

Babcock Services Limited
(formerly Babcock SSD Services Limited)

Annual report

For the year ended 31 March 2019

Company registration number:

10278084



Babcock Services Limited (formerly Babcock SSD Services Limited)

Directors and advisors

Current directors

R Taylor
I Urquhart

Company secretary

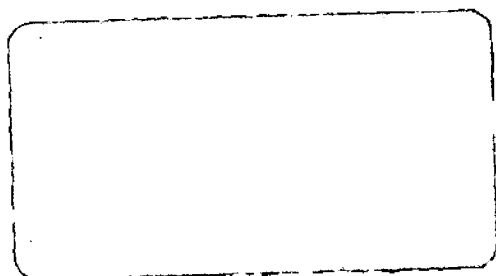
Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

Morris Crocker
Chartered Accountants and Statutory Auditors
Station House
50 North Street
Havant
Hants
PO9 1QU



Babcock Services Limited (formerly Babcock SSD Services Limited)

Strategic report for the year ended 31 March 2019

The directors present their Strategic report on the Company for the year ended 31 March 2019.

Principal activities

The principal activity of the Company is to provide management services to other companies within the Babcock Group.

On 23 September 2019 the company changed its name from Babcock SSD Services Limited to Babcock Services Limited.

Review of the business

	2019	2018
	£000	£000
Revenue	-	-
Operating loss	(5,871)	(655)
Net liabilities	(6,819)	(876)

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 cost pressure. The directors manage these risks 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, is provided on pages 70 to 81 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

The directors plan to continue to expand the Company's services to other Babcock companies.

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 Land, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 43 to 45 of the Group's report, which does not form part of this report.

On behalf of the board



R Taylor
Director

17 October 2019

Directors' report for the period ended 31 March 2019

The directors present their report and the audited financial statements of the Company for the period ended 31 March 2019.

Dividends

No dividends were paid in the year (2018: £nil). No final dividend for the year ended 31 March 2019 has been proposed by the directors (2018: £nil).

Future developments

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

Directors

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

R Taylor
I Urquhart

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.

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.

Directors' report for the period ended 31 March 2019 *(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.

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.

On behalf of the board



R Taylor
Director

17 October 2019

Babcock Services Limited (formerly Babcock SSD Services Limited)

Report of the independent auditors to the members of Babcock Services Limited (formerly Babcock SSD Services Limited)

Opinion

We have audited the financial statements of Babcock Services Limited (formerly Babcock SSD Services Limited) (the 'company') for the year ended 31 March 2019 on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Babcock Services Limited (formerly Babcock SSD Services Limited)

Report of the independent auditors to the members of Babcock Services Limited (formerly Babcock SSD Services Limited) (continued)

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, 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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.

Babcock Services Limited (formerly Babcock SSD Services Limited)

Report of the independent auditors to the members of Babcock Services Limited (formerly Babcock SSD Services Limited) (continued)

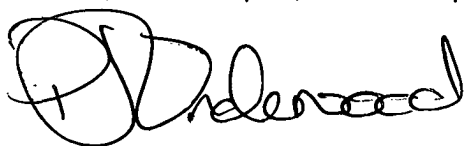
Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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



Paul Underwood (Senior Statutory Auditor)
for and on behalf of Morris Crocker Limited
Chartered Accountants
Statutory Auditors
Station House
North Street
Havant
Hampshire
PO9 1QU

Date: 8 November 2019

Babcock Services Limited (formerly Babcock SSD Services Limited)**Income statement***for the year ended 31 March 2019*

	Note	2019 £000	2018 £000
Revenue	4	-	-
Cost of sales		-	-
Gross profit		-	-
Administration expenses		(6,057)	(654)
Operating loss	5	(6,057)	(654)
Loss on ordinary activities before interest and taxation		(6,057)	(654)
Finance income	6	5	3
Finance cost	6	(53)	(8)
Loss on ordinary activities before income tax		(6,105)	(659)
Income tax charge	10	(4)	(1)
Loss for the financial year		(6,109)	(660)

All of the above results derive from continuing operations.

Statement of Comprehensive Income*for the year ended 31 March 2019*

	Note	2019 £000	2018 £000
Loss for the financial year		(6,109)	(660)
Other comprehensive income:			
Tax on net defined benefit obligation	14	5	(28)
Gain/(Loss) on re-measurement of net defined benefit obligation	15	(24)	167
Total other comprehensive income		(19)	139
Total comprehensive income		(6,128)	(521)

Babcock Services Limited (formerly Babcock SSD Services Limited)

Statement of financial position

as at 31 March 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	11	-	7
		-	7
Current assets			
Trade and other receivables	12		
- due within one year		2,220	4,249
- due after one year		475	750
Cash and cash equivalents		-	-
		2,695	4,999
Trade and other payables – amounts falling due within one year	13	(9,874)	(6,055)
Net current assets		(7,179)	(1,056)
Total assets less current liabilities		(7,179)	(1,049)
Post-employment benefits	15	175	173
Net liabilities		(7,004)	(876)
Equity			
Called up share capital	16	-	-
Retained earnings		(7,004)	(876)
Total shareholders' funds		(7,004)	(876)

The notes on pages 11 to 24 are an integral part of these financial statements.

The financial statements on pages 8 to 24 were approved by the board of directors and signed on its behalf by:



R Taylor
Director

17 October 2019

Babcock Services Limited (formerly Babcock SSD Services Limited)**Statement of changes in equity**
for the year ended 31 March 2019

	Called-up share capital £000	Retained earnings £000	Total £000
Loss for the year	-	(660)	(660)
Other comprehensive gains	-	139	139
Balance at 31 March 2018	-	(876)	(876)
Loss for the year	-	(6,109)	(6,109)
Other comprehensive gains	-	(19)	(19)
Balance at 31 March 2019	-	(7,004)	(7,004)

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements

1 General information

Babcock Services Limited (formerly Babcock SSD Services Limited) is a private company which is incorporated and domiciled in the UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Company has early adopted the following amendments to FRS 101 (effective for periods beginning on or after 1 January 2017) in these financial statements:

- Presentation of IAS format financial statements
- Exemption from the presentation of a third balance sheet (being the opening balance sheet of the Company at the date of application of FRS 101, meaning in this instance 1 April 2014)

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

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

The Company is a wholly owned subsidiary of Babcock Support Services (Investments) 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;

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

- paragraph 73(e) of IAS 16 Property, plant and equipment; and
- paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- e) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- f) IAS 7, 'Statement of cash flows'
- g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- h) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- i) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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.

Standards, amendments and interpretations to published standards

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2019 or later periods, for which the Company has not early adopted. Interpretations to existing standards that are not yet effective and the impact on the Company's operations is currently being assessed but is not expected to be significant:

- a) IFRS 16, 'Leases' effective 1 January 2019

There are no other standards or interpretations that are not yet effective that are expected to have a material effect on the Company's results.

Intangible assets

- a) *Computer software*

Computer software includes software licences and is shown at cost less accumulated amortisation and is amortised over its expected useful lives of between three and five years.

Share based payments

The Group operates equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models. The charge is recognised in the income statement over the vesting period of the award.

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.

Notes to the financial statements *(continued)*

Summary of significant accounting policies *(continued)*

(b) Deferred income tax

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Pensions costs and other post-retirement benefits

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

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

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

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

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

Operating leases

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

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

3 Critical accounting estimates and judgements

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

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

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 15 for the disclosures of the defined benefit pension scheme.

4 Revenue

The company generated no revenue during the year.

5 Operating loss

Operating loss is stated after charging / (crediting):

	2019 £000	2018 £000
Amortisation of intangible assets	7	4
Audit fees payable to the Company's auditor	5	5
Operating lease charges – motor vehicles	69	58

6 Finance income and costs

	2019 £000	2018 £000
Finance income:		
Other finance costs – Pensions (note 15)	5	3
Finance costs:		
Bank interest	(53)	(8)

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

7 Staff costs

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

	2019 Number	2018 Number
By activity:		
Management and administration	139	118

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	7,869	4,993
Social security costs	858	626
Other pension costs (note 15)	727	300
	9,454	5,919

Included in wages and salaries is a charge for share-based payments of £70,000 (2018: £695,000 credit), arising from transactions accounted for as equity settled share-based payment transactions.

Included in other pension costs are £90,000 (2018: £36,000) in respect of the defined benefit schemes and £637,000 (2018: £264,000) in respect of the defined contribution scheme.

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

8 Directors' emoluments

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

	2019 £000	2018 £000
Emoluments (including benefits in kind)	365	107
Defined contribution pension scheme	13	5
	378	112

During the year one (2018: nil) director remunerated by Babcock Services Limited (formerly Babcock SSD Services Limited) exercised share options under long term incentive plans and one (2018: one) director was entitled to receive share options under long term incentive plans.

During the previous year one director transferred to Babcock Services Limited (formerly Babcock SSD Services Limited) from another Babcock Group company.

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

8 Directors' emoluments (continued)

For the period prior to the transfer and the other director, they were remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the company in relation to services performed by the directors in relation to other Babcock Group companies.

9 Share based payments

The charge to the income statement is based on the amount charged from Babcock International Group PLC. This charge represents an allocation of the total charge based on the proportion which relates to Babcock Services Limited (formerly Babcock SSD Services Limited). The total charge has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below is included within the Remuneration report in the Babcock International Group PLC Annual Report and Accounts.

During the year the total charge relating to employee share-based payment plans was £2.4 million (2018: £6.4 million) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £2.0million (2018: £5.2 million).

The fair value per option granted and the assumptions used in the calculation are as follows:

DBMP, PSPs and DBP¹

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – EPS/ROCE %	Fair value per option – TSR Pence	Fair value per option – EPS/ROCE Pence	Correlation %	Grant or modification date
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56%	13/06/18
2018 PSP	1,699,323	856.0	14.0%	4.0	–	370.9	856.0	56%	13/06/18
2018 DBP	187,433	856.0	14.0%	4.0	100%	–	856.0	56%	13/06/18
2018 DBP	90,777	856.0	14.0%	3.0	100%	–	856.0	56%	13/06/18
2017 PSP	902,424	905.5	15.0%	6.0	–	131.2	905.5	46%	14/06/17
2017 PSP	1,769,338	905.5	15.0%	4.0	–	131.2	905.5	46%	14/06/17
2017 DBP	186,949	905.5	15.0%	4.0	100%	–	905.5	46%	14/06/17
2017 DBP	103,246	905.5	15.0%	3.0	100%	–	905.5	46%	14/06/17
2016 DBMP Matching	479,065	974.5	14.0%	4.0	–	379.1	974.5	46%	15/06/16
2016 PSP	2,085,427	974.5	14.0%	4.0	–	389.9	974.5	46%	15/06/16
2016 DBP	14,714	974.5	14.0%	3.0	100%	–	974.5	46%	15/06/16
2016 DBP	62,845	974.5	14.0%	4.0	100%	–	974.5	46%	15/06/16
2016 PSP	27,578	991.0	14.0%	3.75	–	396.4	991.0	46%	12/10/16

Both the vesting period and the expected life of all DBMP and PSP awards is three years, but for the DBP it is two years. The holders of all awards receive dividends.

The DBMP Matching awards are split evenly between the performance criteria of TSR, EPS and ROCE, except that in 2015 PSP awards were split evenly between TSR and EPS. There are no performance conditions attached to the DBP.

The expected volatility is based on historical volatility over the last one to three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

9 Share based payments (continued)

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 92,772 matching shares (2018: 79,475 matching shares) at a cost of £0.6 million (2018: £0.6 million).

1. DBMP = 2012 Deferred Bonus Matching Plan, PSP = 2009 Performance Share Plan, DBP = 2012 Deferred Bonus Plan and CSOP = 2009 Company Share Option Plan.

10 Income tax

Tax expense included in income statement

	2019 £000	2018 £000
Current tax:		
UK Corporation tax on profits for the year	-	-
Current tax charge for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	5	1
Adjustment in respect of prior years	(1)	-
Total deferred tax charge (note 14)	4	1
Tax on loss on ordinary activities	4	1
Tax charge included in other comprehensive income		
Deferred tax:		
Tax impact of actuarial gains on post-employment benefits	5	32
Impact of change in UK tax rate	-	(4)
	5	28

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

10 Income tax (continued)

Tax expense for the year is higher (2018: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before taxation	(6,105)	(659)
Profit on ordinary activities multiplied by standard UK corporation tax rate of 19% (2018: 19%)	(1,160)	(125)
Effects of:		
Group relief surrendered for nil consideration	1,165	126
Adjustments in respect of deferred tax for prior years	(1)	-
Total tax charge for the year	4	1

In the UK 2015 Budget it was announced that the UK corporation tax rate will reduce to 19% for April 2017. It was announced in the 2016 UK Budget that it will be further reduced to 18% from April 2020. It was subsequently announced in the 2017 UK Budget that it will be reduced to 17% from April 2020. As a result of this change, UK deferred tax balances have been remeasured at 17% as this is the tax rate that will apply on reversal.

11. Intangible assets

	Software £000	Total £000
Cost		
At 1 April 2018	11	11
Disposals	(11)	(11)
At 31 March 2019	-	-
Accumulated amortisation		
At 1 April 2018	(4)	(4)
Amortisation of software	(7)	(7)
Disposals	11	11
At 31 March 2019	-	-
Net book value		
At 31 March 2019	-	-
At 31 March 2018	7	7

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

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

12 Trade and other receivables

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade receivables	17	-
Amounts owed from parent and group undertakings	1,084	2,966
Other receivables	1,034	1,102
Prepayments	85	181
	<u>2,220</u>	<u>4,249</u>
Amounts falling due after one year:		
Other receivables	<u>475</u>	<u>750</u>

Amounts owed from parent and group undertakings are unsecured, interest free, and repayable on demand.

13 Trade and other payables

	2019 £000	2018 £000
Amounts falling due within one year:		
Bank overdraft	5,305	256
Trade payables	76	37
Amounts owed to parent and group undertakings	968	1,184
Deferred tax (see note 14)	28	29
Taxation and social security	390	1,042
Other payables	1,731	2,304
Accruals and deferred income	1,376	1,203
	<u>9,874</u>	<u>6,055</u>

Amounts owed to parent and group undertakings are unsecured, interest free, and repayable on demand.

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 18).

14 Deferred taxation

	2019 £000	2018 £000
At 1 April 2018	29	-
- charged to the income statement	5	1
- prior year adjustment	(1)	-
- charged to other comprehensive income	(5)	28
	<u>28</u>	<u>29</u>
At 31 March 2019	28	29

The deferred tax balance is in relation to the post employment benefit asset.

Notes to the financial statements *(continued)*

15 Post-employment benefits

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. The Company is also a contributing employer to a defined benefit scheme (the "Babcock International Group Pension Scheme"). The Company is severally liable, along with the other participating employers, for the assets and liabilities of the scheme. The allocation of the assets and liabilities of the scheme which has been recognised in these financial statements are detailed in this note.

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

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

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

BIG Pension Scheme

The IAS 19 valuation has been updated at 31 March 2019 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2016. The major assumptions used for the IAS 19 valuation were:

	2019	2018
	%	%
Major assumptions		
Rate of increase in salaries	2.3	2.2
Rate of increase in pension payment	3.0	2.9
Discount rate	2.4	2.6
Inflation	2.1	2.0

The expected total employer contributions to be made by participating employers to the scheme in 2019/20 are £21.7m. The future service rate is 29.9%. The above level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 3 years. Included in employer contributions of £21.7m is £8.5m of deficit recovery payments. The Company's share of this is allocated based on the percentage of active members of the scheme that it employs.

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

15 Post-employment benefits (continued)

	2019 Years	2018 Years
Mortality assumptions		
Life expectancy from age 65 (male age 65)	21.7	22.2
Life expectancy from age 65 (male age 45)	22.7	23.2

The changes to the Babcock International Group Plc balance sheet at March 2019 and the changes to the Babcock International Group Plc income statement for the year to March 2020, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2019 £000	Income statement 2020 £000
Initial assumptions	1,359,000	10,909
Discount rate assumptions increased by 0.5%	(98,670)	(5,658)
Discount rate assumptions decreased by 0.5%	98,949	2,282
Inflation rate assumptions increased by 0.5%	61,437	2,303
Inflation rate assumptions decreased by 0.5%	(55,449)	(2,102)
Total life expectancy increased by half a year	28,546	838
Total life expectancy decreased by half a year	(28,266)	(839)
Salary increase assumptions increased by 0.5%	8,974	605
Salary increase assumptions decreased by 0.5%	(8,695)	(605)

The weighted average duration of cashflows (years) was 16.

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2019 were:

	2019 £000	2018 £000
Equities	444,412	310,191
Property	136,657	120,844
Absolute return and multi strategy funds	16,135	4,833
Bonds	326,937	485,697
Matching assets	544,834	569,413
Scheme assets	1,468,975	1,490,978
Active position on longevity swaps	(60,111)	(50,150)
Total assets	1,408,864	1,440,828
Present market value of liabilities - funded	(1,359,140)	(1,380,628)
Gross pension surplus	49,724	60,200

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

15 Post-employment benefits (continued)

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

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

The longevity swaps have been valued, in 2019, in line with assumptions that are consistent with the requirements of IFRS 13.

Analysis of amount charged to the income statement in Babcock International Group Plc	2019 £000	2018 £000
Current service cost	9,615	10,253
Incurred expenses	1,965	2,232
Past service cost	13,646	-
Settlement	221	-
Total included with operating profit	25,447	12,485
Net interest cost / (income)	(1,524)	(1,194)
Total charged to the income statement	23,923	11,291

The amounts charged to the income statement in these financial statements, based on the Company's allocation of the total Babcock International Group Plc charge, included £34,000 for service cost (2018: £30,000), £7,000 for incurred expenses (2018: £6,000), £48,000 for past service cost (2018: nil), £1,000 for settlement (2018: nil), and net interest income of £5,000 (2018: £3,000).

Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCl")	2019 £000	2018 £000
Actuarial loss recognised in the SOCl	(4,077)	(4,170)
Experience gains	3,181	13,688
Other losses	(8,666)	(439)
	(9,562)	9,079

The actuarial loss recognised in the SOCl in these financial statements, based on the Company's allocation of the total Babcock International Group Plc movement, was £24,000 (2018: £167,000 gain).

The equity investments and bonds are valued at bid price.

Babcock Services Limited (formerly Babcock SSD Services Limited)

Notes to the financial statements (continued)

15 Post-employment benefits (continued)

Reconciliation of present value in scheme assets in Babcock International Group Plc	2019 £000	2018 £000
At 1 April	1,490,978	1,464,460
Interest cost	37,789	37,512
Employee contributions	272	404
Employer contributions	23,010	18,090
Benefits paid	(102,320)	(76,476)
Settlement	(2,761)	-
Actuarial gain	22,007	46,988
At 31 March	1,468,975	1,490,978

Reconciliation of present value in scheme liabilities in Babcock International Group Plc	2019 £000	2018 £000
At 1 April	1,380,628	1,371,687
Service cost	9,615	10,253
Incurred expenses	1,965	2,232
Interest on liabilities	34,972	35,058
Employee contributions	272	404
Actuarial (gain) / loss - demographics	(21,380)	11,172
Actuarial (gain) / loss – financial	47,464	(7,003)
Experience (gain) / losses	(3,181)	33,301
Benefits paid	(102,320)	(76,476)
Settlement	(2,541)	-
Past service cost	13,646	-
At 31 March	1,359,140	1,380,628

The asset recognised in these financial statements, based on the Company's allocation of the total Babcock International Group Plc assets and liabilities for this scheme, was £175,000 (2018: £173,000).

16 Share capital

	2019 £000	2018 £000
Allotted and fully paid		
1 ordinary shares of £1 each	-	-

17 Dividends

No dividends were paid in the year or prior period and no final dividend is proposed.

Notes to the financial statements *(continued)*

18 Guarantees and financial commitments

At the year-end date the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2018: £nil) provided to certain Group companies. In addition, the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £5,305,000 (2018: £256,000).

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

The company is a member of a wider Babcock VAT group, and as a result is jointly and severally liable with the other members for the VAT liability of the group. At 31 March 2019 the accrued VAT liability of the group was £1,039,344 (2018: £1,828,121).

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.

No transactions have been entered into with any related parties during the year to 31 March 2019.

20 Ultimate parent undertaking

The Company's immediate parent company is Babcock Support Services (Investments) Limited, a company registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC Financial Statements are available at www.babcockinternational.com.