

**Babcock International Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2022**

Registered number: 00065805



# **Babcock International Limited**

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## **COMPANY INFORMATION**

**Directors**

N Borrett  
S Doherty  
R Clark

**Company secretary**

Babcock Corporate Secretaries Limited

**Registered Number**

00065805

**Registered office**

33 Wigmore Street, London, W1U 1QX

**Independent auditor**

Deloitte LLP  
1 New Street Square  
London  
EC4A 4HQ

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## **Strategic report for the year ended 31 March 2022**

The Directors present their Strategic report on the Company for the year ended 31 March 2022.

### **Principal activities**

The Company's principal activities continued to be that of a Group finance company within the Group headed by Babcock International Group PLC

### **Business review**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	<b>(28,570)</b>	<b>(505)</b>

The increase in the loss for the year is due to additional expenses during the year ended 31 March 2022 of £25,417,451 (2021: £nil) incurred in connection with the Group's divestment programme for disposals and restructuring costs £2,668,000 (2021: £nil) in relation to the implementation of the new operating model announced and implemented during the year ended 31 March 2022. There has been a return of capital of £nil (2021: £nil) from subsidiaries dissolved during the year. No dividend (2021: £nil) was received from subsidiaries dissolved during the year. The company is in a net liability position of £9,965,000 (2021: £18,583,000 net asset). The directors regard the position of the company at the year end to be satisfactory.

### **Principal risks and uncertainties**

The Company's ultimate controlling parent is Babcock International Group Plc. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group Plc. The principal risks and uncertainties of Babcock International Group Plc are discussed in its Annual Report for the year ended 31 March 2022.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 74 to 87 of the annual report of Babcock International Group PLC, which does not form part of this report.

### **Future developments**

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

### **Key performance indicators**

The Company's principal activity is that of a group finance company and, for this reason, the 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.

### **S172(1) Statement and Stakeholder engagement**

This statement contains an overview of how the Directors have performed their duty to promote the success of the Company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term,
  - b) the interests of the company's employees,
  - c) the need to foster the company's business relationships with suppliers, customers and others,
  - d) the impact of the company's operations on the community and the environment,
  - e) the desirability of the company maintaining a reputation for high standards of business conduct, and
  - f) the need to act fairly as between members of the company.
- g) Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 52, 53, and 101 of the annual report of Babcock International group PLC, which does not form part of this report.

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**Strategic report for the year ended 31 March 2022 (continued)**

**Employees**

Our success is led by our employees. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose.

These engagement activities form part of the Group-wide People Strategy as described on pages 19 and 63 – 66 of the annual report of Babcock International group PLC.

**Business relationships**

We are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations. We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs.

We build and maintain long-term relationships with our customers to promote the future success of the Company.

To support our global business operations and strategy we require an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the Group-wide Procurement Strategy as described on pages 21 and 69 – 72 of the annual report of Babcock International group PLC.

**The community and environment**

Sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: to create a safe and secure world, together. We have done a lot in the past year to drive our sustainability programme across the Group, ensure progress towards our corporate commitments and deliver our five ESG priorities shown below.

1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040.
2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources.
3. We will ensure the safety and wellbeing of all our people.
4. We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies.
5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

These activities form part of the Group-wide ESG Strategy as described on pages 54 – 75 of the annual report of Babcock International group PLC.

This report was approved by the board on 1 September 2023 and signed on its behalf



R Clark

**Director**

# Babcock International Limited

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## Directors report for the year ended 31 March 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2022.

### Directors

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

I Urquhart (resigned 31 May 2022)  
N Borrett  
S Doherty (appointed 31 May 2022)  
R Clark (appointed 8 August 2022)

### Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic Report. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The Company is in a net current liabilities position of £633,356k, but is not expected to settle the intercompany amounts due to parent and group undertakings until the Company has sufficient liquidity to do so and the Company has received confirmation from the other group companies these amounts are due to confirming this position. Additionally, the Company is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock Holdings Limited confirming this position. In completing this analysis, the Directors have considered the ability of Babcock Holdings Limited to provide such finance.

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Financial risk management

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail with the annual report for Babcock International Group Plc.

### 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.

### Energy and carbon reporting

The Company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2022 of its ultimate parent, Babcock International Group Plc.

### Environment

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

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

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**Directors report for the year ended 31 March 2022 (*continued*)**

**Statement of Directors' responsibilities (*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.

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Statement of disclosure of information to auditors**

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

**Appointment of auditors**

At the 2022 Annual General meeting of Babcock International Group plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

This report was approved by the board on 1 September 2023 and signed on its behalf



R Clark  
**Director**

**Independent auditor's report to the members of Babcock International Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Babcock International Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

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

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.



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**Independent auditor's report to the members of Babcock International Limited  
(continued)**

**Other information (continued)**

We have nothing to report in this regard.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

**Auditor's 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 auditor's 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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**Independent auditor's report to the members of Babcock International Limited  
(continued)**

**Extent to which the audit was considered capable of detecting irregularities, including fraud  
(continued)**

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Makhan Chahal FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
1 September 2023

# Babcock International Limited

## Income statement for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Administration expenses		(27,657)	437
<b>Operating (loss)/profit</b>	4	<b>(27,657)</b>	<b>437</b>
Finance income	5	96	133
Finance costs	5	(998)	(840)
<b>Loss before taxation</b>		<b>(28,559)</b>	<b>(270)</b>
Income tax expense	7	(11)	(235)
<b>Loss for the financial year</b>		<b>(28,570)</b>	<b>(505)</b>

All of the above results derive from continuing operations.

There have been no other comprehensive gains/losses during either the current or prior year other than as disclosed in the profit and loss account and therefore no separate statement of comprehensive income has been presented

# Babcock International Limited

## Balance sheet as at 31 March 2022

	Note	2022 £'000	2021 restated £'000
<b>Non-current assets</b>			
Tangible fixed assets	8	29	184
Right-of-use assets	9	4,881	5,370
Investments in subsidiaries	10	500	500
Deferred tax assets	7	83	94
Trade and other receivables	11	641,214	576,735
		<u>646,707</u>	<u>582,883</u>
<b>Current assets</b>			
Trade and other receivables	11	9,252	9,635
Cash and cash equivalents		2	2
		<u>9,254</u>	<u>9,637</u>
<b>Current Liabilities</b>			
Lease liabilities	9	(747)	(1,303)
Trade and other payables – amounts falling due within one year	12	(641,863)	(549,019)
		<u>(633,356)</u>	<u>(540,685)</u>
<b>Net current liabilities</b>		<u>(633,356)</u>	<u>(540,685)</u>
<b>Total assets less current liabilities</b>		<u>13,351</u>	<u>42,198</u>
Lease liabilities	9	(4,869)	(5,146)
Trade and other payables – amounts falling due after more than one year	12	(18,469)	(18,469)
		<u>(9,987)</u>	<u>18,583</u>
<b>Net (liabilities)/assets</b>		<u>(9,987)</u>	<u>18,583</u>
<b>Equity</b>			
Called up share capital	14	10,500	10,500
Share premium account		4,633	4,633
Retained earnings		(25,120)	3,450
<b>Total shareholders' funds</b>		<u>(9,987)</u>	<u>18,583</u>

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 13.

The notes on pages 13 to 25 are an integral part of these financial statements.

The financial statements on pages 10 to 25 were approved by the board of directors on 1 September 2023 and signed on its behalf by:



R Clark  
Director

## Babcock International Limited

### Statement of changes in equity as at 31 March 2022

	Note	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total shareholders' funds £'000
<b>Balance at 1 April 2020</b>		10,500	4,633	3,955	19,088
Loss and total comprehensive loss for the year		-	-	(505)	(505)
<b>Balance at 31 March 2021</b>		10,500	4,633	3,450	18,583
Loss and total comprehensive loss for the year		-	-	(28,570)	(28,570)
<b>Balance at 31 March 2022</b>		10,500	4,633	(25,120)	(9,987)

# **Babcock International Limited**

## **Notes to the financial statements**

### **1 General information**

Babcock International Limited is a private company which is incorporated and domiciled in the UK and registered in England and Wales. 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**

These financial statements have been under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with applicable law, the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework (FRS 101)'. The presentation currency of these financial statements is sterling and all amounts have been rounded to the nearest £'000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements in accordance with the international accounting standards in conformity with the requirements of Companies Act 2006 as applicable to companies under FRS 101.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken:

- 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) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 58, 90, 91 and 93 of IFRS 16 Leases.
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
  - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
  - paragraph 73(e) of IAS 16 Property, plant and equipment; and
  - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- e) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
- f) IAS 7, 'Statement of cash flows'
- g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'.
- h) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation.

# Babcock International Limited

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### Basis of preparation (continued)

- i) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- j) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic Report. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The Company is in a net current liabilities position of £633,356k, but is not expected to settle the intercompany amounts due to parent and group undertakings until the Company has sufficient liquidity to do so and the Company has received confirmation from the other group companies these amounts are due to confirming this position. Additionally, the Company is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock Holdings Limited confirming this position. In completing this analysis, the Directors have considered the ability of Babcock Holdings Limited to provide such finance.

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of property, plant and equipment 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 equipment	6.6% to 33.3%

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

#### Investments

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

#### Impairment of non-current assets

For all non-financial non-current assets (including property, plant and equipment and right of use assets) the Company performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value-in-use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Company income statement.

# Babcock International Limited

## Notes to the financial statements (continued)

### 2 Summary of significant accounting policies (continued)

#### Impairment of non-current assets (continued)

Where an impairment loss on other non-financial non-current assets subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Goodwill impairments are not subsequently reversed.

#### Leases

##### The Company as lessee

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the Company recognises a right of use asset and corresponding lease liability at commencement of the lease.

The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on a number of factors including asset type, lease currency and lease term. Lease payments include fixed payments and variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date. The lease term reflects any extension or termination options that the Company is reasonably certain to exercise.

The lease liability is subsequently measured at amortised cost using the effective interest rate method, with interest on the lease liability being recognised as a finance expense in the income statement. The lease liability is remeasured, with a corresponding adjustment to the right of use asset, if there is a change in future lease payments, for example resulting from a rent review, change in a rate/index or change in the Company's assessment of whether it is reasonably certain to exercise an extension, termination or purchase option.

The right of use asset is initially recorded at cost, being equal to the lease liability, adjusted for any initial direct costs, lease payments made prior to commencement date, lease incentives received and any dilapidation costs. Depreciation of right of use assets is recognised as an expense in the income statement on a straight-line basis over the shorter of the asset's useful life or expected term of the lease.

Right of use assets arising from sale and leaseback transactions are measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Gains arising on sale and leaseback transactions are recognised to the extent that they relate to the rights transferred to the buyer-lessor whilst losses arising on sale and leaseback transactions are recognised in full.

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, with the impairment expense being recognised in the income statement. Where a lease is terminated early, any termination fees or gain or loss relating to the release of right of use asset and lease obligation are recognised as a gain or loss through the income statement.

Payments in respect of short-term leases not exceeding 12 months in duration or low-value leases are expensed straight line to the income statement as permitted by IFRS 16, 'Leases'.

#### Cash and cash equivalents

Company cash and cash equivalents consist of cash at bank and cash in hand, together with short-term deposits with an original maturity of three months or less and money market funds.

#### Taxation

##### a) Current income tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.



## Babcock International Limited

### Notes to the financial statements (continued)

#### 3 Critical accounting estimates and judgements

In the course of preparation of the financial statements judgements and estimates can be made in applying the Group's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the Group's accounting policies requires the use of estimates and the inherent uncertainty in certain forward-looking estimates may result in a material adjustment to the carrying amounts 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.

There are no areas of judgement or key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in these financial statements.

#### 4 Operating (loss)/profit

Operating (loss)/profit is stated after charging / (crediting):

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loss on disposal of property, plant and equipment	77	-
Depreciation of tangible fixed assets (Note 8)	77	124
Right of use depreciation (Note 9)	1,139	1,176
Foreign exchange losses	561	1,157

Auditors' remuneration of £30,000 (2021: £12,000) has been borne by another group entity. Fees paid to the Company's auditors, Deloitte LLP, and its associates (2022), PricewaterhouseCoopers LLP and its associates (2021), 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 average monthly number of employees (including directors) employed by the Company during the year was 125 (2021: 106 employees). All staff costs incurred by this entity are recharged to other group companies.

# Babcock International Limited

## Notes to the financial statements (continued)

### 5 Finance income and costs

	2022 £'000	2021 £'000
<b>Finance income:</b>		
Loan interest receivable from group undertakings	96	133
<b>Finance costs:</b>		
Bank borrowings	(476)	(264)
Lease interest	(268)	(326)
Loan interest payable to group undertakings	(254)	(250)
	<b>(998)</b>	<b>(840)</b>

### 6 Staff costs

The average monthly number of employees (including directors) was:

	2022 Number	2021 Number Restated
Administration	126	106

Their aggregate remuneration comprised:

	2022 £000	2021 £000
Wages and salaries	19,171	13,965
Social security costs	2,943	1,537
Other pension costs	1,156	828
Share-based payments	2,020	1,033
	<b>25,290</b>	<b>17,363</b>

In the prior year, staff costs were disclosed in the accounts of Babcock Holdings Limited as all staff costs incurred by this entity are recharged to Babcock Holdings Limited. In the year ended 31 March 2022 we have identified that these costs should be disclosed in accounts of Babcock International Limited as the entity which holds the employment contracts. The Staff costs note has been restated for the year ended 31 March 2021.

### 7 Tax

#### Income tax expense

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
<b>Analysis of tax expense/(benefit) in the year</b>		
Current tax		
• UK current year charge/(benefit)	-	-
Deferred tax		
• Origination and reversal of timing differences	4	10
• Adjustment in respect of prior years	27	225
• Impact of changes in tax rates	(20)	-
<b>Total income tax expense</b>	<b>11</b>	<b>235</b>

# Babcock International Limited

## Notes to the financial statements (continued)

### 7 Tax (continued)

The differences are explained below:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
<b>Profit/(loss) before tax</b>	<b>(28,599)</b>	<b>(270)</b>
Profit/(loss) on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	<b>(5,434)</b>	<b>(51)</b>
Effects of:		
Expenses not deductible for tax purposes	<b>4,840</b>	<b>19</b>
Group relief surrendered for nil consideration	<b>598</b>	<b>42</b>
Prior year adjustments	<b>27</b>	<b>225</b>
Impact of change in UK tax rate	<b>(20)</b>	<b>-</b>
<b>Total income tax expense</b>	<b>11</b>	<b>235</b>

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. Deferred tax balances as at 31 March 2022 that are expected to reverse after 1 April 2023 have been calculated at 25%.

### Deferred tax

Deferred tax assets and deferred tax liabilities have been offset if, and only if, there is a legally enforceable right in that jurisdiction to set off corporation tax assets and corporation tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same Taxation Authorities:

	31 March 2022 £'000	31 March 2021 £'000
Deferred tax asset	<b>83</b>	<b>94</b>
	<b>83</b>	<b>94</b>

The movements in deferred tax assets and liabilities during the year are shown below.

	Total £'000
<b>At 1 April 2021</b>	<b>(94)</b>
Income statement credit/(debit)	<b>4</b>
Prior year adjustment	<b>27</b>
Impact of change in UK tax rate	<b>(20)</b>
<b>At 31 March 2022</b>	<b>(83)</b>
At 1 April 2020 as previously stated	<b>(329)</b>
Income statement credit/(debit)	<b>235</b>
<b>At 31 March 2021</b>	<b>(94)</b>

Deferred tax assets have been recognised in respect of accelerated capital allowances.

# Babcock International Limited

## Notes to the financial statements (continued)

### 8 Tangible fixed assets

	Leasehold property £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2021	1,981	318	2,299
Additions	-	-	-
Disposals	(574)	(50)	(624)
<b>At 31 March 2022</b>	<b>1,407</b>	<b>268</b>	<b>1,675</b>
<b>Accumulated depreciation</b>			
At 1 April 2021	1,868	247	2,115
Charge for the year	57	20	77
Disposals	(520)	(26)	(546)
<b>At 31 March 2022</b>	<b>1,405</b>	<b>241</b>	<b>1,646</b>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>2</b>	<b>27</b>	<b>29</b>
At 31 March 2021	113	71	184

### 9 Leases

#### Right of use assets

The Company leases buildings and equipment under non-cancellable lease arrangements.

	Property £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2021	11,221	13	11,234
Additions	2,263	-	2,263
Disposals	(4,224)	(3)	(4,227)
<b>At 31 March 2022</b>	<b>9,260</b>	<b>10</b>	<b>9,270</b>
<b>Accumulated depreciation</b>			
At 1 April 2021	5,855	9	5,864
Charge for the year	1,136	3	1,139
Disposals	(2,608)	(6)	(2,614)
<b>At 31 March 2022</b>	<b>4,383</b>	<b>6</b>	<b>4,389</b>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>4,877</b>	<b>4</b>	<b>4,881</b>
At 31 March 2021	5,366	4	5,370

# Babcock International Limited

## Notes to the financial statements (continued)

### 9 Leases (continued)

#### Lease Liabilities

	31 March 2022 £'000	31 March 2021 £'000
At 31 March 2021	6,449	7,685
Additions	2,241	-
Disposals	(1,774)	-
Interest Charged	268	324
Payments	(1,568)	(1,565)
<b>At 31 March 2022</b>	<b>5,616</b>	<b>6,449</b>

Discounted future minimum lease payments are as follows:

	31 March 2022 £'000	31 March 2021 £'000
Within one year	771	1,303
In more than one year, but not more than five years	3,447	5,146
After five years	1,398	-
<b>Carrying value of liability</b>	<b>5,616</b>	<b>6,449</b>

The Company had total cash outflows for leases of £1,567,608 for the year ended 31 March 2022 (2021: £1,893,000).

### 10 Investments

	2022			2021		
	Shares in group undertakin gs £'000	Shares in joint ventures £'000	Total £'000	Shares in group undertakin gs £'000	Shares in joint ventures £'000	Total £'000
<b>Cost</b>						
At 1 April 2021 and 2022	500	-	500	500	-	500

Company	Country of Registration	Principal Activities
Babcock Integration LLP	England and Wales	Investing
Babcock IP Management (Number One) Limited	England and Wales	Other
Babcock IP Management (Number Two) Limited	England and Wales	Other

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

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

# Babcock International Limited

## Notes to the financial statements (continued)

### 11 Trade and other receivables

	31 March 2022 £'000	31 March 2021 restated £'000
<b>Amounts due after more than one year:</b>		
Amounts due from group undertakings	641,214	576,735
	<b>641,214</b>	<b>576,735</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	-	51
Amounts due from group undertakings	6,678	6,681
Other receivables	971	507
Prepayments and accrued income	1,603	2,396
	<b>9,252</b>	<b>9,635</b>

### 11 Trade and other receivables (continued)

Included in amounts due from group undertakings due after more than one year, is an amount of £10,000,000 (2021: £10,000,000) that bears an interest rate of UK LIBOR plus 100 basis points.

All amounts due from group undertakings are interest free and repayable on demand. There are £nil (2021: £nil) expected credit losses.

Please see note 13 for detailed disclosure regarding the prior year restatement.

### 12 Trade and other payables

	2022 £'000	2021 £'000
<b>Amounts falling due after more than one year:</b>		
Amounts due to parent and group undertakings	18,469	18,469
	<b>18,469</b>	<b>18,469</b>
<b>Amounts falling due within one year:</b>		
Bank loans and overdrafts	95,590	12,028
Trade payables	4,872	10,365
Amounts due to parent and group undertakings	522,679	519,660
Other taxation and social security	716	781
Other payables	18,006	6,185
	<b>641,863</b>	<b>549,019</b>

Included in amounts due to group undertakings falling due within one year are loans of £3,398,000 (2021: £3,398,000) bearing interest at UK LIBOR plus 100 basis points and a loan of £10,959,000 (US\$15,100,000) (2021: £12,160,000) that bears interest at US LIBOR plus 100 basis points. The remaining balances are repayable on demand and non-interest bearing.

Included in amounts due to group undertakings falling due after more than one year is a loan of £18,469,000 (2021: £18,469,000) that bears an interest rate of UK LIBOR plus 100 basis points. The loan is repayable on 31 August 2026. Repayment may be made before this date with the consent of both the Company and the counterparty.

Bank loans and overdrafts represent balances on accounts that form part of the Babcock Group plc cash pool facility. The group changed providers in the period between 31 March 2022 and the date of signing of the accounts and as part of this transition the overdraft balances were settled in full.

The Company has access to the Babcock International Group PLC overdraft facility.

# Babcock International Limited

## Notes to the financial statements (continued)

### 13 Prior year restatement

### 31 March 2021 – Statement of financial position (extract)

	31 March 2021 (previously published)	(i) Balance sheet reclassification	31 March 2021 (restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	184	-	184
Right of use assets	5,370	-	5,370
Investments	500	-	500
Trade and other receivables	-	576,735	576,735
Deferred tax	94	-	94
<b>Total non-current assets</b>	<b>6,148</b>	<b>576,735</b>	<b>582,883</b>
<b>Current assets</b>			
Trade and other receivables	586,370	(576,735)	9,635
Cash and cash equivalents	2	-	2
<b>Total current assets</b>	<b>586,372</b>	<b>(576,735)</b>	<b>9,637</b>
<b>Current liabilities</b>			
Trade and other payables	(549,019)	-	(549,019)
Lease liabilities	(1,303)	-	(1,303)
<b>Total current liabilities</b>	<b>(550,322)</b>	<b>-</b>	<b>(550,322)</b>
<b>Non-current liabilities</b>			
Trade and other payables	(18,469)	-	(18,469)
Lease liabilities	(5,146)	-	(5,146)
<b>Total non-current liabilities</b>	<b>(23,615)</b>	<b>-</b>	<b>(23,615)</b>
<b>Net assets</b>	<b>18,583</b>	<b>-</b>	<b>18,583</b>
<b>Equity</b>			
Called up share capital	10,500	-	10,500
Share premium account	4,633	-	4,633
Retained earnings	3,450	-	3,450
<b>Total shareholders' funds</b>	<b>18,583</b>	<b>-</b>	<b>18,583</b>

#### (i) Balance sheet reclassification

In the prior year, amounts owed by fellow subsidiary undertakings were presented as falling due within one year and classified within current assets. Based on the underlying terms of the agreement and considering the fact that these assets are not expected to be settled within the next 12 months the classification has been reassessed, and the amounts owed by fellow subsidiary undertakings presented within non-current assets. This has resulted in a restatement of £576,735k between current and non-current assets. There is no impact to net assets or to the income statement.

# Babcock International Limited

## Notes to the financial statements (continued)

### 14 Share capital

	31 March 2022 £'000	31 March 2021 £'000
<b>Allotted, called up and fully paid</b>		
100,000,000 (2021: 100,000,000) ordinary shares of £0.10 each	10,000	10,000
5,000,000 (2021: 5,000,000) preference shares of £0.10 each	500	500
<b>At 31 March 2022 and 31 March 2021</b>	<b>10,500</b>	<b>10,500</b>

### 15 Contingent liabilities

At the year-end date the Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with utilisation of £383.6m at 31 March 2022 (31 March 2021: £371.3m).

### 16 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 entered into transactions in the ordinary course of business with Ascent Flight Training (Management) Limited in which Babcock International Group PLC holds a 50% shareholding.

Transactions entered into and trading balances outstanding at 31 March 2022 are as follows:

	Recharges to	Purchases from	Amounts owed by £'000	Amounts owed to £'000
<b>Related party</b>				
Ascent Flight Training (Management) Limited	433	-	-	-

Transactions entered into and trading balances outstanding at 31 March 2021 are as follows:

	Recharges to	Purchases from	Amounts owed by £'000	Amounts owed to £'000
<b>Related party</b>				
Ascent Flight Training (Management) Limited	415	-	-	-

The Company's subsidiary undertakings, all of which are wholly owned unless otherwise stated are listed in note 10; all related undertakings are as follows:

Company Name	Address	Interest	Ultimate %	Immediate %
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	66.77328%	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 International Limited**

### **Notes to the financial statements (continued)**

#### **17 Immediate and ultimate parent undertakings**

The Company's immediate parent company is Babcock Holdings Limited, a company registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The 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