

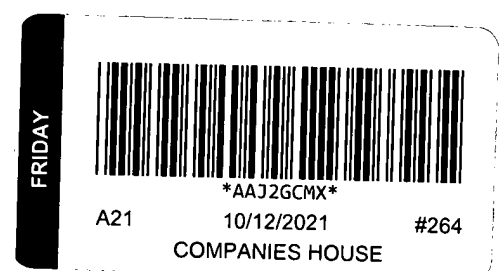
**Babcock Mission Critical Services Design and Completions Limited**

**Annual Report**

**For the year ended 31 March 2021**

**Company registration number:**

**05035651**



## **Babcock Mission Critical Services Design and Completions Limited**

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# **Babcock Mission Critical Services Design and Completions Limited**

## **Directors and advisors**

### **Current directors**

L Inigo Moreno-Ventas  
P Craig  
K Garvey  
S Ward

### **Company secretary**

Babcock Corporate Secretaries Limited

### **Registered office**

33 Wigmore Street  
London  
W1U 1QX

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

## **Babcock Mission Critical Services Design and Completions Limited**

### **Strategic report for the year ended 31 March 2021**

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

#### **Principal activities**

The principal activities of the company are to act as a holding company and provide design and modification services to customers.

#### **Review of the business**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Revenue	<b>5,002</b>	7,929
Loss for the financial year	<b>(25,004)</b>	(11)

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

The revenue for the year has decreased by 37% mainly due to reduced activity on ongoing contracts, although the gross margin increased due to progress on higher margin contracts. The Company has incurred a loss before tax of £24,996k (2020: loss before tax, £12k). The loss is mainly attributed to the impairment of an investment in subsidiary (£24,936k). Foreign exchanges losses of £36k (2020: foreign exchange gains, £283k) contributed to an increase in administrative expense in the current year.

The financial position of the Company is shown in the Balance Sheet on page 11. The Company remains in a strong financial position with Net Assets of £156,019k (2020: £181,067k). The Company's cash balance has increased to a net cash position of £3,011k (2020: £457k) due to milestone receipts from customers relating to long term contracts. Trade and other debtors have decreased significantly due to prepayments and accrued income decreases on long term contracts. Trade and other creditors have increased mainly due to accruals and deferred income.

#### **Principal risks and uncertainties**

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

The key risks and uncertainties affecting the Company are considered to be related to liquidity and interest rate risk due to the nature of the long-term contracts and timing of milestone invoices to the customer. No transactions of a speculative nature are undertaken. The directors manage this risk by meeting on a regular basis to discuss these risks.

Further discussion of these risks and uncertainties, in the context of the Group as a whole and including the expected impact of COVID-19 is provided on pages 84 to 95 of the annual report of Babcock International Group PLC, which does not form part of this report.

## **Babcock Mission Critical Services Design and Completions Limited**

### **Strategic report for the year ended 31 March 2021 (*continued*)**

#### **Future developments**

The directors are confident about the future trading prospects of the Company in light of its current order book and other market opportunities.

#### **Disposal of investment in subsidiary**

On the 31 August 2021, the Company disposed of its direct investment in Babcock Mission Critical Services Offshore Limited for £5,999,999. The sale was announced on 11 March 2021.

#### **Key performance indicators**

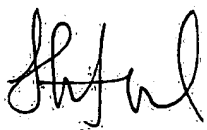
The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Aviation, a division of Babcock International Group PLC, which includes the company, is discussed on pages 56 to 57 of the Group's report, which does not form part of this report.

#### **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 58, 59, 79 and 114 to 116 of the annual report of Babcock International group PLC, which does not form part of this report.

The disclosure in the Group annual report considered all relevant factors for the Company, in particular the Company's engagement with its customers and employees. During the year, the directors additionally considered how to maintain progress on customer contracts throughout the COVID-19 pandemic in addition to work on new business activity.

On behalf of the Board



S Ward

Director

17 October 2021

## **Babcock Mission Critical Services Design and Completions Limited**

### **Directors' report for the year ended 31 March 2021**

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

#### **Dividends**

No final dividend for the year ended 31 March 2021 has been provided by the directors (2020: £nil).

#### **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 47 to 49 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:

L Inigo Moreno-Ventas

P Craig

K Garvey

N Arslan

S Ward

(Appointed 1 April 2020; Resigned 15 October 2020)

(Appointed 15 October 2020)

#### **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.

## **Babcock Mission Critical Services Design and Completions Limited**

### **Directors' report for the year ended 31 March 2021 *(continued)***

#### **Statement of directors' responsibilities in respect of the financial statements**

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;
- notify the company's shareholders in writing about the use of the disclosure exemptions, if any, of FRS 101 used in the preparation of these 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.

#### **Qualifying third party indemnity provisions**

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

#### **Statement of 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.

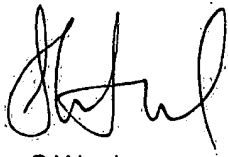
**Babcock Mission Critical Services Design and Completions Limited**

**Directors' report for the year ended 31 March 2021** *(continued)*

**Reappointment of auditors**

PricewaterhouseCoopers LLP has now completed its final audit as external auditors. Deloitte LLP has been selected as the Company's external auditors for the financial year ending 31 March 2022 following shareholder approval at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'S Ward', written in a cursive style.

S Ward

Director

17 October 2021



# Independent auditors' report to the members of Babcock Mission Critical Services Design and Completions Limited

## Report on the audit of the company financial statements

### Opinion

In our opinion, Babcock Mission Critical Services Design and Completions Limited's company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising 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: Balance Sheet as at 31 March 2021; Income Statement, Statement of Comprehensive Income and 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

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

### 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

## **Babcock Mission Critical Services Design and Completions Limited**

other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

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

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

### **Auditors' responsibilities for the audit of the financial statements**

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with laws and regulations related to breaches of product quality, health & safety, employment regulations and requirements of UK tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions to overstate the performance of the Company that are included within the parent company's consolidated financial statements. Audit procedures performed by the engagement team included:

## **Babcock Mission Critical Services Design and Completions Limited**

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud;
- Identifying and testing journal entries, in particular those having unusual account combinations; and
- Obtaining third party confirmations of all the Company's banking arrangements.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Bound (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

27 October 2021

## Babcock Mission Critical Services Design and Completions Limited

### Income statement

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
<b>Revenue</b>	4	<b>5,002</b>	7,929
Cost of sales		<u>(3,607)</u>	<u>(6,703)</u>
<b>Gross profit</b>		<b>1,395</b>	1,226
Administrative expenses		(899)	(658)
Impairment of investment in subsidiaries		<u>(24,936)</u>	-
<b>Operating (loss)/profit</b>	5	<u><b>(24,440)</b></u>	568
<b>(Loss)/Profit before interest and taxation</b>		<b>(24,440)</b>	568
Finance costs	8	(556)	(581)
Finance Income	8	<u>-</u>	<u>1</u>
<b>Loss before income tax</b>		<b>(24,996)</b>	(12)
Income tax (expense)/credit	9	<u>(8)</u>	<u>1</u>
<b>Loss for the financial year</b>		<u><b>(25,004)</b></u>	<u>(11)</u>

All of the above results derive from continuing operations.

### Statement of comprehensive Income

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
<b>Loss for the financial year</b>		<u><b>(25,004)</b></u>	<u>(11)</u>
<b>Other comprehensive loss:</b>			
Fair value adjustment of foreign exchange hedges	16	<u>(43)</u>	<u>(218)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(25,047)</b></u>	<u>(229)</u>

## Babcock Mission Critical Services Design and Completions Limited

### Balance sheet

as at 31 March 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	10	58	60
Tangible assets	11	38	50
Investments in subsidiaries	12	93,753	118,689
		<b>93,849</b>	<b>118,799</b>
<b>Current assets</b>			
Inventories	13	1,557	1,871
Trade and other receivables	14	84,717	86,304
Deferred tax assets	17	-	6
Other financial assets	16	-	43
Cash and cash equivalents		3,011	688
		<b>89,286</b>	<b>88,912</b>
<b>Creditors – amounts falling due within one year</b>			
Creditors – amounts falling due within one year		-	(231)
Trade and other payables – amounts falling due within one year	15	(3,929)	(3,229)
		<b>85,357</b>	<b>85,452</b>
<b>Net current assets</b>			
		<b>179,206</b>	<b>204,251</b>
<b>Total assets less current liabilities</b>			
Trade and other payables – amounts falling due after more than one year	15	(23,184)	(23,184)
Deferred tax liability	17	(2)	-
<b>Net assets</b>		<b>156,019</b>	<b>181,067</b>
<b>Equity</b>			
Called up share capital	18	1,560	1,560
Share premium account		105,885	105,885
Capital redemption reserve		247	247
Hedging reserves		-	43
Retained earnings		48,327	73,332
<b>Total shareholders' funds</b>		<b>156,019</b>	<b>181,067</b>

The notes on pages 13 to 28 are an integral part of these financial statements.

The financial statements on pages 10 to 28 were approved by the board of directors on 27 October 2021 and signed on its behalf by:

S. Ward  
Director

# Babcock Mission Critical Services Design and Completions Limited

## Statement of changes in equity for the year ended 31 March 2021

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total shareholders' funds £000
<b>Balance at 1 April 2019</b>	1,560	105,885	247	261	73,343	181,296
Loss for the year	-	-	-	-	(11)	(11)
Other comprehensive loss	-	-	-	(218)	-	(218)
<b>Balance at 31 March 2020</b>	1,560	105,885	247	43	73,332	181,067
Loss for the year	-	-	-	-	(25,005)	(25,005)
Other comprehensive loss	-	-	-	(43)	-	(43)
<b>Balance at 31 March 2021</b>	<b>1,560</b>	<b>105,885</b>	<b>247</b>	<b>-</b>	<b>48,327</b>	<b>156,019</b>

# **Babcock Mission Critical Services Design and Completions Limited**

## **Notes to the financial statements**

### **1 General information**

Babcock Mission Critical Services Design and Completions 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.

#### **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, 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. 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 Mission Critical Services 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. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

- a) 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 requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- f) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- g) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), 10(f), 16, 38, 40, 111, and 134-136

## **Babcock Mission Critical Services Design and Completions Limited**

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

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

- h) IAS 7, 'Statement of cash flows'
- i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- j) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- k) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021 that have a material impact on the Company's financial statements.

#### **Revenue**

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of business. Revenue is recognised in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

##### **(a) Performance obligations**

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract. The integrated output nature of many of the goods and services provided by the Company can result in contracts with one performance obligation.

##### **(b) Allocation of contract price to performance obligations**

The contract price represents the amount of consideration which the Company expects to receive in exchange for delivering the promised goods or services to the customer. Variable consideration is included in the contract price on the most likely outcome basis but only to the extent that it is highly probable that it will not reverse in the future. Given the bespoke nature of many of the goods and services the Company provides, stand-alone selling prices are generally not available and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin, in accordance with the Group's pricing principles. The Company's contracts typically do not include significant financing components.



## **Babcock Mission Critical Services Design and Completions Limited**

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

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

##### **c) Revenue and profit recognition**

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time and the Company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

- the customer simultaneously receives and consumes the benefits of the company's performance as it performs; or
- the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for work done; or
- the company's performance creates or enhances an asset controlled by the customer.

Most of the Company's contracts meet the requirements to satisfy performance obligations and recognise revenue over time either because the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for work done or the Company's performance creates or enhances an asset controlled by the customer.

Where the Company satisfies performance obligations over time, revenue is recognised using labour hours spent as a proportion of total estimated labour hours to assess stage of completion, but with the stage of completion and revenue assessed in relation to each performance obligation. In some circumstances the Company also uses an output based earned value approach, as an indicator, to validate the cost based input approach and this approach uses suitably qualified and experienced Company personnel to assess the stage of completion of performance obligations.

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to payment by the Company.

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis by suitably qualified and experienced Group personnel and the assessments of all significant contracts are subject to review and challenge by local management, sector management and Group management. Assessment of outcomes are in relation to separate performance obligations and include variable consideration, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Any expected loss on a contract is recognised immediately in the income statement.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

##### **(d) Costs of obtaining a contract**

Pre-contract costs are recognised as expenses as incurred.

## **Babcock Mission Critical Services Design and Completions Limited**

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

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

##### **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 five years.

##### **Property, plant and equipment**

Property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of property, plant and equipment over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Plant and machinery	10% to 25%
---------------------	------------

Fixtures and fittings	10%
-----------------------	-----

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

##### **Investments**

Investments in subsidiaries are stated at cost less provision for impairment in value.

The directors perform an annual impairment assessment and where potential exposure is identified a full impairment review is undertaken. To assess the carrying value of the investments the directors have considered the underlying net assets and future earnings where appropriate. Any impairment recognised is taken to the income statement.

##### **Inventory and work in progress**

Inventory is valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out method. In the case of finished goods and work in progress, cost comprises direct material and labour.

##### **Financial assets and liabilities at amortised cost**

Cash and cash equivalents, trade receivables, amounts due from related parties and other debtors are classified as financial assets held at amortised cost. Trade creditors, amounts due to related parties, other creditors, accruals and bank loans and overdrafts are classified as financial liabilities held at amortised cost.

The Company assesses on a forward-looking basis the expected credit losses associated with financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

## **Babcock Mission Critical Services Design and Completions Limited**

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

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

##### **Taxation**

###### **(a) Current income tax**

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

###### **(b) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the 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 contribution scheme. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement.

##### **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.

##### **Lessee Accounting**

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the present value of future lease payments are capitalised to the statement of financial position in accordance with IFRS 16 'Leases', with a corresponding right of use asset recognised.

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

Depreciation of right of use assets is recognised as an expense in the income statement on a straight-line basis over the shorter of the asset's useful life or expected term of the lease.

## **Babcock Mission Critical Services Design and Completions Limited**

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

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

##### **Lessee Accounting** *(continued)*

Interest on the lease liability is recognised as a finance expense in the income statement over time, with the rate being determined at lease inception based on a number of factors including asset type, lease currency and lease term.

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

Payments in respect of short-term leases or low-value leases are expensed straight-line to the income statement as permitted by IFRS 16 'Leases'. A lease is considered short-term if the total lease length is less than 12 months, and low-value if the underlying asset would cost less than £5,000 to buy new.

##### **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 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.

Provisions for losses on contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write downs of work-in-progress for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly. A provision is made where the operating leases are deemed to be onerous.

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

##### **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their fair value. The Company designates certain of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### **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.

## Babcock Mission Critical Services Design and Completions Limited

### Notes to the financial statements (continued)

#### 3 Critical accounting estimates and judgements (continued)

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. Critical accounting estimates in relation to these financial statements are considered below:

##### Revenue and profit recognition

Revenue and profit recognition on contracts is based on estimates of outturn revenues and costs on a contract-by-contract basis. Both of these estimates can involve significant levels of estimation uncertainty. Estimating contract revenues can involve judgements around whether the Company will meet performance targets, earn incentives and the pricing of any scope changes, variations or claims under the contract. When considering variations to contracts, the Company must make a judgement as to whether the variation should be accounted for as a separate, distinct contract or be considered, and accounted for, as part of the original contract. This judgement will depend on the scope of the variation, its pricing and the contractual terms. Contract outturn assessments are carried out by suitably qualified and experienced personnel and include assessments of variable consideration and contract contingencies arising out of technical, commercial, operational and other risks. When considering variations, claims and contingencies, the Company analyses various factors including the contractual terms, status of negotiations with the customer and historic experience with that customer and similar contracts. The assessment of all significant contracts are subject to review and challenge. As contracts near completion, often less judgement is needed to determine the size of the expected outturn.

##### Impairment assessment of investments

See note 12 for the carrying value of investments and note 2 'Investments' for information on how the impairment of investments is assessed.

#### 4 Revenue

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

	2021 £000	2020 £000
	Design and modification services	Design and modification services
By area of activity:		
Sale of goods – transferred at a point in time	851	347
Provision of services – transferred over time	4,151	7,582
	<b>5,002</b>	<b>7,929</b>

All the revenue in the year ending 31 March 2021 originated in the United Kingdom.

## Babcock Mission Critical Services Design and Completions Limited

### Notes to the financial statements (continued)

#### 5 Operating (Loss)/profit

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

	2021 £000	2020 £000
Depreciation of tangible fixed assets	13	15
Amortisation of intangible assets	2	2
Inventory recognised as an expense	2,352	4,240
Impairment of inventory	146	-
Impairment of investment in subsidiary	24,936	-
Rent recharged by subsidiary	120	120
Foreign exchange loss/(gains)	36	(283)
Audit fees payable to the company's auditors	3	1

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

#### 6 Staff costs

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

	2021 Number	2020 Number
<b>By activity:</b>		
Operations	9	10
Administration and management	9	12
	<u>18</u>	<u>22</u>

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	784	1,155
Social security costs	82	92
Other pension costs (note 20)	49	49
	<u>915</u>	<u>1,296</u>

#### 7 Directors' remuneration

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

# Babcock Mission Critical Services Design and Completions Limited

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

### 8 Finance costs and income

	2021 £000	2020 £000
<b>Finance costs:</b>		
Bank interest	-	19
Interest payable on leases	-	2
Loan interest payable to group undertakings	556	560
	<u>556</u>	<u>581</u>
	2021 £000	2020 £000
<b>Finance income:</b>		
Bank interest	-	1
	<u>-</u>	<u>1</u>

### 9 Income tax (expense)/credit

#### Tax expense/(credit) included in income statement

	2021 £000	2020 £000
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	-	2
Adjustment in respect of prior years	8	(2)
Impact of change in UK tax rate	-	(1)
<b>Total deferred tax charge/(credit) (note 17)</b>	<u>8</u>	<u>(1)</u>
<b>Income tax expense/(credit)</b>	<u>8</u>	<u>(1)</u>

## Babcock Mission Critical Services Design and Completions Limited

### Notes to the financial statements (continued)

#### 9 Income tax expense/(credit) (continued)

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

	2021 £000	2020 £000
<b>Loss before income tax</b>	<b>(24,996)</b>	<b>(12)</b>
Loss before income tax multiplied by standard UK corporation tax rate of 19% (2020: 19%)	<b>(4,749)</b>	<b>(2)</b>
Effects of:		
Expenses not deductible for tax purposes	<b>4,738</b>	-
Group relief surrendered for nil consideration	<b>11</b>	4
Adjustments in respect of deferred tax for prior years	<b>8</b>	(2)
Impact of changes in UK tax rate	-	(1)
<b>Tax charge/(credit) for the year</b>	<b>8</b>	<b>(1)</b>

In the 2020 budget, it was announced that the decrease in the UK rate of corporation tax from 19% to 17% was cancelled. On 24 May 2021, the Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. As the increase of the rate to 25% had not been substantively enacted at the Balance Sheet date, its effects are not included in these Financial Statements.

#### 10 Intangible assets

	Computer Software £000	Assets in the course of construction £000	Total £000
<b>Cost</b>			
At 1 April 2020	7	58	65
Additions	-	-	-
Disposals	-	-	-
<b>At 31 March 2021</b>	<b>7</b>	<b>58</b>	<b>65</b>
<b>Accumulated amortisation</b>			
At 1 April 2020	(5)	-	(5)
Charge for the Year	(2)	-	(2)
Disposals	-	-	-
<b>At 31 March 2021</b>	<b>(7)</b>	<b>-</b>	<b>(7)</b>
<b>Net book value</b>			
<b>At 31 March 2021</b>	<b>-</b>	<b>58</b>	<b>58</b>
<b>At 31 March 2020</b>	<b>2</b>	<b>58</b>	<b>60</b>

Intangible assets amortisation is recorded in administrative expenses in the income statement.



# Babcock Mission Critical Services Design and Completions Limited

## Notes to the financial statements (continued)

### 11 Tangible assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
<b>Cost</b>			
At 1 April 2020	77	54	131
Additions	-	1	1
Disposals	-	-	-
At 31 March 2021	<b>77</b>	<b>55</b>	<b>132</b>
<b>Accumulated depreciation</b>			
At 1 April 2020	(49)	(32)	(81)
Charge for the year	(2)	(11)	(13)
Disposals	-	-	-
At 31 March 2021	<b>(51)</b>	<b>(43)</b>	<b>(94)</b>
<b>Net book value</b>			
At 31 March 2021	<b>26</b>	<b>12</b>	<b>38</b>
At 31 March 2020	28	22	50

### 12 Investments in subsidiaries

	2021		2020	
	Shares in group undertakings £000	Total £000	Shares in group undertakings £000	Total £000
<b>Cost and net book value</b>				
As at 1 April	118,689	118,689	118,689	118,689
Impairment	(24,936)	(24,936)	-	-
<b>Carrying amount at 31 March</b>	<b>93,700</b>	<b>93,700</b>	118,689	118,689

The directors believe that the carrying value of the investments is supported by their underlying net assets. See note 21 for details of investments held in group undertakings.

On 22 September 2020 the Company transferred its share in Bond Aviation Leasing Limited to Babcock Mission Critical Services Onshore Limited for £1.

## Babcock Mission Critical Services Design and Completions Limited

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

#### 12 Investments in subsidiaries *(continued)*

The impairment relates to the investment in Babcock Mission Critical Services Leasing Limited which has been stated at cost less provision for impairment. The directors performed an impairment assessment and determined that the underlying net assets were lower than the value of the investment and reduced the carrying value of the investment to reflect the value of the underlying net assets.

#### 13 Inventories

	2021 £000	2020 £000
Aircraft components	1,557	1,871
	<u>1,557</u>	<u>1,871</u>

Inventories are stated after provisions for impairment of £146k (2020: £nil).

#### 14 Trade and other receivables

	2021 £000	2020 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	563	471
Amounts due by group undertakings	378	425
UK corporation tax recoverable	137	87
Other receivables	46	79
Prepayments and accrued income	432	2,076
	<u>1,556</u>	<u>3,138</u>
<b>Amounts due after more than one year:</b>		
Amounts due by group undertakings	<u>83,162</u>	<u>83,166</u>
<b>Total trade and other receivables</b>	<u>84,718</u>	<u>86,304</u>

Amounts due by group undertakings are unsecured, interest free and have no fixed repayment terms.

There are four major loans (2020: four) to group companies. All are unsecured, interest free and repayable on demand.

## Babcock Mission Critical Services Design and Completions Limited

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

#### 14 Trade and other receivables *(continued)*

##### Contract Assets

	Accrued Income £'000
<b>At 1 April 2019</b>	973
Transfers from contract assets recognised at the beginning of the year to receivables	(237)
Increase due to work done not transferred from contract assets	908
<b>At 31 March 2020</b>	<u>1,644</u>
<b>At 1 April 2020</b>	1,644
Transfers from contract assets recognised at the beginning of the year to receivables	(1,644)
Increase due to work done not transferred from contract assets	410
<b>At 31 March 2021</b>	<u>410</u>

#### 15 Trade and other payables

	2021 £000	2020 £000
<b>Amounts falling due within one year:</b>		
Trade payables	93	357
Amounts due to group undertakings	114	125
Taxation and social security	30	38
Other payables	145	218
Accruals and deferred income	3,547	2,491
	<u>3,929</u>	<u>3,229</u>
<b>Amounts falling due after more than one year:</b>		
	2021 £000	2020 £000
Amounts due to group undertakings	23,184	23,184
	<u>27,113</u>	<u>26,413</u>

With the exception of one group loan, amounts due to group undertakings are unsecured, interest free, and repayable on demand. Within the group loans, there is one loan (2020: one) of £13,096,062 (2020: £13,096,062) which accrues interest at 4.25%, payable monthly, is unsecured and has no fixed repayment terms.

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.

## Babcock Mission Critical Services Design and Completions Limited

### Notes to the financial statements (continued)

#### 15 Trade and other payables (continued)

	Contract cost accrual £'000	Deferred income £'000	Total £'000
At 1 April 2019	1,567	54	1,621
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(54)	(54)
Increase due to cash received, excluding amounts recognised as revenue	-	65	65
Amounts accrued	1,822	-	1,822
Amounts utilised	(1,209)	-	(1,209)
At 31 March 2020	2,180	65	2,245

At 1 April 2020	2,180	65	2,245
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(65)	(65)
Increase due to cash received, excluding amounts recognised as revenue	-	626	626
Amounts accrued	680	-	680
Amounts utilised	(723)	-	(723)
At 31 March 2021	2,137	626	2,763

#### 16 Other financial assets and liabilities

The Company has taken advantage of the exemptions within FRS 101 not to disclose all IFRS 7 and IFRS 13 requirements, 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 with compliance to IFRS. Derivative asset of £nil (2020: £43,081) and derivative liability of £493 (2020: £nil) being held reflects a net liability of £493 (2020: net asset £43,081) used to reduce foreign exposure risk on trade receivables and payables.

#### 17 Deferred tax

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

	Accelerated capital allowances £000	Other timing differences £000	Total £000
<b>Deferred tax assets/(liabilities)</b>			
At 1 April 2019:	5	-	5
- Credited to the income statement	1	-	1
At 31 March 2020:	6	-	6

## Babcock Mission Critical Services Design and Completions Limited

### Notes to the financial statements (continued)

#### 17 Deferred tax (continued)

	Accelerated capital allowances £000	Other timing differences £000	Total £000
<b>Deferred tax assets/(liabilities)</b>			
At 1 April 2020:	6	-	6
- Charged to the income statement	(8)	-	(8)
<b>At 31 March 2021:</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>

#### 18 Called up share capital

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
1,560,100 ordinary shares of £1 each (2020:1,560,100)	<b>1,560</b>	<b>1,560</b>

#### 19 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.

#### 20 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.

#### 21 Subsidiary undertakings

All related undertakings for the Company are as listed below. Unless otherwise stated the address of the registered office is:

33 Wigmore Street  
London  
W1U 1QX  
United Kingdom

## Babcock Mission Critical Services Design and Completions Limited

### Notes to the financial statements (continued)

#### 21 Subsidiary undertakings (continued)

Company Name	Country	Interest	Direct %	Ultimate%
Babcock Mission Critical Services Leasing Limited	United Kingdom	50,100 Ordinary shares	100.0%	100.0%
Babcock Malta (Number Two) Limited	44 Esplanade, St Helier, Jersey JE4 9WG	3,002 Ordinary shares	0.0%	100.0%
Babcock Mission Critical Services Offshore Limited (Note 22)	United Kingdom	52,632 Ordinary shares	100.0%	100.0%
Babcock Mission Critical Services Onshore Limited	United Kingdom	1,666,666 Ordinary shares	100.0%	100.0%

#### 22 Post balance sheet events

On 31 August 2021 the subsidiary undertaking, Babcock Mission Critical Services Offshore Limited was sold for £5,999,999. This sale was announced on 11 March 2021.

#### 22 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Mission Critical Services 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