Babcock Corporate Services Limited

Annual report and financial statements

for the year ended 31 March 2022

Registered number: 04415588

COMPANY INFORMATION

Directors	S Doherty I Connell N Borrett
Company secretary	Babcock Corporate Secretaries Limited
Registered Number	04415588
Registered office	33 Wigmore Street, London, W1U 1QX
Independent auditor	Deloitte LLP 1 New Street Square London EC4A 4HQ

CONTENTS

Strategic report for the year ended 31 March 2022

The Directors present their Strategic report on the Company for the year ended 31 March 2022.

Principal activities
The Company's principal activities continued to be provision of IT and Shared Services to fellow subsidiaries.

Business review

	2022	2021 Restated
	£'000	£'000
Revenue	**88,398**	88,304
(Loss)/Profit before tax for the financial year	**(7,479)**	1,031

During the year, the Company's core business activities continued to perform in line with expectations. In the current year an operating loss was made due to the impact of transferring six property leases, a license agreement and associated provisions from other Babcock Group subsidiaries, in addition an impairment charge was recognised in relation to two of the leases and an onerous contract provision was recognised, the charge to the income statement as a result was £3,996k. The change in treatment of the ERP system intangible asset resulted in a charge to the income statement of £3,456k. In the prior year a profit before tax was made of £1,031k due to the release of an intercompany debtor provision of £1,131k and other trading movements.

Principal risks and uncertainties
The Company's ultimate controlling parent is Babcock International Group Plc. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group Plc. The principal risks and uncertainties of Babcock International Group Plc are discussed in its Annual Report for the year ended 31 March 2022.

The Directors manage risk by meeting on a regular basis to discuss these risks.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 74 to 87 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments
Babcock Corporate Services Limited employs centrally led functional staff. The new Babcock International Group operating model is likely to impact the growth of the Company, as this model will increase central activity in support of the group. The activity of the Company, including the number of employees, is likely to increase as a result of the new operating model. Future growth is also expected to be driven by that of the Babcock group as a whole.

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

Strategic report for the year ended 31 March 2022

S172(1) Statement and Stakeholder engagement
This statement contains an overview of how the Directors have performed their duty to promote the success of the Company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most like promote the success of the company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

a) the likely consequences of any decision in the long term,
b) the interests of the company's employees,
c) the need to foster the company's business relationships with suppliers, customers and others,
d) the impact of the company's operations on the community and the environment,
e) the desirability of the company maintaining a reputation for high standards of business conduct, and
f) the need to act fairly as between members of the company.

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

Employees
Our success is led by our employees. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose.

These engagement activities form part of the Group-wide People Strategy as described on pages 19 and 63 – 66 of the annual report of Babcock International group PLC.

Business relationships
We are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations. We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs. We build and maintain long-term relationships with our customers to promote the future success of the Company.

To support our global business operations and strategy we require an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the Group-wide Procurement Strategy as described on pages 21 and 69 – 72 of the annual report of Babcock International group PLC.

The community and environment
Sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: to create a safe and secure world, together. We have done a lot in the past year to drive our sustainability programme across the Group, ensure progress towards our corporate commitments and deliver our five ESG priorities shown below.

1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040.
2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources.
3. We will ensure the safety and wellbeing of all our people.
4. We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies.
5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

Strategic report for the year ended 31 March 2022 *(continued)*

The community and environment *(continued)*
These activities form part of the Group-wide ESG Strategy as described on pages 54 – 75 of the annual report of Babcock International group PLC.

Maintaining a reputation for high standards of business conduct
To protect the Company and reduce risks, we have established a policy on how we should conduct business which is summarised in the form of the Babcock Code of Business Conduct.

Compliance with this policy is compulsory for our employees, business advisors and business partners (or, in the case of business advisors and partners, they must have equivalent standards and procedures in their own businesses). The policy is kept under review by the Group Company Secretary and General Counsel and on an annual basis the Board undertakes an annual ethics review, seeking assurance that the Group's Ethics policy is complied with.

This report was approved by the board on 13 September 2023 and signed on its behalf

I Connell

Director

Directors report for the year ended 31 March 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2022.

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

I Urquhart (resigned 31 May 2022)
S Parker (resigned 6 Apr 2023)
I Connell
S Doherty (appointed 31 May 2022)
N Borrett (appointed 15 December 2022)
K Goodman (resigned 31 May 2022)

The Board is not aware of any customer or supplier contract of significant value in relation to the Company in which any Director has, or has had, a material interest.

Going concern
The Company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic Report. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with it parents and fellow subsidiaries. The Company is in a net current liabilities position of £112,585k, but is not expected to settle the intercompany amounts due to parent and group undertakings until the Company has sufficient liquidity to do so and the Company has received confirmation from the other group companies these amounts are due to confirming this position. Additionally, the Company is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock Holdings Limited confirming this position. In completing this analysis, the Directors have considered the ability of Babcock Holdings Limited to provide such finance.

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial risk management
The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail with the annual report for Babcock International Group Plc.

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

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

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

Directors report for the year ended 31 March 2022

Research and development
The Company commits resources to research and development to the extent management considers reasonable for the evolution and development of the business.

Energy and carbon reporting
The Company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2022 of its ultimate parent, Babcock International Group Plc.

Engagement with suppliers and customers
Engagement with suppliers and customers has been considered in the Strategic Report on page 4.

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

Post balance sheet events
There have been no significant events affecting the Company since the year end.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Directors report for the year ended 31 March 2022

Appointment of auditors
At the 2022 Annual General meeting of Babcock International Group plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

This report was approved by the board on 13 September 2023 and signed on its behalf

I Connell

Director

Independent auditor's report to the members of Babcock Corporate Services Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Babcock Corporate Services Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in

Independent auditor's report to the members of Babcock Corporate Services Limited *(continued)*

Other information (continued)
the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists such as tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditor's report to the members of Babcock Corporate Services Limited *(continued)*

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
James Isherwood
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James Isherwood ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
13 September 2023

Income statement for the year ended 31 March 2022

	Note	2022 £'000	2021 Restated £'000
Revenue	4	**88,398**	88,304
Cost of revenue		**(97,296)**	(89,084)
Operating loss	5	**(8,898)**	(780)
Finance income	6	**2,580**	2,565
Finance costs	6	**(1,161)**	(754)
(Loss)/Profit before taxation		**(7,479)**	1,031
Income tax (charge)/benefit	9	**(3,679)**	1,928
(Loss)/Profit for the financial year		**(11,158)**	2,959

All of the above results derive from continuing operations.

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 17.

There have been no other comprehensive gains/losses during either the current or prior year other than as disclosed in the profit and loss account and therefore no separate statement of comprehensive income has been presented.

Balance sheet as at 31 March 2022

	Note	2022 £'000	2021 Restated £'000
Non-current assets			
Intangible assets	10	**51,625**	61,332
Property, plant and equipment	11	**10,354**	11,881
Right-of-use assets	12	**28,414**	1,535
Lease receivables	13	**2,346**	-
Trade and other receivables	14	**239,310**	239,894
Deferred tax assets	9	**-**	3,679
		332,049	318,321
Current assets			
Trade and other receivables	14	**36,802**	36,391
Lease receivables	13	**656**	-
Cash and cash equivalents		**10,134**	2,619
		47,592	39,010
Current Liabilities			
Lease liabilities	12	**(3,928)**	(324)
Trade and other payables	15	**(156,249)**	(156,631)
Net current liabilities		**(112,585)**	(117,945)
Total assets less current liabilities		**219,464**	200,376
Lease liabilities	12	**(28,811)**	(1,238)
Provision for liabilities	16	**(2,799)**	(126)
Net assets		**187,854**	199,012
Equity			
Called up share capital	18	**181,369**	181,369
Share premium account		**14,510**	14,510
Retained earnings		**(8,025)**	3,133
Total shareholders' funds		**187,854**	199,012

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 17.

The notes on pages 15 to 33 are an integral part of these financial statements.

The financial statements on pages 12 to 33 were approved on 13 September 2023 by the board of directors and signed on its behalf by:

I Connell
Director

Statement of changes in equity as at 31 March 2022

	Note	Called up share capital £'000	Share premium account £'000	Retained earnings Restated £'000	Total share-holders' funds Restated £'000
Balance at 1 April 2020 restated		**181,369**	**14,510**	**174**	**196,053**
Profit for the year		-	-	2,959	2,959
Balance at 31 March 2021 restated		**181,369**	**14,510**	**3,133**	**199,012**
Loss for the year		-	-	(11,158)	(11,158)
Balance at 31 March 2022		**181,369**	**14,510**	**(8,025)**	**187,854**

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 17.

Notes to the financial statements

1 General information

Babcock Corporate Services Limited is a private company which is incorporated and domiciled in the UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

2 Summary of significant accounting policies

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

Basis of preparation

These financial statements have been 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 applicable law, the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework (FRS 101)'. The presentation currency of these financial statements is sterling and all amounts have been rounded to the nearest £'000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements in accordance with the international accounting standards in conformity with the requirements of Companies Act 2006 as applicable to companies under FRS 101.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken:

a) IFRS 7, 'Financial instruments: Disclosures'.
b) 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).
c) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
d) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 58, 90, 91 and 93 of IFRS 16 Leases.
e) 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).
f) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
g) IAS 7, 'Statement of cash flows'
h) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'.
i) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation.

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

j) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
k) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Adoption of new and revised standards

The following standards and amendments to IFRSs became effective for the annual reporting period beginning on 1 April 2021 and did not have a material impact on the consolidated financial statements:

- The IFRS Interpretations Committee (IFRIC) published an agenda decision in April 2021 which clarified how a customer should account for the costs of configuring or customising the supplier's application software in a software-as-a-service arrangement. As a result of this decision the Company has revised its accounting policy and will not capitalise costs associated with software-as-a-service arrangements where it does not control the underlying software and will no longer capitalise configuration or customisation costs associated with software-as-a-Service arrangements unless those costs result in the creation of an asset controlled by the Company. Where amounts are paid to a software-as-a-service supplier for implementation services and those services are determined not to be distinct from the underlying software-as-a-service arrangement, a prepayment asset is initially recognised then amortised to expense as the services are received. This policy has been retrospectively applied and all costs capitalised in relation to software-as-a-service arrangements have been reviewed. This has not had a material impact on the consolidated financial statements. The Company will continue to apply this accounting policy to new software-as-a-service arrangements as we continue to upgrade and standardise our IT environment. As this policy requires costs to be expensed as incurred, this may lead to a higher up-front charge to the income statement in future years but will not impact on the Company's cash flows.
- Interest Rate Benchmark Reform, Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic Report. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with it parents and fellow subsidiaries. The Company is in a net current liabilities position of £112,585k, but is not expected to settle the intercompany amounts due to parent and group undertakings until the Company has sufficient liquidity to do so and the Company has received confirmation from the other group companies these amounts are due to confirming this position. Additionally, the Company is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock Holdings Limited confirming this position. In completing this analysis, the Directors have considered the ability of Babcock Holdings Limited to provide such finance.

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements (continued)

2 Summary of significant accounting policies *(continued)*

Revenue
Recharges to fellow subsidiary undertakings represent charges for corporate services provided to fellow Babcock International Group plc subsidiary companies.

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

a) 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.

b) Computer software
Computer software 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 lives of between three and five years.

The Company is implementing an ERP system on behalf of Babcock International Group PLC in phases over several years. The costs are held as Assets Under Construction until the date the asset is available for use. This occurs once the implementation has been completed for each respective phase. It is then transferred to assets in use and amortised over its useful life of 10 years.

Property, plant and equipment
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 property, plant and equipment over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Leasehold property	Lease term
Plant and equipment	6.6% to 33.3%

Property, plant and equipment 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.

Provisions
A provision is recognised in the statement of financial position 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.

Notes to the financial statements (continued)

2 Summary of significant accounting policies *(continued)*

Impairment of non-current assets
For all non-financial non-current assets (including acquired intangible assets, capitalised development costs, software assets, property, plant and equipment and right of use assets) the Company performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value-in-use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Company income statement.

Where an impairment loss on other non-financial non-current assets subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Goodwill impairments are not subsequently reversed.

Leases
The Company as lessee
For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the Company recognises a right of use asset and corresponding lease liability at commencement of the lease. The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on a number of factors including asset type, lease currency and lease term. Lease payments include fixed payments and variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date. The lease term reflects any extension or termination options that the Company is reasonably certain to exercise.

The lease liability is subsequently measured at amortised cost using the effective interest rate method, with interest on the lease liability being recognised as a finance expense in the income statement. The lease liability is remeasured, with a corresponding adjustment to the right of use asset, if there is a change in future lease payments, for example resulting from a rent review, change in a rate/index or change in the Company's assessment of whether it is reasonably certain to exercise an extension, termination or purchase option.

The right of use asset is initially recorded at cost, being equal to the lease liability, adjusted for any initial direct costs, lease payments made prior to commencement date, lease incentives received and any dilapidation costs. Depreciation of right of use assets is recognised as an expense in the income statement on a straight-line basis over the shorter of the asset's useful life or expected term of the lease.

Right of use assets arising from sale and leaseback transactions are measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Gains arising on sale and leaseback transactions are recognised to the extent that they relate to the rights transferred to the buyer-lessor whilst losses arising on sale and leaseback transactions are recognised in full.

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, with the impairment expense being recognised in the income statement. Where a lease is terminated early, any termination fees or gain or loss relating to the release of right of use asset and lease obligation are recognised as a gain or loss through the income statement.

Payments in respect of short-term leases not exceeding 12 months in duration or low-value leases are expensed straight line to the income statement as permitted by IFRS 16, 'Leases'.

The Company as lessor
As a lessor, the Company classifies lessor arrangements as finance or operating leases. Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. All lessor arrangements in the Company meet the criteria for a finance lease.

Notes to the financial statements (continued)

2 Summary of significant accounting policies *(continued)*

Leases (continued)
Amounts due from lessees under a finance lease are held on the statement of financial position as a financial asset at an amount equal to the Company's net investment in the lease. The finance lease payments received are 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.

Contingent liabilities
A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur or the value of such outflow cannot be measured reliably. The Company does not recognise contingent liabilities. See note 18 for details of contingent liabilities.

Cash and cash equivalents
Company cash and cash equivalents consist of cash at bank and cash in hand, together with short-term deposits with an original maturity of three months or less and money market funds.

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 reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 reporting 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 tax assets are recognised where deferred tax liabilities exist and are expected to reverse in the same period as the deferred tax asset or in periods into which a loss arising from a deferred tax asset can be carried forward or back. In the absence of sufficient deferred tax liabilities, deferred tax assets are recognised where it is probable that there will be future taxable profits from other sources against which a loss arising from the deferred tax asset can be offset. In assessing the availability of future profits, the Company uses profit forecasts consistent with those used for goodwill impairment testing. Profits forecast beyond the Company's five-year budget cycle are risk-weighted to reflect commercial uncertainties.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

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.

Notes to the financial statements (continued)

2 Summary of significant accounting policies *(continued)*

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.

Finance income
Finance income is recognised in the period to which it relates using the effective interest rate method.

Employee benefits
a) Pension obligations

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.

b) 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
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 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Trade receivables, contract assets and lease receivables include a provision for expected credit losses. The Company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. For all other financial assets carried at amortised cost, including loans to joint ventures and associates and other debtors, the Company measures the provision at an amount equal to 12-month expected credit losses.

Trade creditors, amounts due to related parties, other creditors, accruals and bank loans and overdrafts are classified as financial liabilities held at amortised cost.

Fair value measurement
The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the year-end date. Fair value measurements are used on a recurring basis except where used in the acquisition of assets and liabilities through a business combination.

There have been no changes to the valuation techniques used during the year.

3 Critical accounting estimates and judgements

There are no critical accounting estimates and judgements in relation to these financial statements.

Notes to the financial statements (continued)

4 Revenue

Revenue is wholly attributable to the principal activities of the Company and arises as follows:

	2022 £'000	2021 £'000
By area of activity:		
Rendering of IT and other services	**88,398**	88,304
	88,398	88,304

	2022 £'000	2021 £'000
By geographical area:		
United Kingdom	**82,047**	82,620
Europe	**3,683**	3,725
Australasia	**2,434**	1,920
Canada	**18**	39
Africa	**216**	-
	88,398	88,304

5 Operating loss

Operating loss is stated after charging:

	2022 £'000	2021 Restated £'000
Depreciation of tangible fixed assets (Note 11)	**5,751**	5,825
Amortisation of intangible assets (Note 10)	**11,797**	12,048
Rent charges from group undertakings	**658**	485

Auditors' remuneration of £30,000 (2021: £12,000) has been borne by Babcock Holdings Limited. No non-audit services were provided in relation to this entity.

Fees paid to the Company's auditors, Deloitte LLP, and its associates (2022), PricewaterhouseCoopers LLP and its associates (2021), 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.

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 17.

Notes to the financial statements (continued)

6 Finance income and costs

	2022 £'000	2021 £'000
Finance income:		
Bank interest income	-	2
Loan interest receivable from group undertakings	**2,580**	2,563
	2,580	2,565
Finance costs:		
Bank interest	**7**	48
Lease interest	**469**	64
Loan interest payable to group undertakings	**670**	627
Exchange loss	**15**	15
	1,161	754

7 Staff costs

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

	2022 Number	2021 Number
By activity:		
Operations		
Management and administration	**517**	536

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	**22,441**	24,391
Social security costs	**2,800**	2,613
Pension costs – defined contribution plans (note 21)	**2,390**	2,304
	27,631	29,308

At the year end, the company had pension costs of £nil (2021: £nil) in respect of the defined benefit schemes and £2,390,000 (2021: £2,304,000) in respect of the defined contribution scheme.

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These costs are subsequently recharged to those business entities.

Notes to the financial statements (continued)

8 Directors' emoluments

The emoluments of the Directors, including pension contributions, paid in respect of services provided to the Company were as follows:

The emoluments of the directors which was paid by the Company was as follows:	**2022 £'000**	2021 £'000
Remuneration (including benefits in-kind)	-	67
Defined contribution pension scheme	-	8
	-	75

No directors received remuneration from the company (2021: 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.

9 Tax

Income tax expense

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 Restated £'000
Analysis of tax expense/(benefit) in the year		
Current tax		
• UK current year expense/(benefit)	-	-
	-	-
Deferred tax		
• Origination and reversal of timing differences	**3,774**	144
• Adjustment in respect of prior years	**(95)**	(2,072)
• Impact of changes in tax rates	-	-
Total income tax benefit	**3,679**	(1,928)

The increase in the UK rate of corporation tax to 25% with effect from 1 April 2023 was substantively enacted during the period, therefore all closing deferred tax balances have been restated at 25%.

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 17.

Notes to the financial statements (continued)

9 Tax *(continued)*

Income tax expense *(continued)*

The differences are explained below:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 Restated £'000
(Loss) / Profit before tax	**(7,478)**	1,031
(Loss) / Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	**(1,421)**	196
Effects of:		
Deferred tax asset not recognised	**3,729**	-
Group relief claimed for nil consideration	**1,466**	(52)
Prior year adjustments	**(95)**	(2,072)
Impact of change in UK tax rate	**-**	-
Total income tax expense/(benefit)	**3,679**	(1,928)

Deferred tax

Deferred tax assets and deferred tax liabilities have been offset if, and only if, there is a legally enforceable right in that jurisdiction to set off corporation tax assets and corporation tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same Taxation Authorities:

	31 March 2022 £'000	31 March 2021 restated £'000
Deferred tax asset	**-**	3,679
	-	3,679

Deferred tax *(continued)*

The movements in deferred tax assets and liabilities during the year are shown below.

	Tangible assets £'000	**Total £'000**
At 1 April 2021 Restated	3,679	3,679
Income statement charge	(3,679)	(3,679)
At 31 March 2022	**-**	**-**
At 1 April 2020	1,751	1,751
Income statement credit	1,928	1,928
At 31 March 2021 Restated	**3,679**	**3,679**

Deferred tax assets have been recognised in the prior year in respect of accelerated capital allowances.

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 17.

Notes to the financial statements (continued)

10 Intangible assets

	Assets in the course of construction £'000	Software £'000	Total £'000
Cost			
At 1 April 2021 restated *	1,658	118,867	120,525
Additions	952	1,536	2,488
Reclassification from Assets in the course of construction	(1,105)	1,105	-
Reclassification from Property, Plant & Equipment	-	1,119	1,119
SAAS Adjustment	-	(2,427)	(2,427)
At 31 March 2022	**1,505**	**120,200**	**121,705**
Accumulated amortisation and impairment			
At 1 April 2021 restated *	-	59,193	59,193
Charge for the year	-	11,797	11,797
SAAS Adjustment	-	(910)	(910)
At 31 March 2022	**-**	**70,080**	**70,080**
Net book value			
At 31 March 2022	**1,505**	**50,120**	**51,625**
Cost			
At 1 April 2020 as previously stated	-	108,359	108,359
Reclassification of Assets in the course of construction	4,290	(4,290)	-
At 1 April 2020 restated *	**4,290**	**104,069**	**108,359**
Additions *	1,240	10,926	12,166
Reclassification (restated) *	(3,872)	3,872	-
At 31 March 2021 restated	**1,658**	**118,867**	**120,525**
Accumulated amortisation and impairment			
At 1 April 2020 restated	-	47,145	47,145
Impairment **	-	-	-
Charge for the year **	-	12,048	12,048
At 31 March 2021 restated	**-**	**59,193**	**59,193**
Net Book Value at 31 March 2021 restated	**1,658**	**59,674**	**61,332**

Software includes software licenses acquired plus the costs incurred in bringing the software in to use and is shown at cost less accumulated amortisation and is amortised over its expected useful life of between three and ten years.

Intangible assets amortisation is recorded in cost of revenue in the income statement.

* In the year ended 31 March 2022 it was identified that assets in the course of construction were incorrectly classified as software. At 31 March 2021 there is an reduction to intangible assets in the course of construction of £3,872k and an increase to software of £3,872k as software was brought in to use. At 1 April 2020 there is an increase to intangible assets in the course of construction of £4,290k and a decrease to software of £4,290K.

** In the prior years, the ERP system and associated hardware PPE assets were brought in to use based on implementation waves. Additionally, there was an impairment charge booked in the year end 31 March 2021 in relation to the ERP System of £9,962k based on a decision to not proceed with a number of implementations. Management have reassessed the treatment and now consider that the asset in its entirety was available for use in December 2017 and thus amortisation should have commenced at that date. Please see note 17 for additional information.

Notes to the financial statements (continued)

11 Property, plant and equipment

	Assets in the course of construction £'000	Property, Plant & Equipment £'000	Total £'000 £'000
Cost			
At 1 April 2021	946	51,251	52,197
Additions	2,327	3,016	5,343
Reclassification	(898)	898	-
Reclassification to Intangible assets	-	(1,119)	(1,119)
At 31 March 2022	**2,375**	**54,046**	**56,421**
Accumulated depreciation			
At 1 April 2021	-	40,316	40,316
Charge for the year	-	5,751	5,751
At 31 March 2022	**-**	**46,067**	**46,067**
Net book value			
At 31 March 2022	**2,375**	**7,979**	**10,354**
Cost			
At April 2020 as previously stated	-	45,661	45,661
Reclassification of AUC	337	(337)	-
At April 2020 restated	**337**	**45,324**	**45,661**
Additions	941	5,595	6,536
Reclassification	(332)	332	-
At 31 March 2021	**946**	**51,251**	**52,197**
Accumulated depreciation			
At 1 April 2020	-	34,491	34,491
Charge for the year	-	5,825	5,825
At 31 March 2021	**-**	**40,316**	**40,316**
Net Book Value at 31 March 2021	**946**	**10,935**	**11,881**

Depreciation is recorded in cost of revenue in the income statement.

In the year ended 31 March 2022 it was identified that assets in the course of construction were incorrectly classified as assets in use. At 31 March 2021 there is an decrease to assets in the course of construction of £332k and an increase to Property, Plant & Equipment of £332k as assets were brought in to use. At 31 March 2020 there is an increase to assets in the course of construction of £337k and a decrease to Property, Plant & Equipment of £337k.

Notes to the financial statements (continued)

12 Leases

Right-of-use assets

The Company leases land, buildings, vehicles and IT data centres under non-cancellable lease arrangements.

	Property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2021	1,751	117	1,868
Additions	29,476	-	29,476
At 31 March 2022	**31,227**	**117**	**31,344**
Accumulated depreciation			
At 1 April 2021	292	41	333
Impairment	834	-	834
Charge for the year	1,733	30	1,763
At 31 March 2022	**2,859**	**71**	**2,930**
Net book value			
At 31 March 2022	**28,368**	**46**	**28,414**
At 31 March 2021	1,459	76	1,535

Leases in relation to six properties were transferred from other Group subsidiaries during the year ended 31 March 2022.

Lease liabilities

	31 March 2022 £'000	31 March 2021 £'000
At 31 March 2021	**1,562**	-
Additions	**32,473**	1,863
Interest Charged	**469**	64
Payments	**(1,765)**	(365)
At 31 March 2022	**32,739**	1,562

Discounted future minimum lease payments are as follows:

	31 March 2022 £'000	31 March 2021 £'000
Within one year	**3,928**	324
In more than one year, but not more than five years	**13,739**	1,238
After five years	**15,072**	-
Carrying value of liability	**32,739**	1,562

Notes to the financial statements (continued)

13 Lease receivables

	31 March 2022 £'000	31 March 2021 £'000
Within one year	696	-
Greater than one year but less than two years	696	-
Greater than two years but less than three years	696	-
Greater than three years but less than four years	696	-
Greater than four years but less than five years	696	-
Greater than five years	117	-
Total undiscounted finance lease payments receivable	**3,597**	-
Impact of discounting	(595)	-
Finance lease receivable	**3,002**	-

There was no material impairment of lease receivables in the year ended 31 March 2022 (2021: £nil).

The lease receivable relates to the Bramley Vale property lease, transferred from Morrison Energy Services (Transmission Networks) Limited (formerly Babcock Networks Limited) during the year.

The Company has minimal residual risk for underlying assets to which it retains rights as the lease for which the Company acts as lessor is a finance lease and therefore the asset has been leased for a term equivalent to the asset's useful economic life.

14 Trade and other receivables

	31 March 2022 £'000	31 March 2021 Restated £'000
Amounts falling due after one year:		
Amounts due from group undertakings	**239,310**	239,894

	31 March 2022 £'000	31 March 2021 £'000
Amounts falling due within one year:		
Trade receivables	**172**	151
Amounts due from group undertakings	**22,229**	20,431
Prepayments and accrued income	**14,401**	15,809
	36,802	36,391

Amounts due from Group undertakings comprises the following:

- A loan of £227,467k (2021: £227,467k) is repayable on demand, the interest rate is one hundred and thirteen basis points.
- A loan totalling £6,500k (2021: £6,500k) is repayable on demand, with no interest charge.
- A loan totalling £2,485k (2021: £2,485k) is repayable on demand, with no interest charge.
- All other amounts due from group undertakings are repayable on demand with no interest charge.

Trade receivables are stated after provisions for impairment of £367k (2021: £367k).

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 17.

Notes to the financial statements (continued)

15 Trade and other payables

	31 March 2022 £'000	31 March 2021 £'000
Amounts falling due within one year:		
Bank overdraft	**704**	216
Trade payables	**8,219**	10,862
Accruals and deferred income	**5,984**	4,353
Amounts due to parent and group undertakings	**139,251**	138,146
UK corporation tax payable	**232**	232
Other taxation and social security	**761**	665
Other payables	**1,098**	2,157
	156,249	156,631

Amounts due to Group undertakings comprises the following:

- A loan of £15,000k (2021: £15,000k) is repayable on demand, the interest rate is Libor plus 400 basis points, payable every 6 months.
- All other amounts due from group undertakings are unsecured and repayable on demand.

The Company has access to the Babcock International Group PLC overdraft facility. Accruals of £4,025k (2021: £3,563k) are included within Accruals and deferred income

16 Provisions for liabilities

The company had the following provisions during the year:

	Property £'000	Contract £'000	Total £'000
At 1 April 2021	126	-	126
Additional provisions	796	1,809	2,605
Charged to the income statement	68	-	68
At 31 March 2022	**990**	**1,809**	**2,799**

Property provisions primarily relate to dilapidation costs expected to be utilised in line with the lease expiry dates in June 2023 and March 2027.

The contract provision relates to expected future losses in relation to an onerous contract with an expiry date of May 2027.

Notes to the financial statements (continued)

17 Prior year restatement

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

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

	2021 £'000	(i) ERP system and associated hardware PPE assets £'000	2021 Restated £'000
Revenue	88,304	-	88,304
Cost of revenue	(95,555)	6,471	(89,084)
		-	
Operating loss	**(7,251)**	**6,471**	**(780)**
Finance income	2,565	-	2,565
Finance costs	(754)	-	(754)
		-	
(Loss)/profit before taxation	**(5,440)**	**6,471**	**1,031**
Income tax benefit	2,152	(224)	1,928
(Loss)/profit for the financial year	**(3,288)**	**6,247**	**2,959**

i) **ERP system and associated hardware PPE assets**

In prior years, the ERP system and associated hardware PPE assets were brought in to use based on implementation waves. Additionally, there was an impairment charge booked in the year end 31 March 2021 in relation to the ERP System of £9,962k based on a decision to not proceed with a number of implementations. Management have reassessed the treatment and now consider that the asset in its entirety was available for use in December 2017 and thus amortisation should have commenced at that date. The revised treatment resulted in a review of the impairment assessment performed and has resulted in a reversal of the impairment charge as the assets were available for use in the location and condition intended by management, and therefore no impairment was required. The income statement, balance sheet and applicable note in the comparative period have been restated accordingly. The impact on the income statement for the year ended 31 March 2021 is a reversal of the impairment charge of £9,962k and an increase in amortisation of £3,491k.

Notes to the financial statements (continued)

17 Prior year restatement (continued)

31 March 2021 – Statement of financial position (extract)

	2021 £'000	(ii) Balance sheet re-classification £'000	(iii) ERP system intangible asset £'000	2021 Restated £'000
Non-current assets				
Intangible assets	61,411	-	(79)	61,332
Property, plant and equipment	12,228	-	(347)	11,881
Right-of-use assets	1,535	-	-	1,535
Trade and other receivables	-	239,894	-	239,894
Deferred tax assets	3,903	-	(224)	3,679
	79,077	**239,894**	**(650)**	**318,321**
Current assets				
Trade and other receivables	276,285	(239,894)	-	36,391
Cash and cash equivalents	2,619	-	-	2,619
	278,904	**(239,894)**	**-**	**39,010**
Current Liabilities				
Lease liabilities	(324)	-	-	(324)
Trade and other payables – amounts falling due within one year	(156,631)	-	-	(156,631)
Net current liabilities	**121,949**	**(239,894)**	**-**	**(117,945)**
Total assets less current liabilities	**201,026**	**-**	**(650)**	**200,376**
Lease liabilities	(1,238)	-	-	(1,238)
Provision for liabilities	(126)	-	-	(126)
Net assets	**199,662**	**-**	**(650)**	**199,012**
Equity				
Called up share capital	181,369	-	-	181,369
Share premium account	14,510	-	-	14,510
Retained earnings	3,783	-	(650)	3,133
Total shareholders' funds	**199,662**		**(650)**	**199,012**

(i) Balance sheet reclassification

In the prior year, amounts owed by fellow subsidiary undertakings were presented as falling due within one year and classified within current assets. Based on the underlying terms of the agreement and considering the fact that these assets are not expected to be settled within the next 12 months the classification has been reassessed, and the amounts owed by fellow subsidiary undertakings presented within non-current assets. The balance sheet and applicable note in the comparative period have been restated accordingly, resulting in a reclassification of receivables totalling £239,894k from current to non-current.

(ii) ERP system intangible asset

As stated in point (i) above, in the prior year, the accounting treatment in relation to the ERP System Intangible Asset has been corrected and the prior year financial statements have been restated accordingly. The impact at 1 April 2020 is an increase to accumulated amortisation of £6,657k. In the year ended 31 March 2021 this results in a reversal of the impairment charge of £9,962k and an increase to accumulated amortisation of £10,041k, giving a net decrease to intangible assets if £79k and a net decrease to Property, Plant & Equipment of £347k.

Notes to the financial statements (continued)

18 Share capital

	31 March 2022 £'000	31 March 2021 £'000
Allotted, called up and fully paid		
181,369,347 ordinary shares of £1 each (2021: 181,369,347)	**181,369**	181,369

19 Guarantees and financial commitments

a) Contingent liabilities

The Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with utilisation of £383.6m at 31 March 2022 (31 March 2021: £371.3m).

b) Capital commitments

At 31 March 2022 the Company had capital commitments of £nil (2021: £nil)

20 Related party disclosures

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

In the prior and current year the Company entered into transactions in the ordinary course of business with Ascent Flight Training (Management) Limited in which Babcock International Group PLC hold a 50% shareholding

Transactions entered into and trading balances outstanding at 31 March 2022 are as follows:

Related party	Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Ascent Flight Training (Management) Limited	15	-	-	-

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

Related party	Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Ascent Flight Training (Management) Limited	23	-	6	-

All dealings with related parties noted above arise in the normal course of business and are subject to normal terms and conditions.

Notes to the financial statements (continued)

21 Pension commitments

Pension costs for defined contribution schemes are as follows:

	31 March 2022	31 March 2021
	£'000	£'000
Defined contribution schemes	**2,390**	2,304

The Company accounts for pension costs in accordance with IAS 19. The Company contributes to a defined contribution scheme in the UK in respect of a number of its employees.

22 Immediate and ultimate parent undertakings

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

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

The Company Secretary
Babcock International Group PLC
33 Wigmore Street

London W1U 1QX