Babcock Corporate Services Limited

Annual report and financial statements

For the year ended 31 March 2021

Company registration number:

04415588

Directors and advisors

I Urquhart
S Parker
I Connell

Company Secretary

Babcock Corporate Secretaries Limited

Registered Office

33 Wigmore Street
London
W1U 1QX

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

Strategic report

The directors present their Strategic report on the Company for the year ended 31 March 2021.

Principal activities

The principal activity of the Company is to provide IT and related services to fellow subsidiaries.

Review of the business

	2021	2020
	£000	£000
Revenue	**88,304**	82,241
(Loss)/Profit for the financial year	**(3,288)**	1,804

During the year, the Company's core business activities continued to perform in line with expectations. Despite the increase in revenue, an operating loss has been made due to a £9,962k impairment of intangible assets in the year.

Financial Position

The company is in a net asset position of £199.7m (2020: £203.0m).

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 Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The impact of COVID-19 has been minimal on the company given the nature of the services provided by the Company to the Group and employees have been able to work remotely and continue to support the group's IT functions to an equivalent level.

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 84 to 95 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

There are no plans to alter significantly the business of the Company. Future growth is expected to be in line with 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.

S.172(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 58, 59, 79 and 114 to 116 of the annual report of Babcock International Group PLC, which does not form part of this report.

Strategic report *(continued)*

On behalf of the Board

I Urquhart

Director

25 November 2021

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2021.

Dividends

No dividend was paid during the year (2020: £nil). No final dividends are recommended.

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 credit risk, liquidity risk, interest rate risk and price 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.

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 47 to 49 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

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. The 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.

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.

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.

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 investments.

Directors

The directors who held office during the year and up to the date of signing (unless indicated otherwise) the Annual Report were as follows:

I Urquhart
F Martinelli (resigned 30 November 2020)
K Goodman (resigned 31 May 2021)
S Parker
I Connell

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.

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.

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.

Directors' report *(continued)*

Statement of engagement with customers, employees, suppliers and others in a business relationship with the Company

The Directors have regard to the need to foster the Company's business relationship with customers, employees, suppliers and others, and the effect of that regard, including on principal decisions taken by the Company during the financial year. Please refer to the Company's Section 172(1) statement in the Strategic Report.

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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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 also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Directors' report *(continued)*

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 2014 and remain in force.

Reappointment of independent auditors

PricewaterhouseCoopers LLP has now completed its final audit as external auditor. Deloitte LLP has been selected as the Company's external auditor for the financial year ending 31 March 2022 following shareholder approval at the Annual General Meeting of the Ultimate Parent, Babcock International Group PLC.

On behalf of the board

I Urquhart

Director

25 November 2021

Independent auditors' report to the members of Babcock Corporate Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2021 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 and financial statements (the "Annual Report"), which comprise: Statement of financial position as at 31 March 2021; Income statement, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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.

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

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

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.

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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.

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law and regulation and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to overstatement of profit through the use of journals or management bias in the recognition of accounting estimates, understatement of expenditure and inappropriate capitalisation of expenditure. Audit procedures performed by the engagement team included:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations and fraud.
- Challenged assumptions and judgements made by management in the recognition of accounting estimates, particularly in relation to accruals and provisions.
- Identified and tested a sample of journal entries, based on our risk assessment (relating to the potential overstatement of profit). As part of this testing we evaluated whether these entries were indicative of management error, bias or fraud.
- Tested the accuracy and completeness of a sample of year end accrued expenses and searched for unrecorded liabilities and tested a sample of additions to intangible and tangible assets.
- Incorporated elements of unpredictability into the audit procedures performed.
- Agreed the financial statement disclosures to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 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.

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

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 obtained 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.

Sasha Lewis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

28 November 2021

Income statement
for the year ended 31 March 2021

	Note	**2021 £000**	2020 £000
Revenue	4	**88,304**	82,241
Cost of sales		**(95,555)**	(82,271)
Loss before interest and taxation		**(7,251)**	(30)
Finance income	5	**2,565**	2,573
Finance costs	5	**(754)**	(775)
(Loss)/Profit before taxation	6	**(5,440)**	1,768
Income tax credit	9	**2,152**	36
(Loss)/Profit for the financial year		**(3,288)**	1,804

All of the above results derive from continuing operations.

Statement of comprehensive income
for the year ended 31 March 2021

	Note	**2021 £000**	2020 £000
(Loss)/Profit for the financial year		**(3,288)**	1,804
Other comprehensive expense:			
Items that will not be subsequently reclassified to income statement:			
Loss on remeasurement of net defined benefit obligation	21	**-**	(1,286)
Tax on net defined benefit obligation	9	**-**	244
Impact of change in UK tax rate	9	**-**	(16)
Total comprehensive expense for the financial year		**(3,288)**	746

Statement of financial position

as at 31 March 2021

	Note	2021 £000	2020 £000
Non-current assets			
Intangible assets	10	**61,411**	67,871
Tangible assets	11	**12,228**	11,410
Right of use asset	12	**1,535**	-
Amounts due from group undertakings	13	**-**	2,485
Deferred tax	14	**3,903**	1,751
		79,077	83,517
Current assets			
Trade and other receivables			
- Within one year	13	**276,285**	273,529
Cash and cash equivalents		**2,619**	1,960
		278,904	275,489
Current Liabilities			
Trade and other payables	15	**(156,631)**	(155,930)
Lease liabilities	16	**(324)**	-
		(156,955)	(155,930)
Net current assets		**121,949**	119,559
Total assets less current liabilities		**201,026**	203,076
Non-current liabilities			
Provisions for liabilities	17	**(126)**	(126)
Lease liabilities	16	**(1,238)**	-
		(1,364)	(126)
Net assets		**199,662**	202,950
Equity			
Called up share capital	18	**181,369**	181,369
Share premium account		**14,510**	14,510
Retained earnings		**3,783**	7,071
Total shareholders' funds		**199,662**	202,950

The notes on pages 16 to 37 are an integral part of these financial statements.

Statement of financial position (continued)

The financial statements on pages 12 to 37 were approved by the board of directors on 25 November 2021 and signed on its behalf by:

I Urquhart

Director

25 November 2021

Statement of changes in equity
for the year ended 31 March 2021

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1 April 2019	181,369	14,510	6,325	202,204
Profit for the financial year	-	-	1,804	1,804
Other comprehensive expense for the financial year	-	-	(1,058)	(1,058)
Total comprehensive income	-	-	746	746
Balance at 31 March 2020	**181,369**	**14,510**	**7,071**	**202,950**
Loss for the financial year	**-**	**-**	**(3,288)**	**(3,288)**
Total comprehensive expense	**-**	**-**	**(3,288)**	**(3,288)**
Balance at 31 March 2021	**181,369**	**14,510**	**3,783**	**199,662**

Notes to the financial statements

1 General information

Babcock Corporate Services Limited is a private company limited by shares which is incorporated and domiciled in England. The address of the registered office is 33 Wigmore Street, London W1U 1QX.

2 Summary of significant accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101. These financial statements are prepared on a going concern basis, under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest thousand.

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

The Company is a wholly owned subsidiary of Vosper Thornycroft (UK) Limited 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. .

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

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) 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)

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) Paragraphs 17 and 18(a) 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) 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.

Notes to the financial statements

2 Summary of significant accounting policies *(continued)*

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The impact of COVID-19 has been minimal on the Company given the nature of the services provided by the Company to the Group and the Company has continued to support the wider business throughout COVID-19 to the same extent as normal. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Revenue

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue recognised represents income derived from contracts with customers for the provision of 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.

Performance obligations

Contracts are assessed to identify each promise to transfer a service or a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract. The integrated output nature of many of the services provided by the Company can result in contracts with one performance obligation.

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 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 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.

Revenue and profit recognition

Performance obligations are satisfied, and revenue recognised, as control of 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.

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

Most of the company's revenue is recognised at a point in time due to the nature of the company's activities.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation.

Computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee cost and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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 ten years.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The Company is implementing an ERP system on behalf of Babcock International Group PLC in phases over several years. The costs are held as Asset 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

Notes to the financial statements

2 Summary of significant accounting policies *(continued)*

Tangible assets

Tangible fixed assets are 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 Tangible fixed assets over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Fixtures, fittings and equipment	6.6% to 33.3%

Tangible fixed assets are 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.

Trade receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Taxation

(a) Current income tax

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

(b) Deferred income tax

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

Notes to the financial statements

2 Summary of significant accounting policies *(continued)*

Taxation (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Pensions costs and other post-retirement benefits

The Company participates in a defined benefit scheme that shares risks between entities under common control. The defined benefit scheme defines 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 scheme are charged to 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 scheme's liability is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.
The Company also participates in a defined contribution scheme. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement.

Financial assets

Basic financial assets, including trade and other receivables, cash and cash equivalents and amounts owed by group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement
If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Notes to the financial statements

2 Summary of significant accounting policies *(continued)*

Financial assets (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, Bank loans and overdrafts and Amounts due to group undertakings that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Foreign currencies

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in ‘Pounds Sterling’ (£), which is also the company’s functional currency.

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.

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 restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

2 Summary of significant accounting policies *(continued)*

Provisions for liabilities (continued)

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Company incurring further costs. A provision for employee benefits is recognised when there is a realistic expectation of the liability.

Leases

For lessees there is no longer a distinction between finance or operating leases as all leases are now recognised on the balance sheet. When a lease commences, a lease liability is recognised that is equal to the present value of the minimum lease payments. A right-of-use asset is also recognised and is equal in value to the lease liability. This represents the right to use the leased asset for the full lease term.

Short-term leases and low-value leases are exempt from recognition on the balance sheet, and the payments are instead recognised on a straight-line basis in the income statement in the same way as they would have been under IAS 17. A lease is considered short-term if the total lease length is less than 12 months, and low-value if the underlying asset would cost less than £5,000 to buy new.

Right-of-use assets are depreciated over the total lease term. As the discounting is unwound, interest is charged in the income statement and increases the lease liabilities. When lease payments are made, the lease liabilities reduce. Therefore both right-of-use assets and lease liabilities have nil value at the end of the lease.

Lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate where the interest rate implicit in the lease is not available.

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 balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following estimates have had the most significant effect on amounts recognised in the financial statements.

Intangible assets

The Company is implementing an ERP system on behalf of the Babcock International Group PLC in phases over several years. The costs are held as an Asset Under Construction until the date the asset is available for use. This occurs once the implementation has been completed for each respective phase. This involves an element of judgement by management and is based on our understanding of the assets and relevant accounting policies. It is then transferred to assets in use and amortised over its useful life of 10 years. Management reassessed the implementation plan during the year ended 31 March 2021 and determined not to progress a number of previously planned implementations of the software. An impairment charge of £9,962k was recognised in relation to these implementations. See note 10 for the summary of intangible assets.

Notes to the financial statements

4 Revenue

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

	2021 £000	2020 £000
By area of activity:		
Rendering of IT services	**88,304**	82,241
	88,304	82,241

	2021 £000	2020 £000
By geographical area:		
United Kingdom	**82,620**	76,482
Europe	**3,725**	4,066
Australia	**1,920**	1,693
Canada	**39**	-
	88,304	82,241

5 Finance income and costs

	2021 £000	2020 £000
Finance income:		
Exchange (loss) / gain	**-**	**1**
Bank interest receivable	**2**	**2**
Loan interest receivable from group undertakings	**2,563**	**2,570**
	2,565	**2,573**
Finance costs:		
Bank interest	**48**	38
Exchange loss	**15**	10
Loan interest payable to group undertakings	**627**	727
Lease interest	**64**	-
	754	775

6 (Loss) / Profit before taxation

(Loss) / Profit before taxation is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	**5,718**	5,973
Amortisation of intangible assets	**8,664**	7,106
Impairment of intangible assets	**9,962**	-
Rent charges from group undertakings	**485**	496

Notes to the financial statements

6 (Loss) / Profit before taxation *(continued)*

Auditors' remuneration of £12,000 (2020: £12,000) has been borne by Babcock Holdings Ltd. No non-audit services were provide in relation to this entity.

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.

7 Staff costs

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

	2021 Number	2020 Number
By activity:		
Management and administration	**536**	480

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	**24,391**	19,672
Social security costs	**2,613**	2,116
Other pension costs (note 21)	**2,304**	2,068
	29,308	23,856

At the year end, the company had pension costs of £nil (2020: £nil) in respect of the defined benefit schemes and £2,304,000 (2020: £2,068,000) 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

8 Directors' remuneration

The emoluments of the directors, including pension contributions, paid by any company in respect of services provided to this Company from date of appointment were as follows:

	2021	2020
The remuneration of the directors which was paid by the Company was as follows:	**£000**	£000
Emoluments (including benefits in-kind)	**67**	158
Defined contribution pension scheme	**8**	16
	75	174

Only one director receives remuneration from the Company (2020: one) and therefore represents the highest paid director. This director also exercised share options under long term incentive plans in both the current and prior year.

All of the other directors 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 Income tax credit

Tax credit included in income statement

	2021 £000	2020 £000
Current tax:		
UK Corporation tax on profits for the year	**-**	-
Current tax charge for the year	**-**	-
Deferred tax:		
Origination and reversal of timing differences	**(1,658)**	40
Adjustment in respect of prior years	**(494)**	103
Impact of change in UK tax rate	**-**	(179)
Total deferred tax (credit) (note 14)	**(2,152)**	(36)
Tax (credit) on (loss) / profit	**(2,152)**	(36)

Notes to the financial statements

9 Income tax credit *(continued)*

Tax credit included in other comprehensive expense

	2021	2020
	£000	£000
Current tax	**-**	-
Deferred tax:		
- Impact of actuarial gains on pension liability	**-**	(244)
- Impact of change in tax rates	**-**	16
Tax credit included in other comprehensive expense (note 14)	**-**	(228)

Tax charge for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2021 of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£000	£000
(Loss) / Profit before taxation	**(5,440)**	1,768
(Loss) / Profit multiplied by standard UK corporation tax rate of 19% (2020: 19%)	**(1,034)**	336
Effects of:		
Expenses not deductible for tax purposes	**(215)**	288
Group relief claimed for nil consideration	**(409)**	(584)
Adjustment in respect of prior years	**(494)**	103
Impact of change in UK tax rate	**-**	(179)
Total tax (credit) for the year	**(2,152)**	(36)

In the UK 2020 budget, it was announced that the decrease in the UK rate of corporation tax from 19% to 17% was cancelled. On 24 May 2021, the Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. As the increase of the rate to 25% had not been substantively enacted at the Balance Sheet date, its effects are not included in these Financial Statements.

Notes to the financial statements

10 Intangible assets

	Software £000
Cost	
At 1 April 2020	108,359
Additions	12,166
At 31 March 2021	**120,525**
Accumulated amortisation and impairment	
At 1 April 2020	40,488
Amortisation for the year	8,664
Impairment	9,962
At 31 March 2021	**59,114**
Net book value	
At 31 March 2021	**61,411**
At 31 March 2020	67,871

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 ten years. Intangible assets amortisation is recorded in cost of sales in the income statement. During the year there was an impairment of £9,962k relating to ERP system implementation costs.

11 Tangible assets

	Fixtures, Fittings & Equipment £000
Cost	
At 1 April 2020	45,661
Additions	6,536
At 31 March 2021	**52,197**
Accumulated depreciation	
At 1 April 2020	34,251
Charge for the year	5,718
At 31 March 2021	**39,969**
Net book value	
At 31 March 2021	**12,228**
At 31 March 2020	11,410

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

Notes to the financial statements

12 Right of use assets

	Property	Plant and equipment	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 April 2020	-	-	**-**
Additions	1,751	117	**1,868**
At 31 March 2021	**1,751**	**117**	**1,868**
Accumulated depreciation			
At 1 April 2020	-	-	**-**
Charge for the year	292	41	**333**
At 31 March 2021	**292**	**41**	**333**
Net book value At 31 March 2021	**1,459**	**76**	**1,535**
At 31 March 2020	-	-	**-**

13 Trade and other receivables

	2021	2020
	£000	£000
Amounts falling due within one year:		
Trade receivables	**151**	67
Amounts owed by group undertakings	**260,325**	259,781
Prepayments and accrued income	**15,809**	13,681
	276,285	273,529
Amounts falling due after more than one year:		
Amounts owed by group undertakings	**-**	2,485

Amounts owed by group undertakings are unsecured.

There are three major loans (2020: three) to group companies:

- A loan of £227,467,000 (2020: £227,467,000) is repayable on demand and bears interest at a rate of one hundred and thirteen basis points.
- A loan totalling £6,500,000 (2020: £9,500,000) is repayable on demand, with no interest charge.
- A loan of £2,485,000 (2020: £2,485,000) is repayable on demand, with no interest charge.

Notes to the financial statements

13 Trade and other receivables *(continued)*

Other amounts owed by group undertakings are repayable on demand with no interest charge.

Amounts due from group undertakings are stated after provisions for impairment of £367,000 (2020: £1,498,000). Such provision has been made under the expected credit loss model.

14 Deferred tax

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

Deferred tax assets/ (liabilities)	Accelerated capital allowances £000	Pension £000	Other £000	Total £000
At 1 April 2019	1,620	(133)	-	1,487
- Credited / (Charged) to the income statement	131	(95)	-	36
- Credited to other comprehensive income	-	228	-	228
At 31 Mar 2020	**1,751**	**-**	**-**	**1,751**
- Credited / (charged) to the income statement	**2,152**	**-**	**-**	**2,152**
- Credited to other comprehensive income	**-**	**-**	**-**	**-**
At 31 March 2021	**3,903**	**-**	**-**	**3,903**

15 Trade and other payables

	2021 £000	2020 £000
Amounts falling due within one year:		
Bank overdraft	**216**	509
Trade creditors	**10,862**	14,516
Amounts owed to parent and group undertakings	**138,146**	129,327
Taxation and social security	**665**	602
UK corporation tax payable	**232**	232
Other payables	**2,157**	876
Accruals and deferred income	**4,353**	9,868
	156,631	155,930

Notes to the financial statements

15 Trade and other payables *(continued)*

With the exception of one group loan, amounts owed to parent and group undertakings are unsecured, interest free, and repayable on demand. Within the group loans is one loan (2020: one) of £15m (2020: £15m) which accrues interest at 6 month Libor plus 400 basis points, payable every six months. The loan is repayable on demand.

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 19(a)).

16 Lease liabilities

The entity leases floor space at its datacentre sites under a non-cancellable operating lease agreement. The entity also leases plant and machinery under non-cancellable operating leases.

Discounted future minimum lease payments are as follows:

	2021	2020
	£'000	£'000
Within one year	**324**	-
In more than one year, but not more than five years	**1,238**	-
After five years	**-**	-
Carrying value of liability	**1,562**	-

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.64%.

17 Provisions for liabilities

	Dilapidations provision £000
At 1 April 2019	126
Utilised in year	-
At 31 March 2020	**126**
Charged to the income statement	-
Released to the income statement	-
Utilised in the year	-
At 31 March 2021	**126**

Notes to the financial statements

17 Provisions for liabilities *(continued)*

Dilapidations provisions

Dilapidations provisions relate to commitments in respect of property rented from group undertakings. These are based on the assessment of future costs and are assessed with reference to past experience. Dilapidations provisions have not been discounted. The provisions are expected to be fully utilised during the year ending 31 March 2022.

18 Called Up Share capital

	2021	2020
	£000	£000
Allotted and fully paid		
181,369,347 ordinary shares of £1 each (2020: 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 facilities with nil utilization at 31 March 2021 (2020:nil) provided to certain Group companies.

b) Capital Commitments

At 31 March 2021 the Company had capital commitments of £nil (2020: £nil).

Notes to the financial statements

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 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	-

Transactions entered into and trading balances outstanding at 31 March 2020 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	22	-	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

21 Pension

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 as a member of the Babcock International Group Pension Scheme at a cost of £2,304,000 (2020: £2,068,000). The Company is also a contributing employer to a defined benefit scheme, the "Babcock International Group Pension Scheme (the 'BIG Pension Scheme'). The Company is severally liable, along with the other participating employers, for the assets and liabilities of the scheme. The allocation of the assets and liabilities of the scheme which have been recognised in these financial statements are detailed in this note.

The nature of the scheme is that the employees contribute to the scheme 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 in respect of pensioners and their spouses, through a common investment committee have significantly hedged the interest rate and inflation risk through derivative instruments; introduced benefit changes impacting future service benefits which included capping of pensionable salaries, capping pension increases, increasing normal retirement age in line with state pension ages; and increasing the level of member contributions.

The scheme is funded by payments to legally separate trustee-administered funds. The trustees of the scheme are required by law to act in the best interests of the scheme's 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 scheme has an independent trustee and member nominated trustees. The scheme is subject to regulation under the funding regime set out in Part III of the Pensions Act 2004.

In the last financial year, the Babcock International Group Pension scheme was closed to future accrual for some employees. These members moved from active, to active deferred members of the scheme, retaining a final salary link.

BIG Pension Scheme

The Company's share of the BIG pension scheme is allocated based on the percentage of active members of the scheme that it employs.

The IAS 19 valuation has been updated at 31 March 2021 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 2019. The major assumptions used for the IAS 19 valuation were:

Notes to the financial statements

21 Pension *(continued)*

Major assumptions	2021 %	2020 %
Rate of increase in salaries	**2.9**	2.0
Rate of increase in pension payment	**3.1**	2.6
Discount rate	**2.0**	2.4
Inflation	**2.7**	1.8

The expected total employer contributions to be made by participating employers to the scheme in 2020/21 are £33.5m. The future service rate is 51.1%. This level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 3 years. Included in employer contributions of £33.5m is £22.9m of deficit recovery payments.

The mortality assumptions used were:

	2021 Years	2020 Years
Life expectancy from age 65 (male age 65)	**22.1**	22.1
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 2021 and the changes to the Babcock International Group PLC income statement for the year to 31 March 2021, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2021 £000	Income statement 2021 £000
Initial assumptions	**1,421,689**	**8,841**
Discount rate assumptions increased by 0.5%	(96,533)	(3,265)
Discount rate assumptions decreased by 0.5%	96,533	2,289
Inflation rate assumptions increased by 0.5%	57,721	1,819
Inflation rate assumptions decreased by 0.5%	(52,887)	(1,648)
Total life expectancy increased by half a year	32,841	762
Total life expectancy decreased by half a year	(32,841)	(762)
Salary increase assumptions increased by 0.5%	7,677	455
Salary increase assumptions decreased by 0.5%	(7,677)	(455)

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

Notes to the financial statements

21 Pension *(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 2021 were:

Fair value of plan of assets	**2021 £’000**	2020 £’000
Equities	**(79)**	17,851
Property	**138,681**	136,091
Absolute return and multi strategy funds	**77,583**	87,564
Bonds	**724,997**	588,848
Matching assets	**551,788**	622,665
Scheme assets	**1,492,970**	1,453,019
Active position on longevity swaps	**(53,800)**	(65,642)
Total assets	**1,439,170**	1,387,377
Present market value of liabilities - funded	**(1,421,689)**	(1,276,793)
Net pension surplus	**17,481**	110,584

The Babcock Corporate Services Limited net pension asset of £nil (2020: £nil) represents 0% (2020: 0%) of the Babcock Group International PLC net pension surplus.

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

The longevity swaps have been valued, in 2021, in line with assumptions that are consistent with the requirements of IFRS 13.

Analysis of amount charged to the income statement in Babcock International Group PLC	**2021 £000**	2020 £000
Current service cost	**5,741**	6,693
Incurred expenses	**2,596**	1,970
Past service cost	**999**	-
Settlement	**-**	-
Total included within operating profit	**9,336**	8,663
Net interest income	**(2,843)**	(1,300)
Total charged to the income statement	**6,493**	7,363

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 (2020: £nil), and net interest income of £nil (2020: net income £nil).

Notes to the financial statements

21 Pension *(continued)*

Analysis of amount included in Babcock International Group PLC statement of comprehensive income (“SOCI”)	**2021 £000**	2020 £000
Actuarial (loss) / gain recognised in the SOCI	**(117,988)**	56,807
Experience (losses)	**(9,021)**	(6,371)
Other gains / (losses)	**13,418**	(4,088)
	(113,591)	46,348

The actuarial loss recognised in the SOCI in these financial statements, based on the Company’s allocation of the total Babcock International Group PLC movement, was £nil (2020: loss £1,286,000).

Reconciliation of present value of total assets in Babcock International Group PLC	**2021 £000**	2020 £000
At the beginning of the year	**1,387,377**	1,408,864
Interest income	**32,668**	32,903
Employee contributions	**99**	140
Employer contributions	**26,981**	21,874
Benefits paid	**(80,924)**	(80,602)
Settlement	**-**	-
Actuarial gain	**72,969**	4,198
At the end of the year	**1,439,170**	1,387,377

Reconciliation of present value of scheme liabilities	**2021 £000**	2020 £000
At beginning of the year	**1,276,793**	1,359,140
Service cost	**5,741**	6,693
Incurred expenses	**2,596**	1,970
Interest on liabilities	**29,825**	31,602
Employee contributions	**99**	140
Actuarial loss– demographics	**11,371**	6,350
Actuarial loss / (gain) – financial	**166,168**	(54,871)
Experience losses	**9,021**	6,371
Benefits paid	**(80,924)**	(80,602)
Past service cost	**999**	-
Settlement	**-**	-
At the end of the year	**1,421,689**	1,276,793

Notes to the financial statements

22 Ultimate parent undertaking

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 smallest and largest company to consolidate' 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