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**Babcock Support Services Limited**

**Annual Report  
For the year ended 31 March 2020**

**Company Registration Number:  
SC099884**

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# **Babcock Support Services Limited**

## **Directors and advisors**

### **Current directors**

G Adams  
N Borrett  
K Garvey  
D Jones  
N Misell  
I Urquhart  
S Ward

### **Company Secretary**

Babcock Corporate Secretaries Limited

### **Registered office**

DWF LLP  
110 Queen Street  
Glasgow  
Scotland  
G1 3HD

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

# Babcock Support Services Limited

## Strategic report

The directors present their Strategic report on the Company for the year ended 31 March 2020.

### Principal activities

The Company operates across a number of support services contracts; facilities management, equipment support and training services to the armed forces. It further provides a range of logistic and equipment support services for the British Army and Royal Air Force. It helps customers maintain, operate and improve their estates. Typical customers are public sector organisations with complex infrastructure portfolios to service. The Company also sells employee services to other Group companies which attracts a margin on the employee costs.

### Review of the business

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Revenue	<b>48,371</b>	55,710
(Loss)/Profit for the financial year	<b>(1,745)</b>	844

Over the course of the year, the Company's core business activities continued to perform in line with expectations.

The year on year decline in revenue and profits is principally driven by the completion of a significant contract in the prior year and a reduction in margin in the main principle contract due to entering a phase of increased capital expenditure.

The directors consider the financial position of the Company to be satisfactory.

### Future development

Despite the uncertainty currently being experienced with regards to the ongoing coronavirus pandemic, the directors remain confident that the outlook remains positive in respect of the prospective opportunities for the Company.

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Babcock International Group (the "Group") level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risks and uncertainties affecting the Company are considered to be related to contractual performance and the political and regulatory environment. The Company's business is susceptible to individual contract performance. All of the Company's contracts are affected by changes in government policy, budget allocations and the changing political environment. The directors manage this risk by maintaining regular discussions with the relevant customers and controlling both direct and indirect expenditure as necessary.

## **Babcock Support Services Limited**

### **Strategic report** *(continued)*

#### **Principal risks and uncertainties** *(continued)*

Further discussion of these risks and uncertainties, in the context of the Group as a whole and including the expected impact of COVID-19 is provided on pages 80 to 92 of the annual report of Babcock International Group PLC, which does not form part of this report.

#### **Key performance indicators**

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Aviation, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 76 to 77 of the annual report of Babcock International Group PLC, which does not form part of this report.

#### **Going concern**

The financial statements have been prepared on the going concern basis as Babcock (UK) Holdings Limited intends to support the Company to ensure it can meet its obligations as they fall due. The directors have received confirmation that Babcock (UK) Holdings Limited intends to support the Company for at least one year after these financial statements were approved.

Further details regarding the adoption of the going concern basis can be found in the Summary of significant accounting policies in the financial statements.

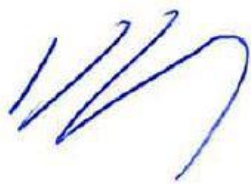
#### **Financial risk management**

Information on the Financial Risk Management of the Company can be found in the Directors' report.

#### **S172(1) statement and stakeholder engagement**

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the Shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 30 and 31 of the annual report of Babcock International group PLC, which does not form part of this report.

On behalf of the board



K Garvey  
**Director**

18 December 2020

## Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

## Results and dividends

The Company's results for the year are set out in the income statement on page 10 showing a loss for the financial year of £1,745,000 (2019: profit of £844,000). At 31 March 2020, the Company had net assets of £401,048,000 (2019: £392,176,000). A review of the Company's business during the year, together with information on the Company's risks and uncertainties are provided in the Strategic report.

No dividends were paid or proposed during the current or comparative year. The Directors have no plans for a final dividend (2019: nil).

## Future developments

Information on the future developments of the Company can be found in the Strategic report.

## Financial risk management

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

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the Board of Directors of Babcock International Group PLC are implemented by the Group and Company's finance departments. Each department has a policy and procedures manual that sets out specific guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

All treasury transactions are carried out only with prime rated counter-parties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 65 to 67 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

### *Price risk*

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

### *Credit risk*

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

### *Liquidity risk*

The Company retains access to pooled cash resources to ensure it has sufficient available funds for operations. The Company also has access to longer term funding from its ultimate parent undertaking if required.

## **Babcock Support Services Limited**

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

#### **Financial risk management** *(continued)*

##### *Interest rate cash flow risk*

The Company has both interest-bearing assets and interest-bearing liabilities. The interest-bearing assets earn interest at a floating rate. Interest-bearing liabilities accrue interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

#### **Directors**

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

G Adams	
N Borrett	
K Butler	resigned 30 April 2019
B Davey	resigned 13 June 2019
K Garvey	appointed 13 January 2020
R Hardy	resigned 31 March 2020
K Hayzen-Smith	resigned 13 January 2020
D Jones	
M Lawton	resigned 24 September 2020
N Misell	
I Urquhart	
S Ward	appointed 13 June 2019

#### **Employment of disabled persons**

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

#### **Employee involvement**

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

#### **Safety policy**

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

## **Babcock Support Services Limited**

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

#### **Environment**

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

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

#### **Statement of directors' responsibilities in respect of the financial statements**

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- notify the Company's shareholders in writing about the use of the disclosure exemptions, if any, of FRS 101 used in the preparation of these financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

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

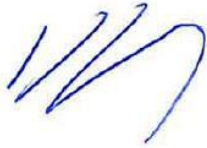
## **Babcock Support Services Limited**

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

#### **Statement of disclosure of information to auditors**

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

On behalf of the board



K Garvey

**Director**

18 December 2020



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

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

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### **Opinion**

In our opinion, Babcock Support Services Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 March 2020; the Income Statement, the Statement of Comprehensive Income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

### **Independence**

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

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### **Conclusions relating to going concern**

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

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

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

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

### *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

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

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Stuart Macdougall (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
18 December 2020

# Babcock Support Services Limited

## Income Statement

for the year ended 31 March 2020

		2020	2019
	Note	£'000	£'000
Revenue	4	48,371	55,710
Cost of sales		(47,748)	(52,979)
<b>Gross profit</b>		<b>623</b>	<b>2,731</b>
Administrative expenses		(2,535)	(2,341)
Impairment of investments		(783)	(519)
<b>Operating loss</b>	5	<b>(2,695)</b>	<b>(129)</b>
Income from shares in group undertakings	12	727	509
<b>(Loss)/profit before interest and taxation</b>		<b>(1,968)</b>	<b>380</b>
Finance income	6	2,263	2,346
Finance costs	6	(1,408)	(1,421)
Other finance costs – pension	22	(1,105)	(850)
<b>(Loss)/profit before income tax</b>		<b>(2,218)</b>	<b>455</b>
Income tax credit	9	473	389
<b>(Loss)/profit for the financial year</b>		<b>(1,745)</b>	<b>844</b>

The notes on pages 14 to 45 are an integral part of these financial statements.

## Babcock Support Services Limited

### Statement of Comprehensive Income

for the year ended 31 March 2020

		<b>2020</b>	2019
	<i>Note</i>	<b>£'000</b>	£'000
<b>(Loss)/profit for the financial year</b>		<b>(1,745)</b>	844
<b>Other comprehensive income/(expense):</b>			
Remeasurement of defined benefit obligation	22	<b>12,134</b>	(5,103)
Tax (credits)/charge on defined benefit obligation		<b>(1,518)</b>	818
<b>Other comprehensive income/(expense) for the year</b>		<b>10,616</b>	(4,285)
<b>Total comprehensive income/(expense) for the year</b>		<b>8,871</b>	(3,441)

The notes on pages 14 to 45 are an integral part of these financial statements.

# Babcock Support Services Limited

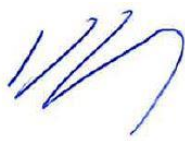
## Balance sheet

as at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Property, plant and equipment	10	105	146
Right-of-use asset	11	105	-
Investments in group undertakings	12	1,102	2,179
		<u>1,312</u>	<u>2,325</u>
<b>Current assets</b>			
Trade and other receivables	13	692,153	652,656
		<u>692,153</u>	<u>652,656</u>
<b>Current liabilities</b>			
Trade and other payables – amounts falling due within one year	14	(262,257)	(222,966)
Lease liabilities – amounts falling due within one year	16	(64)	0
		<u>(262,321)</u>	<u>(222,966)</u>
<b>Net current assets</b>			
		<u>429,832</u>	<u>429,690</u>
<b>Total assets less current liabilities</b>			
		<u>431,144</u>	<u>432,015</u>
Trade and other payables – amounts falling due after more than one year	15	(250)	(250)
Lease liabilities – amounts falling due after more than one year	16	(44)	-
Provisions for liabilities	17	-	(286)
Pension liabilities	22	(29,802)	(39,303)
<b>Net assets</b>		<u>401,048</u>	<u>392,176</u>
<b>Equity</b>			
Called up share capital	19	110	110
Share premium account		84,990	84,990
Retained earnings		315,948	307,076
<b>Total equity</b>		<u>401,048</u>	<u>392,176</u>

The notes on pages 14 to 45 are an integral part of these financial statements.

The financial statements on pages 10 to 45 were approved by the board of directors and signed on its behalf by:



K Garvey

Director

18 December 2020

## Babcock Support Services Limited

### Statement of changes in equity for the year ended 31 March 2020

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018	110	84,990	310,517	395,617
Profit for the financial year	-	-	844	844
Other comprehensive expense for the year	-	-	(4,285)	(4,285)
Total comprehensive expense for the year	-	-	(3,441)	(3,441)
Balance at 31 March 2019	110	84,990	307,076	392,176
Effects of adoption of IFRS 16 (net of tax)	-	-	1	1
Balance at 1 April 2019	110	84,990	307,077	392,177
Loss for the financial year	-	-	(1,745)	(1,745)
Other comprehensive income for the year	-	-	10,616	10,616
Total comprehensive income for the year	-	-	8,871	8,871
<b>Balance at 31 March 2020</b>	<b>110</b>	<b>84,990</b>	<b>315,948</b>	<b>401,048</b>

The notes on pages 14 to 45 are an integral part of these financial statements.

## Notes to the financial statements

### 1 General information

Babcock Support Services Limited is a private company limited by shares which is incorporated in the UK and registered in Scotland. The address of the registered office is DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The Company has adopted FRS 101 in these financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006. The financial statements are prepared in pounds sterling which is the functional and presentational currency of the Company and rounded to the nearest £'000.

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

The Company is a wholly owned subsidiary of Babcock Defence & Security Holdings LLP and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

#### ***Basis of preparation (continued)***

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

- a) IFRS 7, 'Financial Instruments: Disclosures'.
- b) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosures of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- c) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
  - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
  - paragraph 73(e) of IAS 16 Property, plant and equipment; and
  - paragraph 118(e) of IAS 38 Intangible assets (reconciliation between the carrying amount at the beginning and end of the period)
- d) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- e) IAS 7, 'Statement of cash flows'
- f) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- g) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- h) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- i) Paragraphs 130(f) (ii), 130(f) (iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets (disclosures when the recoverable amount is fair value less costs of the disposal, assumptions involved in estimating recoverable amounts of cash generating unit containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts)
- j) The requirements of paragraph 45(b) and paragraphs 46 to 52 of IFRS2 'Share-based payments'.

#### ***Going concern***

The financial statements have been prepared on a going concern basis as Babcock (UK) Holdings Limited intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Babcock (UK) Holdings Limited intends to support the Company for at least one year after the financial statements were authorised.



## **Babcock Support Services Limited**

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

#### ***Adoption of new and revised standards***

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued if it is not yet effective.

IFRS 16, 'Leases' has been adopted in the year (effective 1 January 2019) and replaces IAS 17 as the definitive accounting standard for the recognition, measurement and disclosure of leases. The Company has adopted the standard from 1 April 2019.

Under the new standard, the Company has now recognised almost all leases, where the Company is a lessee, on the balance sheet as the distinction between finance leases and operating leases has been removed. Both short-term leases and low-value leases are exempt from IFRS 16, and instead their lease payments continue to be recognised as expenses on a straight-line basis. The approach for lessors has remained largely unchanged.

The Company has adopted the simplified transition approach, with the right-of-use assets measured at the amount of the lease liability on the date of transition for all leases. The lease liability was calculated as the present value of the minimum lease payments on the date of transition. Comparative figures have not been 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

Right-of-use asset are held at cost less accumulated depreciation and impairment. Any impairments are determined in line with IAS 36, "Impairment of Assets". Depreciation is charged on a straight-line basis over the full length of the lease.

Lease liabilities decrease over time by the net of lease payments made and the interest accrued. Interest is charged to the income statement as the effect of discounting the future lease payments is unwound.

#### ***Revenue***

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of business. Revenue is recognised in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

##### **(a) Performance obligations**

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. 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 goods and services provided by the Company can result in contracts with one performance obligation.

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

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

**Revenue** *(continued)*

(b) Allocation of contract price to performance obligations

The contract price represents the amount of consideration which the Company expects to receive in exchange for delivering the promised goods or services to the customer. Variable consideration is included in the contract price on the most likely outcome basis but only to the extent that it is highly probable that it will not reverse in the future. Given the bespoke nature of many of the goods and services the Company provides, stand-alone selling prices are generally not available and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin, in accordance with the Group's pricing principles. The Company'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 Company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

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

Most of the Company'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 Company's performance as it performs or the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for work done.

Where the Company 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 Company 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 Company 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 Company.

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

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

#### Revenue *(continued)*

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 by suitably qualified and experienced Group personnel and the assessments of all significant contracts are subject to review and challenge by local management, sector management and Group management. Assessment of outcomes are in relation to separate performance obligations and include variable consideration, 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. Any expected loss on a contract is recognised immediately in the income statement.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

#### (d) Costs of obtaining a contract

Pre-contract costs are recognised as expenses as incurred, except that directly attributable costs are recognised as an asset and amortised over the life of the contract when it can be reliably expected that a contract will be obtained, typically at preferred bidder stage, and 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 and amortised 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.

#### **Contract accounting**

The Company has long term contracts where revenue and expenses are incurred over multiple financial periods. This requires estimates of revenue and expenses over multiple periods, considering various elements such as the frequency and extent of the number of employees, materials and other resources required to fulfil the contract terms, billing rates and cost changes. Revisions that affect a contract's total estimated profitability results in an adjustment of earnings. Where necessary, provisions are established for any probable future losses.

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

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

#### ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

#### ***Property, plant and equipment***

Property, plant and equipment (PPE) is shown at cost less subsequent depreciation and 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:

Plant and machinery	2 to 15 years
Leasehold property	Lease term

Where PPE is purchased for specific projects and the remaining project life is less than the above periods, the asset is written off over the remainder of the project life.

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.

#### ***Investments in group undertakings***

Investments are stated at cost less provision for impairment in value. Investments are impaired to the higher of net asset value or value in use.

#### ***Taxation***

##### *a) Current income tax*

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

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

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

#### **Taxation** *(continued)*

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

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

#### **Pensions costs and other post-retirement benefits**

The Company participates in two defined benefit schemes that shares risks between entities under common control. The defined benefit schemes define the 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.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension schemes are charged to the operating profit in the entities who participate in the scheme. 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.

The fair value of plan assets, are measured in accordance with FRS 101 fair value hierarchy and includes the use of appropriate valuation techniques.

The extent to which the Company recognises its share of the income statement charge, the assets and liabilities of the scheme, and the actuarial gain or loss is determined by the proportion of active members of the scheme that it employs.

The schemes' liability is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The Company participates in a defined contribution scheme. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement.

#### **Foreign currencies**

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### **Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

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

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

***Trade and other receivables***

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. IFRS 9 introduces an expected credit loss approach to impairment. The Company 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.

***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown net of cash balances within borrowings in current liabilities.

***Trade and other payables***

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

***Provisions for liabilities***

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

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

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

### 3 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 reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

#### a) *Defined benefit pension schemes*

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 22 for the disclosures of the defined benefit pension schemes.

#### b) *Contract accounting*

The Company uses the percentage of completion method of revenue recognition in some of its long term contracts. In these long term contracts revenue and expenses are incurred over multiple financial periods. This requires estimates of revenue and expenses over multiple periods, considering various elements such as the frequency and extent of the number of employees, materials and other resources required to fulfil the contract terms, billing rates and cost changes. Revisions that affect a contract's total estimated profitability results in an adjustment of earnings. Where necessary, provisions are established for any probable future losses.

#### c) *Deferred tax*

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements, with the following exceptions: Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

#### d) *Fixed asset investments*

The Company holds investments at the fair value of the assets, liabilities and contract intangible acquired being the consideration paid at the date of acquisition. Any provision for impairment is assessed by management on a regular basis considering the future economic inflows that management believe will be realised from the investment.

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 4 Revenue

Revenue is wholly attributable to the principal activities of the Company and is of United Kingdom origin and destination.

	<b>2020</b>	2019
	<b>£'000</b>	£'000
By revenue type:		
Sale of goods – transferred at a point in time	<b>382</b>	307
Provision of services – transferred over time	<b>3,647</b>	6,058
Provision of services – transferred at a point in time	<b>44,342</b>	49,345
	<b>48,371</b>	55,710

#### 5 Operating loss

Operating loss is stated after charging:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Depreciation – owner property, plant & equipment (Note 10)	41	194
Depreciation – right of use assets (Note 11)	96	-
Operating lease charges	-	940
Staff costs (Note 7)	17,073	19,879
Impairment of investments (Note 12)	783	519
<b>Services provided by the Company's auditors:</b>		
- Fees payable for the audit	33	25

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



# Babcock Support Services Limited

## Notes to the financial statements (continued)

### 6 Finance income and costs

	2020 £'000	2019 £'000
<b>Finance income</b>		
Other interest	299	439
Loan interest receivable from group undertakings	1,964	1,907
	<b>2,263</b>	<b>2,346</b>
<b>Finance costs</b>		
Bank interest	(338)	(378)
IFRS 16 interest	(7)	-
Loan interest payable to group undertakings	(1,063)	(1,043)
	<b>(1,408)</b>	<b>(1,421)</b>

### 7 Staff costs

The Company employs personnel directly. Particulars of these employees (including directors) are as shown below. Also, some of these employees' services are recharged to Babcock Marine Rosyth Limited. The average monthly number of persons recharged under this arrangement was 279 (2019: 301). The total cost included in the remuneration below was £14,171,856 (2019: £15,443,598).

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

	2020 Number	2019 Number
Production	280	289
Administration	51	68
	<b>331</b>	<b>357</b>

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	13,406	15,512
Social security costs	1,403	1,790
Other pension costs - defined contribution	925	638
Other pension costs - defined benefit	1,339	1,939
	<b>17,073</b>	<b>19,879</b>

## Notes to the financial statements (continued)

### 8 Directors' remuneration

Except for one director (2019: one), all of the directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the directors in relation to other Babcock Group companies.

The emoluments of the single and highest paid director, including pension contributions, paid by the Company in respect of services provided to this Company were as follows:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
The remuneration of the director paid by the Company:		
Emoluments (including benefits-in-kind)	<b>191</b>	199
Defined contribution pension scheme	<b>22</b>	21
	<b>213</b>	<b>220</b>

There are no retirement benefits under SIPS money purchase schemes accruing for any active directors (2019: none).

During the year, the single and highest paid director (2019: one) remunerated by Babcock Support Services Limited exercised share options under long term incentive plans and one (2019: one) director was entitled to receive share options under long term incentive plans.

# Babcock Support Services Limited

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

### 9 Income tax credit

Tax (credit) included in income statement	2020 £'000	2019 £'000
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(389)	(362)
Adjustment in respect of prior years	(10)	(16)
Impact of change in tax rate	(74)	(11)
<b>Total deferred tax credit (Note 18)</b>	<b>(473)</b>	<b>(389)</b>
<b>Income tax credit</b>	<b>(473)</b>	<b>(389)</b>
<b>Tax credit included in other comprehensive expense</b>		
<b>Deferred tax:</b>		
Tax impact of actuarial gains / losses on pension liability	2,305	(970)
Impact of change in tax rate	(787)	152
<b>Tax charge/(credit) in other comprehensive expense</b>	<b>1,518</b>	<b>(818)</b>

The difference between the total current year tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2020 £'000	2019 £'000
<b>(Loss)/Profit before income tax</b>	<b>(2,218)</b>	<b>455</b>
(Loss)/Profit before tax at the standard UK corporation tax rate of 19% (2019: 19%)	(421)	86
Effects of:		
Income not taxable	78	4
Group relief surrendered for nil consideration	(42)	(452)
Prior year adjustments	(4)	-
Adjustment in respect of deferred tax for prior years	(10)	(16)
Impact for change in UK tax rate	(74)	(11)
<b>Total tax credit for the year</b>	<b>(473)</b>	<b>(389)</b>

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 9 Income tax credit (continued)

In the UK 2019 Budget it was announced that the UK corporation tax rate would not reduce to 17% but would remain at 19% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 19% as this is the tax rate that will apply on reversal.

#### 10 Property, plant and equipment

	Leasehold property £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2019	1,390	812	2,202
<b>At 31 March 2020</b>	<b>1,390</b>	<b>812</b>	<b>2,202</b>
<b>Accumulated depreciation</b>			
At 1 April 2019	1,276	780	2,056
Charge for the year	32	9	41
<b>At 31 March 2020</b>	<b>1,308</b>	<b>789</b>	<b>2,097</b>
<b>Net book value</b>			
<b>At 31 March 2020</b>	<b>82</b>	<b>23</b>	<b>105</b>
At 31 March 2019	114	32	146

# Babcock Support Services Limited

## Notes to the financial statements (continued)

### 11 Right-of-use assets

	Property £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
Effect of adoption of IFRS 16 as at 1 April 2019	21	167	188
Additions	-	13	13
Terminations	(21)	(10)	(31)
<b>At 31 March 2020</b>	<b>-</b>	<b>170</b>	<b>170</b>
<b>Accumulated depreciation</b>			
Effect of adoption of IFRS 16 as at 1 April 2019	-	-	-
Charge for the year	(21)	(75)	(96)
Terminations	21	10	31
<b>At 31 March 2020</b>	<b>-</b>	<b>(65)</b>	<b>(65)</b>
<b>Net book value</b>			
<b>At 31 March 2020</b>	<b>-</b>	<b>105</b>	<b>105</b>

### 12 Investments in Group undertakings

	Total £'000
<b>Cost</b>	
At 1 April 2019	11,296
Disposals	(294)
<b>At 31 March 2020</b>	<b>11,002</b>
<b>Provision for impairment</b>	
At 1 April 2019	9,117
Impairment	783
<b>At 31 March 2020</b>	<b>9,900</b>
<b>Net book amount</b>	
<b>At 31 March 2020</b>	<b>1,102</b>
At 31 March 2019	2,179

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 12 Investments in Group undertakings (continued)

The directors consider that the carrying value of all investments in Group undertakings is supported by their underlying net assets.

During the year, the Company received dividends from Babcock DynCorp Limited of £433,000 (2019: £509,000).

During the year, impairment of £783,000 (2019: £519,000) arose and was charged to the income statement. The impairment related to the investments held in Babcock DynCorp Limited in the prior year.

During the year, Air Power International Limited was dissolved and so the investment value of £294,000 has been disposed.

The Company's subsidiary undertakings, joint ventures and other group investments are:

<u>Company</u>	<u>% of equity shares owned</u>	<u>Country of Registration</u>	<u>Principal Activities</u>
Babcock DynCorp Limited <sub>2</sub>	56%	England and Wales	Defence Services
Debut Services (Contracts) Limited <sub>2</sub>	9%	England and Wales	Dormant
Debut Services (South West) Limited <sub>2</sub>	50%	England and Wales	Activities of construction holding companies
Debut Services Limited <sub>2</sub>	15%	England and Wales	Activities of construction holding companies
Peterhouse GmbH <sub>3</sub>	100%	Germany	Defence Services
Babcock Support Services GmbH <sub>3</sub>	100%	Germany	Defence services
Babcock Management 2019 Limited (previously Devenport Management Limited) <sub>1</sub>	100%	England and Wales	Dormant
Babcock Integration LLP <sub>1</sub>	100%	England and Wales	Holding company
iMAST Limited (previously Babcock Partners No 2010 Limited) <sub>1</sub>	100%	England and Wales	Dormant

#### Registered address

- 1 33 Wigmore Street, London, W1U 1QX
- 2 C/O Bovis Lend Lease Limited, 20 Triton Street, Regent's Place London, NW1 3BF
- 3 Berliner Platz 12, 41061, Mönchengladbach, Germany

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 13 Trade and other receivables

	2020 £'000	2019 £'000
Amounts recoverable on contracts	912	1,354
Trade receivables	589	999
Amounts owed by Group undertakings	553,633	520,227
UK Corporation tax recoverable	129,616	121,649
Deferred tax (Note 18)	6,272	7,317
Other receivables	1,058	367
Prepayments & accrued income	73	743
	<b>692,153</b>	<b>652,656</b>

Amounts owed by Group undertakings includes 3 (2019: 3) short term loans:

- A loan of £100,000,000 (2019: £100,000,000) is repayable on demand; bearing an interest rate of UK LIBOR monthly rate, plus one hundred basis points.
- A loan of £13,000,000 (2019: £13,000,000) is repayable on demand; bearing an interest rate of UK LIBOR six monthly rate, plus one hundred basis points.
- A loan of £5,000,000 (2019: £5,000,000) is repayable on demand; bearing an interest rate of 0.1%.

The remaining balance of £435,633,000 (2019: £402,227,000) is non-interest bearing.

Corporation tax recoverable represents the aggregate of tax payments made on behalf of other group companies, less the company's own tax charge, the balance of which is owed by other group undertakings and is recoverable on demand.

	Amounts due for contract work £'000	Accrued Income £'000	Total £'000
<b>At 1 April 2019</b>	1,354	131	<b>1,485</b>
Transfers from contract assets recognised at the beginning of the year to receivables	(470)	(131)	(601)
Increase due to work done not recognised in the income statement	28	29	57
<b>At 31 March 2020</b>	<b>912</b>	<b>29</b>	<b>941</b>

## Babcock Support Services Limited

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

#### 14 Trade and other payables – amounts falling due within one year

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Trade payables	<b>244</b>	505
Amounts owed to Group undertakings	<b>249,771</b>	197,727
Other taxation and social security	<b>96</b>	188
Bank overdraft	<b>4,782</b>	16,474
Other payables	<b>677</b>	1,182
Accruals and deferred income	<b>6,687</b>	6,890
	<b>262,257</b>	222,966

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 21).

Amounts owed to Group undertakings includes a short term loan of £21,300,000 (2019: £21,300,000); bearing an interest rate of UK LIBOR six monthly rate, plus four hundred basis points. The remaining balance of £228,471,000 (2019: £170,209,000) is non-interest bearing, unsecured and repayable on demand.

The bank overdraft is repayable on demand, unsecured and bears interest at 1% over base rate.

	<b>Contract cost accrual</b>	<b>Advance Payments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2019</b>	2,113	4,735	6,848
Revenue recognised that was included in contract liabilities at the beginning of the year	(424)	(1,663)	(2,087)
Increase due to cash received, excluding amounts recognised as revenue	14	-	14
Amounts accrued	-	1,879	1,879
<b>At 31 March 2020</b>	<b>1,703</b>	<b>4,951</b>	<b>6,654</b>



## Babcock Support Services Limited

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

#### 15 Trade and other payables – amounts falling due after more than one year

	2020 £'000	2019 £'000
Cumulative preference shares of £1 each - 250,000 (2019: 250,000)	250	250
	<u>250</u>	<u>250</u>

Cumulative preference shares of £250,000 were issued on 4<sup>th</sup> June 2010 at an issue price of £1.00 per share. 50,000 A preference shares, 50,000 B preference shares, 50,000 C preference shares, 50,000 D preference shares and 50,000 E preference shares all of £1.00 each. The preference shares and the ordinary shares shall not rank *pari passu* in relation to receiving any dividends or other similar distributions.

The holders of the A preference shares shall be entitled to be paid a dividend equal in amount to the amount of the loan principle (if any) repaid by Babcock (UK) Holdings Limited to the Company (infrastructure division) under the loan agreement between the Company (infrastructure division) and Babcock (UK) Holdings Limited entered into in March 2008 (the A Loan Agreement).

The holders of the B preference shares shall be entitled to be paid a dividend equal in amount to the amount of the loan principle (if any) repaid by Babcock (UK) Holdings Limited to the Company (defence division) under the loan agreement between the Company (defence division) and Babcock (UK) Holdings Limited entered into in March 2008 (the B Loan Agreement).

The holders of the C preference shares shall be entitled to be paid a dividend equal in amount to the amount of the loan principle (if any) repaid by Babcock (UK) Holdings Limited to the Company (infrastructure division) under the loan agreement between the Company (infrastructure division) and Babcock (UK) Holdings Limited entered into on 26 March 2009 (the C Loan Agreement).

The holders of the D preference shares shall be entitled to be paid a dividend equal in amount to the amount of the loan principle (if any) repaid by Babcock (UK) Holdings Limited to the Company (defence division) under the loan agreement between the Company (defence division) and Babcock (UK) Holdings Limited entered into on 24 February 2010 (the D Loan Agreement).

The holders of the E preference shares shall be entitled to be paid a dividend equal in amount to the amount of the loan principle (if any) repaid by Babcock (UK) Holdings Limited to the Company (infrastructure division) under the loan agreement between the Company (infrastructure division) and Babcock (UK) Holdings Limited entered into on 24 February 2010 (the E Loan Agreement).

For as long as any amount of loan principle remains to be repaid under any of the five Loan Agreements, no dividend or other distribution shall be paid or made to holders of the ordinary shares and during this period the Company shall not initiate any other action that will deplete the distributable reserves of the Company below £32,000,000. There are no further dividend rights beyond the payment of the loan principle as disclosed above.

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 16 Lease liabilities

The entity leases vehicles under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

Discounted future minimum lease payments are as follows:

	<b>2020</b> <b>£'000</b>
Within one year	<b>64</b>
In more than one year, but not more than five years	<b>44</b>
After five years	
Carrying value of liability	<u><b>108</b></u>

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.640%.

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.

	<b>Total</b> <b>£'000</b>
Operating lease commitments at 31 March 2019	<u>683</u>
Effect of discounting	(12)
Change in assessment of lease term	<u>(481)</u>
<b>IFRS 16 lease liability at 1 April 2019</b>	<u><b>190</b></u>

#### 17 Provisions for liabilities

	<b>Property and other provisions</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
At 1 April 2019	286	286
Utilised	-	-
Released	(286)	(286)
<b>At 31 March 2020</b>	<u><u>-</u></u>	<u><u>-</u></u>

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 17 Provisions for liabilities (continued)

##### Property and other provisions

The property and other provisions relate to the dilapidations provision for an office in Bristol, which was closed during the year.

#### 18 Deferred taxation

The major components of the deferred tax liabilities recorded asset are as follows:

	<b>Accelerated capital allowances</b>	<b>Retirement benefit obligations</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Deferred tax (assets)/liabilities</b>			
At 1 April 2019	(635)	(6,682)	(7,317)
Charged/(credited) to the income statement	26	(499)	(473)
Charged to other comprehensive income	-	1,518	1,518
At 31 March 2020	<b>(609)</b>	<b>(5,663)</b>	<b>(6,272)</b>

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities, other future taxable profits or through compensation from other Group companies for tax losses surrendered.

## Babcock Support Services Limited

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

#### 19 Called up share capital

	<b>Ordinary shares of £1 each £'000</b>
<b>Allotted, called up and fully paid</b>	
110,045 ordinary shares of £1 each (2019: 110,045)	110
<b>At 31 March 2020 &amp; 31 March 2019</b>	<b>110</b>

#### 20 Guarantees and financial commitments

##### a) Contingent liabilities

At the year-end date the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2019: £nil) provided to certain Group companies. In addition, the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2019: £nil).

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 21 Related party disclosures

The Company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which consolidated financial statements are publicly available.

Transactions entered into with parties who are not wholly owned subsidiaries of Babcock International Group PLC and trading balances outstanding at 31 March 2020 are as follows:

Related party	Sales to related party £'000	Dividends received £'000	Amounts owed by related party £'000
<i>Babcock DynCorp Limited</i>			
<b>2020</b>	-	<b>433</b>	-
2019	-	509	-
<i>Fixed Wing Training Limited</i>			
<b>2020</b>	<b>3,912</b>	-	<b>184</b>
2019	3,852	-	380

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

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

### 22 Pension commitments

The Company financial statements for pension costs in accordance with IAS 19R.

The Company contributes to a defined contribution scheme in the UK in respect of a number of its employees. The pension charge for the year includes contributions payable by the Company to these funds amounting to £76,000 (2019: £638,000). As at 31 March 2020, no contributions were payable to the funds (2019: £nil).

The Company is also a contributing employer to two defined benefit schemes, the Babcock International Group Pension Scheme (BIG) and the Rosyth Royal Dockyard Limited pension scheme (Rosyth). The Company is severally liable, along with the other participating employers for the assets and liabilities of the schemes. The allocation of the assets and liabilities of the schemes and which have been recognised in these financial statements are detailed in this note.

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

The key risks relate primarily to longevity, the expected inflation rate in the future which impacts on pension increases and indirectly salary increases and the discount rate used to value the liabilities. The schemes have mitigated some of these risks by taking out longevity swaps for approximately 54% of the obligations in respect of pensioners and their spouses, through a common investment committee have significantly hedged the interest rate and inflation risk through derivative instruments and introduced benefit changes impacting future service benefits which included capping of pensionable salaries, capping pension increases, increased normal retirement age in line with state pension ages and increased the level of member contributions.

The schemes are funded by payments to legally separate trustee-administered funds. The trustees of the schemes are required by law to act in the best interests of the schemes' members. In addition to determining future contribution requirements (with the agreement of the participating employers), the trustees are responsible for setting the schemes' investment strategy (subject to consultation). The schemes have an 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.

### **Babcock International Group Pension Scheme**

The IAS 19 valuation has been updated at 31 March 2020 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2016. The major assumptions used for the IAS 19 valuation were:

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 22 Pension commitments (continued)

	2020 %	2019 %
<b>Major assumptions</b>		
Rate of increase in salaries	2.0	2.3
Rate of increase in pension payment	2.6	3.0
Discount rate	2.4	2.4
Inflation	1.8	2.1

The expected total employer contributions to be made by participating employers to the scheme in 2020/21 are £24.6m. The future service rate is 51.1%. The above level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 4 years. Included in employer contributions of £24.6m (2019: £21.7m) is £12.5m (2019: £8.5m) of deficit recovery payments. The Company's share of this is allocated based on the percentage of active members of the scheme that it employs.

The mortality assumptions used were:

	2020 Years	2019 Years
Life expectancy from age 65 (male age 65)	22.1	21.7
Life expectancy from age 65 (male age 45)	22.7	22.7

The changes to the Babcock International Group PLC balance sheet at 31 March 2020 and the changes to the Babcock International Group PLC income statement for the year to 31 March 2020, if the assumptions were sensitised by the amounts below, would be:

	<b>Defined benefit obligations 2020 £'000</b>	Income statement 2020 £'000
<b>Initial assumptions</b>	<b>1,276,793</b>	<b>4,113</b>
Discount rate assumptions increased by 0.5%	(86,694)	(3,655)
Discount rate assumptions decreased by 0.5%	86,694	2,770
Inflation rate assumptions increased by 0.5%	51,838	1,745
Inflation rate assumptions decreased by 0.5%	(47,497)	(1,585)
Total life expectancy increased by half a year	29,494	787
Total life expectancy decreased by half a year	(29,494)	(787)
Salary increase assumptions increased by 0.5%	6,895	392
Salary increase assumptions decreased by 0.5%	(6,895)	(393)

The weighted average duration of cashflows (years) was 15 (2019: 16).

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 22 Pension commitments (continued)

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2020 were:

<b>Fair value of plan assets</b>	<b>2020</b>	2019
	<b>£'000</b>	£'000
Equities	<b>17,851</b>	444,412
Property	<b>136,091</b>	136,657
Absolute return and multi strategy funds	<b>87,564</b>	16,135
Bonds	<b>588,848</b>	326,937
Matching assets	<b>622,665</b>	544,834
<b>Scheme Assets</b>	<b>1,453,019</b>	1,468,976
Active position on longevity swaps	<b>(65,642)</b>	(60,111)
<b>Total assets</b>	<b>1,387,377</b>	1,408,865
Present market value of liabilities - funded	<b>(1,276,793)</b>	(1,359,140)
<b>Gross pension surplus</b>	<b>110,584</b>	49,725

All the assets of the scheme are quoted except for the longevity swaps.

The scheme does not invest directly in assets or shares of Babcock International Group PLC.

The longevity swaps have been valued, in 2020, in line with assumptions that are consistent with the requirements of IFRS 13.

<b>Analysis of amount charged to the income statement in Babcock International Group PLC</b>	<b>2020</b>	2019
	<b>£'000</b>	£'000
Current service cost	<b>6,693</b>	9,615
Incurring expenses	<b>1,970</b>	1,965
Past service cost	-	13,646
Settlement	-	221
Total included within operating profit	<b>8,663</b>	25,447
Net interest (income)	<b>(1,300)</b>	(1,524)
<b>Total charged to the income statement</b>	<b>7,363</b>	23,923

The amounts charged to the income statement in these financial statements, based on the Company's allocation of the total Babcock International Group Plc charge, included £nil for service cost (2019: £45,000), £nil for incurred expenses (2019: £3,000), £nil for past service cost (2019: nil), £nil for settlement (2019: nil), and net interest cost of £nil (2019: £nil).



## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 22 Pension commitments (continued)

	2020 £'000	2019 £'000
<b>Reconciliation of present value of scheme liabilities</b>		
At 1 April	1,359,140	1,380,628
Service cost	6,693	9,615
Incurred expenses	1,970	1,965
Interest on liabilities	31,602	34,972
Employee contributions	140	272
Actuarial loss / (gain) – demographics	6,350	(21,380)
Actuarial (gain) / loss – financial	(54,871)	47,464
Experience loss / (gain)	6,371	(3,181)
Benefits paid	(80,602)	(102,320)
Past service cost	-	13,646
Settlement	-	(2,541)
At 31 March	1,276,793	1,359,140

	2020 £'000	2019 £'000
<b>Analysis of amount included in Babcock International Group Plc statement of comprehensive income (“SOCl”)</b>		
Actuarial gain / (loss) recognised in the SOCl	56,807	(4,077)
Experience (loss) / gain	(6,371)	3,181
Other losses	(4,088)	(8,666)
	46,348	(9,562)

The actuarial loss recognised in the SOCl in these financial statements, based on the Company's allocation of the total Babcock International Group Plc movement, was £164,000 (2019: £88,000).

The equity investments and bonds are valued at bid price.

	2020 £'000	2019 £'000
<b>Reconciliation of present value of scheme assets in Babcock International Group Plc</b>		
At 1 April	1,468,976	1,490,978
Interest cost	34,345	37,789
Employee contributions	140	272
Employer contributions	21,874	23,011
Benefits paid	(80,602)	(102,320)
Settlement	-	(2,761)
Actuarial gain	8,286	22,007
At 31 March	1,453,019	1,468,976

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 22 Pension commitments (continued)

The surplus recognised in these financial statements, based on the Company's allocation of the total Babcock International Group PLC assets and liabilities for this scheme, was £nil (2019 surplus of £88,000).

#### Rosyth Pension scheme

The IAS 19 valuation has been updated at 31 March 2020 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2016. The major assumptions used for the IAS 19 valuation were:

	2020 %	2019 %
<b>Major assumptions</b>		
Rate of increase in salaries	2.0	2.3
Rate of increase in pension payment	2.8	3.3
Discount rate	2.4	2.4
Inflation	1.8	2.1

The expected total employer contributions to be made by participating employers to the scheme in 2020/21 are £26.9m. The future service rate is 20.0%. The above level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 4 years. Included in employer contributions of £26.9m (2019: £28.1m) is £17.5m (2019: £17.5m) of deficit recovery payments. The Company's share of this is allocated based on the percentage of active members of the scheme that it employs.

The mortality assumptions used were:

	2020 Years	2019 Years
Life expectancy from age 65 (male age 65)	19.8	19.7
Life expectancy from age 65 (male age 45)	20.9	20.7

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 22 Pension commitments (continued)

The changes to the Babcock International Group PLC balance sheet at 31 March 2020 and the changes to the Babcock International Group PLC income statement for the year to 31 March 2020, if the assumptions were sensitised by the amounts below, would be:

	<b>Defined benefit obligations 2020 £'000</b>	Income statement 2020 £'000
Initial assumptions	<b>904,973</b>	8,069
Discount rate assumptions increased by 0.5%	<b>(74,027)</b>	(2,185)
Discount rate assumptions decreased by 0.5%	<b>74,027</b>	1,435
Inflation rate assumptions increased by 0.5%	<b>64,525</b>	1,827
Inflation rate assumptions decreased by 0.5%	<b>(58,461)</b>	(1,705)
Total life expectancy increased by half a year	<b>19,638</b>	551
Total life expectancy decreased by half a year	<b>(19,638)</b>	(551)
Salary increase assumptions increased by 0.5%	<b>3,801</b>	139
Salary increase assumptions decreased by 0.5%	<b>(3,801)</b>	(139)

The weighted average duration of cashflows (years) is 18 (2019: 18).

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2020 were:

<b>Fair value of plan assets</b>	<b>2020 £'000</b>	2019 £'000
Equities	<b>5,798</b>	269,450
Property	<b>80,166</b>	62,218
Absolute return and multi strategy funds	<b>127,291</b>	43,008
Bonds	<b>226,278</b>	157,683
Matching assets	<b>411,251</b>	357,179
<b>Scheme Assets</b>	<b>850,784</b>	889,538
Active position on longevity swaps	<b>(57,566)</b>	(57,107)
<b>Total assets</b>	<b>793,218</b>	832,431
Present market value of liabilities - funded	<b>(904,973)</b>	(1,009,503)
<b>Gross pension deficit</b>	<b>(111,755)</b>	(177,072)

All the assets of the scheme are quoted except for the longevity swaps.

The scheme does not invest directly in assets or shares of Babcock International Group PLC.

## Babcock Support Services Limited

### Notes to the financial statements (continued)

#### 22 Pension commitments (continued)

The longevity swaps have been valued in line with assumptions that are consistent with the requirements of IFRS 13.

<b>Analysis of amount charged to the income statement in Babcock International Group PLC</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Current service cost	<b>5,480</b>	5,949
Past service cost	-	2,016
Incurred expenses	<b>535</b>	549
Total included within operating profit	<b>6,015</b>	8,514
Net interest cost	<b>4,144</b>	3,832
<b>Total charged to the income statement</b>	<b>10,159</b>	12,346

The amounts charged to the income statement included in these financial statements, based on the Company's allocation of the total Babcock International Group PLC charge, included £1,604,000 for service costs and incurred expenses (2019: £1,894,000) and net interest cost of £1,105,000 (2019: cost £851,000).

<b>Analysis of amount included in Babcock International Group PLC statement of comprehensive income ("SOCl")</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Actuarial (loss)/gain recognised in the SOCl	<b>65,781</b>	(44,823)
Experience gains	<b>(19,645)</b>	9,327
Other gains (losses)	<b>911</b>	10,951
	<b>47,047</b>	(24,545)

The actuarial gain recognised in the SOCl in these financial statements, based on the Company's allocation of the total Babcock International Group PLC movement, was £12,298,000 (2019: loss £3,511,000).

The equity investments and bonds are valued at bid price.

# Babcock Support Services Limited

## Notes to the financial statements (continued)

### 22 Pension commitments (continued)

	2020 £'000	2019 £'000
<b>Reconciliation of present value of scheme liabilities</b>		
At 1 April	<b>1,009,503</b>	1,019,307
Current Service cost	<b>5,480</b>	5,949
Incurred expenses	<b>535</b>	549
Interest on liabilities	<b>22,975</b>	25,786
Employee contributions	<b>6</b>	17
Actuarial (gain) / losses – demographics	<b>3,673</b>	290
Actuarial (gain) / losses – financial	<b>(69,454)</b>	44,533
Experience losses	<b>8,767</b>	23,950
Benefits paid	<b>(76,512)</b>	(112,894)
Past Service cost	<b>-</b>	2,016
At 31 March	<b>904,973</b>	1,009,503
	<b>2020 £'000</b>	2019 £'000
<b>Reconciliation of present value of scheme assets in Babcock International Group PLC</b>		
At 1 April	<b>889,538</b>	927,164
Interest on assets	<b>20,202</b>	23,665
Employer contributions	<b>28,428</b>	18,309
Employee contributions	<b>6</b>	17
Benefits paid	<b>(76,512)</b>	(112,894)
Actuarial gain / (loss)	<b>(10,878)</b>	33,277
At 31 March	<b>850,784</b>	889,538

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

**22 Pension commitments** *(continued)*

The deficit recognised in these financial statements, based on the Company's allocation of the total Babcock International Group PLC assets and liabilities for this scheme, was £29,802,000 (2019: deficit of £39,390,000).

**23 Ultimate parent undertaking**

The immediate parent undertaking is Babcock Defence & Security Holdings LLP, a limited liability partnership registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

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

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

**24 Subsequent Events**

There have been no subsequent events since 31 March 2020 in relation to these accounts.