Babcock Airports Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021

Company registration number:

03954520

Directors and advisors

Current directors
Spicer, C J L
Urquhart, I S
Parker, J R

Company Secretary
Babcock Corporate Secretaries Limited

Registered Office
33 Wigmore Street
London
W1U 1QX

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

Strategic report

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

Principal activities

The Company provides support services operations in the Airports sector. Services range from the formulation of solutions through to detailed design, project management, commissioning, operation and maintenance.

Review of the business

	2021	2020
	£'000	£'000
Revenue	**24,457**	84,994
Profit for the financial year	**155**	7,756

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

The contract with Heathrow Airport Limited (HAL) for the operations and maintenance of the baggage handling facilities across the Heathrow campus ended on 31 October 2020. The Company will continue to operate existing project services from the formulation of solutions through to detailed design, project management and commissioning at a reduced level for the year ended 31 March 2022. The Company will be completing its current commitments on existing contracts through to October 2021 and will then cease trading.

Work across the Company's principle market of airports has greatly reduced since March 2020 due to the impact of the COVID-19 pandemic, with projects delayed and resource requirements greatly reduced. The bulk of operational staff in the Company have been designated as essential workers during the COVID-19 pandemic and therefore have continued to provide ongoing services and support to airports. The health and wellbeing of our staff has been our main concern and we have taken measures to ensure they can continue to work safely.

Financial position

The Company has increased total shareholders' funds to £17.5m (2020 £17.3m) as a result of the performance for the year. Cash and cash equivalents decreased to a liability of £1.7m at 31 March 2021 (2020 asset £9.7m) due to further amounts being advanced to other group companies during the year.

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 key risks and uncertainties affecting the Company are considered to be the resource requirements due to Covid and the completion of remaining projects. A number of the Company's long term contracts are ceasing from October 2021. The directors manage these risks 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.

Future developments and going concern

The Company will continue to operate existing project services from the formulation of solutions through to detailed design, project management and commissioning at a reduced level for the following financial year. The Company will be completing its current commitments on existing contracts and will then cease trading. As such, the Company is winding down its operations and will be liquidated, therefore the financial statements have been prepared on a basis other than going concern. As a result, all assets have been valued at their realisable value, which has not resulted in any material change compared to their carrying value on a going concern basis. The Company had no fixed assets or long term creditors which required reclassification to current assets and liabilities as the assets will continue to be utilised through to the completion of the existing contracts. As at the year end, there is a significant net asset balance available to cover all liabilities and it is expected that all current liabilities will be paid. No further material liabilities are expected to arise from the completion of the remaining contracts and liquidation.

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 Land, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 54 and 55 of the Group's annual report, which does not form part of this report.

S.172 (1) statement and stakeholder engagement

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

The disclosure in the Group annual report considered all relevant factors for the Company, in particular the Company's engagement with its customers and employees. During the year, regular and frequent engagement continued with HAL to ensure effective operational running of Heathrow Airport contract and exit of the contract.

On behalf of the board

J R Parker

J R Parker
Director

21 January 2022

Directors' report

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

Dividends

No dividends were declared and paid during the year (2020: £nil was declared and paid).

Future developments

Information on the future developments of the Company can be found in the Strategic report on page 3.

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 interest-bearing assets. Interest earned on cash balances accrues at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Directors

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

Davies, J R	(Resigned 28/06/2021
White, S M	(Resigned 03/08/2020)
Taylor, R H	(Resigned 31/10/2021)
Urquhart, I S	
Morland, D K	(Resigned 03/02/2021)
Hayward M	(Appointed 03/08/2020, Resigned 08/12/2021)
Parker, J R	(Appointed 03/02/2021)
Spicer, C J L	(Appointed 08/12/2021)

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.

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 seeks accreditation to appropriate standards where appropriate.

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

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 (see note 2).

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

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

Directors' confirmations

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

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

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

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

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 the 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.

Appointment 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

J R Parker
Director

21 January 2022

Independent auditors' report to the members of Babcock Airports Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock Airports 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 and Financial Statements (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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

Independent auditors' report to the members of Babcock Airports 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.

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

28 February 2022

Babcock Airports Limited

Income statement
for the year ended 31 March 2021

	Note	**2021 £'000**	2020 £'000
Revenue	4	**24,457**	84,994
Cost of sales		**(23,382)**	(73,429)
Gross profit		**1,075**	11,565
Administrative expenses		**(600)**	(1,926)
Grant income	4	**3,822**	-
Exceptional costs	5	**(4,202)**	-
Operating profit	6	**95**	9,639
Income from shares in group undertakings		**-**	-
Profit before interest and tax		**95**	9,639
Finance income	7	**-**	18
Finance costs	7	**(18)**	(66)
Profit before income tax		**77**	9,591
Income tax credit/(expense)	11	**78**	(1,835)
Profit for the financial year		**155**	7,756

All of the above results derive from continuing operations (refer to further information in ‘Future developments and going concern’ section in the ‘Strategic report’).

Statement of comprehensive Income
for the year ended 31 March 2021

	Note	**2021 £'000**	2020 £'000
Profit for the financial year		**155**	7,756
Other comprehensive (expense)/ income:			
Items that may be subsequently reclassified to income statement:			
Loss on re-measurement of net defined benefit asset	25	**-**	(5,103)
Tax on net defined benefit obligation	11	**-**	907
Total comprehensive income for the year		**155**	3,560

Statement of financial position
as at 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	12	**-**	454
Right-of-use assets	13	**9**	332
Investments in subsidiaries	14	**17**	17
		26	803
Current assets			
Inventories	15	**-**	7,531
Trade and other receivables	16	**34,814**	25,861
Cash and cash equivalents		**-**	9,684
		34,814	43,076
Current liabilities			
Trade and other payables - amounts falling due within one year	17	**(15,497)**	(25,566)
Lease liabilities	18	**(10)**	(39)
Provisions for liabilities	19	**(1,841)**	(644)
Net current assets		**17,466**	16,827
Total assets less current liabilities		**17,492**	17,630
Non-current liabilities			
Lease liabilities	18	**-**	(293)
Net assets		**17,492**	17,337
Equity			
Called up share capital	21	**-**	-
Retained earnings		**17,492**	17,337
Total shareholders' funds		**17,492**	17,337

The notes on pages 14 to 39 are an integral part of these financial statements.

The financial statements on pages 11 to 39 were approved by the board of directors and authorised to issue on 21 January 2022 and signed on its behalf by:

J R Parker
Director
21 January 2022

Statement of changes in equity

for the year ended 31 March 2021

	Called-up share capital	Retained earnings	Total Shareholders' funds
	£'000	£'000	**£'000**
Balance at 1 April 2019	-	13,777	13,777
Profit for the financial year	-	7,756	7,756
Other comprehensive expense	-	(4,196)	(4,196)
Balance at 31 March 2020	-	17,337	17,337
Profit for the financial year	-	155	155
Other comprehensive expense	-	-	-
Balance at 31 March 2021	**-**	**17,492**	**17,492**

Notes to the financial statements

1 General information

Babcock Airports 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 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.

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.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The Company will be completing its current commitments on existing contracts and will then cease trading. As such, the Company is winding down its operations and will be liquidated and therefore the financial statements have been prepared on a basis other than going concern. As a result, all assets have been valued at their realisable value, which has not resulted in any material change compared to their carrying value on a going concern basis. The Company had no fixed assets or long term creditors which required reclassification to current assets and liabilities as the assets will continue to be utilised through to the completion of the existing contracts. As at the year end, there is a significant net asset balance available to cover all liabilities and it is expected that all current liabilities will be paid. No further material liabilities are expected to arise from the completion of the remaining contracts and liquidation.

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. 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 Critical Assets Holdings LLP and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

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;

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

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.

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.

2 Summary of significant accounting policies *(continued)*

Revenue *(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.

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 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).

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.

(d) Costs of obtaining a contract

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

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. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of PPE over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Plant and equipment	6.6% to 33.3%

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.

Trade receivables

Trade receivables are stated at their cost less provision for bad debts. Provision for bad debts is established when there is an expected credit loss in line with credit loss model.

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.

2 Summary of significant accounting policies *(continued)*

Taxation

(a) Current income tax

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

(b) Deferred income tax

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

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

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

Pensions costs and other post-retirement benefits

The Company participates in a defined benefit scheme that shares risks between entities under common control. The defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension scheme are charged to operating profit in the entities who participate in the scheme. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income.

The fair value of plan assets 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 surplus has been determined from the value of the plan assets at the end of the reporting date less the fair value of the defined benefit obligation at the reporting date.

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

2 Summary of significant accounting policies *(continued)*

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.

Leases

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

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

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

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

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 is made where leases are deemed to be onerous. 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 work-in-progress for that portion of the work which has already been completed, and as liability provisions for

2 Summary of significant accounting policies *(continued)*

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

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

Grant Income

The Job Retention Scheme grant income received has been be recognised in the period in which the underlying furloughed staff costs are incurred.

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.

Contract accounting

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

4 Revenue

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

	2021	2020
	£'000	£'000
	Airport Services	Airport Services
By area of activity:		
Provision of Services - transferred over time	**24,457**	84,994

	2021	2020
	£'000	£'000
By geographical area:		
United Kingdom	**24,437**	84,920
Rest of Europe	**20**	74
	24,457	84,994

Other income of £3,822,000 (2020: £nil) relates to Job Retention Scheme grant income which has been recognised in the period in which the underlying furloughed staff costs have been incurred.

5 Exceptional items

	2021	2020
	£'000	£'000
Redundancy and restructuring costs	**3,086**	-
Contract exit costs	**1,115**	-
	4,201	-

Due to the contract with HAL ending on 31 October 2020 and the decision to cease trading once the existing contracts have been completed a number of exceptional costs were incurred in the year associated with exiting the business. These costs included redundancy costs and the cost of inventory that is now obsolete as a result of the exit. Restructuring costs were also incurred in the projects business in the year.

Contract exit costs include costs incurred as part of the contract exit.

6 Operating profit

Operating profit is stated after charging / (crediting):

	2021	2020
	£'000	£'000
Depreciation of tangible fixed assets	**190**	253
Depreciation of right-of-use assets	**169**	181
Inventory charged as an expense	**7,531**	2,739
Lease charges		
Property	**75**	132
Audit fees payable to the Company's auditors	**35**	22
Research and development tax credits	**(239)**	(722)

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

7 Finance income and finance cost

	2021	**2020**
	£'000	**£'000**
Finance income:		
Bank and other interest	-	**18**
	-	**18**
Finance cost:		
Bank interest	**(6)**	**(51)**
Interest on lease liabilities	**(12)**	**(15)**
	(18)	**(66)**

8 Staff costs

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

	2021 Number	2020 Number
By activity:		
Operations	**453**	876
Management and administration	**7**	10
	460	886

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	**17,377**	36,535
Social security costs	**2,204**	4,128
Other pension costs	**1,545**	3,629
	21,126	44,292

Included in other pension costs are £nil (2020:£nil) in respect of the defined benefit schemes and £1,545,000 (2020: £3,629,000) in respect of the defined contribution scheme.

9 Directors' remuneration

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 directors in relation to other Babcock Group companies.

The amounts for remuneration include the following in respect of the director, who is also the highest paid director:

	2021 £'000	2020 £'000
Emoluments (excluding pension contributions)	**78**	157
Defined contribution pension scheme	**4**	14
	82	171

The highest paid director did not participate in any of the defined benefit schemes of the Company in either year.

Babcock Airports Limited

Notes to the financial statements *(continued)*

10 Share Based Payments

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 of the Annual report of Babcock International Group PLC, which does not form part of this report.

During the year the total charge relating to employee share-based payment plans for Babcock International Group PLC was £4.2 million (2020: £2.9 million), all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £3.3 million (2020: £2.4 million). None of these costs are borne by the Company.

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

DBMP, PSP AND DBP[1]

	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%	01/12/2
2020 PSP	2,091,24	350.0	19.0%	4.0	100.0%	–	350.0	55.0%	01/12/2
2020 PSP	1,341,47	350.0	19.0%	6.0	100.0%	137.9	305.2	55.0%	01/12/2
2020 DBP	118,320	289.0	19.0%	4.0	100.0%	–	289.0	55.0%	03/08/2
2020 DBP	146,306	289.0	19.0%	3.0	100.0%	–	289.0	55.0%	03/08/2
2020 DBP	192,096	284.2	19.0%	4.0	100.0%	–	284.2	55.0%	13/08/2
2020 DBP	8,474	284.2	19.0%	3.0	100.0%	–	284.2	55.0%	13/08/2
2019 PSP	1,370,67	472.8	11.0%	6.0	–	70.9	472.8	45.0%	13/06/1
2019 PSP	3,019,03	472.8	11.0%	4.0	–	70.9	472.8	45.0%	13/06/1
2019 DBP	313,909	472.8	11.0%	4.0	100.0%	–	472.8	45.0%	13/06/1
2019 DBP	93,430	472.8	11.0%	3.0	100.0%	–	472.8	45.0%	13/06/1
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56.0%	13/06/1
2018 PSP	1,699,32	856.0	14.0%	4.0	–	370.9	856.0	56.0%	13/06/1
2018 DBP	187,433	856.0	14.0%	4.0	100.0%	–	856.0	56.0%	13/06/1
2018 DBP	90,777	856.0	14.0%	3.0	100.0%	–	856.0	56.0%	13/06/1
2017 PSP	902,424	905.5	15.0%	6.0	–	131.2	905.5	46.0%	14/06/1
2017 PSP	1,769,33	905.5	15.0%	4.0	–	131.2	905.5	46.0%	14/06/1
2017 DBP	186,949	905.5	15.0%	4.0	100.0%	–	905.5	46.0%	14/06/1
2017 DBP	103,246	905.5	15.0%	3.0	100.0%	–	905.5	46.0%	14/06/1

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

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.

10 Share Based Payments *(continued)*

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.

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).

11 Income tax

Tax included in income statement

	£'000	£'000
Current tax:		
UK Corporation tax on profit for the year	**-**	1,476
Adjustment in respect of prior year	**-**	-
Current tax charge for the year	**-**	1,476
Deferred tax:		
Origination and reversal of timing differences	**(51)**	347
Adjustment in respect of prior years	**(27)**	14
Impact of change in UK tax rate	**-**	(2)
Total deferred tax (credit)/charge	**(78)**	359
Income tax (credit)/charge	**(78)**	1,835

Tax expense included in other comprehensive (expense)/income

	2021	2020
	£'000	£'000
Current tax	**-**	-
Deferred tax:		
- Tax impact of actuarial (losses) on pension liability	**-**	(970)
- Impact of change in tax rates	**-**	63
Tax (income) included in other comprehensive (expense)/income	**-**	(907)

11 Income tax *(continued)*

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

	2021	2020
	£'000	£'000
Profit before income tax	**77**	9,591
Tax on profit before income tax at standard UK corporation tax rate of 19% (2020: 19%)	**15**	1,822
Effects of:		
Expenses not deductible for tax purposes	**2**	1
Group relief claimed for nil consideration	**(68)**	-
Adjustments in respect of deferred tax for prior years	**(27)**	14
Impact of change in UK tax rate	**-**	(2)
Total tax (credit)/charge for the year	**(78)**	1,835

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, but are not expected to be significant.

12 Tangible assets

	Plant and Equipment £'000	**Total £'000**
Cost		
At 1 April 2020	1,006	**1,006**
Additions	9	**9**
Disposals	(1,015)	**(1,015)**
At 31 March 2021	**-**	**-**
Accumulated depreciation		
At 1 April 2020	552	**552**
Charge for the year	190	**190**
Disposals	(742)	**(742)**
At 31 March 2021	**-**	**-**
Net book value		
At 31 March 2021	-	**-**
At 31 March 2020	454	**454**

13 Right-of-use assets

	Plant and equipment £’000	**Total £’000**
Cost		
At 1 April 2020	509	**509**
Additions	34	**34**
Disposal	(502)	**(502)**
At 31 March 2021	41	**41**
Accumulated depreciation		
At 1 April 2020	177	**177**
Charge for the year	169	**169**
Disposal	(314)	**(314)**
At 31 March 2021	32	**32**
Net book value		
At 31 March 2021	9	**9**
At 31 March 2020	332	**332**

14 Investments in subsidiaries

	2021 Shares in group undertakings	**Total**	2020 Shares in group undertakings	Total
	£'000	**£'000**	£'000	£'000
Cost				
At 1 April	**17**	**17**	17	17
Carrying amount at 31 March	**17**	**17**	17	17

The Company's subsidiary undertakings, all of which are wholly-owned, are:

Company	**Country of registration**	**Principal activities**
Babcock BV	Netherlands	Provide support services operations in Airports sector

The directors believe that the carrying value of the investment is supported by its underlying assets.

On 15 September 2010, proprietary know-how, not capitalised in the financial statements of the Company in accordance with FRS 10 'Goodwill and Intangible Assets', was transferred to Babcock Integration LLP in exchange for an interest in that partnership. This was in order to facilitate the integration of the Babcock and VT groups. The partnership interest has been recognised at a cost of £nil given that the know-how transferred was not recognised in the financial statements of the Company prior to the transfer.

15 Inventories

	2021 £'000	2020 £'000
Finished goods and goods for resale	**-**	7,531
	-	7,531

There is no significant difference between the replacement cost of finished goods or goods for resale and their carrying amounts.

Inventories are stated after provision for impairment of £nil (2020: £505,000).

16 Trade and other receivables

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	**1,164**	3,069
Amounts owed by group undertakings	**33,431**	17,655
Deferred tax asset (note 20)	**123**	45
Contract assets	**23**	4,828
Other receivables	**73**	264
	34,814	25,861

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand. There is one major loan of £32.1m (2020: £16.2m) to group companies.

Trade receivables are stated after provisions for impairment of £nil (2020: £nil) in line with the expected loss model.

Contract assets	2021	2020
	£'000	£'000
At 1 April	**4,828**	9,370
Transfers from contract assets recognised at the beginning of the year to receivables	**(4,828)**	(9,370)
Increase due to work not recognised in the income statement	**23**	4,828
At 31 March	**23**	4,828

17 Trade and Other payables – amounts falling due within one year

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	**215**	2,196
Amounts owed to parent and group undertakings	**3,538**	5,984
Bank overdraft	**1,673**	-
Taxation and social security	**2,697**	3,319
UK corporation tax payable	**5,569**	5,809
Contract liabilities	**1,128**	7,271
Other payables	**677**	987
	15,497	25,566

Amounts owed by parent and group undertakings are unsecured, interest free, and repayable on demand.

17 Trade and Other payables – amounts falling due within one year (*continued*)

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 23).

Contract liabilities	**2021**	2020
	£'000	£'000
At 1 April	**7,271**	10,013
Revenue recognised that was included in contract liabilities at the beginning of the year	**(7,271)**	(9,776)
Increase due to cash received, excluding amounts recognised as revenue	**1,128**	7,034
At 31 March	**1,128**	**7,271**

18 Lease liabilities

The entity leases plant and machinery (mainly vehicles) under non-cancellable leases. The leases are of fixed lease payments with extension and termination options.

The weighted average incremental borrowing rate applied to the lease 4.8%.

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

	2021	2020
	£'000	£'000
At 1 April	**332**	495
Additions	**34**	228
Disposals	**(196)**	(106)
Interest charged (see note 7)	**12**	12
Payments	**(172)**	(297)
At 31 March	**10**	**332**

Discounted future minimum lease payments are as follows:	**2021**	2020
	£'000	£'000
Within one year	**10**	39
In more than one year, but not more than five years	**-**	293
After five years	**-**	-
Carrying value of liability	**10**	332

Notes to the financial statements *(continued)*

19 Provisions for liabilities

	Reorganisation provision	Contract provision	Total
	£'000	**£'000**	**£'000**
At 1 April 2020	**-**	**644**	**644**
Charged to the income statement	**2,824**	**604**	**3,428**
Utilised in the year	**(1,582)**	**(649)**	**(2,231)**
At 31 March 2021	**1,242**	**599**	**1,841**

Contract provisions
Contract provisions relate to a review of the major projects and relate to warranties on complete projects. These are based on the assessment of future costs and are assessed with reference to past experience. Contract provisions have not been discounted. The provisions are expected to be fully utilised during the year ending 31 March 2022. Reorganisation provision related to closure and redundancy costs of closing the Airports projects business over the following financial year.

20 Deferred taxation

The major components of the deferred tax (assets)/liabilities are:

Deferred tax (assets)/liabilities	Accelerated capital allowances	Other	Total
	£'000	**£'000**	**£'000**
At 1 April 2019:	**(28)**	**531**	**503**
- Charged / (credited) to the income statement	4	355	359
- (Credited)/charged directly to other comprehensive income	-	(907)	(907)
At 31 March 2020:	**(24)**	**(21)**	**(45)**
- (Credited)/charged to the income statement	(93)	15	(78)
- Charged / (credited) to other comprehensive income	-	-	-
At 31 March 2021:	**(117)**	**(6)**	**(123)**

21 Called up share capital

	2021	2020
	£	£
Allotted and fully paid		
1 (2020: 1) Ordinary share capital authorised at £1 each.	**1**	1

22 Dividends

Dividends declared and paid were £nil (2020: £nil). There are no plans for a final dividend.

23 Guarantees and financial commitments

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).

24 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.

Notes to the financial statements *(continued)*

25 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 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; introduced benefit changes impacting future service benefits which included capping of pensionable salaries, capping pension increases, increasing normal retirement age in line with state pension ages; and 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.

Babcock International Group PLC 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	**3.1**	2.6
Discount rate	**2.0**	2.4
Inflation	**2.7**	1.8

25 Pension commitments (*continued*)

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. Currently there are no active members

The mortality assumptions used were:

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

The changes to the Babcock International Group Plc balance sheet at 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 2021 £'000
Initial assumptions	**1,421,689**	8,841
Discount rate assumptions increased by 0.5%	**(96,533)**	(3,265)
Discount rate assumptions decreased by 0.5%	**96,533**	2,289
Inflation rate assumptions increased by 0.5%	**57,721**	1,819
Inflation rate assumptions decreased by 0.5%	**(52,887)**	(1,648)
Total life expectancy increased by half a year	**32,841**	762
Total life expectancy decreased by half a year	**(32,841)**	(762)
Salary increase assumptions increased by 0.5%	**7,677**	455
Salary increase assumptions decreased by 0.5%	**(7,677)**	(455)

The weighted average duration of cash flows (years) was 15.

25 Pension commitments *(continued)*

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2021 were:

	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)
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 share of Babcock International Group Plc.

The Babcock Airports Limited net pension assets of £nil (2020: £ nil) represents 0.0% (2020: 0.0%) of the Babcock International Group PLC Net Pension Surplus.

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

25 Pension commitments *(continued)*

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

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

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

The actuarial loss recognised in the SOCI in these financial statements, based on the Company's allocation of the total Babcock International Group Plc movement, was a loss of £nil (2020: Loss £5,103,000).

The equity investments and bonds are valued at bid price.

Reconciliation of Fair 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	**26,981**	21,874
Benefits paid	**(80,924)**	(80,602)
Settlement	**-**	-
Actuarial gain	**59,551**	8,286
At 31 March	**1,492,970**	1,453,019

25 Pension commitments *(continued)*

Reconciliation of reimbursement rights	**2021**	2020
	£'000	£'000
At 1 April	**(65,642)**	(60,111)
Interest on reimbursement rights	**(1,576)**	(1,444)
Actuarial losses	**13,418**	(4,087)
At 31 March	**(53,800)**	(65,642)

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 loss – demographics	**11,371**	6,350
Actuarial loss/(gain) – financial	**166,168**	(54,871)
Experience losses	**9,021**	6,371
Benefits paid	**(80,924)**	(80,602)
Past Service cost	**999**	-
Settlement	**-**	-
At 31 March	**1,421,689**	1,276,793

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).

Contributions payable by the Company to the Defined Benefit Scheme amounted to £nil (2020: £1,947,000).

Babcock International Group Defined Contribution Scheme

The pension charge for the year represents contributions payable by the Company to the scheme and amounted to £1,545,000 (2020: £3,629,000).

26 Subsidiary, and associate and joint venture undertakings

All related undertakings for the Company are as listed below:

Company Name	Registered and Trading Address	Interest	Direct %	Ultimate%
Babcock BV	1 Bezuidenhoutseweg S-Gravenhage 2594 AB Netherlands	18,000 Ordinary shares	100.00%	100.00%

Babcock BV maintain baggage handling facilities at Schiphol Airport.

27 Ultimate parent undertaking

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

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

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