

Babcock International Limited
Annual report and financial statements
For the year ended 31 March 2019
Company registration number:
00065805



Babcock International Limited

Directors and advisors

Current directors

I Urquhart
F Martinelli
N Borrett

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

Babcock International Limited

Strategic report for the year ended 31 March 2019

The directors present their Strategic report on the Company for the year ended 31 March 2019.

Principal activities

The principal activities of the Company continue to be that of a Group finance company within the Group headed by Babcock International Group PLC.

Review of the business

	2019 £'000	2018 £'000
(Loss) / profit for the financial year	(1,699)	75,741

The loss for the year has arisen largely due to the fact that no dividends were received from subsidiary undertakings. Dividends totalling £75.2m were received in the prior year. In addition larger foreign exchange losses arose in the current year.

The directors regard the position of the company at the year-end to be satisfactory.

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.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 70 to 81 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

There are no plans to alter significantly the business of the Company.

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.

On behalf of the Board



I Urquhart

Director

23 December 2019

Babcock International Limited

Directors' report for the year ended 31 March 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

Dividends

No dividend was paid during the financial year (2018: £65,000,000). No final dividends are recommended.

Future developments

There are no plans to alter significantly the business of the Company.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk 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.

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 36 to 37 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance departments. The department has a policy and procedures manual that sets out specific guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

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

Interest rate cash flow risk

The Company has both interest-bearing assets and interest-bearing liabilities. The interest-bearing assets earn interest at a floating rate. Interest-bearing liabilities accrue interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Babcock International Limited

Directors' report for the year ended 31 March 2019 (*continued*)

Directors

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

I Urquhart
F Martinelli
N Borrett

Statement of directors' responsibilities

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 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.

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.

Babcock International Limited

Directors' report for the year ended 31 March 2019 *(continued)*

Qualifying third party indemnity provisions

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

Reappointment of independent auditors

PricewaterhouseCoopers LLP were reappointed as auditors at the Annual General Meeting.

On behalf of the board



I Urquhart

Director

23 December 2019

Babcock International Limited

Independent auditors' report to the members of Babcock International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS101 '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 2019; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Babcock International Limited

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 set out on page 4, 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

Babcock International Limited

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

economic decisions of users taken on the basis of these financial statements.

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

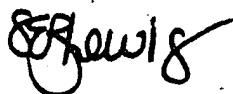
Other required reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received 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
23 December 2019

Babcock International Limited

Income statement

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Administrative expenses		(1,232)	903
Operating (loss) / profit	4	(1,232)	903
Income from shares in group undertakings		-	75,198
Finance income	5	192	159
Finance costs	5	(658)	(537)
(Loss) / profit before income tax		(1,698)	75,723
Income tax (charge) / credit	6	(1)	18
(Loss) / profit for the financial year		(1,699)	75,741

All of the above results derive from continuing operations.

Statement of comprehensive income

For the year ended 31 March 2019

	2019 £'000	2018 £'000
(Loss) / profit for the financial year	(1,699)	75,741
Total comprehensive (loss) / income for the year	(1,699)	75,741

Babcock International Limited

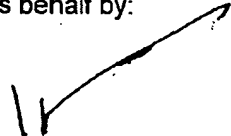
Statement of financial position

As at 31 March 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Tangible assets	7	434	732
Investments	8	20,838	20,838
Trade and other receivables	9	10,305	10,305
Deferred tax	13	72	73
		<u>31,649</u>	<u>31,948</u>
Current assets			
Trade and other receivables	9	508,891	474,699
Cash and cash equivalents		2	5
		<u>508,893</u>	<u>474,704</u>
Trade and other payables – amounts falling due within one year	10	(493,808)	(458,219)
Net current assets		<u>15,085</u>	<u>16,485</u>
Total assets less current liabilities		<u>46,734</u>	<u>48,433</u>
Trade and other payables – amounts falling due after more than one year	11	(26,439)	(26,439)
Net assets		<u>20,295</u>	<u>21,994</u>
Equity			
Called up share capital	12	10,500	10,500
Share premium account		4,633	4,633
Retained earnings		5,162	6,861
Total shareholders' funds		<u>20,295</u>	<u>21,994</u>

The notes on pages 12-23 are an integral part of these financial statements.

The financial statements on pages 9-23 were approved by the Board of directors and signed on its behalf by:


I Urquhart
Director
23 December 2019

Babcock International Limited

Statement of changes in equity For the year ended 31 March 2019

	Called-up share capital £'000	Share premium account £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 April 2017	10,500	4,633	(3,880)	11,253
Profit for the financial year	-	-	75,741	75,741
Total comprehensive income	-	-	75,741	75,741
Dividend paid	-	-	(65,000)	(65,000)
Balance at 31 March 2018	10,500	4,633	6,861	21,994
Loss for the financial year	-	-	(1,699)	(1,699)
Total comprehensive loss	-	-	(1,699)	(1,699)
Balance at 31 March 2019	10,500	4,633	5,162	20,295

Babcock International Limited

Notes to the financial statements

1 General information

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

2 Summary of significant accounting policies

The 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. 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 Birchill Investment Co. Limited, a company incorporated in England and Wales. The Company's ultimate parent company and ultimate controlling party is Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

- a) 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; and
 - paragraph 73(e) of IAS 16 Property, plant and equipment.
- 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.

Babcock International Limited

Notes to the financial statements (*continued*)

2 Summary of significant accounting policies (*continued*)

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued if it is not yet effective.

IFRS 9, 'Financial Instruments' has been adopted in the year (effective 1 January 2018) and replaces IAS 39. The standard introduces new requirements for classifying and measuring financial instruments. The adoption of IFRS 9 has not had any impact on the financial position of the Company. Accordingly prior year comparatives have not been restated.

Investments in subsidiaries

Fixed asset investments in subsidiaries shares are held at cost less any provision for impairment as necessary.

Tangible Fixed Assets

Tangible fixed assets are shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of tangible fixed assets over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within current liabilities.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Babcock International Limited

Notes to the financial statements (*continued*)

2 Summary of significant accounting policies (*continued*)

Financial assets

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

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

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

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

Financial liabilities

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

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

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

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

Babcock International Limited

Notes to the financial statements *(continued)*

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.

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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Babcock International Limited

Notes to the financial statements (*continued*)

3 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There were no areas involving a higher degree of judgment or complexity or areas where significant assumptions and estimates were made in the preparation of these financial statements.

4 Operating (loss) / profit

	2019 £'000	2018 £'000
Operating (loss) / profit is stated after charging / (crediting):		
Foreign exchange losses / (gains)	836	(1,294)
Depreciation- owned fixed assets	265	261
Loss on disposal of tangible fixed assets	14	10

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

The company has no employees.

All of the directors are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements.

Babcock International Limited

Notes to the financial statements (continued)

5 Finance income and finance costs

	2019 £'000	2018 £'000
Finance income:		
Loan interest receivable from group undertakings	192	159
	<u>192</u>	<u>159</u>
	2019 £'000	2018 £'000
Finance costs:		
Bank interest	(277)	(226)
Loan interest payable to group undertakings	(381)	(311)
	<u>(658)</u>	<u>(537)</u>

6 Income tax charge / (credit)

Tax charge / (credit) included in income statement

	2019 £'000	2018 £'000
Current tax:		
UK Corporation tax on (loss) / profit for the year	-	-
Adjustment in respect of prior years	-	-
Current tax charge for the year	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	10	15
Adjustment in respect of prior years	(8)	(32)
Impact of change in UK tax rate	(1)	(1)
Total deferred tax charge / (credit) (note 13)	<u>1</u>	<u>(18)</u>
Tax charge / (credit) on (loss) / profit	<u>1</u>	<u>(18)</u>

Babcock International Limited

Notes to the financial statements (continued)

6 Income tax charge / (credit) (continued)

Tax charge / (credit) for the year is higher (2018: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
(Loss) / profit before income tax	(1,698)	75,723
Tax on (loss) / profit before income tax multiplied by standard UK corporation tax rate of 19% (2018: 19%)	(323)	14,387
Effects of:		
Expenses not deductible for tax purposes / (Income not taxable)	48	(14,242)
Group relief surrendered / (claimed) for nil consideration	285	(130)
Adjustment in respect of prior years	(8)	(32)
Impact of change in UK tax rate	(1)	(1)
Total tax charge / (credit) for the year	1	(18)

In the UK 2016 Budget it was announced that the UK corporation tax rate will reduce to 18% from April 2020. It was subsequently announced in the 2017 UK Budget that it will be reduced to 17% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 17% as this is the tax rate that will apply on reversal.

7 Tangible assets

	Leasehold property £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2018	1,981	272	2,253
Disposals	-	(38)	(38)
At 31 March 2019	1,981	234	2,215
Accumulated depreciation			
At 1 April 2018	1,332	189	1,521
Charge for the year	243	22	265
Disposals	-	(5)	(5)
At 31 March 2019	1,575	206	1,781
Net book value			
At 31 March 2019	406	28	434
At 31 March 2018	649	83	732

Babcock International Limited

Notes to the financial statements (continued)

8 Investments

	2019			2018		
	Shares in group undertakings at cost £'000	Provisions for impairment £'000	Total £'000	Shares in group undertakings at cost £'000	Provisions for impairment £'000	Total £'000
At 1 April	21,454	(616)	20,838	21,454	(616)	20,838
At 31 March	21,454	(616)	20,838	21,454	(616)	20,838

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

<u>Company</u>	<u>Country of Registration</u>	<u>Principal Activities</u>
Babcock Nominees Limited	England	Dormant
The Stirling Boiler Company Limited	Scotland	Dormant
Hiberna Contract Services Limited	England	Dormant
Babcock C 2019 Limited	England	Dormant
Babcock Woodall-Duckham (Overseas) Limited	England	Dormant
Babcock-Moxey Limited	England	Dormant
BMH (2002) Limited	England	Dormant
Hiberna Limited	England	Dormant
St Helen's Securities Limited	England	Dormant
Babcock Integration LLP	England	Investing
Babcock IP Management (Number One) Limited	England	Other
Babcock IP Management (Number Two) Limited	England	Other

On 15 September 2010, the use of the Babcock name was sublicensed to Babcock Integration LLP in exchange for an interest in the partnership. This was in order to facilitate the integration of the Babcock and VT groups. The Babcock name was not capitalised in the financial statements of the Company in accordance with FRS10 "Goodwill and Intangible Assets".

The partnership interest has been recognised at a cost of £nil given that the use of the Babcock name was not recognised in the financial statements of the Company prior to the sublicense to the LLP.

During the year the company received a dividend of £nil from Babcock Integration LLP (2018: £75,198,096).

Full lists of related undertakings for the Company have been disclosed in note 16.

Babcock International Limited

Notes to the financial statements (*continued*)

9 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	8	8
Amounts due from group undertakings	506,858	472,643
Amounts due from Joint Ventures	-	231
Other receivables	835	335
Prepayments and accrued income	1,190	1,482
	508,891	474,699

All amounts due from group undertakings are interest free and repayable on demand.

	2019 £'000	2018 £'000
Amounts due after more than one year:		
Amounts due from group undertakings	10,305	10,305

Included in amounts due from group undertakings due after more than one year, is an amount of £10,000,000 (2018: £10,000,000) that bears an interest rate of UK LIBOR plus 100 basis points, the remaining balance is interest free.

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

	2019 £'000	2018 £'000
Bank loans and overdrafts	24,014	37,104
Trade creditors	5,541	5,326
Amounts due to group undertakings	456,595	405,657
Taxation and social security	506	693
Accruals and deferred income	7,152	9,439
	493,808	458,219

Included in amounts due to group undertakings are loans of £3,398,000 (2018: £3,398,000) bearing interest at UK LIBOR plus 100 basis points and a loan of £11,588,000 (US\$15,100,000) (2018: £10,764,000) that bears interest at US LIBOR plus 100 basis points. The remaining balances are repayable on demand and non-interest bearing.

Babcock International Limited

Notes to the financial statements (*continued*)

11 Trade and other payables – amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts due to group undertakings	26,439	26,439

These debts are repayable between two and five years. £7,970,000 (2018: £7,970,000) is non-interest bearing. The debt of £18,469,000 (2018: £18,469,000) bears an interest rate of UK LIBOR plus 100 basis points.

12 Called up share capital

	£'000
Allotted, issued and fully paid	
100,000,000 (2018: 100,000,000) ordinary shares of £0.10 each	10,000
5,000,000 (2018: 5,000,000) preference shares of £0.10 each	500
At 31 March 2018 and 31 March 2019	10,500

13 Deferred tax

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

	Accelerated capital allowances £000
Deferred tax (assets):	
At 1 April 2017	(55)
Credited to the income statement	(18)
At 31 March 2018	(73)
Charged to the income statement	1
At 31 March 2019	(72)

Babcock International Limited

Notes to the financial statements (*continued*)

14 Contingent liabilities

At the year end the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2018: £nil) provided to certain group companies. In addition, the Company at the year-end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £nil (2018: £nil).

No securities have been provided by the Company in relation to these contingent liabilities. There is no current expectation that these contingent liabilities will crystallise.

15 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.

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

Transactions entered into and trading balances outstanding at 31 March 2019 are as follows:

	Recharges to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
<i>Related party</i> Ascent Flight Training (Management) Limited	770	-	-	-

Transactions entered into and trading balances outstanding at 31 March 2018 are as follows:

	Recharges to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
<i>Related party</i> Ascent Flight Training (Management) Limited	384	-	231	-

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

Babcock International Limited

Notes to the financial statements (*continued*)

16 Related undertakings

The Company's subsidiary undertakings, all of which are wholly-owned unless otherwise stated are listed in note 8; all related undertakings are as follows:

Company Name	Address	Interest	Ultimate %	Immediate %
Babcock C 2019 Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	6,700,000 ORDINARY shares	100%	100%
Babcock Nominees Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	700,000 ORDINARY shares	100%	100%
Babcock Integration LLP	33 Wigmore Street, London, W1U 1QX, United Kingdom	Partnership interest	66.80%	66.80%
Babcock IP Management (Number One) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	10,002 ORDINARY shares	66.7666%	0.00%
Babcock IP Management (Number Two) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	10,001 ORDINARY shares	66.80%	0.00%
Babcock Woodall-Duckham (Overseas) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	108,485 'B' ORDINARY shares, 51,515 ORDINARY shares, 180,000 6% CUMULATIVE PREFERENCE shares	99.999%	99.999%
Babcock-Moxey Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	20,447 ORDINARY shares	100%	100%
BMH (2002) Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	129,572 ORDINARY shares	100%	100%
Hiberna Contract Services Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	8,614,327 ORDINARY shares	100%	100%
Hiberna Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	100 ORDINARY shares	100%	100%
St Helen's Securities Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	11,361,934 ORDINARY shares	100%	100%
The Stirling Boiler Company Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	15,000 ORDINARY shares	100%	100%

17 Parent undertakings

The Company's immediate parent company is Babcock Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking and controlling party is Babcock International Group PLC, a company incorporated in Great Britain and registered in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Babcock International Group PLC. Copies of Babcock International Group PLC consolidated financial statements can be obtained from the following address:

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