

Babcock Corporate Services Limited

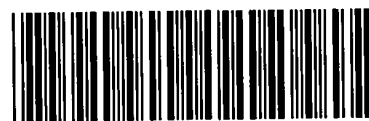
Annual report

For the year ended 31 March 2017

Company registration number:

04415588

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Babcock Corporate Services Limited

Directors and advisors

Current directors

I Urquhart
F Martinelli
K Goodman
W Mason
S Parker
I Connell

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

Babcock Corporate Services Limited

Strategic report for the year ended 31 March 2017

The directors present their Strategic report on the Company for the year ended 31 March 2017.

Principal activities

The principal activity of the Company is to provide IT services to fellow subsidiaries.

Review of the business

	2017 £000	2016 £000
Revenue	57,401	49,701
Profit for the financial year	2,765	1,691

During the year, the Company's core business activities continued to perform in line with expectations. Revenue increased in the year due to the wider adoption of centrally provided IT services across the Group.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 68 to 79 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

There are no plans to alter significantly the business of the Company. Future growth is expected to be in line with that of the Babcock group as a whole.

Key performance indicators

Given the straightforward nature of the business, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company.

On behalf of the Board



I Urquhart

Director

21 December 2017

Babcock Corporate Services Limited

Directors' report for the year ended 31 March 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2017.

Dividends

No dividends for the year ended 31 March 2017 have been provided by the directors (2016: £nil).

Future developments

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

Financial risk management

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

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

Credit risk

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

Liquidity risk

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

Interest rate cash flow risk

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

Babcock Corporate Services Limited

Directors' report for the year ended 31 March 2017 *(continued)*

Directors

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

I Urquhart	
F Martinelli	
P Rogers	(resigned 31 August 2016)
A Dungate	(resigned 24 June 2016)
K Goodman	
W Mason	
S Parker	
I Connell	(appointed 10 March 2017)

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.

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.

Employees

The Company is committed to regular communication and consultation with employees through briefings, meetings and internal newsletters. The Company aims to create an environment in which employees are fully engaged with the business objectives.

The Group, to which the Company belongs, encourages employee share ownership by operating tax authority approved share schemes open to all eligible employees.

The Company is committed to pursuing equality and diversity in all its employment activities including people with a disability. Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. To the extent possible, people with a disability are offered the same employment training, career development and promotion opportunities as other employees. If employees become disabled while in employment, the Company offers, where possible, appropriate support, retraining, equipment and facilities to enable their employment to continue.

The Company's business principles and policies set out standards of behaviour expected of its employees in conducting business in an ethical way.

Babcock Corporate Services Limited

Directors' report for the year ended 31 March 2017 (*continued*)

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, including FRS 101, 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.

Going Concern

The financial statements have been prepared on a going concern basis as Babcock (UK) Holdings Limited, the immediate parent company, intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Babcock (UK) Holdings Limited intends to support the Company for at least one year after the financial statements were approved.

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 2014 and remain in force.

Babcock Corporate Services Limited

Directors' report for the year ended 31 March 2017 *(continued)*

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.

Reappointment of independent auditors

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

On behalf of the Board

I Urquhart

Director

21 December 2017

Babcock Corporate Services Limited

Independent auditors' report to the members of Babcock Corporate Services Limited

Report on the financial statements

Our opinion

In our opinion, Babcock Corporate Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Babcock Corporate Services Limited's financial statements comprise:

- the Balance Sheet as at 31 March 2017
- the Income Statement and the Statement of Comprehensive Income for the year then ended
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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 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 addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and Directors' report. We have nothing to report in this respect.

Babcock Corporate Services Limited

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Babcock Corporate Services Limited

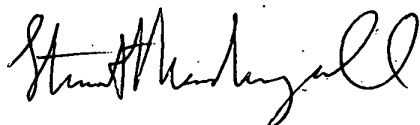
Independent auditors' report to the members of Babcock Corporate Services Limited (continued)

What an audit of financial statements involves (continued)

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether these reports include the disclosures required by applicable legal requirements.



Stuart Macdougall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

21 December 2017.

Babcock Corporate Services Limited

Income statement

for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Revenue	4	57,401	49,701
Cost of sales		(56,246)	(48,882)
Gross profit on ordinary activities before interest and taxation	6	1,155	819
Finance income	5	2,634	2,655
Finance costs	5	(890)	(1,093)
Pensions (costs) / income	19	(10)	19
Profit on ordinary activities before income tax		2,889	2,400
Income tax charge	9	(124)	(709)
Profit for the year		2,765	1,691

All of the above results derive from continuing operations.

Statement of Comprehensive Income

for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Profit for the year		2,765	1,691
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to income statement:</i>			
Gain / (loss) on remeasurement of net defined benefit obligation	19	1,037	(758)
Tax on net defined benefit obligation	15	(207)	152
Impact of change in UK tax rate	15	27	(6)
Total comprehensive income for the year		3,622	1,079

Babcock Corporate Services Limited

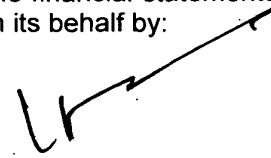
Balance sheet

as at 31 March 2017

	Note	2017 £000	2016 £000
Non-current assets			
Intangible assets	10	57,419	36,017
Tangible fixed assets	11	9,997	10,594
Amounts due from group undertakings	12	229,952	229,952
Deferred tax	15	1,361	1,665
		<u>298,729</u>	<u>278,228</u>
Current assets			
Trade and other receivables	12	49,564	37,438
Cash and cash equivalents		187	-
		<u>49,751</u>	<u>37,438</u>
Current Liabilities			
Trade and other payables – amounts falling due within one year	13	(136,009)	(104,931)
Net current liabilities		<u>(85,258)</u>	<u>(67,493)</u>
Total assets less current liabilities		212,471	210,735
Provision for liabilities	14	(382)	(1,271)
Gross pension asset / (liability)	19	702	(295)
Net assets		<u>212,791</u>	<u>209,169</u>
Equity			
Called up share capital	16	181,369	181,369
Share premium		14,510	14,510
Retained earnings		16,912	13,290
Total shareholders' funds		<u>212,791</u>	<u>209,169</u>

The notes on pages 13 to 33 are an integral part of these financial statements.

The financial statements on pages 10 to 33 were approved by the board of directors and signed on its behalf by:


I Urquhart
Director

21 December 2017

Babcock Corporate Services Limited**Statement of changes in equity**
for the year ended 31 March 2017

	Called-up share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 April 2015	181,369	14,510	12,211	208,090
Profit for the year	-	-	1,691	1,691
Other comprehensive (loss)	-	-	(612)	(612)
Balance at 31 March 2016	181,369	14,510	13,290	209,169
Profit for the year	-	-	2,765	2,765
Other comprehensive income	-	-	857	857
Balance at 31 March 2017	181,369	14,510	16,912	212,791

Babcock Corporate Services Limited

Notes to the financial statements

1 General information

Babcock Corporate Services 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 principle 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. The Company has adopted FRS 101 in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is a wholly owned subsidiary of Vosper Thornycroft (UK) Limited and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available.

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

- a) 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.

Babcock Corporate Services Limited

Notes to the financial statements

Summary of significant accounting policies *(continued)*

Going Concern

On the basis of the ongoing review of activities, Babcock Corporate Services Limited has been provided a letter of support, confirming that Babcock (UK) Holdings Ltd, its immediate parent undertaking will provide ongoing financial support to the Company until at least 12 months from the date of approval of the financial statements, to enable it to continue its operating activities. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of services

Revenue from services rendered is recognised by reference to the stage of completion of the transaction. The provision of services over a long-term period are accounted for under the principles of construction contracts. In a limited number of contracts where performance and revenue are measured annually the revenue and costs are similarly recognised over the course of the year.

Where services have been performed in advance of invoicing to fellow group companies, the value of those services is recognised as accrued revenue. If receipts are received in advance of work performed these will be held as deferred revenue.

Intangible assets

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

Computer software

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

Tangible Fixed Assets

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

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

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

Registered number 04415588.

Babcock Corporate Services Limited

Notes to the financial statements

2 Summary of significant accounting policies *(continued)*

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.

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.

Pensions costs and other post-retirement benefits

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

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

The fair value of plan assets, are measured in accordance with FRS 101 fair value hierarchy and includes the use of appropriate valuation techniques.

The extent to which the Company recognises its share of the income statement charge, the assets and liabilities of the scheme, and the actuarial gain or loss is determined by the proportion of active members of the scheme that it employs.

Babcock Corporate Services Limited

Notes to the financial statements

2 Summary of significant accounting policies *(continued)*

The scheme's liability is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

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

Trade Creditors

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.

Foreign currencies

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

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

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis. A provision is made where the operating leases are deemed to be onerous.

Provisions for liabilities

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Company incurring further costs.

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

Babcock Corporate Services Limited

Notes to the financial statements

3 Critical accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures of the defined benefit pension scheme.

4 Revenue

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

	2017 £000	2016 £000
IT Services	IT Services	
By area of activity:		
Rendering of IT services	57,401	49,701
	57,401	49,701
	2017 £000	2016 £000
By geographical area:		
United Kingdom	54,195	48,983
Europe	2,110	278
North America	37	-
Australia	1,059	440
	57,401	49,701

Babcock Corporate Services Limited

Notes to the financial statements

5 Finance income and costs

	2017 £000	2016 £000
Finance income:		
Exchange gain	50	55
Loan interest receivable from group undertakings	2,584	2,600
	<u>2,634</u>	<u>2,655</u>
Finance costs:		
Bank interest	90	293
Exchange loss	113	87
Loan interest payable to group undertakings	687	713
	<u>890</u>	<u>1,093</u>

6 Profit on ordinary activities before interest and taxation

Profit on ordinary activities before interest and taxation is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	5,068	4,750
Amortisation of intangible assets	3,675	3,961
Operating lease charges – land and buildings	227	303
Operating lease charges – plant and machinery	16	8

Auditors' remuneration has been borne by another group entity.

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

Babcock Corporate Services Limited

Notes to the financial statements

7 Staff costs

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

	2017 Number	2016 Number
By activity:		
Management and administration	278	218
	278	218

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	11,496	9,082
Social security costs	1,289	931
Other pension costs (note 19)	934	853
	13,719	10,866

Included in other pension costs are £176,000 (2016: £199,000) in respect of the defined benefit schemes and £758,000 (2016: £654,000) in respect of the defined contribution scheme.

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These costs are subsequently recharged to those business entities.

Babcock Corporate Services Limited

Notes to the financial statements

8 Directors' remuneration

The emoluments of the directors, including pension contributions, paid by any company in respect of services provided to this Company from date of appointment were as follows:

	2017 £000	2016 £000
The remuneration of the directors which was paid by the Company was as follows:		
Emoluments (including benefits in-kind)	9	-
Defined contribution pension scheme	1	-
	<u>10</u>	<u>-</u>

Only one director receives remuneration from the Company (2016: zero). All of the other directors are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the directors in relation to other Babcock Group companies.

9 Income tax

Tax charge included in income statement

	2017 £000	2016 £000
Current tax:		
UK Corporation tax on profits for the year	-	477
Current tax charge for the year	-	477
Deferred tax:		
Origination and reversal of timing differences	117	3
Adjustment in respect of prior years	(67)	50
Impact of change in UK tax rate	74	179
Total deferred tax charge (note 15)	124	232
Tax charge on profit on ordinary activities	124	709

Babcock Corporate Services Limited**Notes to the financial statements****9 Income tax (continued)****Tax charge / (income) included in other comprehensive income**

	2017 £000	2016 £000
Current tax	-	-
Deferred tax:		
- Impact of actuarial gains / (losses) on pension liability	207	(152)
- Impact of change in tax rates	(27)	6
Tax charge / (income) included in other comprehensive income	180	(146)

Tax credit for the year is lower (2016: charge higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2017 of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before taxation	2,889	2,400
Profit on ordinary activities multiplied by standard UK corporation tax rate of 20% (2016: 20%)	578	480
Effects of:		
Group relief claimed for nil consideration	(461)	-
Adjustments arising in respect of deferred tax for prior years	(67)	50
Impact of change in UK tax rate	74	179
Total tax charge for the year	124	709

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

Babcock Corporate Services Limited

Notes to the financial statements

10 Intangible assets

	Software £000
Cost	
At 1 April 2016	55,081
Additions	<u>25,077</u>
At 31 March 2017	<u>80,158</u>
Accumulated amortisation and impairment	
At 1 April 2016	19,064
Amortisation of software	<u>3,675</u>
At 31 March 2017	<u>22,739</u>
Net book value	
At 31 March 2017	<u>57,419</u>
At 31 March 2016	<u>36,017</u>

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

Intangible assets amortisation is recorded in cost of sales in the income statement.

Babcock Corporate Services Limited**Notes to the financial statements****11 Tangible fixed assets**

	Fixtures, Fittings & Equipment £000
Cost	
At 1 April 2016	21,528
Additions	4,471
Disposals	-
At 31 March 2017	25,999
Accumulated depreciation	
At 1 April 2016	10,934
Charge for the year	5,068
Disposals	-
At 31 March 2017	16,002
Net book value	
At 31 March 2017	9,997
At 31 March 2016	10,594

Tangible fixed assets are initially recorded at cost which includes expenditure that is directly attributable to the acquisition of the items. Tangible fixed assets are depreciated to their estimated residual value over their estimated useful lives of between three and ten years.

Depreciation is recorded in cost of sales in the income statement.

Babcock Corporate Services Limited

Notes to the financial statements

12 Trade and other receivables

	2017 £000	2016 £000
Amounts falling due within one year:		
Trade receivables	137	-
Amounts owed by group undertakings	39,578	24,889
Amounts owed by joint venture undertakings (note 18)	10	26
Other receivables	709	1,293
Prepayments and accrued income	9,130	11,230
	49,564	37,438
Amounts due after more than one year:		
Amounts owed by group undertakings	229,952	229,952

Amounts owed by group undertakings are unsecured.

There are four major loans (2016: four) to group companies:

- A loan of £11,000,000 (2016: £11,000,000) is repayable on demand, the interest rate is six month LIBOR plus fifty basis points.
- A loan of £227,467,000 (2016: £227,467,000) is repayable after more than one year and bears interest at a rate of six month LIBOR plus one hundred and thirteen basis points.
- Two loans totalling £11,985,000 (2016: two loans totalling £5,985,000) are repayable on demand, with no interest charge.

Amounts due from group undertakings are stated after provisions for impairment of £1,498,000 (2016: £1,445,000). Such provision has been made due to the age of balances concerned and the uncertainty surrounding ultimate recovery of these amounts.

13 Trade and other payables

	2017 £000	2016 £000
Amounts falling due within one year:		
Bank overdraft	2,202	28,248
Trade creditors	8,371	7,147
Amounts owed to parent and group undertakings	119,933	62,107
Taxation and social security	354	291
UK corporation tax payable	1,519	2,069
Other payables	6	62
Accruals and deferred income	3,624	5,007
	136,009	104,931

Babcock Corporate Services Limited

Notes to the financial statements

13 Trade and other payables (*continued*)

With the exception of one group loan, amounts owed to parent and group undertakings are unsecured, interest free, and repayable on demand. Within the group loans is one loan (2016: one) of £15m (2016: £15m) which accrues interest at 6 month Libor plus 400 basis points, payable every six months.

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 17(a)).

14 Provisions for liabilities

	Reorganisation provision £000	Dilapidations provision £0000	Total £000
At 1 April 2016	889	382	1,271
Charged to the income statement	-	-	-
Released to the income statement	(889)	-	(889)
Utilised in the year	-	-	-
At 31 March 2017	-	382	382

Dilapidations provisions

Dilapidations provisions relate to commitments in respect of leased property. These are based on the assessment of future costs and are assessed with reference to past experience. Dilapidations provisions have not been discounted. The provisions are expected to be fully utilised during the year ending 31 March 2018.

Reorganisation costs

The reorganisation provision related to potential claims arising from the centralisation of back office functions following a prior restructure. The remaining balance was released during the year ending 31 March 2017.

Babcock Corporate Services Limited**Notes to the financial statements****15 Deferred taxation**

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

Deferred tax assets	Accelerated capital allowances £000	Other £000	Total £000
At 1 April 2016	1,444	221	1,665
- Credited / (charged) to the income statement	31	(155)	(124)
- (Charged) to other comprehensive income	-	(180)	(180)
At 31 March 2017	1,475	(114)	1,361

16 Share capital

	2017 £000	2016 £000
Allotted and fully paid		
181,369,347 ordinary shares of £1 each (2016: 181,369,347)	181,369	181,369

Babcock Corporate Services Limited

Notes to the financial statements

17 Guarantees and financial commitments

a) Contingent liabilities

At the year end the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2016: £nil) provided to certain group companies. In addition, the Company at the year end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £nil (2016: £nil).

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

b) Operating lease commitments

At 31 March 2017, the Company had future minimum rental payable under non-cancellable operating leases as follows:

	2017 Land and buildings £000	2017 Other £000	2016 Land and buildings £000	2016 Other £000
Future minimum rentals payable under non-cancellable operating leases:				
- within one year	599	12	227	9
- between two and five years	-	11	-	9
- after five years	-	-	-	-
	599	23	227	18

The entity leases offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The entity also leases plant and machinery under non-cancellable operating leases.

c) Capital Commitments

At 31 March 2017 the Company had capital commitments of £1,500,000 (2016: £nil).

Babcock Corporate Services Limited

Notes to the financial statements

18 Related party disclosures

The Company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available.

During the year the Company also entered into transactions in the ordinary course of business with Ascent Flight Training (Management) Limited, Babcock 4S Limited, Babcock Dyncorp Limited and Mouchel Babcock Education Limited, in which Babcock International Group PLC hold a 50%, 80%, 56%, 50% shareholding respectively.

Transactions entered into and trading balances outstanding at 31 March 2017 are as follows:

	Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Related party				
Ascent Flight Training (Management) Limited	-	-	-	-
Babcock 4S Limited	5	-	1	-
Babcock Dyncorp Limited	6	-	-	-
Mouchel Babcock Education Limited	113	-	9	-

Transactions entered into and trading balances outstanding at 31 March 2016 are as follows:

	Sales to related party £000	Purchases from related party £000	Amounts owed by related party £000	Amounts owed to related party £000
Related party				
Ascent Flight Training (Management) Limited	224	-	17	-
Babcock 4S Limited	27	-	6	-
Babcock Dyncorp Limited	39	-	14	-
Mouchel Babcock Education Limited	80	-	8	-

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

Notes to the financial statements**19 Pension commitments**

The Company accounts for pension costs in accordance with IAS 19. The Company contributes to a defined contribution scheme in the UK in respect of a number of its employees as a member of the Babcock International Group Pension Scheme. The Company is also a contributing employer to a defined benefit scheme (the "Babcock International Group Pension Scheme"). The Company is severally liable, along with the other participating employers, for the assets and liabilities of the scheme. The allocation of the assets and liabilities of the scheme and which has been recognised in these financial statements are detailed in this note.

The nature of the scheme is that the employees contribute to the schemes with the employers paying the balance of the cost required. The contributions required and the assessment of the assets and the liabilities that have accrued to members and any deficit recovery payments required are agreed by the participating employer companies with the trustees who are advised by an independent, qualified actuary.

The key risks relate primarily to longevity, the expected inflation rate in the future which impacts on pension increases and indirectly salary increases and the discount rate used to value the liabilities. The schemes have mitigated some of these risks by taking out longevity swaps for approximately 54% of the obligations in respect of pensioners and their spouses, through a common investment committee have significantly hedged the interest rate and inflation risk through derivative instruments and introduced benefit changes impacting future service benefits which included capping of pensionable salaries, capping pension increases, increased normal retirement age in line with state pension ages and increased the level of member contributions.

The scheme is funded by payments to legally separate trustee-administered funds. The trustees of the scheme are required by law to act in the best interests of the scheme's members. In addition to determining future contribution requirements (with the agreement of the participating employers), the trustees are responsible for setting the schemes' investment strategy (subject to consultation). The scheme has an independent trustee and member nominated trustees. The scheme is subject to regulation under the funding regime set out in Part III of the Pensions Act 2004.

BIG Pension Scheme

The IAS 19 valuation has been updated at 31 March 2017 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2013. The major assumptions used for the IAS 19 valuation were:

	2017 %	2016 %	2015 %
Major assumptions			
Rate of increase in salaries	2.3	2.2	2.2
Rate of increase in pension payment	3.0	2.8	2.8
Discount rate	2.6	3.5	3.4
Inflation	2.1	1.9	1.9

Babcock Corporate Services Limited

Notes to the financial statements

19 Pension commitments (*continued*)

The expected total employer contributions to be made by participating employers to the scheme in 2017/18 are £18.5m. The future service rate is 32.0%. The above level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 3 years. Included in employer contributions of £18.5m is £3.0m of deficit recovery payments. The Company's share of this is allocated based on the percentage of active members of the scheme that it employs.

The mortality assumptions used were:

	2017 Years	2016 Years	2015 Years
Life expectancy from age 65 (male age 65)	22.6	22.9	23.0
Life expectancy from age 65 (male age 45)	23.7	24.5	24.7

The changes to the Babcock International Group Plc balance sheet at March 2017 and the changes to the Babcock International Group Plc income statement for the year to March 2017, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2017 £000	Income statement 2017 £000
Initial assumptions	1,371,866	11,776
Discount rate assumptions increased by 0.5%	(104,900)	(4,800)
Discount rate assumptions decreased by 0.5%	104,900	3,700
Inflation rate assumptions increased by 0.5%	62,400	2,600
Inflation rate assumptions decreased by 0.5%	(57,800)	(2,300)
Total life expectancy increased by half a year	28,200	1,000
Total life expectancy decreased by half a year	(28,200)	(900)
Salary increase assumptions increased by 0.5%	10,400	700
Salary increase assumptions decreased by 0.5%	(10,400)	(600)

The weighted average duration of cashflows (years) was 15.

Babcock Corporate Services Limited

Notes to the financial statements

19 Pension commitments (*continued*)

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2017 were:

Fair value of plan of assets	2017	2016
	£000	£000
Equities	321,942	285,320
Property	96,346	95,937
Absolute return and multi strategy funds	4,768	1,588
Bonds	445,079	426,204
Matching assets	596,325	423,129
Active position on longevity swaps	(48,451)	(50,692)
Total assets	1,416,009	1,181,486
Present market value of liabilities - funded	(1,371,686)	(1,205,869)
Gross pension surplus / (deficit)	44,323	(24,383)

All the assets of the scheme are quoted except for the longevity swaps.

The scheme does not invest directly in assets or share of Babcock International Group Plc.

The longevity swaps have been valued, in 2017, in line with assumptions that are consistent with the requirements of IFRS 13.

Analysis of amount charged to the income statement in Babcock International Group Plc	2017	2016
	£000	£000
Current service cost	8,910	11,712
Incurred expenses	2,203	2,258
Total included within operating profit	11,113	13,970
Net interest cost / (income)	663	(1,311)
Total charged to the income statement	11,776	12,659

The amounts charged to the income statement in these financial statements, based on the Company's allocation of the total Babcock International Group Plc charge, included £176,000 for service cost (2016: £199,000), and net interest cost of £10,000 (2016: net income £19,000).

Babcock Corporate Services Limited

Notes to the financial statements

19 Pension commitments (*continued*)

Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCl")	2017 £000	2016 £000
Actuarial (loss) / gain recognised in the SOCl	(182,960)	21,071
Experience gains/(losses)	240,677	(80,237)
Other gains/(losses)	4,015	(9,387)
	61,732	(68,553)

The actuarial gain recognised in the SOCl in these financial statements, based on the Company's allocation of the total Babcock International Group Plc movement, was £1,037,000 (2016: loss £758,000).

The equity investments and bonds are valued at bid price.

	2017 £000	2016 £000
Reconciliation of present value of scheme assets in Babcock International Group Plc		
At 1 April	1,232,177	1,292,931
Interest cost	42,556	43,539
Employee contributions	304	411
Employer contributions	18,751	22,892
Benefits paid	(70,210)	(62,146)
Actuarial gain / (loss)	240,882	(65,450)
At 31 March	1,464,460	1,232,177

	2017 £000	2016 £000
Reconciliation of present value of scheme liabilities		
At 1 April	1,205,869	1,219,048
Service cost	8,910	11,712
Incurred expenses	2,203	2,258
Interest on liabilities	41,445	40,870
Employee contributions	304	411
Actuarial (gain) – demographics	(29,948)	(15,784)
Actuarial loss / (gain) – financial	212,909	(5,287)
Experience losses	205	14,787
Benefits paid	(70,210)	(62,146)
At 31 March	1,371,687	1,205,869

Babcock Corporate Services Limited

Notes to the financial statements

20 Ultimate parent undertaking

The Company's immediate parent company is Vosper Thornycroft (UK) 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