Profit on disposal of subsidiary	14.0	(1.5)	(0.1)	2.4	–	14.8	(0.9)	–	(0.9)
Sale proceeds	28.7	2.1	0.3	9.0	–	40.1	1.8	–	1.8
Sale proceeds less cash disposed of	26.1	(2.8)	0.3	9.0	–	32.6	1.8	–	1.8
Less costs paid in the period	(1.8)	(0.5)	–	–	(0.8)	(3.1)	–	(2.0)	(2.0)
Net cash inflow/(outflow)	24.3	(3.3)	0.3	9.0	(0.8)	29.5	1.8	(2.0)	(0.2)

30. Transactions with non-controlling interests

In September 2018, one of the Group's subsidiaries in South Africa, Babcock Ntuthuko Engineering, issued an additional 2.9% of its share capital to its non-controlling interest partner for £1.9 million. It also issued further restricted shares, which employ Notional Vendor Financing, to give the non-controlling interest partner 48.5% of the business. However, for as long as the Notional Vendor Amount is greater than zero the holders of the restricted shares shall not be entitled to receive any distributions.

In November 2018 Cognac Formation Aero France was created with a 10% non-controlling interest and the FOMEDEC business was transferred into this company.

During the previous year the put option in respect of the non-controlling interest in Scandinavian AirAmbulance AB was exercised resulting in the Group paying £5.3 million plus deferring a further payment of £2.4 million for a year, in order to acquire the balance of the share capital in that company. The £2.4 million was paid in the year to March 2019.

A reconciliation to the Group statement of changes in equity and the Group cash flow statement is shown below:

	Cash flow statement £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Babcock Ntuthuko Engineering	1.9	(0.2)	2.1	1.9
Cognac Formation Aero France	–	(1.8)	1.8	–
Scandinavian AirAmbulance AB	(2.4)	–	–	–
Total	(0.5)	(2.0)	3.9	1.9

31. Operating lease commitments – minimum lease payments

	2019		2018	
	Property £m	**Vehicles, plant and equipment £m**	Property £m	Vehicles, plant and equipment £m
Commitments under non-cancellable operating leases payable:				
Within one year	**29.5**	**121.5**	29.9	126.9
Later than one year and less than five years	**78.8**	**320.6**	82.3	287.0
After five years	**33.1**	**102.0**	61.6	114.2
	141.4	**544.1**	173.8	528.1

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Group also leases plant and machinery under non-cancellable operating leases.

Included within the above are £496.9 million (2018: £389.5 million) of operating lease commitments which are matched in time to customer contracts and are directly attributable to them.

Adoption of IFRS 16, 'Leases'

IFRS 16 has become effective from 1 January 2019 and replaces IAS 17, 'Leases' as the definitive accounting standard for the recognition, measurement and disclosure of leases. The Group has adopted the standard from 1 April 2019.

Under the new standard, lessees will recognise almost all leases on the balance sheet as the distinction between finance leases and operating leases is removed. Both short-term leases and low-value leases are exempt from IFRS 16, and instead their lease payments can be recognised as expenses on a straight-line basis. The approach for lessors remains largely unchanged.

The Group has adopted the modified retrospective transition approach, with the right-of-use assets measured at the amount of the lease liability on the date of transition for the majority of leases. The lease liability is calculated as the present value of the minimum lease payments on the date of transition. For a number of high value property and aircraft leases however, the right-of-use assets have been calculated as if the leases had always existed and their value on the date of transition is measured as the present value of the minimum lease payments at the inception date less accrued depreciation and any impairments. The difference between the right-of-use assets and lease liabilities on the date of transition is taken to retained earnings. Comparative figures will not be restated for the year ended 31 March 2019.

The following practical expedients have been adopted on transition:

- Single discount rates have been applied to portfolios of leases with similar characteristics
- IFRS 16 has only been applied to contracts that were previously classified as leases
- For leases with onerous lease provisions recognised against them immediately prior to the date of transition, the provisions have been utilised and offset against the right-of-use assets on the date of transition
- Initial direct costs have been excluded from the measurement of right-of-use assets on the date of transition
- The lease term has been determined with the use of hindsight where the contract contains options to extend the lease

The financial impact of adopting the new standard may change from the current estimates detailed below due to:

- Changes in the Group's lease portfolio, with leases ending and starting frequently throughout the year
- Changes in assumptions relating to lease end dates and future lease payment amounts
- Foreign exchange differences

Impact on financial statements

On 1 April 2019:

- The Group will recognise a lease liability of £605.7 million and a right-of-use asset of £559.2million, with a corresponding debit to retained earnings of £20.1 million net of a deferred tax asset of £5.0 million and a debit to provisions of £21.4 million in respect of onerous leases
- The vast majority of the lease liability relates to property and aircraft

For the year ending 31 March 2020:

- Operating profit is expected to increase by approximately £25 million as the depreciation charge is estimated to be lower than the operating lease charge under IAS 17. However, the increase in finance costs is expected to offset this, causing an immaterial increase in profit before tax
- EBITDA is expected to increase by an estimated £150 million

The adoption of IFRS 16 does not impact the lending covenants of the Group's existing facilities as they are based on accounting standards applicable when the facilities were granted.

31. Operating lease commitments – minimum lease payments (continued)

Adoption of IFRS 16, 'Leases' (continued)

The impact on the Group balance sheet at 1 April 2019 is reflected below:

	£m
Non-current assets	
Right-of-use assets	559.2
Deferred tax asset	5.0
Total assets	564.2

Equity and liabilities	
Retained earnings	(20.1)
Total equity	(20.1)
Non-current liabilities	
Lease liabilities	510.6
Provisions	(6.7)
Total non-current liabilities	503.9
Current liabilities	
Lease liabilities	95.1
Provisions	(14.7)
Total current liabilities	80.4
Total equity and liabilities	564.2

The table below explains the difference between the total operating lease commitments recognised under IAS 17 as at 31 March 2019 and the total lease liability recognised on transition to IFRS 16 as at 1 April 2019.

	£m
Operating lease commitments at 31 March 2019	685.5
Effect of discounting	(82.8)
Change in assessment of lease term	3.0
IFRS lease liability at 1 April 2019	605.7

32. Contingent liabilities

(a) In February 2019, the Italian Competition Authority (the ICA) notified Babcock Mission Critical Services Italia SpA (BMCS Italia) of its decision to fine a number of companies, which provide helicopter services in Italy for anti-trust violations and are members of the Italian Helicopter Association (the Association). The ICA found that a number of companies, but not BMCS Italia, had engaged in bid-rigging activities in the aerial rotary wing fire-fighting sector, a sector in which BMCS Italia does not operate. At the same time, the ICA, after investigation, found that there was no bid-rigging in the helicopter emergency medical services sector, the sector in which BMCS Italia does operate. However, during the course of its investigation, the ICA became aware of a publicly available "tariff list" produced by the Association since 2001 and, on the basis of the list, decided to fine the members of the Association, including BMCS Italia. The fine for BMCS Italia was €51 million.

BMCS Italia has appealed the ICA's decision and has reasonable grounds to believe the court will either overturn the fine altogether or substantially reduce it. Accordingly, no provision for settlement has been made as at 31 March 2019 as the Directors do not believe any likely settlement will be material.

(b) Pursuant to the Rosyth Dockyard privatisation agreement, the MOD will share in the net proceeds of sale or development of the dockyard following planning enhancement, on terms set out in the asset purchase agreement between the RRDL and the MOD dated 30 January 1997. By way of security for the MOD's rights to such share, the Company has granted a fixed charge (standard security) over the dockyard in favour of the Authority.

(c) The Group has given certain indemnities and warranties in the course of disposing of businesses and companies and in completing contracts. The Group believes that any liability in respect of these is unlikely to have a material effect on the Group's financial position.

(d) The Group is involved in disputes and litigation which have arisen in the course of normal trading. The Directors do not believe that the outcome of these matters will result in any material adverse change in the Group's financial position.

(e) As part of its role in the Submarine Enterprise Performance Programme, the Group has provided a £9 million financial guarantee for a supplier to ensure continuity of supply.

33. Capital and other financial commitments

	2019 £m	2018 £m
Contracts placed for future capital expenditure not provided in the financial statements	**12.2**	11.8

34. Related party transactions

(a) The following related parties either sell to or receive services from the Group. Loans to joint ventures and associates are detailed in note 14.

2019	2019 Revenue to £m	2019 Purchases from £m	2019 Year end debtor balance £m	2019 Year end creditor balance £m
Joint ventures and associates				
Holdfast Training Services Limited	69.6	(0.1)	–	–
ABC Electrification Limited	–	–	4.6	–
First Swietelsky Operation and Maintenance	9.9	–	–	(0.8)
FSP (2004) Limited	–	(0.1)	–	–
Ascent Flight Training (Management) Limited	1.1	–	5.0	–
Rotary Wing Training Limited	3.3	–	–	–
Fixed Wing Training Limited	4.6	–	0.4	–
Advanced Jet Training Limited	2.4	–	0.3	–
Rear Crew Training Limited	1.0	–	–	–
AirTanker Services Limited	12.3	–	0.3	–
Alert Communications Limited	4.1	–	0.4	(0.2)
Naval Ship Management (Australia) Pty Limited	4.9	–	–	–
Cura Classis (UK) Limited	1.7	–	–	–
Cura Classis (US) LLC	1.5	–	–	–
Cura Classis Canada (Hold Co) Inc.	3.9	–	–	–
Cavendish Dounreay Partnership Limited	5.5	(0.1)	0.2	–
Cavendish Fluor Partnership Limited	32.9	(0.1)	0.2	–
Cavendish Boccard Nuclear Limited	3.4	–	–	–
	162.1	(0.4)	11.4	(1.0)

34. Related party transactions (continued)

2018	2018 Revenue to £m	2018 Purchases from £m	2018 Year end debtor balance £m	2018 Year end creditor balance £m
Joint ventures and associates				
Holdfast Training Services Limited	72.0	–	0.3	–
ABC Electrification Limited	–	–	3.8	–
First Swietelsky Operation and Maintenance	10.5	–	0.5	(0.8)
FSP (2004) Limited	–	(0.3)	–	–
Ascent Flight Training (Management) Limited	0.5	–	–	–
Ascent Flight Training Holdings Limited	0.8	–	–	–
Fixed Wing Training Limited	9.6	–	–	–
Rear Crew Training Limited	4.2	–	–	–
AirTanker Services Limited	9.1	–	0.5	–
Alert Communications Limited	7.3	–	0.7	–
ALC (Superholdco) Limited	–	–	5.3	–
Naval Ship Management (Australia) Pty Limited	4.6	–	–	–
Cura Classis (UK) Limited	3.7	–	–	–
Cura Classis (US) LLC	5.0	–	–	–
Cura Classis Canada (Hold Co) Inc.	12.9	–	–	–
Cavendish Dounreay Partnership Limited	3.9	–	0.3	–
Cavendish Fluor Partnership Limited	32.3	(0.2)	0.6	–
Cavendish Boccard Nuclear Limited	2.4	–	0.3	–
Duqm Naval Dockyard SAOC	–	–	1.0	–
	178.8	(0.5)	13.3	(0.8)

All transactions noted above arise in the normal course of business.

(b) Defined benefit pension schemes.
Please refer to note 25 for transactions with the Group defined benefit pension schemes.

(c) Key management compensation is shown in note 7.

(d) Transactions in employee benefits trusts are shown in note 24.

35. Post balance sheet events

Details on dividends are given in note 9. There are no further material events subsequent to 31 March 2019 that require disclosure.

36. Group entities

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 March 2019 is disclosed below. Unless otherwise stated, the Group's shareholding represents ordinary shares held indirectly by Babcock International Group PLC, the entities are unlisted, and have one type of ordinary share capital, the year end is 31 March and the address of the registered office is 33 Wigmore Street, London, W1U 1QX. No subsidiary undertakings have been excluded from the consolidation.

Subsidiaries: Incorporated in the United Kingdom, wholly owned:

Air Power International Limited*
110 Queen Street, Glasgow, G1 3HD, Scotland

Airwork Limited

Alstec Automation Limited*

Alstec Defence Limited*

Alstec Limited*

Appledore Shipbuilders (2004) Limited[7]
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG

Armstrong Technology Associates Limited

Babcock (UK) Holdings Limited[5]

Babcock 1234 Limited*

Babcock 2010 Limited*

Babcock Aerospace Limited

Babcock Airports Limited

Babcock Assessments Limited

Babcock Aviation Services (Holdings) Limited[5, 14]

Babcock Brazil Investments Limited

Babcock Careers Guidance Limited*, [11]

Babcock Civil Infrastructure Limited

Babcock Communications Limited

Babcock Contractors Limited*

Babcock Corporate Secretaries Limited*

Babcock Corporate Services Limited

Babcock Critical Assets Holdings LLP

Babcock Critical Services Limited
110 Queen Street, Glasgow, G1 3HD, Scotland

Babcock Defence & Security Holdings LLP

Babcock Defence and Security Investments Limited

Babcock Defence Systems Limited*

Babcock Design & Technology Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Babcock DSG Ltd

Babcock Education & Training Holdings LLP

Babcock Education and Skills Limited

Babcock Education Holdings Limited

Babcock Emergency Services Limited

Babcock Engineering Assessments Limited[8]

Babcock Engineering Limited

Babcock Environmental Services Limited

Babcock Finance Limited*

Babcock Fire Services (SW) Limited

Babcock Fire Services Limited

Babcock Fire Training (Avonmouth) Limited

Babcock Group (US Investments) Limited

Babcock Group International Limited

Babcock Group Limited*

Babcock Holdings Limited[20]

Babcock Information Analytics and Security Holdings Limited*

Babcock Information Analytics and Security Limited[10]

Babcock Infrastructure Holdings LLP

Babcock Integrated Technology (Korea) Limited

Babcock Integrated Technology Limited

Babcock Integration LLP

Babcock International Limited[10]

Babcock International Middle East Limited

Babcock International Support Services Limited

Babcock Investments (Fire Services) Limited

Babcock Investments (Number Eight) Limited

Babcock Investments (Number Four) Limited

Babcock Investments (Number Nine) Limited

Babcock Investments (Number Three) Limited

Babcock Investments Limited

Babcock IP Management (Number One) Limited

Babcock IP Management (Number Two) Limited

Babcock Land Limited

Babcock Leaseco Limited*

Babcock Lifeskills Limited*

Babcock Managed Security Services Limited*, [11]

Babcock Management Limited

Babcock Marine & Technology Holdings Limited

Babcock Marine (Clyde) Limited
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Babcock Marine (Devonport) Limited[7]
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG

Babcock Marine (Rosyth) Limited
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Babcock Marine Holdings (UK) Limited[10]

Babcock Marine Limited*

Babcock Marine Products Limited*

Babcock Marine Training Limited[7]

Babcock Mission Critical Services Design and Completions Limited

Babcock Mission Critical Services Leasing Limited

Babcock Mission Critical Services Ltd

Babcock Mission Critical Services Offshore Limited

Babcock Mission Critical Services Onshore Limited

Babcock Mission Critical Services Topco Ltd[7]

Babcock Mission Critical Services UK Limited

Babcock MSS Limited

Babcock Networks Limited

Babcock Nominees Limited*

Babcock Nuclear Limited*

Babcock Overseas Investments Limited

Babcock Partner No 6 Limited*

Babcock Partner No 7 Limited*

Babcock Partners No 2010 Limited*

Babcock Power Maintenance Limited*

Babcock Project Investments Limited

36. Group entities (continued)

Subsidiaries: Incorporated in the United Kingdom, wholly owned – continued:

Babcock Project Services Limited*, 7
Babcock Rail Limited
Babcock Services Group Limited
Babcock Services Limited*, 17
Babcock Skills Development and Training Limited
Babcock Southern Careers Limited*, 8
Babcock Southern Holdings Limited[11]
Babcock SSD Services Limited
Babcock Support Services (Investments) Limited
Babcock Support Services Limited[15]
110 Queen Street, Glasgow, G1 3HD, Scotland
Babcock Systems Limited*
Babcock Technical Services Limited*
Babcock Training Limited
Babcock Transmission Limited*, 7
Babcock Trustees Limited*
Babcock UK Finance
Babcock US Investments Limited
Babcock Vehicle Engineering Limited[9]
Babcock Welbeck Limited*
Babcock Woodall-Duckham (Overseas) Limited*, 18
Babcock2 Limited
Babcock-Moxey Limited*
BCRA Chesterfield Limited*, 18
BIL Solutions Limited
BMH (2002) Limited*
BNS Nuclear Services Limited*
BNS Pension Trustees Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
BNS Pensions Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
Bond Aviation Leasing Limited
Bond Aviation Topco Limited[10]
Bond Mission Critical Services PLC
British Nuclear Services Limited*
Brooke Marine Shipbuilders Limited*
Cavendish Nuclear (Overseas) Limited
Cavendish Nuclear Limited[10]
Cavendish Nuclear Manufacturing Limited
Certas Limited*
Chart Distribution Services Limited*
Chart Services Limited*
110 Queen Street, Glasgow, G1 3HD, Scotland
Chart Storage & Transportation Limited*
Context Information Security Limited
11 Westferry Circus, London, E14 4HD
Costpool Limited*
Defence SCS Limited*
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG
Devonport Management Limited*
Devonport Royal Dockyard Limited[6]
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG
Devonport Royal Dockyard Pension Trustees Limited*
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG
Eve Construction Limited*
Eve Developments Limited*
Eve Group Limited*
Eve NCI Limited*
Eve Power Limited*
Eve Transmission Limited*
FBM Babcock Marine Holdings (UK) Limited*
FBM Babcock Marine Limited*
FBM Marine International (UK) Limited*
First Engineering Holdings Limited
Kintail House, 3 Lister Way, Hamilton International Park, Blantyre, G72 0FT, Scotland
First Engineering Limited*
First Fire and Rescue Service Limited*
First Fire and Rescue Service No 2 Limited*
First Projects Limited*
Flagship Fire Fighting Training Limited
FN Consultancy Limited*
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG
FNC Group Limited*
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG
FNC Limited*
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG
Frazer-Nash Consultancy Group Limited[7]
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG
Frazer-Nash Consultancy Limited[13]
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG
FW 1B SPV Limited*, 11
Gibraltar Investments (No. 7) Limited[7]
HCTC Limited*
Hiberna Contract Services Limited*
Hiberna Limited*
Hiberna Network Solutions Limited*
INS Innovation Limited*
KML (UK) Limited*
Learning21 Limited*
Liquid Gas Equipment Limited
Rosyth Business Park, Rosyth, Dunfermline, Fife, K11 2YD, Scotland
Locam Limited*
Lincoln House, Wellington Crescent, Fradley Park, Lichfield, Staffordshire, WS13 8RZ
Marine Engineering & Fabrications (Holdings) Limited*
Marine Engineering & Fabrications Limited*
Merlin Communications Group Limited[17]
Merlin Orfordness Limited*
Municipal Vehicle Hire Limited*
Northern Cable Installations Limited*
Peterhouse Group Limited
Peterhouse5 (Shorco) Limited[7]
Peterhouse6 (IETG) Limited*
Port Babcock Rosyth Ltd*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
Rosyth Royal Dockyard Limited[19]
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
Rosyth Royal Dockyard Pension Trustees Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
SBRail Limited*
Scimco Limited
Skills2Learn Ltd
St. Helen's Securities Limited*
Strachan & Henshaw Limited*
The Stirling Boiler Company Ltd*
110 Queen Street, Glasgow, G1 3HD, Scotland
Touchstone Learning & Skills Limited*
Transfleet Distribution Limited*
Transfleet Truck Rentals Limited*
UKAEA Limited
Vosper-ManTech Limited*, 7
Vosper Thornycroft (UK) Limited
Westminster Education Consultants Limited*

36. Group entities (continued)

Subsidiaries: Incorporated overseas, wholly owned:

AUH-Bidco Pty Limited**
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia

Babcock (Ireland) Treasury Limited
Custom House Plaza, Block 6, IFSC, DUBLIN 1, Ireland

Babcock (NZ) Limited
Babcock Central Office, HMNZ Dockyard, Devonport Naval Base, Queens Parade, Devonport, Auckland, 0744, New Zealand

Babcock Africa Investments (Pty) Ltd
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Africa Investments BV
Bezuidenhoutseweg 1, 2594 AB The Hague, The Netherlands

Babcock Australia Holdings Pty Limited
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia

Babcock Aviation Services Holdings, S.L.
Plaza Pablo Ruiz, Picasso 1, Torre Picasso, 28020, Madrid, Spain

Babcock B.V.
Bezuidenhoutseweg 1, 2594AB, The Hague, The Netherlands

Babcock Canada Inc
45 O'Connor Street, Suite 1500, Ottawa ON K1P 1A4, Canada

Babcock Communications Cyprus Limited
10 Diomidous St, Alpha Mega Building, 3rd Floor, Office 401, CY2024, Nicosia, Cyprus

Babcock Engineering Portugal, Unipessoal, LDA
Heliporto de Salemas, Lousa, 2670-769, Lisboa, Loures, Portugal

Babcock Europe Finance Limited[7]
Verdala Business Centre, Level 1, LM Complex, Brewery Street, Mriehel, Birkirkara , BKR 3000, Malta

Babcock Holdings (USA) Incorporated[12]
S32 Loockerman Square, Ste. L-100 Dover, Delaware, United States

Babcock Integrated Technology GmbH
Berliner Platz 12, 41061, Moenchgladbach, Germany

Babcock International France Aviation SAS
Lieu dit le Portaret, 83340, Le Cannet-des-Maures, France

Babcock International France SAS
4 rue Lord Byron, 75008 Paris, France

Babcock International France Terre SAS
4 rue Lord Byron, 75008 Paris, France

Babcock International Holdings BV
Bezuidenhoutseweg 1, 2594 AB The Hague, The Netherlands

Babcock International Holdings Limited[7]
Verdala Business Centre, Level 1, LM Complex, Brewery Street, Mriehel, Birkirkara , BKR 3000, Malta

Babcock International Italy S.p.A.
Piazza Castello no.26 – 20121 Milan, Italy

Babcock International Spain S.L.U.
Mutxamel, Alicante, Aeródromo de Mutxamel, 03110, Partida la Almaina 92, Spain

Babcock International US Inc
21001 Great Mills Road, Lexington Park, Maryland DE 20653, United States

Babcock Ireland Finance Limited
44 Esplanade, St Helier, Jersey, JE4 9WG

Babcock Korea Limited
Regus Busan Jungang-Dong Centre, Office 706, 7F PanOcean Building, 102 Jungang-Daero, Jung-gu, Busan, 48938, Republic of Korea

Babcock Luxembourg Finance S.a.r.l.
12F rue Guillaume Kroll, L – 1882 Luxembourg, Luxembourg

Babcock Luxembourg Investments I S.a.r.l.
12F rue Guillaume Kroll, L – 1882 Luxembourg, Luxembourg

Babcock Luxembourg Investments S.a.r.l.
12F rue Guillaume Kroll, L – 1882 Luxembourg, Luxembourg

Babcock Luxembourg S.a.r.l.
12F rue Guillaume Kroll, L – 1882 Luxembourg, Luxembourg

Babcock Malta (Number Two) Limited
44 Esplanade, St Helier, JE4 9WG, Jersey

Babcock Malta Finance (Number Two) Limited[8]
Verdala Business Centre, Level 1, LM Complex, Brewery Street, Mriehel, Birkirkara, BKR 3000, Malta

Babcock Malta Finance Limited[8]
Verdala Business Centre, Level 1, LM Complex, Brewery Street, Mriehel, Birkirkara, BKR 3000, Malta

Babcock Malta Holdings (Number Two) Limited[8]
Verdala Business Centre, Level 1, LM Complex, Brewery Street, Mriehel, Birkirkara, BKR 3000, Malta

Babcock Malta Holdings Limited[8]
Verdala Business Centre, Level 1, LM Complex, Brewery Street, Mriehel, Birkirkara, BKR 3000, Malta

Babcock Malta Limited
44 Esplanade, St Helier, JE4 9WG, Jersey

Babcock MCS Congo SA
Avenue Charles de Gaulle, PB 5871, Pointe-Noire, PB 5871, Republic of the Congo

Babcock MCS Fleet Management S.p.A.
Piazza Castello no. 26, 20121, Milan, Italy

Babcock Mission Critical Services Asset Management SAU
Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain

Babcock Mission Critical Services Australasia Pty Ltd
Level 9, 70 Franklin Street, Adelaide, SA 5000, Australia

Babcock Mission Critical Services Fleet Management SAU
Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain

Babcock Mission Critical Services Germany GmbH
Augsburg Airport, Flughafenstrasse 19, 86169 Augsburg, Germany

Babcock Mission Critical Services Group, S.A.U.
Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain

Babcock Mission Critical Services Holdings, S.L.U.
Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain

Babcock Mission Critical Services International SAU
Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain

Babcock Mission Critical Services SAU
Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain

Babcock Networks Ireland Limited**
Unit 2, Red Cow Interchange Estate, Ballymounth, Dublin, 22, Ireland

Babcock Norway AS*
Rådhusgata 3, 9008 TROMSØ, Norway

Babcock Offshore Services Australasia Pty Ltd
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia

Babcock Oman LLC
Al Raid Business Centre, Qurum, PO Box 2315, Muscat, PC130, Oman

Babcock Pty Limited
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia

Babcock Scandinavia Holding AB
Flygstationsvägen 4, 972 54, Luleå, Sweden

Babcock Support Services (Canada) Inc.
45 O'Connor Street, Suite 1500, Ottawa ON K1P 1A4, Canada

Babcock Support Services (USA) LLC
251 Little Falls Drive, Wilmington, DE 19808, United States

Babcock Support Services GmbH
Berliner Platz 12, 41061, Moenchengladbach, Germany

Babcock Support Services s.r.l.
Via Foro Buonaparte, 70 20121, Milano, Italy

Babcock US Investments (Number Two) LLC[7]
160 Greentree Drive, Suite 101, Dover, Kent County, DE 19904, United States

Babcock US Investments Inc.[7]
160 Greentree Drive, Suite 101, Dover, Kent County, DE 19904, United States

BMH Technologies (Holdings) GmbH**, [7]
Berliner Platz 12, 41061, Moenchengladbach, Germany

Cavendish Nuclear Japan KK
GYB Akihabara Room 405, Kandasuda-cho 2-25, Chiyoda-ku, Tokyo, Japan

Chepstow Insurance Limited
St Martin's House, Le Bordage, St Peter Port, GY1 4AU, Guernsey

Conbras Servicos Tecnicos de Suporte Limiteda
Rua Nilo Pecanha no 50, Suites 314 & 315, Centro, Rio de Janeiro, 20020.100, Brazil

Context Information Security GmbH
Ernst-Ludwig-Ring 2, Bad Nauheim, 61231, Amtsgericht Friedberge (Hessen), Germany

36. Group entities (continued)

Incorporated overseas, wholly owned – continued:

Context Information Security LLC[7]
2711 Centerville Road, Suite 400, Wilmington DE 19808, United States

Frazer-Nash Consultancy (Australia) Pty Limited*
Level 8, 99 Gawler Place, Adelaide SA 5000inter, Australia

Heli Aviation (Tianjin) Helicopter Sales Co., Ltd.**
Room 514/515, The Aviation Industry Support Center, Comprehensive Free Trade Zone, Airport Industrial Park, 1 Boahang Riad, Tianjin, China

Heli Aviation China Limited*
World Finance Centre, Kowloon Hong Kong/ Room 1102-1103 11/F, Kowloon Building, 555 Nathan Road, Mongkok, Kowloon, Hong Kong

INAER Helicopter Australia Pty Ltd**
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia

INAER Helicopter Chile S.A.*
2880 Americo Vespucio Norte Avenue, Suite 1102, Conchali, Santiago, Chile

INAER Helicopter Peru S.A.C.**, [3]
Av. De La Floresta No 497 Int., Lima, Peru

Marine Industrial Design Limited
Babcock Central Office, HMNZ Dockyard, Devonport Naval Base, Queens Parade, Devonport, Auckland, 0744, New Zealand

National Training Institute LLC[4]
PO Box 267, Madinat Qaboos, Sultanate of Oman, 115, Oman

Peterhouse GmbH
Berliner Platz 12, 41061, Moenchengladbach, Germany

PHG Insurance Limited
St Martin's House, Le Bordage, St Peter Port, GY1 4AU, Guernsey

Strachan & Henshaw Canada Inc*
45 O'Connor Street, Suite 1500, Ottawa, ON, K1P 1A4, Canada

Strachan & Henshaw, Inc*
155 Federal Street, Suite 700, Boston MA 02110, United States

VT Communications GmbH**
Mainzer Landstrasse 16, 60325, Frankfurt Am Main, Germany

VT Insurance Services Limited
St Martins House, Le Bordage, St Peter Port, Guernsey, GY1 4AU

Subsidiaries: partly owned:[2]

Airwork Technical Services & Partners LLC (51%)
PO Box 248 (located at Muaskar Al Murtafa'a (MAM) Garrison), Muscat, 100, Sultanate of Oman

Babcock Africa (Pty) Limited (90%)[1, 12]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Africa Holdings (Pty) Ltd (90%)[1, 10]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Africa Services (Pty) Ltd (90%)[1]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Aviation Services Holdings International Limited (49.82%)[2, 16]
Verdala Business Centre, Level 1, LM Complex, Brewery Street, Mriehel, Birkirkara , BKR 3000, Malta

Babcock Dyncorp Limited (56%)[6]

Babcock Education and Training (Pty) Ltd (90%)[1]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Emergencias Aéreas España Holding, S.L.U. (49.82%)[2]
Avenida de Burgos, 17, 7a planta, 28036, Madrid, Spain

Babcock Financial Services (Pty) Ltd (90%)[1]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Holdings (Italy) S.p.A. (49.82%)[2]
Piazza Castello 26, 20121, Milan, Italy

Babcock Learning and Development Partnership LLP (80.1%)

Babcock MCS Ghana Limited (90%)
2nd Floor, Opeibea House, 37 Liberation Road, P.O. Box CT 9347, Cantonments, Accra, Ghana

Babcock MCS Mozambique, Limitada (90%)[1]
Sala no. 2022, 1 Andar, Terminal A, Aeroporto International do Maputo, Distrito Urbano2, Mozambique

Babcock Mission Critical Services (Ireland) Limited (49.82%)[2]
13-18 City Quay, Dublin 2, Ireland

Babcock Mission Critical Services España SAU (49.82%)[2]
Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain

Babcock Mission Critical Services France SA (49.82%)[2]
Lieu dit le Portaret, 83340, Le Cannet-des-Maures, France

Babcock Mission Critical Services Galicia SL (91.1%)
Lugar Lavacolla-Aeropuerto Santiago, S/N, C.P., 15820, Santiago de Compostela, A Coruna, Spain

Babcock Mission Critical Services Italia S.p.A. (49.82%)[2]
Piazza Castello no. 26, 20121, Milan, Italy

Babcock Mission Critical Services Portugal, Unipessoal, LDA (49.82%)[2]
Heliporto de Salemas, Lousa, 2670-769, Lisboa, Loures, Portugal

Babcock Mission Critical Services, Scandinavia AB (49.82%)[2, 7]
Ashurst Advokatbyra AB, PO Box 7124 10387, Stockholm, Sweden

Babcock Moçambique Limitada (90%)[1]
Av. Samora Macel 3380/1, Mozambique

Babcock Namibia Services Pty Ltd (90%)[1]
Unit 5, Ground Floor, Dr Agostinho Neto Road, Ausspannplatz, Windhoek, Namibia

Babcock Ntuthuko Aviation (Pty) Limited (66.78%)*, [1]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Ntuthuko Engineering (Proprietary) Limited (64.95%)[1]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Ntuthuko Powerlines (Proprietary) Limited (65.2%)*, [1]
Unit G3, Victoria House, Plot 132, Independence Avenue, Gaborone, Botswana

Babcock Plant Services (Pty) Ltd (64.83%)[1, 10]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock SAA FW AB (49.82%)*, [2]
Flygstationsvägen 4, 972 54, Luleå, Sweden

Babcock Scandinavian AirAmbulance AB (49.82%)[2]
Lägervägen 3, 832 56, Frösön, Sweden

Babcock Scandinavian AirAmbulance AS (49.82%)[2]
Rådhusgata 3, 9008 TROMSØ, Norway

Babcock Scandinavian Aviation Services AS (49.82%)[2]
Rådhusgata 3, 9008 TROMSØ, Norway

Babcock Scandinavian Engineering AS (49.82%)[2]
Rådhusgata 3, 9008 TROMSØ, Norway

Babcock Scandinavian Holding AS (49.82%)[2]
Rådhusgata 3, 9008 TROMSØ, Norway

Babcock TCM Plant (Proprietary) Limited (90%)[1, 12]
Unit G3, Victoria House, Plot 132, Independence Avenue, Gaborone, Botswana

Capital Careers Limited (88.3%)*

Cognac Formation Aero (90%)
Lieu dit le Portaret, 83340, Le Cannet des Maures, France

Surrey Careers Services Limited (94.1%)[10]

36. Group entities (continued)

Joint ventures and associates (equity accounted):

ABC Electrification Ltd (33.3%)[6]
8th Floor, The Place, High Holborn, London, WC1V 7AA

Advanced Jet Training Holdings Limited (50%)

Advanced Jet Training Limited (50%)

AirTanker Finance Limited (13.3%)[21]
6th Floor, London Wall, London, EC2Y 5EB

AirTanker Holdings Limited (13.3%)[21]
6th Floor, London Wall, London, EC2Y 5EB

AirTanker Limited (13.3%)[21]
6th Floor, London Wall, London, EC2Y 5EB

AirTanker Services Limited (22.3%)[21]
Airtanker Hub RAF Brize Norton, Carterton, Oxfordshire, OX18 3LX

ALC (FMC) Limited (50%)[21]
3th Floor, Chancery Exchange, 10 Furnival Street, London, EC4A 1AB

ALC (Holdco) Limited (50%)[21]
3th Floor, Chancery Exchange, 10 Furnival Street, London, EC4A 1AB

ALC (SPC) Limited (50%)[21]
3th Floor, Chancery Exchange, 10 Furnival Street, London, EC4A 1AB

ALC (Superholdco) Limited (50%)[21]
3th Floor, Chancery Exchange, 10 Furnival Street, London, EC4A 1AB

Alert Communications (2006) Limited (20%)[10]

Alert Communications (Holdings) Limited (20%)

Alert Communications Group Holdings Limited (20%)

Alert Communications Limited (20%)

Ascent Flight Training (Holdings) Limited (50%)

Ascent Flight Training (Management) Limited (50%)

Ascent Flight Training (Services) Limited (50%)

Cavendish Boccard Nuclear Limited (51%)

Cavendish Dounreay Partnership Limited (50%)[6]

Cavendish Fluor Partnership Limited (65%)

Cura Classis (Canada) Inc. (48%)
44 Chipman Hill, Suite 1000, PO Box 7289, Stn. "A", Saint John, NB E2L 2A9, Canada

Cura Classis (UK) Limited (48%)

Cura Classis (US) Hold Co LLC (48%)
251 Little Falls Drive, Wilmington, DE 19808, United States

Cura Classis (US) LLC (48%)
251 Little Falls Drive, Wilmington, DE 19808, United States

Cura Classis Canada (Hold Co) Inc. (48%)[19]
44 Chipman Hill, Suite 1000, PO Box 7289, Stn. "A", Saint John, NB E2L 2A9, Canada

Cura Classis UK (Hold Co) Limited (48%)

Debut Services (South West) Limited (50%)
20 Triton Street, Regent's Place, London, NW1 3BF

Debut Services Limited (15%)
20 Triton Street, Regent's Place, London, NW1 3BF

Dounreay Site Restoration Limited (50%)[7]
Building D2003, Dounreay, Thurso, Caithness, KW14 7TZ, Scotland

Duqm Naval Dockyard SAOC (49%)
Wadi Say, Al-Duqm, Al-Wusta'a, 3972 112, Oman

European Air-Crane S.p.A. (24.41%)
Via Duca D'Aosta no. 20, 50129, Florence, Italy

Fixed Wing Training Holdings Limited (50%)

Fixed Wing Training Limited (50%)

FSP (2004) Limited (50%)[7]
Kintail House, 3 Lister Way, Hamilton International Park, Blantyre, G72 0FT, Scotland

Holdfast Training Services Limited (74%)

Magnox Limited (65%)[7]
Oldbury Technical Centre, Oldbury Naite, Thornbury, South Gloucestershire, BS35 1RG

Naval Ship Management (Australia) Pty Ltd (50%)
Level 10, 40 Miller Street, North Sydney, NSW 2060, Australia

Rear Crew Training Holdings Limited (50%)

Rear Crew Training Limited (50%)

Research Sites Restoration Limited (65%)[*, 7]
Oldbury Technical Centre, Oldbury Naite, Thornbury, Bristol, United Kingdom

Rotary Wing Training Limited (50%)

S.I.M.A. Societa Italiana de Manutenzioni Aeronautiche SpA (14.65%)
Via Duca D'Aosta no. 20, 50129, Florence, Italy

Notes

* Dormant entity.
** In liquidation.

1. The Group's interest in Babcock Africa Holdings (Pty) Limited, and its subsidiaries, held via ordinary and preference shares, carries 90% of the voting rights, and the right to substantially all of the distributable profits.
2. The Group's interest in Babcock Aviation Services Holdings International Limited, and its subsidiaries, carries 49.82% of the voting rights.
3. The Group's interest in INAER Helicopter Peru S.A.C. carries 70% of the voting rights, and the rights to substantially all distributable profits.
4. The Group's interest in National Training Institute LLC carries over 70% of the voting rights, and the rights to substantially all distributable profits.
5. Babcock International Group PLC has direct holdings in Babcock (UK) Holdings Limited, and preference shares class A and B in Babcock Aviation Services (Holdings) Limited.
6. Holding of one type of ordinary share only, where more than one type of share is authorised or in issue.
7. Holding of two types of ordinary shares.
8. Holding of three types of ordinary shares.
9. Holding of six types of ordinary shares.
10. Holding of ordinary and preference shares.
11. Holding of ordinary and deferred shares.
12. Holding of ordinary and redeemable preference shares.
13. Holding of ordinary and two types of preference shares.
14. Holding of ordinary and three types of preference shares.
15. Holding of ordinary and five types of preference shares.
16. Holding of one type of ordinary share and one type of preference share, where more than one type of ordinary share and preference share are authorised or in issue.
17. Holding of two types of ordinary and one type of preference share.
18. Holding of two types of ordinary and one type of redeemable preference share.
19. Holding of two types of ordinary shares, where more than two types of share are authorised or in issue.
20. Holding of two types of ordinary shares and two types of preference shares.
21. Year end 31 December.

Company balance sheet

As at 31 March 2019	Note	2019 £m	2018 £m
Fixed assets			
Investment in subsidiaries	5	**2,466.5**	2,466.5
Current assets			
Trade and other receivables	6	**3,660.4**	3,433.7
Creditors: Amounts falling due within one year:			
Trade and other payables	7	**(2,098.0)**	(1,813.1)
Net current assets		**1,562.4**	1,620.6
Total assets less current liabilities		**4,028.9**	4,087.1
Creditors: Amounts falling due after more than one year:			
Trade and other payables	7	**(1,285.5)**	(1,371.7)
Net assets		**2,743.4**	2,715.4
Equity			
Called up share capital	9	**303.4**	303.4
Share premium account		**873.0**	873.0
Capital redemption reserve		**30.6**	30.6
Other reserve		**768.8**	768.8
Retained earnings		**767.6**	739.6
Total shareholders' funds		**2,743.4**	2,715.4

The accompanying notes are an integral part of this Company balance sheet. Company number 02342138.

The Company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 whereby no individual profit and loss account of the Company is disclosed. The Company's profit for the financial year was £184.3 million (2018: £538.5 million).

The financial statements on pages 208 to 214 were approved by the Board of Directors on 21 May 2019 and are signed on its behalf by:

A Bethel
Director

F Martinelli
Director

Company statement of changes in equity

For the year ended 31 March 2019	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Total equity £m
At 1 April 2017	303.4	873.0	768.8	30.6	330.6	2,306.4
Profit for the year	–	–	–	–	538.5	538.5
Other comprehensive income	–	–	–	–	10.3	10.3
Dividends	–	–	–	–	(143.9)	(143.9)
Share-based payments	–	–	–	–	6.4	6.4
Tax on share-based payments	–	–	–	–	1.9	1.9
Own shares and other	–	–	–	–	(4.2)	(4.2)
Net movement in equity	–	–	–	–	409.0	409.0
At 31 March 2018	303.4	873.0	768.8	30.6	739.6	2,715.4
Profit for the year	**–**	**–**	**–**	**–**	**184.3**	**184.3**
Other comprehensive income	**–**	**–**	**–**	**–**	**(10.8)**	**(10.8)**
Dividends	**–**	**–**	**–**	**–**	**(150.3)**	**(150.3)**
Share-based payments	**–**	**–**	**–**	**–**	**2.4**	**2.4**
Tax on share-based payments	**–**	**–**	**–**	**–**	**2.4**	**2.4**
Net movement in equity	**–**	**–**	**–**	**–**	**28.0**	**28.0**
At 31 March 2019	**303.4**	**873.0**	**768.8**	**30.6**	**767.6**	**2,743.4**

1. General information

Babcock International PLC is incorporated and domiciled in the UK. The address of the registered office is 33 Wigmore Street, London, W1U 1QX.

2. 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 accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments on a going concern basis. The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £ million.

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:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
- IFRS 7, 'Financial instruments: Disclosures'
- 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)
- 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 IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), 10(f), 16, 38, 40, 111, and 134-136.
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- 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.

New standards adopted by the Company

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2019:

- IFRS 9, 'Financial instruments'
- IFRS 15, 'Revenue from contracts with customers'

The adoption of IFRS 9 and IFRS 15 has not had any impact on the amounts recognised in the prior period and is not expected to affect the current or future periods.

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

Taxation

Current income tax

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

2. Significant accounting policies (continued)

Taxation (continued)

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 consolidated 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.

Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

Employee benefits

(a) Share-based compensation

The Company operates equity-settled, share-based compensation plans which are recharged to the relevant subsidiaries. Full details of the share-based compensation plans are disclosed in note 24 to the Group financial statements.

(b) Treasury shares

The shares purchased by the Company's ESOP trusts are recognised as a deduction to equity. See note 23 to the Group financial statements for further details.

(c) Pension arrangements

The Company operates a multi-employer defined benefit pension scheme, however all assets and liabilities are recognised in the relevant subsidiary in which the employee operates. See note 25 to the Group financial statements for further details.

Financial instruments

(a) Financial assets and liabilities at amortised cost

Amounts due from subsidiary undertakings and preference shares in subsidiary undertakings are classified as financial assets held at amortised cost. Amounts due to subsidiary undertakings and bank loans and overdrafts are classified as financial liabilities held at amortised cost. These balances are initially recognised at fair value and then held at amortised cost using the effective interest rate method.

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

(b) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their fair value. The Company designates certain of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, gains and losses are deferred in equity until such time as the firm commitment is recognised, at which point any deferred gain or loss is included in the assets' carrying amount. These gains or losses are then realised through the income statement as the asset is sold.

Certain derivatives do not qualify or are not designated as hedging instruments and any movement in their fair value is recognised in the profit and loss account immediately.

Financial risk management

All treasury transactions are carried out only with prime rated counterparties as are investments of cash and cash equivalents.

Dividends

Dividends are recognised in the Company's financial statements in the period in which they are approved and in the case of interim dividends, when paid.

2. Significant accounting policies (continued)

Critical accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no key estimate or judgements for the Company.

3. Company profit

The Company has no employees other than the Directors.

The fee payable to the parent auditor and its associates in respect of the audit of the Company's financial statements was £0.6 million (2018: £0.4 million).

4. Directors' emoluments

Under Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (Schedule 5), total Directors' emoluments, excluding Company pension contributions, were £5.7 million (2018: £6.5 million); these amounts are calculated on a different basis to emoluments in the Remuneration report which are calculated under Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 (2013)). These emoluments were paid for the Directors' services on behalf of Babcock International Group. No emoluments relate specifically to their work for the Company. Under Schedule 5, the aggregate gains made by Directors from the exercise of Long Term Incentive Plans in 2019 as at the date of exercise was £0.5 million (2018: £0.6 million) and the net aggregate value of assets received by Directors in 2019 from Long Term Incentive Plans as calculated at the date of vesting was £0.5 million (2018: £0.6 million); these amounts are calculated on a different basis from the valuation of share plan benefits under Schedule 8 (2013) in the Remuneration report.

5. Investment in subsidiary undertakings

	2019 £m	2018 £m
At 1 April	**2,466.5**	2,359.5
Additions	**–**	107.0
At 31 March	**2,466.5**	2,466.5

During the previous year preference shares of US$150 million (£107.0 million) converted to increase the investment in Babcock (UK) Holdings Limited. The Directors believe that the carrying value of the investments is supported by the underlying net assets.

6. Trade and other receivables

	2019 £m	2018 £m
Non-current debtors		
Amounts due from subsidiary undertakings	**313.8**	337.7
Preference shares in a subsidiary undertaking	**943.7**	926.7
Other debtors	**0.4**	0.6
	1,257.9	1,265.0
Current debtors		
Amounts due from subsidiary undertakings	**2,386.6**	2,154.6
Prepayments and accrued income	**–**	0.5
Income tax recoverable	**6.2**	6.2
Deferred tax	**9.7**	7.4
	2,402.5	2,168.7
Total trade and other receivables	**3,660.4**	3,433.7

There are no material provisions held against trade and other receivables under the expected credit loss model. There was no change to the level of provisions held upon transition to IFRS 9.

6. Trade and other receivables (continued)

Of the preference shares in a subsidiary undertaking, the B preference shares of US$500 million mature on 17 March 2021 and carry interest at 5.64%. The remaining preference shares in subsidiary undertakings are Euro denominated preference shares, totalling €652 million, carrying a coupon rate of EURIBOR + 4%, and with a maturity date of 29 July 2019. The A preference shares of US$150 million matured on 19 March 2018 and carried interest at 4.94%.

Interest rates on amounts owed by subsidiary operations:

	Non-current		Current	
	2019 £m	2018 £m	**2019 £m**	2018 £m
EURIBOR + 4%	**85.3**	158.2	**62.8**	24.7
EURIBOR + 2%	**11.8**	11.8	**–**	–
GBP LIBOR + 4%	**58.3**	–	**–**	–
GBP LIBOR + 5%	**140.0**	140.0	**–**	–
LIBOR + 4%	**–**	–	**51.4**	29.2
USD LIBOR + 4%	**5.8**	22.1	**–**	23.3
STIBOR + 4%	**–**	2.7	**7.2**	27.5
BBSW + 4%	**12.6**	2.9	**3.4**	0.5
NIBOR + 4%	**–**	–	**11.8**	–
4.5%	**–**	–	**100.8**	100.8
Interest free	**–**	–	**2,149.2**	1,948.6
	313.8	337.7	**2,386.6**	2,154.6

7. Trade and other payables

	2019 £m	2018 £m
Amounts due within one year		
Bank loans and overdrafts	**404.0**	314.8
Amounts due to subsidiary undertakings	**1,685.9**	1,490.4
Accruals and deferred income	**8.1**	7.9
	2,098.0	1,813.1
Amounts due after one year		
Bank loans and other borrowings	**1,285.1**	1,371.0
Other creditors	**0.4**	0.7
	1,285.5	1,371.7

The Company has £2,047.1 million (2018: £2,026.6 million) of committed borrowing facilities, of which £1,331.9 million (2018: £1,379.4 million) was drawn at the year end. The interest rate applying to bank loans is 2.4% (2018: 1.6%) and is linked to LIBOR, the Eurobond is at 1.8% (2018: 1.8%) whilst the interest rate applying to overdrafts is 1.6% (2018: 1.3%).

The amounts due to subsidiary undertakings are repayable on demand and £1,685.9 million (2018: £1,490.4 million) is interest free.

8. Other financial assets and liabilities

The notional principal amount of outstanding interest rate swap contracts at 31 March 2019 included interest rate swaps in relation to the US$500 million (2018: US$500 million) US$ to GBP cross-currency swap.

The fair values of the financial instruments are based on valuation techniques (level 2) using underlying market data and discounted cash flows.

The Company has taken advantage of the exemptions within FRS 101 not to disclose all IFRS 7 and IFRS 13 requirements, as it and its subsidiary undertakings are included by full consolidation in the Group accounts on pages 152 to 207.

9. Share capital

	Ordinary shares of 60p Number	Total £m
Allotted, issued and fully paid		
At 1 April 2018 and 31 March 2019	**505,596,597**	**303.4**
Allotted, issued and fully paid		
At 1 April 2017 and 31 March 2018	505,596,597	303.4

10. Contingent liabilities

(a) The Company has guaranteed or has joint and several liability for bank facilities with nil utilisation at 31 March 2019 (2018: nil) provided to certain Group companies.

(b) Throughout the Group, guarantees exist in respect of performance bonds and indemnities issued on behalf of Group companies by banks and insurance companies in the ordinary course of business. At 31 March 2019 these amounted to £255.4 million (2018: £252.8 million), of which the Company had counter-indemnified £215.8 million (2018: £184.4 million).

(c) The Company has given guarantees on behalf of Group companies in connection with the completion of contracts within specification.

11. Group entities

See note 36 of the Group financial statements for further details.

12. Post balance sheet events

The Directors have proposed a final dividend of 22.9p per 60p ordinary share (2018: 22.65p per 60p ordinary share) and it will be paid on 9 August 2019 to shareholders registered on 5 July 2019, subject to approval at the Annual General Meeting on 18 July 2019.

Shareholder information

Financial calendar

Financial year end	31 March 2019
2018/19 full year results announced	22 May 2019
Annual General Meeting	18 July 2019
Final dividend payment date (record date 5 July 2019)*	9 August 2019

* See also 'Results and dividends' on page 133.

Registered office and company number

33 Wigmore Street
London, W1U 1QX

Registered in England
Company number 2342138

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU
Email: enquiries@linkgroup.co.uk.

www.babcock-shares.com

Shareholdings can be managed by registering for the Share Portal at www.babcock-shares.com. Alternatively, shareholder enquiries relating to shareholding, dividend payments, change of address, loss of share certificate etc., can be addressed to Link Asset Services using their postal or email addresses given above.

Tel: 0871 664 0300
(Calls cost 12p per minute plus your phone company's access charge, from overseas – call +44 371 664 0300, calls outside the UK will be charged at the applicable international rate. Lines are open 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.)
www.babcock-shares.com.

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London, WC2N 6RH

Share dealing services

A simple and competitively priced service to buy and sell shares is provided by Link Asset Services. There is no need to pre-register and there are no complicated application forms to fill in.

For further information on this service, or to buy and sell shares, visit www.linksharedeal.com or call 0371 664 0445. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am and 4.30pm, Monday to Friday excluding public holidays in England and Wales.)

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested, Terms, conditions and risks apply. Link Asset Services is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

Dividend Reinvestment Plan

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you would prefer to receive shares for your next dividend instead of cash, please complete an application form online at www.babcock-shares.com or call Link Market Services Trustees Limited on +44 (0) 371 664 0381. (Calls are charged at standard geographic rate and vary by provider, calls outside the UK are charged at the applicable international rate. Lines are open from 9.00am to 5.30pm Monday to Friday.) Alternatively, email enquiries@linkgroup.co.uk.

ShareGift

If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations.

The relevant stock transfer form can be obtained from Link Asset Services. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information about ShareGift may be obtained on 020 7930 3737 or from www.ShareGift.org.

Five-year financial record

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Continuing revenue	**4,474.8**	4,659.6	4,547.1	4,158.4	3,996.6
Operating profit from continuing operations	**196.5**	370.6	359.6	352.5	352.3
Share of profit from joint ventures	**83.8**	68.5	56.7	34.6	29.4
Profit before interest from continuing operations	**280.3**	439.1	416.3	387.1	381.7
Net interest and similar charges	**(45.1)**	(48.0)	(54.2)	(57.0)	(68.6)
Profit before taxation from continuing operations	**235.2**	391.1	362.1	330.1	313.1
Income tax expense	**(35.4)**	(53.4)	(46.5)	(39.0)	(46.7)
Profit from continuing operations	**199.8**	337.7	315.6	291.1	266.4
Profit for the year	**199.8**	337.7	315.6	291.1	266.4
Non-controlling interest	**(0.4)**	(1.4)	(3.8)	(4.5)	(6.2)
Profit attributable to owners of parent	**199.4**	336.3	311.8	286.6	260.2
Non-current assets	**4,739.5**	4,750.3	4,866.5	4,551.8	4,499.1
Net current assets/(liabilities)	**(87.1)**	72.2	(239.9)	(245.7)	(221.4)
Non-current liabilities	**(1,767.5)**	(1,911.5)	(1,934.4)	(1,949.8)	(2,079.6)
Total net assets	**2,884.9**	2,911.0	2,692.2	2,356.3	2,198.1
Equity holders of the parent	**2,867.5**	2,892.9	2,669.8	2,338.5	2,180.1
Non-controlling interest	**17.4**	18.1	22.4	17.8	18.0
Total equity	**2,884.9**	2,911.0	2,692.2	2,356.3	2,198.1
Total earnings per share – basic	**39.8**	66.6p	61.8p	57.0p	52.9p
Dividend per share (proposed)	**30.0p**	29.5p	28.15p	25.8p	23.6p