Babcock Integrated Technology Limited

Annual Report

For the year ended 31 March 2021

Company registration number:

6717269

Contents	**Page(s)**

Directors and advisors

Current Directors
I Urquhart
D Jones
W Erith (appointed 19th May 2021)
R Drake (appointed 19th May 2021)

Company secretary
Babcock Corporate Secretaries Limited

Registered office
33 Wigmore Street
London
W1U 1QX

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

Principal bankers
The Royal Bank of Scotland PLC
5th Floor, Bath Street
Glasgow
G2 4RS

Strategic report

The directors present their Strategic report on Babcock Integrated Technology Limited 'the Company' for the year ended 31 March 2021.

Principal activities

The principal activity of the Company is the design, supply, manufacture, installation, support and management of specialist mechanical handling equipment projects and systems engineering, principally within the defence industry.

Review of the business

	2021	2020
	£000	£000
Revenue	**264,505**	212,589
Profit for the financial year	**3,473**	83,995
Total shareholders' funds	**338,365**	335,443

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

Profit in the current year includes an impairment of investment in Babcock Korea Ltd compared to the prior year which includes a profit on disposal of investment and dividends received. The current year sees differences in research and development credits (Note 6)

The key projects with which the business were engaged during the year related to submarine and surface ship support, both in the UK and the Rest of the World. Design and manufacturing activities for the Dreadnought submarine contract, continued in service support to the Queen Elizabeth aircraft carriers and Type 45 Destroyers, equipment management contracts and service provision made up the majority of the UK based contract revenue. Meanwhile international work has continued with the manufacture associated with the weapons handling and launch system for the Republic of Korea Navy, continued support to the Canadian submarine programme and the S80 class submarine for the Spanish Navy, as well as design work on the Australian future submarine programme were the key drivers of the non UK revenue.

The contract for the Maritime Systems Support Partner was awarded to Babcock in May 2017 and 2020/21 saw its third full year of operations. The support of the Queen Elizabeth aircraft carriers increased as both carriers are now in service, whilst technical support, assistance and spares management across the Type 45 class also increased over the year.

The Equipment Management business has seen underlying trading remain stable in 2020/21, the business saw a drop in revenue against the prior year due to some one time additional funding relating to shelf stocking activity in the prior year.

The Company took part in the UK Government ventilator challenge in April/May 2020 to produce ventilators for the UK Government's response to the COVID-19 pandemic. This resulted in £30m of revenue in 2020/21.

The Dreadnought design and production of first Boat set of equipment continued to progress, including the manufacture of handling and control systems. Additionally, work continues to progress on the long lead orders for the major forgings components of the weapons launch tube modules for Boats 3 and 4 that were received in 2019/20. The order for the Package 1 scope of work encompassing elements of Boats 2,3 and 4 was received in August 2020 and work has begun on delivering this scope including

Strategic report *(continued)*

Review of the business *(continued)*

investing in the Ashton site to upgrade the production facility to handle parallel assemblies of the weapons launch tube modules.

During the year there was continued activity on the weapons handling and launch system for the Korean Navy's Jangbogo submarine, which saw sea acceptance trials continue on Boat 1 with handover to the Republic of Korea Navy due in 2021/22. Babcock will continue to support the programme during this period. Work on Boat 2 is progressing well with the focus now on the setting to work of the launch control system. The contract for Boat 3 has progressed, utilising the recently established Babcock Korea facility in Busan to carry out the factory acceptance testing on the Weapon Embarkation System. The fourth and final boat set on contract has also progressed during the year with the Design Definition Review held in December 2020, and a large subcontract has been placed on Hyundai Heavy Industries in South Korea for building the Weapon Handling System in order to meet offset requirements.

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 Company and its customers operate around the world, utilising relationships within Australia, Canada, Western Europe and Asia. While benefiting from the opportunities in these regions, the Company and its customers are exposed to the political and business risks associated with international operations, such as sudden changes in regulation, expropriation of assets, imposition of trade barriers, limits on the export of currency and volatility of prices, taxes and currencies. The principal risk and uncertainty facing the Company is the availability of government funding to support existing and future defence activities both in the UK and internationally. The Company maintains a policy of building good working relationships with its customer base, so as to gain advanced understanding of potential funding constraints. The directors manage this 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 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.

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 Marine, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 50 to 51 of the Group's report, which does not form part of this report.

S172 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)*

Future developments

The directors are confident about the future trading prospects of the Company due to its current order book and market opportunities.

The financial year 2021/22 will be important in terms of achieving further significant orders for the Dreadnought programme. Furthermore later in the year there will be bidding activity to supply Weapons Handling and Launch systems to other European submarine programmes as well as commercial customers in the civilian sector. The recently won Morpheus support contract is expected to establish its initial operating capability, and provide a platform for further growth with the defence digital customer.

Work on the Maritime Systems Support Partner contract is likely to remain high in 2021/22 but remains subject to customer funding decisions. The Equipment Management business will seek to deepen customer relationships further in order to maximise spares and tasks in the remaining years of the contracts, and also seek to further automate its processes in order to improve the likelihood of a successful re-let campaign.

On behalf of the board.

R Drake

Director

22nd October 2021

Directors' report

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

Dividends

Dividends received during the year from Context IS Ltd were nil (2020: £1,018,584). Dividends declared during the year to the Company's immediate parent company, Babcock Marine Holdings (UK) Limited, were nil (2020: £85,000,000).

Financial risk management

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

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance department. 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.

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

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

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

Interest rate cash flow risk
The Company has both interest-bearing assets and interest-bearing liabilities. The interest-bearing assets earn interest at a fixed rate, with the exception of interest earned on cash balances, which accrue interest at a floating rate. Interest-bearing liabilities accrue interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Directors' report *(continued)*

Directors

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

I Urquhart
D Jones
J Hall (Resigned 31st March 2021)
J Howie (Resigned 31st March 2021)
W Erith (appointed 19th May 2021)
R Drake (appointed 19th May 2021)

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 is maintained.

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 relevant 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 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, including FRS 101, 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.

Qualifying third party indemnity provisions

Babcock International Group PLC provides protection 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.

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 *(continued)*

Reappointment of 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

R Drake

Director

22nd October 2021

Independent auditors' report to the members of Babcock Integrated Technology Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock Integrated Technology 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of financial position as at 31 March 2021; the Income statement, the Statement of comprehensive income, and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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.

Independent auditors' report to the members of Babcock Integrated Technology Limited (continued)

Reporting on other information

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

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

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

Based on 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, 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.

Independent auditors' report to the members of Babcock Integrated Technology Limited (continued)

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.

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 tax regulations, anti-bribery and corruption legislation and health and safety regulation, 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 the posting of inappropriate journal entries and management bias in accounting estimates and judgments. This included the risk of manipulation of results to achieve performance targets through improper revenue/profit recognition, given the judgmental nature of contract accounting. Audit procedures performed by the engagement team included:

- Gaining an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considering the risk of any acts by the Company which may be contrary to applicable laws and regulations, including fraud;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgments made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain; and
- We also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by management or the directors that represented a risk of material misstatement due to fraud.

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.

***Independent auditors' report to the members of Babcock Integrated Technology Limited** (continued)*

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.

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.

Stephen Patey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
22 October 2021

Income statement

for the year ended 31 March 2021

	Note	**2021 £000**	2020 £000
Revenue	4	**264,505**	212,589
Cost of sales		**(239,445)**	(180,424)
Gross profit		**25,060**	32,165
Administrative expenses		**(17,663)**	(11,018)
Operating profit	6	**7,397**	21,147
Finance income	5	**2,910**	3,375
Finance costs	5	**(2,929)**	(3,156)
Dividends received		**-**	1,019
Profit on disposals of investments		**-**	65,570
Impairment of investments	14	**(1,453)**	-
Profit before income tax		**5,925**	87,955
Income tax expense	10	**(2,452)**	(3,960)
Profit for the financial year		**3,473**	83,995

All of the above results derive from continuing operations.

Statement of comprehensive Income

for the year ended 31 March 2021

	2021 £000	2020 £000
Profit for the financial year	**3,473**	83,995
Other comprehensive (expense)/income:		
Items that may be subsequently reclassified to income statement:		
Fair value adjustment of foreign exchange hedges	**(551)**	146
Items that will not be subsequently reclassified to income statement:		
Loss on re-measurement of net defined benefit obligation	**-**	(3,077)
Tax on net defined benefit obligation	**-**	555
Total other comprehensive expense for the year	**(551)**	(2,376)
Total comprehensive income for the year	**2,922**	81,619

Statement of financial position

as at 31 March 2021

	Note	2021 £000	Restated 2020 £000
Non-current assets			
Intangible assets	11	**31,834**	32,156
Tangible assets	12	**19,669**	20,178
Right-of-use assets	13	**19,478**	16,273
Investments	14	**246,007**	244,760
Other receivables due after one year	15	**6,698**	7,320
		323,686	320,687
Current assets			
Inventories	16	**358**	1,722
Trade and other receivables	17	**238,102**	208,201
Other financial assets	21	**-**	485
Cash and cash equivalents		**42,764**	42,308
		281,224	252,716
Current liabilities			
Trade and other payables – amounts falling due within one year	18	**(233,753)**	(212,186)
Lease liabilities	19	**(1,411)**	(1,823)
Other financial liabilities	21	**(124)**	(53)
Net current assets		**45,936**	38,654
Total assets less current liabilities		**369,622**	359,341
Provisions for liabilities	20	**(1,318)**	(437)
Lease liabilities	19	**(24,431)**	(17,241)
Other payables due after one year	28	**(5,508)**	(6,220)
Net assets		**338,365**	335,443
Equity			
Called up share capital	23	**40**	40
Share premium account		**94,864**	94,864
Other reserves		**(119)**	432
Retained earnings		**243,580**	240,107
Total shareholders' funds		**338,365**	335,443

The prior year comparative has been restated to reclassify £2,592,000 of trade and other payables – amounts falling due within one year into right-of-use assets.
The notes on pages 17 to 44 are an integral part of these financial statements.
The financial statements on pages 14 to 44 were approved by the board of directors and signed on its behalf by:

R Drake
Director 22nd October 2021

Statement of changes in equity

for the year ended 31 March 2021

	Note	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 April 2019		40	94,864	286	243,613	338,803
Profit for the year		-	-	-	83,995	83,995
Other comprehensive expense		-	-	146	(2,522)	(2,376)
Transition to IFRS 16		-	-	-	21	21
Dividend paid	24	-	-	-	(85,000)	(85,000)
Balance at 31 March 2020		40	94,864	432	240,107	335,443
Profit for the year		-	-	-	3,473	3,473
Other comprehensive expense		-	-	(551)	-	(551)
Balance at 31 March 2021		40	94,864	(119)	243,580	338,365

Notes to the financial statements

1 General information

Babcock Integrated Technology Limited is a private company limited by shares which is incorporated and domiciled in England, UK. 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). These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £000.

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

The Company is a wholly owned subsidiary of Babcock Marine Holdings (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. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

a) Paragraphs 45(b) and 46 to 52 of IFRS 2, ‘Share based payments’
b) IFRS 7, ‘Financial instruments: Disclosures’
c) 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)
d) 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)
e) 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.
f) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
g) The following paragraphs of IAS 1, ‘Presentation of financial statements’:- 10(d), 10(f), 16, 38, 40, 111, and 134-136

2 Summary of significant accounting policies *(continued)*

h) IAS 7, 'Statement of cash flows'
i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
j) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
k) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Adoption of new and revised standards

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021 that have a material impact on the company's financial statements.

Revenue

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

(a) Performance obligations

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

(b) Allocation of contract price to performance obligations

The contract price represents the amount of consideration which the Company expects to receive in exchange for delivering the promised goods or services to the customer. Variable consideration is included in the contract price on the most likely outcome basis but only to the extent that it is highly probable that it will not reverse in the future.

Given the bespoke nature of many of the goods and services the Company provides, stand-alone selling prices are generally not available and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin, in accordance with the Group's pricing principles. The Company's contracts typically do not include significant financing components.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(c) Revenue and profit recognition

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time and the Company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

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

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

Where the Company satisfies performance obligations over time, revenue is recognised using costs incurred as a proportion of total estimated costs to assess stage of completion, but with the stage of completion and revenue assessed in relation to each performance obligation.

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to payment by the Company.

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis by suitably qualified and experienced Group personnel and the assessments of all significant contracts are subject to review and challenge by local management, sector management and Group management. Assessment of outcomes are in relation to separate performance obligations and include variable consideration, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Any expected loss on a contract is recognised immediately in the income statement.

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(d) Costs of obtaining a contract

Pre-contract costs are recognised as expenses as incurred.

(e) Principal versus agent considerations

The Company's contracts include performance obligations in relation to procurement activity undertaken on behalf of customers at low or nil margin, together with other performance obligations. For such procurement activity, management exercises judgement in the consideration of principal versus agent based on the risks and rewards associated with the procurement activity. Factors that influence this judgement include the level of responsibility the Group has under the contract for the provision of the goods or services, the extent to which the Group is incentivised to fulfil orders on time and within budget, either through gain share arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Group exercises responsibility in determining the selling price of the goods and services.

Intangible assets

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

(a) Goodwill

Goodwill relating to acquisitions prior to transition date is maintained at its net book value on the date of transition to FRS 101. Annual impairment reviews are performed as outlined in note 11.

(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.

Property, plant and equipment

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

Freehold property	2% to 8%
Plant and equipment	5% to 33.3%

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

Investments

Fixed asset investments are stated at cost less accumulated impairment losses.

Inventory and work in progress

Inventory is valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out method. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads.

Financial assets and liabilities at amortised cost

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

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

Share based payments

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

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 statement of financial position 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 statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Taxation *(continued)*

Deferred 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 addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income so that the Company's statement of financial position reflects the IAS 19 measurement of the schemes' surpluses or deficits at the statement of financial position date.

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy using 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 participates in a defined contribution scheme. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement.

Foreign currencies

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

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

Lessee Accounting *(continued)*

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.

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.

2 Summary of significant accounting policies *(continued)*

Lessee Accounting *(continued)*

Interest on the lease liability is recognised as a finance expense in the income statement over time, with the rate being determined at lease inception based on a number of factors including asset type, lease currency and lease term.

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 or low-value leases are expensed straight-line to the income statement as permitted by IFRS 16 ‘Leases’. 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.

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.

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.

Provisions for losses on contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues.

Such provisions are recorded as write downs of contract balances for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and contract assessments are updated regularly. A provision is made where operating leases are deemed to be onerous.

A provision for deferred consideration on acquisitions is recognised when the Company has a realistic expectation of the expense based on the Purchase and Sale Agreement.

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

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their fair value. The Company designates certain of the derivative

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Derivative financial instruments *(continued)*

instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments

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

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

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

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

Dividend distribution

Dividends are recognised as a liability in the Company's financial statements in the period in which they are approved.

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.

Prior year adjustment

The prior year comparative has been restated to correct an error in the prior year financial statements. A lease incentive received in the year ended 31 March 2019 was being held within deferred income as at 31 March 2020. This creditor balance should have been reclassified to reduce right-of-use assets on adoption of IFRS 16 in the year ended 31 March 2020. As a result, trade and other payables – amounts falling due within one year and right-of-use assets were overstated by £2,592,000. This restatement has resulted in trade and other payables – amounts falling due within one year and right-of-use assets being £2,592,000 lower than previously stated. The prior year error did not impact the income statement or net assets.

3 Critical accounting estimates and judgements

In the course of preparation of the financial statements no judgements have been made in applying the Company's accounting policies, other than those involving estimates, that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in forward looking estimates may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates in relation to these financial statements are considered below:

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds.

Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 27 for the disclosures of the defined benefit pension scheme. Where necessary, provisions are established for any probable future losses. The last remaining active members exited the scheme in the prior year and as such the Company's allocation of the scheme has reduced to nil.

Revenue and profit recognition

Revenue and profit recognition on contracts is based on estimates of outturn revenues and costs on a contract-by-contract basis. Both of these estimates can involve significant levels of estimation uncertainty. Estimating contract revenues can involve judgements around whether the Company will meet performance targets, earn incentives and the pricing of any scope changes, variations or claims under the contract. When considering variations to contracts, the Company must make a judgement as to whether the variation should be accounted for as a separate, distinct contract or be considered, and accounted for, as part of the original contract. This judgement will depend on the scope of the variation, its pricing and the contractual terms. Contract outturn assessments are carried out by suitably qualified and experienced personnel and include assessments of variable consideration and contract contingencies arising out of technical, commercial, operational and other risks. When considering variations, claims and contingencies, the Company analyses various factors including the contractual terms, status of negotiations with the customer and historic experience with that customer and similar contracts. The assessment of all significant contracts are subject to review and challenge. As contracts near completion, often less judgement is needed to determine the size of the expected outturn.

4 Revenue

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

	2021	2020
	£000	£000
By area of activity:		
Sales of goods – transferred at a point in time	**50,830**	26,330
Sale of goods – transferred over time	**118,736**	101,748
Provision of services – transferred over time	**94,939**	84,511
	264,505	212,589

	2021	2020
	£000	£000
By geographical area:		
United Kingdom	**215,987**	178,586
Europe	**9,261**	9,386
USA & Canada	**20,860**	8,488
Rest of World	**18,397**	16,129
	264,505	212,589

5 Finance income and finance costs

	2021	2020
	£000	£000
Finance income:		
Capitalised interest	**6**	90
Bank interest	**46**	42
Loan interest receivable from group undertakings	**2,858**	3,243
	2,910	3,375
Finance expenses:		
Bank interest	**(10)**	(32)
IFRS 16 interest	**(990)**	(908)
Loan interest payable to group undertakings	**(1,929)**	(2,216)
	(2,929)	(3,156)

Notes to the financial statements *(continued)*

6 Operating profit

Operating profit is stated after charging/(crediting):

	2021 £000	Restated 2020 £000
Loss / (profit) on disposal of property, plant and equipment	**1,036**	(28)
Research and development recognised as an expense	**1,011**	183
Right-of-use depreciation (Note 13) (Restated)	**1,780**	2,047
Depreciation of tangible fixed assets (note 12)	**2,309**	2,183
Amortisation of intangible assets (note 11)	**384**	341
Impairment of investments (note 14)	**1,453**	-
Foreign exchange loss / (gain)	**307**	(20)
Audit fees payable to the Company's auditor	**58**	49
Other fees payable to the Company's auditor	**-**	7
Cost of stocks recognised as an expense (included in cost of sales)	**166,403**	117,645

Cost of sales for the year ended 31 March 2021 also includes research and development tax credits of £864,000 (2020: £3,934,000).

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.

The prior year comparative has been restated to show a reduction in right-of-use depreciation of £152,000 following a reclassification of £2,592,000 of trade and other payables – amounts falling due within one year into right-of-use assets. Please see the prior year adjustment accounting policy for further details.

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:		
Operations	**913**	896
Management and administration	**143**	100
	1,056	996

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	**47,179**	42,869
Social security costs	**4,781**	4,466
Other pension costs (note 27)	**2,794**	2,737
	54,754	50,072

Notes to the financial statements *(continued)*

7 Staff costs *(continued)*

Included in wages and salaries is a total expense of share based payments of £46,248 (2020: £90,000) of which £46,248 (2020: £90,000) arises from transactions accounted for as equity settled share based payment transactions.

Included in other pension costs are nil (2020: £58,000) in respect of the defined benefit schemes and £2,794,000 (2020: £2,679,000) 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 are recharged to those business entities.

8 Directors' remuneration

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

	2021	2020
	£000	£000
The remuneration of the directors which was paid by the Company was as follows:		
Emoluments (including benefits in-kind)	**196**	392
Aggregate payments in respect of long term incentive schemes	**7**	46
Defined contribution pension scheme	**10**	36
	213	474

During the year one (2020: one) director remunerated by Babcock Integrated Technology Limited exercised share options under long term incentive plans and one (2020: one) director was entitled to receive share options under long term incentive plans.

Retirement benefits are accruing to one director (2020: two) under the Money Purchase pension scheme.

The above amounts for remuneration include the following in respect of the highest paid director:

	2021	2020
	£000	£000
Emoluments (excluding pension contributions)	**196**	346
Aggregate payments in respect of long term incentive schemes	**7**	46
Company contributions to Money Purchase Pensions Schemes	**10**	31

The highest paid director exercised shares under long term incentive plans (2020: the highest paid director exercised shares under long term incentive plans).

Notes to the financial statements *(continued)*

9 Share based payments

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

During the year the total charge relating to employee share based payment plans was £51,000 (2020: £62,000) all of which related to equity-settled share based payment transactions. After tax, the income statement charge was £41,000 (2020: £50,000).

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

DBMP, PSPs and DBP1

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – non-market conditions %	Fair value per option – TSR Pence	Fair value per option – non-market conditions Pence	Correlation %	Grant or modification date
2020 PSP	695,458	350.0	19.0%	6.0	100.0%	–	305.2	55.0%	01/12/20
2020 PSP	2,091,247	350.0	19.0%	4.0	100.0%	–	350.0	55.0%	01/12/20
2020 PSP	1,341,477	350.0	19.0%	6.0	100.0%	137.9	305.2	55.0%	01/12/20
2020 DBP	118,320	289.0	19.0%	4.0	100.0%	–	289.0	55.0%	03/08/20
2020 DBP	146,306	289.0	19.0%	3.0	100.0%	–	289.0	55.0%	03/08/20
2020 DBP	192,096	284.2	19.0%	4.0	100.0%	–	284.2	55.0%	13/08/20
2020 DBP	8,474	284.2	19.0%	3.0	100.0%	–	284.2	55.0%	13/08/20
2019 PSP	1,370,671	472.8	11.0%	6.0	–	70.9	472.8	45.0%	13/06/19
2019 PSP	3,019,033	472.8	11.0%	4.0	–	70.9	472.8	45.0%	13/06/19
2019 DBP	313,909	472.8	11.0%	4.0	100.0%	–	472.8	45.0%	13/06/19
2019 DBP	93,430	472.8	11.0%	3.0	100.0%	–	472.8	45.0%	13/06/19
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56.0%	13/06/18
2018 PSP	1,699,323	856.0	14.0%	4.0	–	370.9	856.0	56.0%	13/06/18
2018 DBP	187,433	856.0	14.0%	4.0	100.0%	–	856.0	56.0%	13/06/18
2018 DBP	90,777	856.0	14.0%	3.0	100.0%	–	856.0	56.0%	13/06/18
2017 PSP	902,424	905.5	15.0%	6.0	–	131.2	905.5	46.0%	14/06/17
2017 PSP	1,769,338	905.5	15.0%	4.0	–	131.2	905.5	46.0%	14/06/17
2017 DBP	186,949	905.5	15.0%	4.0	100.0%	–	905.5	46.0%	14/06/17
2017 DBP	103,246	905.5	15.0%	3.0	100.0%	–	905.5	46.0%	14/06/17

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

PSP awards for 2017 to 2019 are split evenly between the performance criteria of TSR, EPS and ROCE. For PSP awards made in December 2020, 2,786,705 were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached. A further 1,341,477 awards were made where the performance criteria is 50% against free cash flow and 50% TSR. There are no performance conditions attached to the DBP.

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

9 Share based payments *(continued)*

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 180,175 matching shares (2020: 104,756 matching shares) at a cost of £0.5 million (2020: £0.5 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 5,000 matching shares were purchased on the open market (2020: 1,000 matching shares) and 1,193 matching shares vested (2020: 713 matching shares) leaving a balance of 5,012 matching shares (2020: 1,205 matching shares).

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

10 Income tax expense

Tax expense included in income statement

	2021 £000	2020 £000
Current tax:		
UK Corporation tax on profits for the year	**-**	3,482
Double tax relief	**-**	-
Overseas tax	**-**	-
Current tax charge for the year	**-**	3,482
Deferred tax:		
Origination and reversal of timing differences	**(876)**	596
Adjustment in respect of prior years	**3,328**	(120)
Impact of change in UK tax rate	**-**	2
Total deferred tax charge (note 22)	**2,452**	478
Tax on profit	**2,452**	3,960

Tax expense included in other comprehensive income

	2021 £000	2020 £000
Deferred tax:		
- Tax impact of actuarial gains on pension liability	**-**	(585)
- Impact of change in UK tax rate	**-**	30
Tax (credit) included in other comprehensive income	**-**	(555)

Notes to the financial statements *(continued)*

10 Income tax expense *(continued)*

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

	2021 £000	2020 £000
Profit before income tax	**5,925**	87,955
Profit before income tax multiplied by standard UK corporation tax rate of 19% (2020: 19%)	**1,126**	16,712
Effects of:		
(Income non-taxable) / expenses non- deductible for tax purposes	**300**	(12,634)
Adjustment in respect of deferred tax for prior year	**3,328**	(120)
Impact in change in UK tax rate	**-**	2
Group relief (claimed)/surrendered for nil consideration	**(2,302)**	-
Double tax relief	**-**	-
Total tax charge for the year	**2,452**	3,960

In 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.

11 Intangible assets

	Goodwill £000	Development £000	Total £000
Cost			
At 1 April 2020	**35,446**	**2,063**	**37,509**
Additions	-	62	62
At 31 March 2021	**35,446**	**2,125**	**37,571**
Accumulated amortisation			
At 1 April 2020	**(4,480)**	**(873)**	**(5,353)**
Charge for the year	**-**	(384)	**(384)**
At 31 March 2021	**(4,480)**	**(1,257)**	**(5,737)**
Net book value			
At 31 March 2021	**30,966**	**868**	**31,834**
At 31 March 2020	30,966	1,190	32,156

Notes to the financial statements *(continued)*

11 Intangible assets *(continued)*

The Company has capitalised £62,000 (2020: £486,000) of development costs. This has been capitalised on the basis that the expenditure relates to clearly defined and separately identifiable projects which are commercially viable and technically feasible. Once the products under development come into use, these amounts will be written off over the period during which the Company is expected to benefit from them. To the extent that these conditions for capitalisation become doubtful, the capitalised costs will be written off in full. Intangible assets amortisation is recorded in administrative expenses in the income statement.

The goodwill arose on acquisition of the following:

Acquisition	Date	2021 £000
Trade and assets of Strachan and Henshaw Limited	1 April 2009	17,921
Trade and assets of the Security business of Babcock Land Ltd	1 April 2019	17,525
		35,446

The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to ‘the large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £1,772,000 (2020: £1,772,000) against operating profit, and a reduction of £8,024,000 (2020: £6,252,000) in the carrying value of goodwill in the balance sheet.

Notes to the financial statements *(continued)*

12 Tangible assets

Cost	Freehold land and property £000	Assets under construction £000	Plant and equipment £000	Total £000
At 1 April 2020	3,091	2,847	19,337	**25,275**
Additions	-	1,062	1,774	2,836
Transfers	-	(2,847)	2,847	-
Disposals	-	-	(2,459)	(2,459)
At 31 March 2021	**3,091**	**1,062**	**21,499**	**25,652**
Accumulated depreciation				
At 1 April 2020	(841)	-	(4,256)	**(5,097)**
Charge for the year	(82)	-	(2,227)	(2,309)
Disposals	-	-	1,423	1,423
At 31 March 2021	**(923)**	**-**	**(5,060)**	**(5,983)**
Net book value				
At 31 March 2021	**2,168**	**1,062**	**16,439**	**19,669**
At 31 March 2020	2,250	2,847	15,081	20,178

13 Right of use assets

Cost	Property £000	Plant and equipment £000	Total £000
At 1 April 2020 (Restated)	**19,146**	**326**	**19,472**
Additions	5,177	466	5,643
Disposals	(2,469)	-	(2,469)
At 31 March 2021	**21,854**	**792**	**22,646**
Accumulated depreciation			
At 1 April 2020 (Restated)	**(3,084)**	**(115)**	**(3,199)**
Charge for the year	(1,608)	(172)	(1,780)
Disposals	1,811	-	1,811
At 31 March 2021	**(2,881)**	**(287)**	**(3,168)**
Net book value			
At 31 March 2021	**18,973**	**505**	**19,478**
At 31 March 2020 (Restated)	16,062	211	16,273

Notes to the financial statements *(continued)*

13 Right of use assets *(continued)*

The prior year comparative has been restated to reclassify £2,592,000 of trade and other payables – amounts falling due within one year into right-of-use assets. Please see the prior year adjustment accounting policy for further details.

14 Investments

	2021 Shares in group undertakings £000	2020 Shares in group undertakings £000
Cost		
At the beginning of the year	244,760	277,797
Additions	2,700	-
Disposals	-	(33,037)
Impairment	(1,453)	-
Carrying amount at 31 March	246,007	244,760

The directors believe that the carrying value of the investments is supported by their underlying net assets.
On the 29th January 2021 the company made a further investment in its subsidiary Babcock Korea Ltd for £2,700,000. An impairment charge of £1,453,000 has been recognised in the year to write down the value of the Babcock Korea Ltd investment to its recoverable amount.
On the 6th March 2020 the company sold its 100% shareholding in Context IS Ltd.

15 Other receivables due after one year

	2021 £000	2020 £000
Amounts owed by group undertakings	**6,698**	7,320
	6,698	7,320

Amounts owed by group undertakings are unsecured and repayable on demand.
There are two major loans (2020: two) to group companies.

16 Inventories

	2021 £000	2020 £000
Finished goods and goods for resale	**358**	1,722
	358	1,722

Inventories are stated after provisions for obsolescence of £2,995,000 (2020: £2,326,000).

Notes to the financial statements *(continued)*

17 Trade and other receivables

	2021	2020
	£000	£000
Amounts falling due within one year:		
Trade receivables	**16,781**	16,171
Amounts due by group undertakings	**193,170**	167,600
Amounts due from customers for contract work	**25,357**	22,989
Other receivables	**63**	76
Prepayments and accrued income	**2,731**	1,365
	238,102	208,201

Amounts owed by group undertakings are unsecured and repayable on demand.

There are eight major loans (2020: ten) to group companies:

- A loan of £25,220,000 (2020: £25,220,000) is repayable on demand, the interest rate is 4.113% (2020 4.725%).
- A loan of £25,000,000 (2020: £25,000,000) is repayable on demand, the interest rate is 4.113% (2020 4.725%).
- Six (2020: eight) loans totalling £111,620,000 (2020: £87,371,000) are repayable on demand, with no interest charge.

Trade receivables are stated after provisions for impairment of £66,000 (2020: nil).

	Amounts due for contract work	**Accrued Income**	**Total**
	£000	**£000**	**£000**
At 1 April 2020	**22,989**	**489**	**23,478**
Transfers from contract assets recognised at the beginning of the year to receivables	(20,471)	(489)	(20,960)
Increase due to work done not transferred from contract assets	22,839	1,443	24,282
At 31 March 2021	**25,357**	**1,443**	**26,800**

18 Trade and other payables – amounts falling due within one year

	2021 £000	Restated 2020 £000
Amounts falling due within one year:		
Trade creditors	**32,826**	23,606
Amounts owed to parent and group undertakings	**110,700**	105,630
Payments received on account	**43,777**	38,450
Taxation and social security	**1,295**	1,315
Corporation tax	**5,152**	6,062
Deferred tax liability (Note 22)	**2,761**	309
Finance lease obligations (Note 19)	**43**	80
Other payables	**15,172**	12,687
Accruals and deferred income	**22,027**	24,047
	233,753	212,186

The prior year comparative has been restated to reclassify £2,592,000 of trade and other payables – amounts falling due within one year into right-of-use assets. Please see the prior year adjustment accounting policy for further details.

Amounts owed to group undertakings are unsecured and repayable on demand.

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

- A loan of £8,606,000 (2020: £8,606,000) is repayable on demand, the interest rate is 4.113% (2020: 4.725%).
- A loan of £29,175,000 (2020: £29,175,000) is repayable on demand, the interest rate is 4.113% (2020: 4.725%).
- Five (2020: five) loans totalling £45,699,000 (2020: £45,687,000) are repayable on demand, with no interest charge

	Contract cost accrual £000	Advance payments £000	Total £000
At 1 April 2020	**22,139**	**38,450**	**60,589**
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(31,557)	(31,557)
Increase due to cash received, excluding amounts recognised as revenue	-	36,884	36,884
Amounts accrued	18,487	-	18,487
Amounts utilised	(20,357)	-	(20,357)
At 31 March 2021	**20,269**	**43,777**	**64,046**

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 30).

Notes to the financial statements *(continued)*

19 Lease liabilities

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

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021	2020
	£'000	£'000
At the beginning of the year	**19,064**	3,464
Additions	9,038	17,579
Disposals	(669)	-
Interest charged	990	908
Payments	(2,581)	(2,887)
As at 31 March	**25,842**	19,064

Discounted future minimum lease payments are as follows:

	2021	2020
	£'000	£'000
Within one year	**1,411**	1,823
In more than one year, but not more than five years	**12,223**	5,178
After five years	**12,208**	12,063
Carrying value of liability	**25,842**	19,064

The Company had total cash outflows for leases of £2,581,000 for the year ended 31 March 2021 (2020: £2,887,000).
The following are the amounts recognised in profit or loss:

	2021	2020
	£'000	£'000
Expense relating to short-term leases	**2**	1
	2	1

20 Provisions for liabilities

	Property	**Maintenance warranties**	**Other provisions**	**Total**
	£000	**£000**	**£000**	**£000**
At 1 April 2020	**96**	**341**	**-**	**437**
Charged to income statement	-	8	1,000	1,008
Released to income statement	-	(127)	-	(127)
At 31 March 2021	**96**	**222**	**1,000**	**1,318**

21 Other financial assets and other financial liabilities

Included in Derivative financial instruments at fair value:

	31 March 2021		31 March 2020	
	Assets	**Liabilities**	Assets	Liabilities
	£000	**£000**	£000	£000
Forward FX contracts – cash flow hedges	**-**	**124**	485	53
Total	**-**	**124**	485	53

The Company has taken advantage of the exemptions within FRS 101 not to disclose all IFRS 7 and IFRS 13 requirements, 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 with compliance to IFRS.

22 Deferred taxation

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

Deferred tax asset /(liabilities)	**Accelerated capital allowances**	**Other**	**Total**
	£000	**£000**	**£000**
At 1 April 2020:	**(866)**	**557**	**(309)**
- (Charged) / credited to the income statement	(2,592)	140	(2,452)
At 31 March 2021	**(3,458)**	**697**	**(2,761)**

23 Called up Share capital

	2021	2020
	£000	£000
Authorised and fully paid		
40,200 (2020: 40,200) ordinary shares of £1 each	40	40

24 Dividends paid

Dividends declared and paid during the year were nil (2020: 85,000,000), this is equivalent to nil per share (2020: £2,114.43 per share). There are no plans for a final dividend.

25 Guarantees and financial commitments

a) Capital Commitments

At 31 March 2021 the Company had capital commitments of £1,456,000 (2020: £723,000) comprising of an extension to the production facility for £1,283,000 (2020: nil), improvements to the production facility £12,000 (2020: 335,000) and the purchase of small value capital items £161,000 (2020: £388,000).

26 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.

27 Pension commitments

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. The Company is also a contributing employer to a defined benefit scheme (the “Babcock International Group 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 and which has been recognised in these financial statements are detailed in this note.

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

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

The 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.

The last remaining active members exited the scheme in the prior year and as such the Company’s allocation of the scheme has reduced to nil.

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

BIG Pension Scheme

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:

	2021 %	2020 %
Major assumptions		
Rate of increase in salaries	**2.9**	2.0
Rate of increase in pension payment	**3.2**	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 2021/22 are £33.5m. The future service rate is 51.1%. The above level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 3 years. Included in employer contributions of £33.5m is £22.9m of deficit recovery payments. The Company's share of this is allocated based on the percentage of active members of the scheme that it employs.

The mortality assumptions used were:

	2021 Years	2020 Years
Life expectancy from age 65 (Male age 65)	**22.1**	**21.7**
Life expectancy from age 65 (Male age 45)	**22.7**	**22.7**

The changes to the Babcock International Group Plc balance sheet at March 2021 and the changes to the Babcock International Group Plc income statement for the year to March 2022, if the assumptions were sensitised by the amounts below, would be

	Defined benefit obligations 2021 £000	Income statement 2022 £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)

27 Pension commitments *(continued)*

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

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 were:

Fair value of plan of assets	**2021**	2020
	£000	£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)
Gross pension surplus	**17,481**	110,584

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

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

The longevity swaps have been valued, in 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 credited 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 plus incurred expenses (2020: nil), nil for past service cost (2020: nil), nil for settlement (2020: nil), and net interest income of nil (2020: nil).

Notes to the financial statements *(continued)*

27 Pension commitments *(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	**(117,656)**	56,807
Experience losses	**(9,021)**	(6,371)
Other gains/(losses)	**13,418**	(4,088)
	(113,259)	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: £3,077,000).

The equity investments and bonds are valued at bid price.

Reconciliation of present value of scheme assets in Babcock International Group Plc	2021 £000	2020 £000
At 1 April	**1,453,019**	1,468,976
Interest	**34,244**	34,345
Employee contributions	**99**	140
Employer contributions	**26,649**	21,874
Benefits paid	**(80,924)**	(80,602)
Settlement	**-**	-
Actuarial gain	**59,883**	8,286
At 31 March	**1,492,970**	1,453,019

Reconciliation of present value of scheme liabilities	2021 £000	2020 £000
At 1 April	**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 (gain) / loss – demographics	**11,371**	6,350
Actuarial (gain) / loss – financial	**166,168**	(54,871)
Experience (gain) / losses	**9,021**	6,371
Benefits paid	**(80,924)**	(80,602)
Past Service cost	**999**	-
Settlement	**-**	-
At 31 March	**1,421,689**	1,276,793

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

The surplus recognised in these financial statements, based on the Company's allocation of the total Babcock International Group Plc assets and liabilities for this scheme, was nil (2020: nil).

The amounts in these financial statements, based on the Company's allocation of the total Babcock International Group Plc charge, included nil for service cost plus incurred expenses (2020: nil), nil for past service cost (2020: nil), nil for settlement (2020: nil), and net interest income of nil (2020: nil).

28 Other payables due after one year

	2021 £000	2020 £000
Amounts owed to group undertakings	**5,508**	6,220
	5,508	6,220

Amounts owed to group undertakings are unsecured and repayable on demand.
There is one major loan (2020: one) to a group company.

29 Subsidiary, and associate and Joint Venture undertakings

All related undertakings for the Company are as listed below:

Company Name & Address	Country	Interest	Direct %	Ultimate%
Babcock IP Management (Number One) Limited 33 Wigmore Street, London, United Kingdom W1U1QX	United Kingdom	£0.01 Ordinary shares	0.0100%	0.0100%
Liquid Gas Equipment Limited William Rankine Building, Rosyth Business Park, Rosyth, Fife, KY11 2YD Scotland	United Kingdom	£1 Ordinary shares	100%	100%
Babcock Canada Inc 45 O'Connor Street, Suite 1500, Ottawa, Ontario K1P 1A4	Canada	CAD 1 Ordinary shares	100%	100%
Babcock Integrated Technology (Korea) Limited 33 Wigmore Street, London, W1U 1QX	United Kingdom	£1 Ordinary shares	100%	100%
Okeanus Vermogensverwaltungs GmbH & Co KG Vorsetzen 54, 20459, Hamburg Germany	Germany	Limited Partner > Limited Partnership	50%	50%
Babcock Integrated Technology GmbH Berliner Platz 12, 41061, Moenchengladbach, Germany	Germany	€1 Ordinary shares	100%	100%
Babcock Korea Ltd 706, 7th Fl. Pan Ocean Building, 102, Jungang-Daero, Jung-gu, Busan, South Korea	Korea	KRW 410,000 Ordinary shares	100%	100%

30 Contingent liabilities

At the year-end date the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of nil (2020: nil) provided to certain Group companies. In addition, the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of nil (2020: nil).

31 Immediate and Ultimate parent undertakings

The Company's immediate parent company is Babcock Marine Holdings (UK) Limited, a limited 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's Financial Statements are available from the following address:
The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London W1U 1QX