BABCOCK MISSION CRITICAL SERVICES ONSHORE LIMITED

Annual Report

For the year ended 31 March 2021

Company registration Number:

03776034

BABCOCK MISSION CRITICAL SERVICES ONSHORE LIMITED

CONTENTS

Directors and advisors

Current directors

H Belmore

P Craig

S Ward

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 OFR

Strategic report for the year ended 31 March 2021

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

Principal activities

The principal activities of the Company are the provision and operation of twin-engine helicopters. These operate on long-term sole-use contracts primarily providing emergency medical support and police support services. The majority of revenue is generated from fixed fees received for the availability of aircraft with additional variable revenue generated based on the flying activity of the aircraft.

Review of the business

	2021	2020
	£000	£000
Revenue	**34,078**	38,968
Profit/(Loss) for the financial year	**32,691**	(5,860)

The Company operates at 20 bases around the UK and Ireland and employed an average of 225 (2020: 214) staff during the year.

The Company is in a net current asset position of £4,572k (2020: £5,140k liability) and cash balances of £2,794k (2020: £4,809k). The directors are positive about the future growth of the business and operating within a larger business as part of Babcock International Group PLC.

The net asset position £37,590k (2020, £5,184k), has been principally driven by the purchase of the investment in Bond Aviation Leasing Limited and subsequent liquidation of the fully owned subsidiary which included the distribution of the assets and liabilities during the current financial year. The Company received income from the subsidiary of £56,831k as a result of the liquidation of the subsidiary.

The fatal accident which occurred in Glasgow on 29 November 2013, involving an EC135 T2+ Eurocopter (Deutschland) (now Airbus) helicopter operated by the company on behalf of the Police Scotland and authorised under Police Air Operator's Certificate number 035/2, dated 1 August 2002, resulted in a full investigation being carried out by the Air Accident Investigation Branch (AAIB), together with a separate investigation by the Police Scotland under the directions of the Procurator Fiscal. The AAIB published its report in October 2015. On 23 November 2017 it was announced that an inquiry would be held. The Fatal Accident Inquiry (FAI) started on 8 April 2019. Between 8 April 2019 and 18 July 2019, the FAI heard evidence from multiple witnesses. On 30 October 2019, the Sheriff Principal's determination was published: the primary cause of the accident was pilot error. Since then all aviation liability claims have settled.

The Company has aircraft, employer and aviation liability insurance policies (including civil liability cover) and life insurance policies for employees in place that are consistent with market practices and in compliance with the requirements set forth in the contract we have with Police Scotland.

Total revenue from helicopter services for the current year has decreased by 13% (£4,890k) compared to the prior years, with one less customer contact contributing a monthly standing charge compared to the prior year and flying hours being lower than last year.

Strategic report for the year ended 31 March 2021 *(Continued)*

Review of the business *(Continued)*

Cost of sales has decreased by 9% from 2020. The company continues to work with key suppliers to continue to manage this element of the company's cost base.

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 operation of aircraft inherently involves a degree of risk. Due to the critical nature of the services the Company provides, this risk is often compounded through low-altitude flying in adverse climatic or operational conditions or terrains. The Company has made significant investments in safety systems combined with extensive communications to mitigate this risk as far as possible.

The includes safety work streams to identify areas for sharing best practices and improvement opportunities within the domains of safety culture, Organisation, People, Systems and controls and Crew Training and Monitoring.

The key risks and uncertainties affecting the Company are considered to be related to price risk, credit risk, liquidity risk and interest rate risk. The directors manage this by meeting on a regular basis to discuss these risks.

The impacts of Brexit and COVID-19 are considered a cause of uncertainty and risk. Together they can cause volatility in foreign exchange rates, reduced flying hours and potential operational and administrative changes. With recent news of COVID-19 vaccines being successfully developed and approved globally and a Brexit trade deal being agreed between the UK and the EU, it is believed that the uncertainties and risks around Brexit and COVID-19 will diminish.

Further discussion of these risks and uncertainties, in the context of the Group as a whole and including the expected impact of COVID-19 is provided on pages 84 to 95 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

The directors are confident about the future trading prospects of the Company due to its current order book, market opportunities and building on long-term customer relationships.

Key performance indicators

The company's activities are managed on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company. The growth and performance of Aviation, a division of Babcock International Group PLC, which includes the company, is discussed on pages 56 to 57 of the Group's report, which does not form part of this report.

Strategic report for the year ended 31 March 2021 *(Continued)*

S172(1) Statement and Stakeholder engagement

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the company for the benefit of the Shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 58, 59, 79 and 114 to 116 of the annual report of Babcock International group PLC, which does not form part of this report.

On behalf of the Board

S Ward

Director

17 December 2021

Directors' report for the year ended 31 March 2021

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

Dividends

No final dividend for the year ended 31 March 2021 has been declared by the directors (31 March 2020: £nil).

Review of Business and Future developments

Information on review of the Company's business during the year, together with information on the Company's risks and uncertainties and future developments, can be found in the strategic report.

Financial risk management

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

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

Foreign exchange risk
The functional and presentational currency of the Company is Sterling. Forex volatility is mainly due the long-term lease commitments held in Euro. The risk is hedged through the use of

Financial risk management *(continued)*

Foreign exchange risk (continued)

Foreign exchange derivatives designated as cash flow hedges.

All treasury transactions are carried out only with prime rated counter-parties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 47 to 49 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Directors

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

N Arslan (Appointed 1 April 2020 and resigned 15 October 2020)
H Belmore
P Craig
S Ward (Appointed 15 October 2020)

Employment of disabled persons

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

Employee involvement

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

Safety policy

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

Research and development

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

Directors' report for the year ended 31 March 2021 *(continued)*

Environment

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

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

Statement of directors' responsibilities

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

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

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

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

Qualifying third party indemnity provisions

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

Directors' report for the year ended 31 March 2021 *(continued)*

Statement of disclosure of information to auditors

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

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.

The parent company Babcock (UK) Holdings Ltd has confirmed that they will provide support to allow the Company to meet financial obligations and liabilities as they fall due for a period of no less than 12 months from the date of signing these financial statements. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

The Company has undertaken a strategic review of its operating model as part of a wider project performed across the Group, and the Company has made a number of changes to reduce its cost base and approach to considering new business opportunities.

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.

On behalf of the Board

S Ward

Director

17 December 2021

Independent auditors' report to the members of Babcock Mission Critical Services Onshore Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock Mission Critical Services Onshore 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 Balance sheet as at 31 March 2021; the Income statement, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

Independent auditors' report to the members of Babcock Mission Critical Services Onshore Limited (continued)

Reporting on other information (continued)

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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 UK tax legislation, employment regulations and aviation related health and safety matters, and we considered the extent to which non-compliance might have a material effect on the financial

Independent auditors' report to the members of Babcock Mission Critical Services Onshore Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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 recording of fraudulent accounting entries designed to overstate the financial performance of the company. Audit procedures performed by the engagement team included:

- Confirmation and enquiry of management and those charged with governance over compliance with financial reporting and taxation legislation, including consideration of any actual or potential litigation or claims.
- Reviewing relevant minutes of director board meetings.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the impairment assessment of property, plant and equipment and right-of-use assets.
- Identifying and testing journal entries posted with unusual account combinations.

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

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

Use of this report

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

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.

Jonathan Bound (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 December 2021

Income statement
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Revenue	4	**34,078**	38,968
Cost of sales		**(35,972)**	(39,468)
Gross Loss		**(1,894)**	(500)
Loss on sale of tangible fixed assets		**(1,258)**	(224)
Administrative expenses		**(3,160)**	(5,105)
Exceptional Items	5	**(14,006)**	-
Income from shares in group undertakings		**56,831**	-
Profit/(Loss) before interest and taxation	6	**36,513**	(5,829)
Finance income	7	**3**	14
Finance costs	7	**(786)**	(991)
Profit/(Loss) before income tax		**35,730**	(6,806)
Income tax (expense)/credit	10	**(3,039)**	946
Profit/(Loss) for the financial year		**32,691**	(5,860)

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/(Loss) for the financial year	**32,691**	(5,860)
Other comprehensive income/(expense):		
Items that may be subsequently reclassified to income statement:		
Fair value adjustment of foreign exchange hedges	**(285)**	567
Total comprehensive income/(expense) for the year	**32,406**	(5,293)

Balance sheet
as at 31 March 2021

	Note	**2020 £000**	2020 £000
Non-current assets			
Investments	11	**-**	-
Intangible assets	12	**25**	44
Tangible assets	13	**39,228**	6,035
Right-of-use assets	14	**17,025**	25,598
		56,278	31,677
Current assets			
Inventories	15	**2,133**	3,603
Trade and other receivables	16	**15,033**	8,748
Cash and cash equivalents		**2,794**	4,809
Deferred tax asset	20	**-**	517
		19,960	17,677
Current assets/(liabilities)			
Trade and other payables – amounts falling due within one year	17	**(9,248)**	(16,413)
Derivative Financial Instruments	18	**(343)**	(193)
Lease liabilities	19	**(5,797)**	(6,211)
Net current assets/(liabilities)		**4,572**	(5,140)
Total assets less current liabilities		**60,850**	26,537
Trade and other payables – amounts falling due after more than one year	17	**(179)**	-
Derivative Financial Instruments	18	**(588)**	(452)
Lease liabilities	19	**(15,904)**	(20,901)
Deferred tax liability	20	**(6,589)**	-
Net assets		**37,590**	5,184
Equity			
Called up share capital	21	**1,667**	1,667
Other reserves		**(879)**	(594)
Retained earnings		**36,802**	4,111
Total shareholders' funds		**37,590**	5,184

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

The financial statements on pages 12 to 33 were approved by the board of directors on 17 December 2021 and signed on its behalf by:

S Ward
Director

Statement of changes in equity

for the year ended 31 March 2021

	Called up share capital	Revaluation reserve	Hedging reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2019	**1,667**	**51**	**(1,212)**	**9,971**	**10,477**
Loss for the year	-	-	-	(5,860)	(5,860)
Other Comprehensive Income	-	-	567	-	567
Total comprehensive Expense	-	-	567	(5,860)	(5,293)
Balance at 1 April 2020	**1,667**	**51**	**(645)**	**4,111**	**5,184**
Profit for the year	**-**	**-**	**-**	**32,691**	**32,691**
Other Comprehensive Expense	**-**	**-**	**(285)**	**-**	**(285)**
Total comprehensive Income for the year	**-**	**-**	**(285)**	**32,691**	**32,406**
Balance at 31 March 2021	**1,667**	**51**	**(930)**	**36,802**	**37,590**

Notes to the financial statements

1 General information

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

2 Summary of significant accounting policies

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

Basis of preparation

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 derivative financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006 as applicable to companies using FRS101. 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 Mission Critical Services Design and Completions Limited and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available.

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

a) IFRS 7, 'Financial instruments: Disclosures'
b) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
c) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
- paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
- paragraph 73(e) of IAS 16 Property, plant and equipment; and
- paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

d) The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), 10(f), 16, 38, 40, 111, and 134-136

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

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.

The parent company Babcock (UK) Holdings Ltd has confirmed that they will provide support to allow the Company to meet financial obligations and liabilities as they fall due for a period of no less than 12 months from the date of signing these financial statements. 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.

Changes in accounting policies

Management implemented one change in accounting policy during the year ended 31 March 2021.

Management amended the Company's accounting policy regarding Power By the Hour agreements. At 31 March 2021 this change in policy increases property, plant and equipment by £765k and reduces trade and other receivables by £6.8 million. Further information is detailed in note 5. This change did not affect the comparative financial statements.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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.

(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.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer.

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

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

(d) Contract mobilisation costs

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

Intangible assets

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

Computer software

Computer software includes software licences acquired plus the costs incurred in bringing the software into use and is shown at cost less accumulated amortisation and is amortised over its expected useful lives of between three and five years.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Property, plant and equipment

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

Freehold property	2% to 8%
Leasehold property	Lease term
Plant and equipment	6.6% to 33.3%
Aircraft	1% to 10%

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 provision for impairment in value.

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 overdrafts are classified as financial liabilities held at amortised cost.

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

Taxation

(a) Current income tax

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

Notes to the financial statements *(continued)*

2 Summary of significant Accounting policies *(continued)*

Taxation (continued)

(b) Deferred income tax

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

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

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Pensions costs and other post-retirement benefits

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

Foreign currencies

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

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

Leasee Accounting

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the present value of future lease payments are capitalised to the statement of financial position in accordance with IFRS 16 ‘Leases’, with a corresponding right of use asset recognised.

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.

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

Notes to the financial statements *(continued)*

2 Summary of significant Accounting policies *(continued)*

Leasee Accounting (continued)

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

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 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 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. Onerous contract provisions are recognised after impairment of any assets directly related to the onerous contract.

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 provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and contract assessments are updated regularly.

Maintenance provisions are not recognised in respect of aircraft components which are maintained under Power By the Hour maintenance arrangements, instead the associated payments to the maintenance provider are expensed as incurred. Any additional payments made to or received from maintenance providers at the conclusion of Power By the Hour maintenance arrangements are recognised as an expense or as income at the time at which they are incurred or received.

Notes to the financial statements *(continued)*

2 Summary of significant Accounting policies *(continued)*

Derivative financial instruments

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

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

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

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

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:

Inventory provisioning

The Company provides helicopter services to customers and has associated components necessary to provide this service as part of inventory. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 15 for the net carrying amount of the inventory and associated provision.

Impairment assessment of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 2 'Property, plant and equipment' for the useful economic lives and information on how impairment for each class of asset is assessed.

Notes to the financial statements *(continued)*

Impairment of right of use assets

Following a review of carrying amounts, a total impairment charge of £4.0 million was recorded in relation to the Company's right of use assets. This included impairments of aircraft supporting emergency services contracts and the impairment of assets directly attributable to the Wales Air Ambulance contract. Further details are set out in note 5 and 14.

Onerous contracts

The Company identified an onerous contract during the year ended 31 March 2021. A contract profitability review was performed across all customer contracts and it was determined that the expected benefits to be derived by the Company from the contract were lower than the unavoidable cost of meeting its obligations under the contract. Onerous contract provisions are recognised after impairment of any assets directly related to the onerous contract. This review resulted in the impairment of the right of use assets associated with the customer contract only.

4 Revenue

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

	2021 £000 Helicopter Services	2020 £000 Helicopter Services	**2021 £000 Training Services**	2020 £000 Training Services	**2021 £000 Total**	2020 £000 Total
By area of activity:						
Provision of services – transferred over time	**33,555**	38,339	**523**	629	**34,078**	38,968
	33,555	38,339	**523**	629	**34,078**	38,968

	2021 £000	2020 £000
By geographical area:		
United Kingdom	**34,078**	38,968
	34,078	38,968

5 Exceptional items

	2021 £000	2020 £000
Foundation costs	**107**	-
Aircraft impairments	**3,857**	-
Right of use asset impairments	**3,963**	-
Impact of policy change - Power by the Hour agreements	**6,844**	-
Impact of policy change – depreciation of parts under Power by the Hour agreements	**(765)**	-
	14,006	-

Exceptional items are defined as being items that are significant, non-recurring and outside the normal operating practice of the Company.

Notes to the financial statements *(continued)*

5 Exceptional items *(continued)*

The company incurred restructuring costs in regards to decreasing the headcount of the business during the financial year and project Foundation is expected to continue into the next financial year.

Management performed a full impairment review aircraft. Aircraft were impaired where the carrying values are no longer expected to be recovered through use or sale.

Right of use asset impairment: A contract profitability review was performed across all customer contracts and it was determined that the expected benefits to be derived by the Company from the contract were lower than the unavoidable cost of meeting its obligations under the contract. Onerous contract provisions are recognised after impairment of any assets directly related to the onerous contract. This review resulted in the impairment of the right of use assets associated with the customer contract only.

During the current financial year management amended the Company's accounting policy regarding Power by the Hour agreements. This change in accounting policy reduces accounts receivable by £6,844m and increases property, plant and equipment by £765k. Prior year balances are unaffected as the Company did not have Power by the Hour agreements at 31 March 2020.

6 Profit before interest and taxation

Profit before interest and taxation is stated after charging / (crediting):

	2021	2020
	£000	£000
Loss on disposal of property, plant and equipment	**1,258**	224
Depreciation of tangible fixed assets	**1,263**	571
Amortisation of intangible asses	**19**	34
Exceptional items (refer to note 5 for details)	**14,006**	-
Right of Use asset depreciation	**5,612**	5,273
Inventory recognised as an expense	**1,846**	663
Impairment of inventory	**59**	-
Lease charges		
- Other	**13**	230
Foreign exchange (gains)/losses	**(372)**	1,151
Audit fees payable to the Company's auditors	**24**	20

Loss on the disposal of property, plant and equipment relates to the sale of an aircraft during the year.

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, and their 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.

Notes to the financial statements *(continued)*

7 Finance income and costs

	2021	2020
	£000	£000
Finance income:		
Bank interest	**3**	14
	3	14
Finance costs:		
Lease interest	**786**	861
Loan interest payable to group undertakings	**-**	130
	786	991

8 Staff costs

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

	2021	2020
	Number	Number
By activity:		
Operations	**193**	187
Management and administration	**32**	27
	225	214

Their aggregate remuneration comprised:

	2021	2020
	£000	£000
Wages and salaries	**13,292**	12,056
Social security costs	**1,384**	1,331
Other pension costs	**876**	784
	15,552	14,171

Included in other pension costs are £876k (2020: £784k) 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.

Notes to the financial statements *(continued)*

9 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 £000	2020 £000
The remuneration of the directors which was paid by the Company was as follows:		
Emoluments (including benefits in-kind)	**135**	172
Defined contribution pension scheme	**9**	6
	144	178

Except for one (2020: one) director, all of the directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the director in relation to other Babcock Group companies.

10 Income tax expense/(credit)

Tax expense included in income statement

	2021 £000	2020 £000
Current tax:		
UK Corporation tax on loss for the year	-	-
Adjustment in respect of prior year	-	-
Current tax charge for the year	-	-
Deferred tax:		
Origination and reversal of temporary differences	**(817)**	(1,245)
Adjustment in respect of prior years	**3,856**	222
Impact of change in UK tax rate	**-**	77
Total deferred tax charge / (credit)	**3,039**	(946)
Tax on profit/ (loss)	**3,039**	(946)

Notes to the financial statements *(continued)*

10 Income tax expense/(credit) *(continued)*

	2021 **£000**	2020 £000
Profit/(Loss) before taxation	**35,730**	(6,806)
Profit/(Loss) before taxation multiplied by standard UK corporation tax rate of 19% (2020: 19%)	**6,789**	(1,293)
Effects of:		
(Income not taxable)/Expenses not deductible for tax purposes	**(10,750)**	90
Group relief surrendered to/(claimed) from group companies	**3,144**	(42)
Adjustment in respect of prior year	**3,856**	222
Impact of change in the UK tax rate	**-**	77
Tax charge / (credit) for the year	**3,039**	(946)

In the 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 Investments

On 22 September 2020 the Company purchased 100% shareholding in Bond Aviation Leasing Limited for £1. Following the acquisition the subsidiary made a full distribution of all it's assets and liabilities to the Company resulting in income recognised of £56.8m. Bond Aviation Leasing Limited is now in the process of being wound up. The investment of £1 was impaired to £nil.

12 Intangible assets

	Software £000
Cost	
At 1 April 2020	**261**
Additions	**-**
At 31 March 2021	**261**
Accumulated amortisation	
At 1 April 2020	217
Charge for the year	19
At 31 March 2021	**236**
Net book value	
At 31 March 2021	**25**
At 31 March 2020	44

Notes to the financial statements *(continued)*

13 Tangible assets

	Asset Under Construction £000	Freehold property £000	Leasehold property £000	Plant and equipment £000	Aircraft £000	Total £000
Cost						
At 1 April 2020	348	2,279	2,681	3,887	2,193	11,388
Additions	290	-	-	1,786	38,865	40,941
Disposals	(287)	-	-	-	(3,548)	(3,835)
Impact of Policy change (note 6)	(216)	-	-	-	-	(216)
At 31 March 2021	**135**	**2,279**	**2,681**	**5,673**	**37,510**	**48,278**
Accumulated depreciation						
At 1 April 2020	-	717	1,000	2,587	1,049	5,353
Disposals	-	-	-	-	(658)	(658)
Impact of Policy change (note 5)	-	-	-	-	(765)	(765)
Impairment (note 5)	-	-	-	-	3,857	3,857
Charge for the year	-	46	71	614	532	1,263
At 31 March 2021	**-**	**763**	**1,071**	**3,201**	**4,015**	**9,050**
Net book value						
At 31 March 2021	**135**	**1,516**	**1,610**	**2,472**	**33,495**	**39,228**
At 31 March 2020	348	1,562	1,681	1,300	1,144	6,035

Notes to the financial statements *(continued)*

14 Right-of-Use Assets

	Freehold property £000	Plant and equipment £000	Aircraft Fleet £000	Total £000
Cost				
At 1 April 2020	1,418	128	29,600	31,146
Additions	999	3	-	1,002
Lease terminations	(41)	(58)	-	(99)
At 31 March 2021	**2,376**	**73**	**29,600**	**32,049**
Accumulated depreciation				
At 1 April 2020	124	62	5,362	5,548
Impairment	-	-	3,963	3,963
Charge for the year	149	41	5,422	5,612
Lease terminations	(41)	(58)	-	(99)
At 31 March 2021	**232**	**45**	**14,747**	**15,024**
Net book value				
At 31 March 2021	**2,144**	**28**	**14,853**	**17,025**
At 31 March 2020	1,294	66	24,238	25,598

15 Inventories

	2021 £000	2020 £000
Aircraft Spares	**2,116**	3,560
Fuel	**17**	43
	2,133	3,603

There are no significant difference between the replacement cost of the inventory and its carrying amount. Inventories are stated after the provision for impairment of £1,510k (2020: £1,451k).

Notes to the financial statements *(continued)*

16 Trade and other receivables

	2021 £000	2020 £000
Amounts falling due within one year:		
Trade receivables	**1,745**	4,068
Amounts due from group undertakings	**468**	327
Other receivables	**507**	1,503
Prepayments and accrued income	**2,002**	2,850
	4,722	8,748
Amounts due after more than one year:		
Amounts due from group undertakings	**10,311**	-
	15,033	8,748

Amounts falling due after more than one year include two major loans (2020: nil) to group companies. These loans have no fixed repayment terms and are interest free.

17 Trade and other payables

	2021 £000	2020 £000
Amounts falling due within one year:		
Trade payables	**2,077**	3,302
Amounts due to parent and group undertakings	**701**	2,810
Taxation and social security	**394**	388
UK corporation tax payable	**1,335**	1,335
Other payables	**596**	977
Accruals and deferred income	**4,145**	7,601
	9,248	16,413

Amounts falling due after more than one year:

	2021 £000	2020 £000
Other payables	**179**	-
	179	-

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

18 Derivative financial instruments

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.

A Derivative liability of £931k (2020: £645k) is used to reduce foreign exposure risk on leases.

19 Lease Liabilities

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

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

	Freehold property	**Plant and equipment**	**Aircraft Fleet**	**Total £000**
	£000	£000	£000	£000
At 1 April 2020	1,322	67	25,723	**27,112**
Additions	999	3	-	**1,002**
Interest charged	86	2	698	**786**
Cash payments	(217)	(44)	(6,412)	**(6,673)**
Foreign exchange movement	4	-	(530)	**(526)**
At 31 March 2021	**2,194**	**28**	**19,479**	**21,701**

Discounted future minimum lease payments are as follows:

	2021 £000	2020 £000
Within one year	5,797	6,211
In more than one year, but not more than five years	13,433	16,286
After five years	2,471	4,615
Carrying value of liability	**21,701**	27,112

The company had total cash outflows for leases of £6,673k for the year ended 31 March 2021 (2020: £6,311k).

Notes to the financial statements *(continued)*

20 Deferred taxation

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

Deferred tax liabilities/(assets)	Accelerated capital allowances £000	Other £000	Total £000
At 1 April 2019:	694	(265)	429
- Charged/(credited) to the income statement	(1,146)	200	(946)
At 31 March 2020:	(452)	(65)	(517)
- Liability on acquisition of subsidiary	4,067	-	4,067
- Charged to the income statement	3,151	(112)	3,039
At 31 March 2021:	**6,766**	**(177)**	**6,589**

21 Called up share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
1,666,666 ordinary shares of £1 each (2020: 1,666,666)	**1,667**	1,667

22 Guarantees and financial commitments

a) Other Commitments

At 31 March 2021 the Company had unpaid pension contributions of £nil (2020: £147,980).

The Company financial statements 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.

23 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.

24 Contingent liabilities

At the year-end date the Company had guaranteed or had joint and several liabilities 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).

Notes to the financial statements *(continued)*

25 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Mission Critical Services Design and Completions Limited, a limited liability company registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

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

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