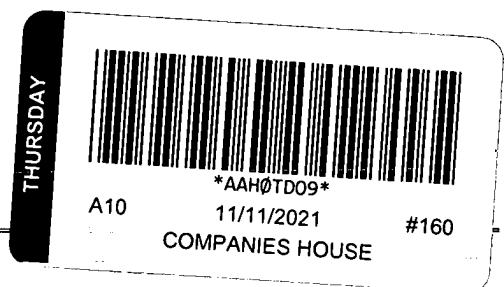


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**Babcock Defence and Security  
Investments Limited**

**Annual Report  
For the year ended 31 March 2021**

**Company Registration Number:  
08132272**



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## **Babcock Defence and Security Investments Limited**

### **Directors and advisors**

#### **Current directors**

I Urquhart  
N Borrett  
K Garvey – Appointed 28 August 2020

#### **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  
EC2N 6RH

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## **Babcock Defence and Security Investments Limited**

### **Strategic report**

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

#### **Principal activities**

The principal activity of the Company is that of an investment holding company.

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

The Company's core business activities continued to perform in line with expectations in its role as an investment holding company. During the year, the Company received dividends of £21,062,000 (2020: £18,965,380). During the year, the company sold Holdfast for a gain on sale of £67,769,000. At 31 March 2021 the Company had net assets of £217,240,000 (2020: £127,002,000).

The Company's interest receivable income is mainly derived from loans with the associated undertakings.

#### **Future developments**

The Company will continue to act as an investment holding company and receive income from its associated undertakings. The directors are therefore confident about the future trading prospects of the Company and it continues to operate as a going concern.

#### **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 Babcock International Group PLC (the "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 contractual performance and the political and regulatory environment. The Company's business is susceptible to individual contract performance of the Company's associated undertakings. All of these contracts are affected by changes in government policy, budget allocations and the changing political environment. The directors manage this risk by maintaining regular discussions with the relevant customers and controlling both direct and indirect expenditure as necessary.

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

#### **Subsequent Events**

In May 2021, the joint venture ALC (Superholdco) Limited ceased trading. At the date of signing, the wind down is still in progress.

Post year end, the Company has received dividends of £17,284,500 from ALC (Superholdco) Limited. Further dividends of £1,938,500 are expected to be received upon completion of the wind down of ALC (Superholdco) Limited.

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## Babcock Defence and Security Investments Limited

### Strategic report *(continued)*

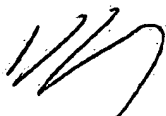
#### Key performance indicators

The Company's activities are managed on a sector 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 sector 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 114 to 116 of the annual report of Babcock International Group PLC, which does not form part of this report.

On behalf of the Board



Kevin Garvey  
Director

1 November 2021

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## **Babcock Defence and Security Investments Limited**

### **Directors' report**

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

### **Results and dividends**

The Company made a profit for the financial year after taxation of £90,238,000 (2020: £20,554,000). At 31 March 2021, the Company had net assets of £217,240,000 (2020: £127,002,000).

During the year, the Company received dividends of £21,062,000 (2020: £18,965,380). Made up of £11,935,000 (2020: £9,702,500) from ALC (Superholdco) Limited, £NIL (2020: £5,262,880) from Holdfast RSME and £9,126,500 (2020: £4,000,000) from Ascent Flight Training (Holdings) Limited, all associated undertakings of the Company.

Post year end, the Company has received dividends of £17,284,500 from ALC (Superholdco) Limited.

### **Future developments**

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

### **Environment**

The Company recognises its responsibility to minimise so far as reasonably possible the potential for adverse impacts from its operations in line with S172 Companies Act 2006. 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. This policy is provided on page 67 to 70 of the annual report of Babcock International Group PLC, which does not form part of this report.

### **Financial risk instruments**

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 cash flow 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.

The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance departments. Each 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. 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 89 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

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## Babcock Defence and Security Investments Limited

### Directors' report *(continued)*

#### *Financial risk instruments (continued)*

##### *Credit risk*

The Company monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential 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 interest-bearing assets. The interest-bearing assets earn interest at fixed and floating rates. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

### Directors

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

I Urquhart

N Borrett

K Garvey – Appointed 28 August 2020

F Martinelli – Resigned 30 November 2020

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## **Babcock Defence and Security Investments Limited**

### **Directors' report** *(continued)*

#### **Statement of directors' responsibilities** (Continued)

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.

#### **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, were in force during the year and remain in force at the date of approval of the Financial Statements.


#### **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.

#### **Independent auditors**

PricewaterhouseCoopers LLP has now completed its final audit as external auditor. Deloitte LLP has been selected as the Company's external auditor for the financial year ending 31 March 2022 following shareholder approval at the Annual General Meeting of the Ultimate Parent, Babcock International Group PLC.

On behalf of the Board



Kevin Garvey

**Director**

1 November 2021

# Independent auditors' report to the members of Babcock Defence and Security Investments Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Babcock Defence and Security Investments Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 March 2021; the 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 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, 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 of equivalent local laws and regulations, 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 posting inappropriate or fictitious journal entries to manipulate the financial performance or financial position of the Company. Audit procedures performed by the engagement team included:

- Gaining an understanding of the legal and regulatory framework and considering the risk of any acts which may be contrary to applicable laws and regulations, including fraud;
- Inquiries with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Testing journal entries and other adjustments for appropriateness and evaluating the business rationale of any significant transactions outside the normal course of business.

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.



Stuart Macdougall (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

1 November 2021

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**Babcock Defence and Security Investments Limited****Statement of comprehensive income**  
*for the year ended 31 March 2021*

	Note	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Revenue		-	-
Other operating income		67,769	176
<b>Operating profit</b>	4	<b>67,769</b>	<b>176</b>
Income from shares in group undertakings	14	21,062	18,965
Finance income	5	1,521	1,601
Finance expense	5	(114)	(188)
<b>Profit before income tax</b>		<b>90,238</b>	<b>20,554</b>
Income tax expense	8	-	-
<b>Profit and total comprehensive income for the financial year</b>		<b>90,238</b>	<b>20,554</b>

All of the above results derive from continuing operations.

## Babcock Defence and Security Investments Limited

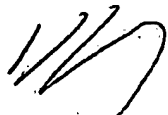
### Balance sheet

as at 31 March 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Investments	9	17,858	34,990
<b>Current assets</b>			
Trade and other receivables: amounts falling due within one year	10	182,346	53,480
Trade and other receivables: amounts falling due after more than one year	10	11,280	10,521
Cash and cash equivalents		8,428	31,111
		<u>202,054</u>	<u>95,112</u>
Trade and other payables: amounts falling due within one year	11	(373)	(384)
<b>Net current assets</b>		<u>201,681</u>	<u>94,728</u>
<b>Total assets less current liabilities</b>		<u>219,539</u>	<u>129,718</u>
Trade and other payables: amounts falling due after more than one year	12	(2,299)	(2,716)
<b>Net assets</b>		<u>217,240</u>	<u>127,002</u>
<b>Equity</b>			
Called up share capital	13	-	-
Share premium account		54,060	54,060
Retained earnings		163,180	72,942
<b>Total shareholders' funds</b>		<u>217,240</u>	<u>127,002</u>

The notes on pages 13 to 24 form an integral part of these financial statements.

The financial statements on pages 10 to 24 were approved by the board of directors and signed on its behalf by:



**Kevin Garvey**  
Director  
Babcock Defence and Security Investments Limited  
1 November 2021

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**Babcock Defence and Security Investments Limited****Statement of changes in equity**  
*for the year ended 31 March 2020*

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Retained earnings £000</b>	<b>Total shareholders' funds £000</b>
Balance at 1 April 2019	-	54,060	52,388	106,448
Profit and total comprehensive income for the year	-	-	20,554	20,554
<b>Balance as at 31 March 2020</b>	<b>-</b>	<b>54,060</b>	<b>72,942</b>	<b>127,002</b>
Balance at 1 April 2020	-	54,060	72,942	127,002
Profit and total comprehensive income for the year	-	-	90,238	90,238
<b>Balance as at 31 March 2021</b>	<b>-</b>	<b>54,060</b>	<b>163,180</b>	<b>217,240</b>

The notes on pages 13 to 24 form an integral part of these financial statements.

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## Babcock Defence and Security Investments Limited

### Notes to the financial statements

#### 1 General information

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

#### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. 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, as modified by the revaluation of certain financial assets and liabilities measured at fair value through the income statement, and in accordance with the Companies Act 2006. The financial statements are prepared in pounds 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 area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements is disclosed in note 3.

The Company is a wholly owned subsidiary of Babcock Defence & Security Holdings LLP 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 and the shareholders of the Company have been notified accordingly:

- a) IFRS 7, 'Financial Instruments: Disclosures'.
- b) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosures of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- c) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
  - paragraph 79(a) (iv) of IAS 1;
- d) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- e) IAS 7, 'Statement of cash flows'
- f) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- g) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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## **Babcock Defence and Security Investments Limited**

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

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

##### ***Basis of preparation*** *(continued)*

- h) Paragraphs 130(f) (ii), 130(f) (iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets (disclosures when the recoverable amount is fair value less costs of the disposal, assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).

##### ***Going concern***

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.

##### ***Investments***

Fixed asset investments are recorded at cost plus incidental expenses less any provision for impairment.

##### ***Taxation***

###### ***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.

###### ***Interest income***

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

###### ***Trade and other receivables***

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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## Babcock Defence and Security Investments Limited

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

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

##### ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

##### ***Trade and other payables***

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

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

#### 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 reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the 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. No critical accounting estimates have been identified.

#### 4 Operating profit

Operating profit of £67,769,000 consists entirely of the gain on disposal of the Holdfast joint venture during the year.

Fees payable for the statutory audit of the financial statements have been borne by the Company's immediate parent undertaking at £18,600 (2020: £11,000), Babcock Defence & Security Holdings LLP and no allocation has been made.

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, 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.



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**Babcock Defence and Security Investments Limited****Notes to the financial statements (continued)****5 Finance income and finance expense**

	2021 £000	2020 £000
<i>Net finance income</i>		
Loan interest from associated undertakings	1,510	1,338
Bank interest	11	75
	<u>1,521</u>	<u>1,413</u>

Loan interest from associated undertakings consists of the following expense and income.

	2021 £000	2020 £000
Loan interest income from associated undertakings	1,510	1,526
	<u>1,510</u>	<u>1,526</u>

	2021 £000	2020 £000
Loan interest expense from associated undertakings	(114)	(188)
	<u>(114)</u>	<u>(188)</u>

**6 Staff costs**

No staff were employed by the Company during the current or prior year.

**7 Directors' remuneration**

The emoluments of the directors, including pension contributions, are borne by another Babcock International Group company in their role as executives of those companies. No part of their emoluments could be attributed to their services in respect of the Company (2020: £nil).

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**Babcock Defence and Security Investments Limited****Notes to the financial statements (continued)****8 Income tax expense**

The tax assessed for the year is lower (2020: lower) than the standard effective 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>Profit before income tax</b>	<b>90,238</b>	<b>20,554</b>
Profit before Income tax at standard UK corporation tax rate of 19%	17,145	3,905
Income not taxable for tax purposes	(16,878)	(3,603)
Group relief claimed for nil consideration	(267)	(302)
<b>Tax charge for the year</b>	<b>-</b>	<b>-</b>

In 2020 budget, it was announced that the decrease in the UK rate of corporation tax from 19% to 17% was cancelled. On 24 May 2021, the Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. 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.

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**Babcock Defence and Security Investments Limited****Notes to the financial statements (continued)****9 Investments**

	Shares in associated undertakings £000
At 1 April 2019	34,990
At 31 March 2020	<u>34,990</u>
At 1 April 2020	34,990
Disposal	<u>(17,132)</u>
At 31 March 2021	<u>17,858</u>

Investments comprise equity shares in associated undertakings which were acquired on the 4 December 2012.

The investment in Holdfast Training Services Limited was disposed of during June 2020. The carrying value of the investment was £17,132,000, net consideration was £85,000,000 and the gain on disposal was £67,769,000.

A list of associated undertakings can be found in note 16.

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

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**Babcock Defence and Security Investments Limited****Notes to the financial statements (continued)****10 Trade and other receivables**

	2021	2020
	£000	£000
<b>Amounts falling due within one year:</b>		
Amounts owed by Group undertakings	181,666	51,200
Amounts owed by associated undertakings	-	2,280
Interest receivable on loans to associated undertakings	680	-
	<b>182,346</b>	<b>53,480</b>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by associated undertakings	11,280	10,521
	<b>193,624</b>	<b>64,001</b>

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment, are repayable on demand and are held at amortised cost.

Amounts owed by associated undertakings include two loans both with Ascent Flight Training (Holdings) Limited which are repayable in accordance with fixed repayment schedules. Both Ascent Flight Training (Holdings) Limited loans accrue interest at 12% (Note 14).

**11 Trade and other payables: amounts falling due within one year**

	2021	2020
	£000	£000
UK Corporation tax	344	344
Interest on group loans	29	40
	<b>373</b>	<b>384</b>

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

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**Babcock Defence and Security Investments Limited****Notes to the financial statements (continued)****12 Trade and other payables: amounts falling due after more than one year**

	2021	2020
	£000	£000
Amounts owed to Group undertakings	2,299	2,716
	<u>2,299</u>	<u>2,716</u>

Amounts owed to Group undertakings are unsecured and accrue interest at LIBOR. It is repayable in 2023.

**13 Called up share capital**

	2021	2020
	£	£
Allotted and fully paid	202	202
202 ordinary shares of £1 each (2020: 202)	<u>202</u>	<u>202</u>

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**Babcock Defence and Security Investments Limited****Notes to the financial statements (continued)****14 Related party disclosures**

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

During the year the Company also entered into transactions in the ordinary course of business with its associates. A list of associated undertakings can be found in note 16.

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

	Opening balance due to the Company	Interest charged to the associate	Repayments made by the associate	Closing balance due to the Company
Associate	£'000	£'000	£'000	£'000
Ascent Flight Training (Holdings) Limited	12,801	1,510	(2,353)	11,958
	12,801	1,510	(2,353)	11,958

The closing balance of £11,958,483 is composed of £678,231 due within one year (2020: £2,280,000) and £11,280,252 due after one year (2020: £10,521,000).

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**Babcock Defence and Security Investments Limited****Notes to the financial statements (continued)****14 Related party disclosures (continued)**

Transactions entered into and loan and trading balances outstanding at 31 March 2020 are as follows:

	Opening balance due to the Company	Additions in the year	Interest charged to the associate	Repayments made by the associate	Closing balance due to the Company
Associate	£'000	£'000	£'000	£'000	£'000
Ascent Flight Training (Holdings) Limited	13,703	-	1,526	(2,428)	12,801
	13,703	-	1,526	(2,428)	12,801

During the year, dividends of £11,935,500 were received from ALC (Superholdco) Limited (2020: £9,702,500), £Nil were received from Holdfast (RSME) (2020: £5,262,880) and £9,126,500 were received from Ascent Flight Training (Holdings) Limited (2020: £4,000,000).

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## Babcock Defence and Security Investments Limited

### Notes to the financial statements (continued)

#### 15 Associated undertakings

The associated undertakings of the Company at 31 March 2021 are shown below. The Company and its associated undertakings are all incorporated and domiciled in England and Wales. All holdings are in relation to ordinary shares.

Name	Principal activity	Percentage held
ALC (Superholdco) Limited <sup>1</sup>	Provision of vehicles	50%
Ascent Flight Training (Holdings) Limited <sup>2</sup>	Provision of flight training services	50%

The Company also has the following indirect associated undertakings:

Name	Principal activity	Percentage held
ALC (FMC) Limited <sup>1</sup>	Provision of vehicles	50%
ALC (Holdco) Limited <sup>1</sup>	Provision of vehicles	50%
ALC (SPC) Limited <sup>1</sup>	Provision of vehicles	50%
Ascent Flight Training (Management) Limited <sup>2</sup>	Provision of flight training services	50%
Ascent Flight Training (Services) Limited <sup>2</sup>	Provision of flight training services	50%
Advanced Jet Training Holdings Limited <sup>2</sup>	Provision of flight training services	50%
Advanced Jet Training Limited <sup>2</sup>	Provision of flight training services	50%
Fixed Wing Training Holdings Limited <sup>2</sup>	Provision of flight training services	50%
Fixed Wing Training Limited <sup>2</sup>	Provision of flight training services	50%
Rotary Wing Training Limited <sup>2</sup>	Provision of flight training services	50%
Rear Crew Training Holdings Limited <sup>2</sup>	Provision of flight training services	50%
Rear Crew Training Limited <sup>2</sup>	Provision of flight training services	50%

Registered addresses:

- <sup>1</sup> The Sherard Building, Edmund Halley Road, Oxford OX4 4DQ
- <sup>2</sup> 33 Wigmore Street, London W1U 1QX



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## **Babcock Defence and Security Investments Limited**

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

#### **16 Subsequent events**

In May 2021, the joint venture ALC (Superholdco) Limited ceased trading. At the date of signing, the wind down is still in progress.

Post year end, the Company has received dividends of £17,284,500 from ALC (Superholdco) Limited. Further dividends of £1,938,500 are expected to be received upon completion of the wind down of ALC (Superholdco) Limited.

#### **17 Ultimate parent undertaking**

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