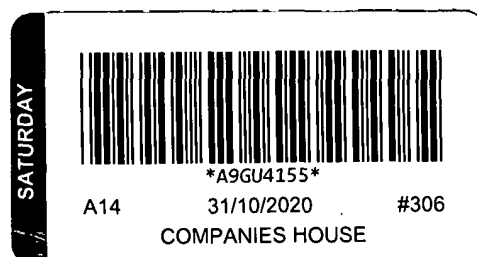


**Babcock Services Limited**  
**Annual report**  
**For the year ended 31 March 2020**  
**Company registration number:**  
**10278084**



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## **Babcock 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

## Strategic report for the year ended 31 March 2020

The directors present their Strategic report on the Company for the year ended 31 March 2020.

### Principal activities

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

### Review of the business

	2020 £000	2019 £000
Revenue	-	-
Operating loss	(6,842)	(6,057)
Net liabilities	(14,194)	(7,004)

### 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 80 to 92 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 74 to 75 of the Group's report, which does not form part of this report.

On behalf of the board



R Taylor  
Director

20 October 2020

**Directors' report for the period ended 31 March 2020**

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

**Dividends**

No dividends were paid in the year (2019: £nil). No final dividend for the year ended 31 March 2020 has been proposed by the directors (2019: £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 2020 *(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

20 October 2020

**Report of the independent auditors to the members of Babcock Services Limited**

**Opinion**

We have audited the financial statements of Babcock Services Limited (the 'company') for the year ended 31 March 2020 on pages 8 to 25. 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 2020 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.

**Report of the independent auditors to the members of Babcock 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.

**Report of the independent auditors to the members of Babcock 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](http://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: 28<sup>th</sup> Oct 2020



## Babcock Services Limited

### Income statement

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
<b>Revenue</b>	4	-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administration expenses		(6,842)	(6,057)
<b>Operating loss</b>	5	(6,842)	(6,057)
<b>Loss on ordinary activities before interest and taxation</b>		(6,842)	(6,057)
Finance income	6	-	5
Finance cost	6	(95)	(53)
<b>Loss on ordinary activities before income tax</b>		(6,937)	(6,105)
Income tax charge	10	(9)	(4)
<b>Loss for the financial year</b>		(6,946)	(6,109)

All of the above results derive from continuing operations.

### Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
<b>Loss for the financial year</b>		(6,946)	(6,109)
<b>Other comprehensive income:</b>			
Tax on net defined benefit obligation	16	53	5
Loss on re-measurement of net defined benefit obligation	17	(297)	(24)
<b>Total other comprehensive income</b>		(244)	(19)
<b>Total comprehensive income</b>		(7,190)	(6,128)

# Babcock Services Limited

## Statement of financial position as at 31 March 2020

	Note	2020 £000	2019 £000
<b>Fixed assets</b>			
Intangible assets	11	527	-
Right of use assets	12	155	-
		<u>682</u>	<u>-</u>
<b>Current assets</b>			
Trade and other receivables	13		
- due within one year		2,726	2,220
- due after one year		200	475
Cash and cash equivalents		-	-
		<u>2,926</u>	<u>2,695</u>
Trade and other payables – amounts falling due within one year	14	(17,644)	(9,874)
Lease liabilities	15	(53)	-
		<u>(14,771)</u>	<u>(7,179)</u>
<b>Net current assets</b>			
		<u>(14,089)</u>	<u>(7,179)</u>
<b>Total assets less current liabilities</b>			
		<u>(14,089)</u>	<u>(7,179)</u>
Lease liabilities	15	(105)	-
Post-employment benefits	17	-	175
		<u>(14,194)</u>	<u>(7,004)</u>
<b>Net liabilities</b>			
		<u>(14,194)</u>	<u>(7,004)</u>
<b>Equity</b>			
Called up share capital	18	-	-
Retained earnings		(14,194)	(7,004)
		<u>(14,194)</u>	<u>(7,004)</u>
<b>Total shareholders' funds</b>			
		<u>(14,194)</u>	<u>(7,004)</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were approved by the board of directors and signed on its behalf by:



R Taylor  
Director

20 October 2020

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

	<b>Called-up share capital £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
<b>Balance at 31 March 2018</b>	-	(876)	(876)
Loss for the year	-	(6,109)	(6,109)
Other comprehensive loss	-	(19)	(19)
<b>Balance at 31 March 2019</b>	-	(7,004)	(7,004)
Loss for the year	-	(6,946)	(6,946)
Other comprehensive loss	-	(244)	(244)
<b>Balance at 31 March 2020</b>	-	(14,194)	(14,194)

**Notes to the financial statements****1 General information**

Babcock 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).

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 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;
  - 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
- h) IAS 7, 'Statement of cash flows'

**Notes to the financial statements (continued)****Summary of significant accounting policies (continued)**

- 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**

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued if it is not yet effective.

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

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

The Company has adopted the modified retrospective transition approach, with the right-of-use assets measured at the amount of the lease liability on the date of transition for all leases. The lease liability was calculated as the present value of the minimum lease payments on the date of transition. Comparative figures have not been restated for the year ended 31 March 2019.

The following practical expedients have been adopted on transition:

- Single discount rates have been applied to portfolios of leases with similar characteristics
- IFRS 16 has only been applied to contracts that were previously classified as leases

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

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

**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.

**Notes to the financial statements** *(continued)***Summary of significant accounting policies** *(continued)***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.

**(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.

**Notes to the financial statements (continued)****Summary of significant accounting policies (continued)**

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.

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

**3 Critical accounting estimates and judgements**

In the course of preparation of the financial statements no judgements have been made in applying the Company's accounting policies, other than those involving estimates, that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in forward looking estimates may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates in relation to these 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 17 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):

	2020 £000	2019 £000
Amortisation of intangible assets	-	7
Right of use asset depreciation	55	-
Audit fees payable to the Company's auditor	5	5
Operating lease charges – motor vehicles	-	69

## Babcock Services Limited

### Notes to the financial statements (continued)

#### 6 Finance income and costs

	2020 £000	2019 £000
<b>Finance income:</b>		
Other finance costs – Pensions (note 17)	-	5
<b>Finance costs:</b>		
Bank interest	(88)	(53)
IFRS 16 interest	(7)	-
	<b>(95)</b>	<b>(53)</b>

#### 7 Staff costs

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

	2020 Number	2019 Number
<b>By activity:</b>		
Management and administration	118	139

Their aggregate remuneration comprised:

	2020 £000	2019 £000
Wages and salaries	8,688	7,869
Social security costs	1,088	858
Other pension costs (note 17)	756	727
	<b>10,532</b>	<b>9,454</b>

Included in wages and salaries is a total expense of share-based payments of £181,000 (2019: £70,000 credit), arising from transactions accounted for as equity settled share-based payment transactions.

Included in other pension costs are £nil (2019: £90,000) in respect of the defined benefit schemes and £756,000 (2019: £637,000) 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.



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

**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:

	<b>2020</b>	2019
	<b>£000</b>	£000
Emoluments (including benefits in kind)	<b>445</b>	365
Defined contribution pension scheme	<b>20</b>	13
	<b>465</b>	378

During the year one (2019: one) director remunerated by Babcock Services Limited exercised share options under long term incentive plans and one (2019: one) director was entitled to receive share options under long term incentive plans.

**9 Share based payments**

The charge to the income statement 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.

During the year the total charge relating to employee share-based payment plans was £2.9 million (2019: £2.4 million), all of which related to equity-settled share-based payment transactions.

After tax, the income statement charge was £2.4 million (2019: £2.0 million).

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

**DBMP, PSPS AND DBP<sup>1</sup>**

	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
2019 PSP	1,370,67	472.8	11.0%	6.0	–	70.9	472.8	45%	13/06/19
2019 PSP	3,019,03	472.8	11.0%	4.0	–	70.9	472.8	45%	13/06/19
2019 DBP	313,909	472.8	11.0%	4.0	100%	–	472.8	45%	13/06/19
2019 DBP	93,430	472.8	11.0%	3.0	100%	–	472.8	45%	13/06/19
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56%	13/06/18
2018 PSP	1,699,32	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	1,769,33	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

**Notes to the financial statements (continued)****9 Share based payments (continued)**

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, other than for Executive Directors where the vesting period is three years. The holders of all awards receive dividends.

The PSP awards are split evenly between the performance criteria of TSR, EPS and ROCE. 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.

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 104,756 matching shares (2019: 92,772 matching shares) at a cost of £0.5 million (2019: £0.6 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 1,000 matching shares were purchased on the open market (2019: nil matching shares) and 713 matching shares vested (2019: 82 matching shares) leaving a balance of 1205 matching shares (2019: 918 matching shares).

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

**10 Income tax****Tax expense included in income statement**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
UK Corporation tax on profits for the year	-	-
<b>Current tax charge for the year</b>	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	15	5
Adjustment in respect of prior years	(5)	(1)
Impact of change in UK tax rate	(1)	-
<b>Total deferred tax charge (note 16)</b>	9	4
<b>Tax on loss on ordinary activities</b>	9	4
<b>Tax charge included in other comprehensive income</b>		
Deferred tax:		
Tax impact of actuarial gains on post-employment benefits	(56)	(5)
Impact of change in UK tax rate	3	-
	(53)	(5)

## Babcock Services Limited

### Notes to the financial statements (continued)

#### 10 Income tax (continued)

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

	2020 £000	2019 £000
<b>Loss on ordinary activities before taxation</b>	<b>(6,937)</b>	<b>(6,105)</b>
Profit on ordinary activities multiplied by standard UK corporation tax rate of 19% (2019: 19%)	(1,318)	(1,160)
Effects of:		
Group relief surrendered for nil consideration	1,333	1,165
Adjustments in respect of deferred tax for prior years	(5)	(1)
Impact of change in UK tax rate	(1)	-
<b>Total tax charge for the year</b>	<b>9</b>	<b>4</b>

In the UK 2019 Budget it was announced that the UK corporation tax rate would not reduce to 17% but would remain at 19% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 19% as this is the tax rate that will apply on reversal.

#### 11 Intangible assets

	Software £000	Total £000
<b>Cost</b>		
At 1 April 2019	-	-
Additions	527	527
<b>At 31 March 2020</b>	<b>527</b>	<b>527</b>
<b>Accumulated amortisation</b>		
At 1 April 2019	-	-
Amortisation of software	-	-
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
<b>At 31 March 2020</b>	<b>527</b>	<b>527</b>
At 31 March 2019	-	-

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

**12 Right of use assets**

	<b>Plant &amp; equipment £000</b>	<b>Total £000</b>
<b>Cost</b>		
At 1 April 2019	-	-
Transition to IFRS 16	130	130
Additions	115	115
Terminations	(46)	(46)
	<hr/>	<hr/>
<b>At 31 March 2020</b>	<b>199</b>	<b>199</b>
<b>Accumulated amortisation</b>		
At 1 April 2019	-	-
Charge for year	(55)	(55)
Terminations	11	11
	<hr/>	<hr/>
<b>At 31 March 2020</b>	<b>(44)</b>	<b>(44)</b>
<b>Net book value</b>		
<b>At 31 March 2020</b>	<b>155</b>	<b>155</b>
	<hr/>	<hr/>
At 31 March 2019	-	-

**13 Trade and other receivables**

	<b>2020 £000</b>	<b>2019 £000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	124	17
Amounts owed from parent and group undertakings	1,153	1,084
Deferred tax (see note 16)	16	-
Other receivables	1,370	1,034
Prepayments	63	85
	<hr/>	<hr/>
	<b>2,726</b>	<b>2,220</b>
<b>Amounts falling due after one year:</b>		
Other receivables	200	475
	<hr/>	<hr/>

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

**Notes to the financial statements (continued)****14 Trade and other payables**

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Bank overdraft	<b>8,877</b>	5,305
Trade payables	<b>106</b>	76
Amounts owed to parent and group undertakings	<b>5,695</b>	968
Deferred tax (see note 16)	<b>-</b>	28
Taxation and social security	<b>264</b>	390
Other payables	<b>981</b>	1,731
Accruals and deferred income	<b>1,721</b>	1,376
	<b>17,644</b>	9,874

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 20).

**15 Lease liabilities**

The entity leases vehicles under operating lease agreements of 4 year duration.

Discounted future minimum lease payments are as follows:

	<b>2020</b>	2019
	<b>£000</b>	£000
		On transition
Within 1 year	<b>53</b>	45
Within 2 to 5 years	<b>105</b>	85
	<b>158</b>	130

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.64%.

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

	<b>Total</b>
	<b>£000</b>
Operating lease commitments at 31 March 2019	139
Effect of discounting	(9)
<b>IFRS 16 lease liability at 1 April 2019</b>	<b>130</b>

**Notes to the financial statements (continued)****16 Deferred taxation**

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

<b>Deferred tax asset/(liabilities)</b>	<b>Accelerated capital allowances £000</b>	<b>Other £000</b>	<b>Total £000</b>
<b>At 1 April 2019</b>	<b>(1)</b>	<b>29</b>	<b>28</b>
Charged to the income statement	(15)	24	9
Charged to other comprehensive income	-	(53)	(53)
<b>At 31 March 2020</b>	<b>(16)</b>	<b>-</b>	<b>(16)</b>

**17 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. 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.

In the last financial year, the Babcock International Group Pension Scheme was closed to future accrual for some employees. These members moved from active to active deferred members of the scheme, retaining a final salary link.

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

**17 Pension commitments** *(continued)*

**BIG Pension Scheme**

The IAS 19 valuation has been updated at 31 March 2020 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:

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
<b>Major assumptions</b>		
Rate of increase in salaries	<b>2.0</b>	2.3
Rate of increase in pension payment	<b>2.6</b>	3.0
Discount rate	<b>2.4</b>	2.4
Inflation	<b>1.7</b>	2.1

The expected total employer contributions to be made by participating employers to the scheme in 2020/21 are £24.6m. The future service rate is 51.1%. 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 £24.6m is £12.5m 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.

	<b>2020</b>	<b>2019</b>
	<b>Years</b>	<b>Years</b>
<b>Mortality assumptions</b>		
Life expectancy from age 65 (male age 65)	<b>22.1</b>	21.7
Life expectancy from age 65 (male age 45)	<b>22.7</b>	22.7

The changes to the Babcock International Group Plc balance sheet at March 2020 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:

	<b>Defined benefit obligations</b>	<b>Income statement</b>
	<b>2020</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Initial assumptions</b>	<b>1,276,793</b>	<b>4,113</b>
Discount rate assumptions increased by 0.5%	(86,694)	(3,655)
Discount rate assumptions decreased by 0.5%	86,694	2,770
Inflation rate assumptions increased by 0.5%	51,838	1,745
Inflation rate assumptions decreased by 0.5%	(46,497)	(1,585)
Total life expectancy increased by half a year	29,494	787
Total life expectancy decreased by half a year	(29,494)	(787)
Salary increase assumptions increased by 0.5%	6,895	392
Salary increase assumptions decreased by 0.5%	(6,895)	(393)

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

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

**17 Pension commitments (continued)**

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2020 were:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Equities	<b>17,851</b>	444,412
Property	<b>136,091</b>	136,657
Absolute return and multi strategy funds	<b>87,564</b>	16,135
Bonds	<b>588,848</b>	326,937
Matching assets	<b>622,665</b>	544,834
Scheme assets	<b>1,453,019</b>	1,468,975
Active position on longevity swaps	<b>(65,642)</b>	(60,111)
Total assets	<b>1,387,377</b>	1,408,864
Present market value of liabilities - funded	<b>(1,276,793)</b>	(1,359,140)
<b>Gross pension surplus</b>	<b>110,584</b>	49,724

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 2020, in line with assumptions that are consistent with the requirements of IFRS 13.

<b>Analysis of amount charged to the income statement in Babcock International Group Plc</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Current service cost	<b>6,693</b>	9,615
Incurred expenses	<b>1,970</b>	1,965
Past service cost	-	13,646
Settlement	-	221
Total included with operating profit	<b>8,663</b>	25,447
Net interest income	<b>(1,300)</b>	(1,524)
Total charged to the income statement	<b>7,363</b>	23,923

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 £nil for service cost (2019: £34,000), £nil for incurred expenses (2019: £7,000), £nil for past service cost (2019: £48,000), £nil for settlement (2019: £1,000), and net interest income of £nil (2019: £5,000).



# Babcock Services Limited

## Notes to the financial statements (continued)

### 17 Pension commitments (continued)

<b>Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCl")</b>	<b>2020 £000</b>	<b>2019 £000</b>
Actuarial gain/(loss) recognised in the SOCl	56,807	(4,077)
Experience (losses)/gains	(6,371)	3,181
Other losses	(4,088)	(8,666)
	<b>46,348</b>	<b>(9,562)</b>

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 £296,000 (2019: £24,000).

The equity investments and bonds are valued at bid price.

<b>Reconciliation of present value in scheme assets in Babcock International Group Plc</b>	<b>2020 £000</b>	<b>2019 £000</b>
At 1 April	1,468,976	1,490,978
Interest cost	34,345	37,789
Employee contributions	140	272
Employer contributions	21,874	23,010
Benefits paid	(80,602)	(102,320)
Settlement	-	(2,761)
Actuarial gain	8,286	22,007
<b>At 31 March</b>	<b>1,453,019</b>	<b>1,468,975</b>

<b>Reconciliation of present value in scheme liabilities in Babcock International Group Plc</b>	<b>2020 £000</b>	<b>2019 £000</b>
At 1 April	1,359,140	1,380,628
Service cost	6,693	9,615
Incurred expenses	1,970	1,965
Interest on liabilities	31,602	34,972
Employee contributions	140	272
Actuarial loss / (gain) - demographics	6,350	(21,380)
Actuarial (gain) / loss – financial	(54,871)	47,464
Experience losses / (gain)	6,371	(3,181)
Benefits paid	(80,602)	(102,320)
Settlement	-	(2,541)
Past service cost	-	13,646
<b>At 31 March</b>	<b>1,276,793</b>	<b>1,359,140</b>

**Notes to the financial statements (continued)****17 Pension commitments (continued)**

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 £nil (2019: £175,000).

**18 Share capital**

	2020 £000	2019 £000
<b>Allotted and fully paid</b>		
1 ordinary shares of £1 each	-	-

**19 Dividends**

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

**20 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 (2019: £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 £8,877,000 (2019: £5,305,000).

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 2020 the accrued VAT liability of the group was £1,367,780 (2019: £1,039,344).

**21 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 other transactions have been entered into with any related parties during the year to 31 March 2020.

**22 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 from the following, The Company Secretary, Babcock International Group PLC, 33 Wigmore Street, London W1U 1QX