

Babcock Southern Holdings Limited

Annual Report

For the year ended 31 March 2020

Company registration number:

01915771

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COMPANIES HOUSE

Babcock Southern Holdings 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
1 Embankment Place
London
WC2N 6RH

Strategic report for the year ended 31 March 2020

The directors present their Strategic report on Babcock Southern Holdings Limited ("the Company") for the year ended 31 March 2020.

Principal activities

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

Review of the business

| | 2020 £000 | 2019 £000 |
|-------------------------------|--------------|--------------|
| Profit for the financial year | 75,685 | 51,900 |
| Impairment of investments | (2,339) | (5,000) |

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 date 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 and including the expected impact of COVID-19 is provided on pages 80 to 92 of the annual report of Babcock International Group PLC, which does not form part of this report.

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

S172(1) statement and stakeholder engagement

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the Shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 30 and 31 of the annual report of Babcock International group PLC, which does not form part of this report.

On behalf of the board



I Urquhart
Director

25 November 2020

Directors' report for the year ended 31 March 2020

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

Dividends

Dividends declared and paid during the financial year were £nil (2019: £41,200,000). There are no plans for a final dividend.

Future developments

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

Financial risk management

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 65 to 67 and Note 2 of the Annual Report of Babcock International Group PLC, which does not form part of this report.

Directors

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

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 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.

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.

Babcock Southern Holdings Limited

Directors' report for the year ended 31 March 2020 *(continued)*

Statement of directors' responsibilities *(continued)*

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 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.

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 auditors

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

On behalf of the board



I Urquhart
Director

25 November 2020

Independent auditors' report to the members of Babcock Southern Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock Southern Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 March 2020; the income statement, the statement of comprehensive income, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 on, 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 2020 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 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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.

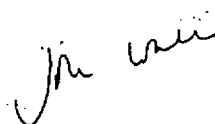
Other required reporting

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.


John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 November 2020

Babcock Southern Holdings Limited**Income statement***for the year ended 31 March 2020*

| | Note | 2020 £000 | 2019 £000 |
|---|------|----------------------|----------------------|
| Administrative expenses | | <u>(41,060)</u> | <u>(38)</u> |
| Operating loss | 4 | (41,060) | (38) |
| Income from shares in group undertakings | 7 | 109,956 | 41,200 |
| Income from shares in joint ventures | 7 | 3,533 | 9,875 |
| Impairment of investments | 7 | <u>(2,339)</u> | <u>(5,000)</u> |
| Profit on ordinary activities before interest and taxation | | 70,090 | 46,037 |
| Finance income | 5 | 6,144 | 6,237 |
| Finance costs | 5 | <u>(549)</u> | <u>(372)</u> |
| Profit before taxation | | 75,685 | 51,902 |
| Income tax expense | 6 | <u>-</u> | <u>(2)</u> |
| Profit for the financial year | | <u>75,685</u> | <u>51,900</u> |

All of the above results derive from continuing operations.

Statement of comprehensive income*for the year ended 31 March 2020*

| | 2020 £000 | 2019 £000 |
|--|----------------------|----------------------|
| Profit for the financial year | <u>75,685</u> | <u>51,900</u> |
| Total comprehensive income for the year | <u>75,685</u> | <u>51,900</u> |

Babcock Southern Holdings Limited

Balance sheet

as at 31 March 2020

| | | 2020 £000 | 2019 £000 |
|---|------|------------------|-----------------|
| | Note | | |
| Fixed assets | | | |
| Investments in Group undertakings | 7 | 421,776 | 424,115 |
| Right-of-use assets | 8 | 4,147 | - |
| Investments in joint ventures | 7 | 6,133 | 61 |
| Loans to joint ventures | 7 | 28,253 | 34,708 |
| | | <u>460,309</u> | <u>458,884</u> |
| Current assets | | | |
| Trade and other receivables – Amounts falling due within one year | 9 | 460,341 | 358,465 |
| Cash and cash equivalents | | 20,532 | 4,785 |
| | | <u>480,873</u> | <u>363,250</u> |
| Current liabilities | | | |
| Creditors - amounts falling due within one year | 10 | (119,695) | (73,317) |
| Lease liabilities | 11 | (557) | - |
| Bank loans and overdraft | | (178) | (7,790) |
| | | <u>(120,430)</u> | <u>(81,107)</u> |
| Net current assets | | <u>360,443</u> | <u>282,143</u> |
| Total assets less current liabilities | | 820,752 | 741,027 |
| Non-current liabilities | | | |
| Creditors - amounts falling due after more than one year | 10 | (50,000) | (50,000) |
| Lease liabilities | 11 | (4,345) | - |
| | | <u>(54,345)</u> | <u>(50,000)</u> |
| Net assets | | <u>766,407</u> | <u>691,027</u> |
| Equity | | | |
| Called up share capital | 13 | 9,205 | 9,205 |
| Share premium account | | 293,904 | 293,904 |
| Revaluation reserves | | 10,257 | 10,257 |
| Retained earnings | | 453,041 | 377,661 |
| Total shareholders' funds | | <u>766,407</u> | <u>691,027</u> |

The notes on pages 10 to 24 are an integral part of these financial statements. The financial statements on pages 7 to 24 were approved by the Board of directors and signed on its behalf by:

I Urquhart
Director

25 November 2020

Babcock Southern Holdings Limited**Statement of changes in equity**
for the year ended 31 March 2020

| | Note | Called up share capital £000 | Share premium account £000 | Revaluation reserve £000 | Retained earnings £000 | Total shareholders' funds £000 |
|-------------------------------------|------|---------------------------------------|-------------------------------------|--------------------------------|------------------------------|---|
| Balance at 1 April 2018 | | 9,205 | 293,904 | 10,257 | 366,961 | 680,327 |
| Profit for the financial year | | - | - | - | 51,900 | 51,900 |
| Dividends paid | 15 | - | - | - | (41,200) | (41,200) |
| Balance at 31 March 2019 | | 9,205 | 293,904 | 10,257 | 377,661 | 691,027 |
| Profit for the financial year | | - | - | - | 75,685 | 75,685 |
| Transition to IFRS 16 | | - | - | - | (305) | (305) |
| Balance at 31 March 2020 | | 9,205 | 293,904 | 10,257 | 453,041 | 766,407 |

Notes to the financial statements

1 General information

Babcock Southern Holdings Limited is a private company which is incorporated and domiciled in the UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

2 Summary of significant accounting policies

The Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except IFRS 9 where comparatives have not been restated as there has been no material change as a result of their adoption in the current year.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is a wholly owned subsidiary of Babcock Overseas Investments Limited and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

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

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
- b) IFRS 7, 'Financial instruments: Disclosures'
- c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
 - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
 - paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- e) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- 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
- 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) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

Notes to the financial statements *(continued)*

Basis of preparation *(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 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued if it is not yet effective.

IFRS 16, 'Leases' has been adopted in the year (effective 1 January 2019) and replaces IAS 17 as the definitive accounting standard for the recognition, measurement and disclosure of leases. The Company has adopted the standard from 1 April 2019.

Under the new standard, the Company has now recognised almost all leases, where the Company is a lessee, on the balance sheet as the distinction between finance leases and operating leases has been removed. Both short-term leases and low-value leases are exempt from IFRS 16, and instead their lease payments continue to be recognised as expenses on a straight-line basis. The approach for lessors has remained largely unchanged.

The Company has adopted the simplified transition approach, with the right-of-use assets measured at the amount of the lease liability on the date of transition for all leases. The lease liability was calculated as the present value of the minimum lease payments on the date of transition. The difference between the right-of-use assets and lease liabilities on the date of transition is taken to retained earnings. Comparative figures have not been restated for the year ended 31 March 2019.

The following practical expedients have been adopted on transition:

- Single discount rates have been applied to portfolios of leases with similar characteristics;
- IFRS 16 has only been applied to contracts that were previously classified as leases;
- For leases with onerous lease provisions recognised against them immediately prior to the date of transition, the provisions have been utilised and offset against the right-of-use assets on the date of transition;
- Initial direct costs have been excluded from the measurement of right-of-use assets on the date of transition; and
- The lease term has been determined with the use of hindsight where the contract contains options to extend the lease.

Right-of-use asset are held at cost less accumulated depreciation and impairment. Any impairments are determined in line with IAS 36, "Impairment of Assets". Depreciation is charged on a straight-line basis over the full length of the lease.

Lease liabilities decrease over time by the net of lease payments made and the interest accrued. Interest is charged to the income statement as the effect of discounting the future lease payments is unwound.

Notes to the financial statements *(continued)*

Basis of preparation *(continued)*

2 Summary of significant accounting policies *(continued)*

Investments in group undertakings and joint ventures

Fixed asset investments are stated at cost less provision for impairment in value. Income from shares in group undertakings and joint ventures are recognised in the income statement in the year in which they are received.

Trade receivables

Trade receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the collection of the debt is no longer probable.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the EIR method (although, in practice, the discount is often immaterial). If payment is due within one year or less payables are classified as current liabilities. If not, they are presented as non-current liabilities.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Notes to the financial statements (continued)**3 Critical accounting estimates and judgements**

In the course of preparation of the financial statements no judgements have been made in applying the Company's accounting policies, other than those involving estimates, that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in forward looking estimates may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year. Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. No critical accounting estimates have been identified.

4 Operating loss

Operating loss is stated after crediting / (charging):

| | Note | 2020 £000 | 2019 £000 |
|--|-------------|----------------------|----------------------|
| Foreign exchange gains | | 26 | 37 |
| Write off of loans receivable from group undertakings: | | | |
| Babcock Environmental Services Limited | | (33,141) | - |
| Assignment of loans payable to the Company from: | | | |
| Babcock Networks Limited | | (8,000) | - |

The fee payable to the parent auditors and their associates in respect of the audit of the Company's financial statements was £2,200 (2019: £2,094) and was borne by Babcock International Limited.

There were no staff employed by the Company during the current or prior year. All Directors emoluments are paid by Babcock International Limited and amounts for services to the Company are immaterial.

5 Finance income and finance costs

| | 2020 £000 | 2019 £000 |
|---|----------------------|----------------------|
| Finance income: | | |
| Bank interest | 9 | 40 |
| Interest receivable from group undertakings | 6,135 | 6,197 |
| | 6,144 | 6,237 |
| Finance costs: | | |
| Bank interest | (1) | - |
| Interest payable to group undertakings | (385) | (372) |
| Interest on lease liabilities | (163) | - |
| | (549) | (372) |

Babcock Southern Holdings Limited

Notes to the financial statements (continued)

6 Income tax expense

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Deferred tax: | | |
| Origination and reversal of timing differences | - | 2 |
| Total deferred tax charge | - | 2 |
| Tax on profit | - | 2 |

Tax expense for the year is lower than (2019: lower) the standard rate of corporation tax in the UK for the year ended 31 March 2020 of 19% (2019: 19%). The differences are explained below:

| | 2020 £000 | 2019 £000 |
|--|-----------------|----------------|
| Profit before taxation | 75,685 | 51,902 |
| Profit before taxation multiplied by standard UK corporation tax rate of 19% (2019: 19%) | 14,380 | 9,861 |
| Effects of: | | |
| (Income not subject to) / Expenses not deductible for tax | (21,118) | (8,754) |
| Group relief for nil consideration | 6,739 | (1,105) |
| Impact of change in UK tax rate | (1) | - |
| Total tax charge for the year | - | 2 |

In the UK 2020 Budget it was announced that the UK corporation tax rate would not reduce to 17% but would remain at 19% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 19% as this is the tax rate that will apply on reversal.

7 Investments

| | 2020 £000 | 2019 £000 |
|-------------------------------------|-----------------|-----------------|
| Shares in group undertakings | | |
| Cost | | |
| At 1 April and 31 March | 452,283 | 452,283 |
| Accumulated impairment | | |
| At 1 April | (28,168) | (23,168) |
| Impairment | (2,339) | (5,000) |
| 31 March | (30,507) | (28,168) |
| Carrying value | | |
| At 31 March | 421,776 | 424,115 |

The impairment related to the following investments: £67,000 in Babcock Engineering Limited, £250,000 VT Insurance Services Limited, £244,000 in Babcock Critical Assets Holdings LLP and £1,778,000 in Babcock Education & Training Holdings LLP (2019: £5,000,000 VT Insurance Services Limited).

During the year the Company received a dividend of £109,956,000 from Babcock Group International Limited (2019: £340,000 from Defence & Security Holdings LLP, £28,458,000 from Vosper Thornycroft (UK) Limited and £12,402,000 from Babcock2 Limited).

Babcock Southern Holdings Limited

Notes to the financial statements (continued)

7 Investments (continued)

| | 2020 £000 | 2019 £000 |
|--|---------------|---------------|
| Investment in joint ventures at cost | | |
| At 1 April | 61 | 61 |
| Reclassification from loans to joint ventures | 6,072 | - |
| At 31 March | 6,133 | 61 |
| Loans to joint ventures | 2020 | 2019 |
| Cost and carrying amount | £000 | £000 |
| At 1 April | 34,708 | 32,578 |
| Capitalisation of interest | 2,284 | 2,130 |
| Repayment of loan | (2,667) | - |
| Reclassification to investment in joint ventures | (6,072) | - |
| At 31 March | 28,253 | 34,708 |

A dividend of £3,533,000 (2019: £9,875,000) was received from Airtanker Holdings Limited.

The directors believe that the carrying value of the investments is supported by their underlying net assets. A full list of related undertakings for the Company has been disclosed in note 16.

8 Right of use assets

| | Property £'000 |
|--|-------------------|
| Cost | |
| At 1 April 2019 | - |
| Transition to IFRS 16 | 3,236 |
| Addition to lease terms | 3,140 |
| At 31 March 2020 | 6,376 |
| Accumulated depreciation and impairment | |
| At 1 April 2019 | - |
| Transition to IFRS 16 | (1,591) |
| Depreciation charge for the year | (638) |
| At 31 March 2020 | (2,229) |
| Net book value | |
| At 31 March 2020 | 4,147 |
| At 31 March 2019 | - |

Notes to the financial statements (continued)**9 Trade and other receivables – amounts falling due within one year**

| | 2020 | 2019 |
|-------------------------------------|----------------|-------------|
| | £000 | £000 |
| Amounts due from Group undertakings | 459,368 | 357,012 |
| Other receivables | 965 | 1,445 |
| Deferred tax asset (note 12) | 8 | 8 |
| | 460,341 | 358,465 |

Amounts due from Group undertakings are unsecured, repayable on demand and:

- £210,214,000 (2019: £210,214,000) which bears interest at six month UK LIBOR plus 0.5%;
- £nil (2019: £33,141,000) which bears interest at six month UK LIBOR plus 2%;
- £11,300,000 (2019: £11,300,000) which bears interest at one month UK LIBOR plus 1.5%;
- The remaining £237,854,000 (2019: £102,357,000) is interest free.

10 Creditors

| Amounts falling due within one year | 2020 | 2019 |
|--|----------------|-------------|
| | £000 | £000 |
| Amounts due to Group undertakings | 106,138 | 64,932 |
| Other payables | 6,879 | 5,441 |
| UK corporation tax payable | 6,678 | 2,944 |
| | 119,695 | 73,317 |

Amounts due to Group undertakings are unsecured, repayable on demand and interest free.

| Amounts falling due after more than one year | 2020 | 2019 |
|---|---------------|-------------|
| | £000 | £000 |
| Amounts due to parent and Group undertakings | 50,000 | 50,000 |

Included in amounts due to Group undertakings is £50,000,000 (2019: £50,000,000) due in between two to five years. The loan is interest bearing at six month UK LIBOR minus twelve point five basis points.

Notes to the financial statements (continued)**11 Lease liabilities**

The entity leases offices under non-cancellable operating lease agreements.

Discounted future minimum lease payments are as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Within one year | 557 | - |
| In more than one year, but not more than five years | 3,985 | - |
| After five years | 360 | - |
| | <u>4,902</u> | <u>-</u> |

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.640%.

The table below explains the difference between the total operating lease commitments recognised under IAS 17 as at 31 March 2019 and the total lease liability recognised on transition to IFRS 16 as at 1 April 2019.

| | £'000 |
|--|---------------------|
| Operating lease commitments at 31 March 2019 | 2,122 |
| Effect of discounting | <u>(173)</u> |
| IFRS 16 lease liability at 1 April 2019 | <u>1,949</u> |

12 Deferred taxation

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Accelerated capital allowances: | | |
| Provided | 8 | 8 |
| Full potential | 8 | 8 |
| At 1 April | 8 | 10 |
| - Charged to the income statement | <u>-</u> | <u>(2)</u> |
| At 31 March | <u>8</u> | <u>8</u> |

Babcock Southern Holdings Limited

Notes to the financial statements (continued)

13 Called up share capital

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Allotted, called up and fully paid | | |
| 1,438,710,403,786 ordinary shares (2019: 1,438,710,403,786) at 0.0006p each | 9,205 | 9,205 |

14 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.

15 Dividends paid

Dividends declared and paid during the financial year were £nil (2019: £41,200,000). There are no plans for a final dividend.

16 Related undertakings

All related undertakings for the Company are as listed below:

| <u>Name</u> | <u>Address</u> | <u>Holding %</u> |
|---|---|------------------|
| Advanced Jet Training Holdings Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Advanced Jet Training Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| AirTanker Finance Limited | Airtanker Hub RAF Brize Norton, Carterton, Oxfordshire, England, OX18 3LX, United Kingdom | 13.33% |
| AirTanker Holdings Limited* | Airtanker Hub RAF Brize Norton, Carterton, Oxfordshire, England, OX18 3LX, United Kingdom | 13.33% |
| AirTanker Limited | Airtanker Hub RAF Brize Norton, Carterton, Oxfordshire, England, OX18 3LX, United Kingdom | 13.33% |
| AirTanker Services Limited* | Airtanker Hub RAF Brize Norton, Carterton, Oxfordshire, England, OX18 3LX, United Kingdom | 22.33% |
| Airwork Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Airwork Technical Services & Partners LLC | PO Box 248 (located at Muaskar Al Murtafa'a (MAM) Garrison), Muscat, 100, Sultanate of Oman | 51.00% |
| ALC (FMC) Limited | 3rd Floor, Chancery Exchange, 10 Furnival Street, London, England, EC4A 1AB, United Kingdom | 50.00% |
| ALC (Holdco) Limited | 3rd Floor, Chancery Exchange, 10 Furnival Street, London, England, EC4A 1AB, United Kingdom | 50.00% |

Babcock Southern Holdings Limited

Notes to the financial statements *(continued)*

16 Related undertakings

All related undertakings for the Company are as listed below:

| <u>Name</u> | <u>Address</u> | <u>Holding %</u> |
|---|--|------------------|
| ALC (SPC) Limited | 3rd Floor, Chancery Exchange, 10 Furnival Street, London, England, EC4A 1AB, United Kingdom | 50.00% |
| ALC (Superholdco) Limited | 3rd Floor, Chancery Exchange, 10 Furnival Street, London, England, EC4A 1AB, United Kingdom | 50.00% |
| Armstrong Technology Associates Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Ascent Flight Training (Holdings) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Ascent Flight Training (Management) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Ascent Flight Training (Services) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Babcock Aerospace Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Airports Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Assessments Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Babcock B.V | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Career Guidance Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 2.33% |
| Babcock Careers Management Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Civil Infrastructure Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Corporate Services Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Critical Assets Holdings LLP* | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Critical Services Limited | C/O DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD, United Kingdom | 100.00% |
| Babcock Defence & Security Holdings LLP* | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |

Babcock Southern Holdings Limited

Notes to the financial statements *(continued)*

16 Related undertakings *(continued)*

| <u>Name</u> | <u>Address</u> | <u>Holding %</u> |
|---|---|------------------|
| Babcock Defence and Security Investments Limited* | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Defence Systems Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock DS 2019 Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock DSG Ltd | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Dyncorp Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 56.0001% |
| Babcock Education & Training Holdings LLP* | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Babcock Education and Skills Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Education Holdings Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Babcock Engineering Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Environmental Services Limited* | 1 New Street Square, London, EC4A 3HQ, United Kingdom | 100.00% |
| Babcock Fire Services (SW) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Fire Services Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Fire Training (Avonmouth) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Group International Ltd | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Infrastructure Holdings LLP* | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Integration LLP | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 8.92% |
| Babcock International Support Services Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Investments (Fire Services) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |

Babcock Southern Holdings Limited

Notes to the financial statements *(continued)*

16 Related undertakings *(continued)*

| <u>Name</u> | <u>Address</u> | <u>Holding. %</u> |
|--|--|-------------------|
| Babcock IP Management (Number One) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 8.92% |
| Babcock IP Management (Number Two) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 8.92% |
| Babcock Land Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Learning and Development Partnership LLP | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 5.61% |
| Babcock Leaseco Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Lifeskills Limited | 1 New Street Square, London, EC4A 3HQ, United Kingdom | 100.00% |
| Babcock Malta Limited | 44 Esplanade, St Helier, Jersey, JE4 9WG, Jersey | 100.00% |
| Babcock Management 2019 Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Marine Products Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Marine Training Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Project Investments Limited* | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Skills Development and Training Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Babcock Southern Careers Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Support Services GmbH | Am Zoppenberg 23, 41366 Schwalmtal, Germany | 100.00% |
| Babcock Support Services Limited | C/O DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD, United Kingdom | 100.00% |
| Babcock Technical Services Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Babcock Training Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Babcock Vehicle Engineering Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |

Babcock Southern Holdings Limited

Notes to the financial statements *(continued)*

16 Related undertakings *(continued)*

| <u>Name</u> | <u>Address</u> | <u>Holding %</u> |
|---|--|------------------|
| Capital Careers Limited | 1 New Street Square, London, EC4A 3HQ, United Kingdom | 2.06% |
| Chart Distribution Services Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Chart Services Limited | C/O DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD, United Kingdom | 100.00% |
| Chart Storage & Transportation Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Cura Classis (UK) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 48.00% |
| Cura Classis UK (Hold Co) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 48.00% |
| Debut Services (Contracts) Ltd | 142 Northolt Road, Harrow, Middlesex, HA2 0EE, United Kingdom | 9.10% |
| Debut Services (South West) Limited | c/o Bovis Lend Lease Limited, 20 Triton Street, Regent's Place, London, England, NW1 3BF | 50.00% |
| Debut Services Limited | c/o Bovis Lend Lease Limited, 20 Triton Street, Regent's Place, London, England, NW1 3BF | 15.00% |
| Fixed Wing Training Holdings Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Fixed Wing Training Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Flagship Fire Fighting Training Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| HCTC Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Holdfast Training Services Ltd | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 74.00% |
| iMAST Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| KML (UK) Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Municipal Vehicle Hire Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| National Training Institute LLC | PO Box 267, MadinatQaboos, Sultanate of Oman, 115, Oman | 4.90% |

Babcock Southern Holdings Limited

Notes to the financial statements (continued)

16 Related undertakings (continued)

| <u>Name</u> | <u>Address</u> | <u>Holding %</u> |
|---|---|-------------------------|
| Peterhouse GmbH | Am Zoppenberg 23, 41366 Schwaiblmühl, Germany | 100.00% |
| Rear Crew Training Holdings Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Rear Crew Training Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Rotary Wing Training Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 50.00% |
| Skills2Learn Ltd | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Surrey Careers Services Limited | 1 New Street Square, London, EC4A 3HQ, United Kingdom | 88.56% |
| Touchstone Learning & Skills Ltd | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 7.00% |
| Transfleet Distribution Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Transfleet Truck Rentals Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Vosper Thornycroft (UK) Limited* | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |
| Westminster Education Consultants Limited | 33 Wigmore Street, London, W1U 1QX, United Kingdom | 100.00% |

*Directly owned by Babcock Southern Holdings Limited

17 Contingent liabilities

At the year-end date the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2019: £nil).

Notes to the financial statements *(continued)*

18 Immediate and ultimate parent undertaking

The Company's immediate parent company is Babcock Overseas Investments 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