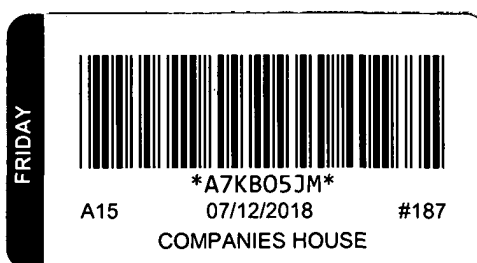


**Babcock SSD Services Limited**  
**Annual report**  
**For the year ended 31 March 2018**  
**Company registration number:**  
**10278084**



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## **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

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## **Babcock SSD Services Limited**

### **Strategic report for the year ended 31 March 2018**

The directors present their Strategic report on the Company for the year ended 31 March 2018.

#### **Principal activities**

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

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Revenue	-	-
Operating loss	<b>(654)</b>	<b>(355)</b>
Net liabilities	<b>(876)</b>	<b>(355)</b>

The company started to operate during 2017 and in 2018 continued to expand the services provided to Babcock Group companies.

#### **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 pricing pressure, due to the competitive nature of the market in which the company operates, and foreign exchange risk in relation to sales to overseas customers. 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 68 to 79 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 Group 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.

**Strategic report for the period ended 31 March 2018** *(continued)*

The growth and performance of Land, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 38 to 45 of the Group's report, which does not form part of this report.

On behalf of the board



R Taylor  
Director

12 November 2018

**Directors' report for the period ended 31 March 2018**

The directors present their report and the audited financial statements of the Company for the period ended 31 March 2018.

**Dividends**

No dividends were paid in the year (2017: £nil). No final dividend for the year ended 31 March 2018 has been proposed by the directors (2017: £nil).

**Future developments**

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

**Financial risk management**

All treasury transactions are carried out only with prime rated counter-parties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 26 to 29 and Note 2 of the Annual Report of Babcock International Group PLC, which does not form part of this report.

**Directors**

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

R Taylor  
I Urquhart

**Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

**Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report. The group encourages participation in the performance of the wider group through the employee share scheme outlined in note 9.

**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.

**Directors' report for the period ended 31 March 2018 *(continued)***

**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.

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

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

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

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

The directors are 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.

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

**Directors' report for the period ended 31 March 2018** *(continued)*

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is 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 that information.

On behalf of the board



R Taylor  
Director

12 November 2018

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

**Opinion**

We have audited the financial statements of Babcock SSD Services Limited (the 'company') for the year ended 31 March 2018 on pages 10 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 2018 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 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.

**Report of the independent auditors to the members of 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](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: 6<sup>th</sup> December 2018

## Babcock SSD Services Limited

### Income statement

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Revenue	4	-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administration expenses		(654)	(355)
<b>Operating loss</b>	5	(654)	(355)
<b>Loss on ordinary activities before interest and taxation</b>		(654)	(355)
Finance income	6	3	-
Finance cost	6	(8)	-
<b>Loss on ordinary activities before income tax</b>		(659)	(355)
Income tax charge	10	(1)	-
<b>Loss for the financial year</b>		(660)	(355)

All of the above results derive from continuing operations.

### Statement of Comprehensive Income

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
<b>Loss for the financial year</b>		(660)	(355)
<b>Other comprehensive income:</b>			
Tax on net defined benefit obligation	14	(28)	-
Gain on re-measurement of net defined benefit obligation	15	167	-
<b>Total other comprehensive income</b>		139	-
<b>Total comprehensive income</b>		(521)	(355)

# Babcock SSD Services Limited

## Statement of financial position as at 31 March 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	11	<u>7</u>	<u>10</u>
		<u>7</u>	<u>10</u>
<b>Current assets</b>			
Trade and other receivables	12		
- due within one year		4,249	5
- due after one year		750	-
Cash and cash equivalents		<u>-</u>	<u>48</u>
		4,999	53
Trade and other payables – amounts falling due within one year	13	<u>(6,055)</u>	<u>(418)</u>
<b>Net current assets</b>		<u>(1,056)</u>	<u>(365)</u>
<b>Total assets less current liabilities</b>		(1,049)	(355)
Post-employment benefits	15	<u>173</u>	<u>-</u>
<b>Net liabilities</b>		<u>(876)</u>	<u>(355)</u>
<b>Equity</b>			
Called up share capital	16	-	-
Retained earnings		<u>(876)</u>	<u>(355)</u>
<b>Total shareholders' funds</b>		<u>(876)</u>	<u>(355)</u>

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

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



R Taylor  
Director

12 November 2018

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**Babcock SSD Services Limited****Statement of changes in equity**  
*for the year ended 31 March 2018*

	<b>Called-up share capital £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
Loss for the period	-	(355)	(355)
<b>Balance at 31 March 2017</b>	-	(355)	(355)
Loss for the year	-	(660)	(660)
Other comprehensive gains		139	139
<b>Balance at 31 March 2018</b>	-	(876)	(876)

**Notes to the financial statements**

**1 General information**

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 2016) in these financial statements:

- a) Presentation of IAS format financial statements
- b) Exemption from the presentation of a third party balance sheet (being the opening balance sheet for 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 and certain financial assets and liabilities measure 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.

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

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
- b) IFRS 7, 'Financial instruments: Disclosures'
- c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
  - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
  - paragraph 73(e) of IAS 16 Property, plant and equipment; and
  - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- e) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- f) IAS 7, 'Statement of cash flows'

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

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

- 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.

**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.

**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 Statement of financial position 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 Statement of financial position 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.

**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.

**Notes to the financial statements****2 Summary of significant accounting policies *(continued)*****Post-employment benefits**

The company participates in a number of defined benefit schemes, including a number that share risks between entities under common control. A 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.

The company also participates in a number of centralised defined benefits schemes with the assets held in separate trustee-administered funds. Where the company's liability is capped at the payments actually made and the funding risk remains outside of the company, the scheme is accounted for by the company as if the scheme is a defined contribution scheme.

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

**Provisions for liabilities**

A provision is recognised in the Statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated.

**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 Statement of financial position 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.



**Notes to the financial statements (continued)****3 Critical accounting estimates and judgements (continued)**

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):

	2018 £000	2017 £000
Amortisation of intangible assets	4	-
Audit fees payable to the Company's auditor	5	2
Operating lease charges – motor vehicles	58	-

**6 Finance income and costs**

	2018 £000	2017 £000
<b>Finance income:</b>		
Other finance costs – Pensions (note 15)	3	-
<b>Finance costs:</b>		
Bank interest	(8)	-

**7 Staff costs**

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

	2018 Number	2017 Number
<b>By activity:</b>		
Management and administration	118	12

## Babcock SSD Services Limited

### Notes to the financial statements (continued)

#### 7 Staff costs (continued)

Their aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	4,993	298
Social security costs	626	32
Other pension costs (note 15)	300	7
	<u>5,919</u>	<u>337</u>

Included in other pension costs are £36,000 (2017: £nil) in respect of the defined benefit schemes and £264,000 (2017: £7,000) 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:

	2018 £000	2017 £000
Emoluments (including benefits in kind)	<u>112</u>	<u>-</u>

During the year one director transferred to Babcock SSD Services Limited from another Babcock Group company and was paid by the company (2017: £nil).

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 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 79,475 matching shares (2017: 61,292 matching shares) at a cost of £0.6 million (2017: £0.6 million).

# Babcock SSD Services Limited

## Notes to the financial statements

### 10 Income tax

#### Tax expense included in income statement

	2018 £000	2017 £000
<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	1	-
<b>Total deferred tax charge (note 14)</b>	1	-
<b>Tax on loss on ordinary activities</b>	1	-
<b>Tax charge included in other comprehensive income</b>		
Deferred tax:		
Tax impact of actuarial gains on post-employment benefits	32	-
Impact of change in UK tax rate	(4)	-
	28	-

Tax expense for the year is higher (2017: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
<b>Loss on ordinary activities before taxation</b>	(659)	(355)
Profit on ordinary activities multiplied by standard UK corporation tax rate of 19% (2017: 20%)	(125)	(71)
Effects of:		
Group relief surrendered for nil consideration	126	71
<b>Total tax charge for the year</b>	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 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.

# Babcock SSD Services Limited

## Notes to the financial statements

### 11 Intangible assets

	Software £000	Total £000
<b>Cost</b>		
At 1 April 2017 and 31 March 2018	11	11
<b>Accumulated amortisation</b>		
At 1 April 2017	(-)	(-)
Amortisation of software	(4)	(4)
<b>At 31 March 2018</b>	<b>(4)</b>	<b>(4)</b>
<b>Net book value</b>		
At 31 March 2018	7	7
At 31 March 2017	10	10

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

### 12 Trade and other receivables

	2018 £000	2017 £000
<b>Amounts falling due within one year:</b>		
Amounts owed to parent and group undertakings	2,966	-
Other receivables	1,102	5
Prepayments	181	-
	<b>4,249</b>	<b>5</b>
<b>Amounts falling due after one year:</b>		
Other receivables	750	-

### 13 Trade and other payables

	2018 £000	2017 £000
<b>Amounts falling due within one year:</b>		
Bank overdraft	256	-
Trade creditors	37	2
Amounts owed to parent and group undertakings	1,184	378
Deferred tax (see note 14)	29	-
Taxation and social security	1,042	33
Other payables	2,304	3
Accruals and deferred income	1,203	2
	<b>6,055</b>	<b>418</b>

**Notes to the financial statements (continued)****13 Trade and other payables (continued)**

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**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
At 1 April 2017	-	-
- charged to the income statement	1	-
- charged to other comprehensive income	28	-
	<hr/>	<hr/>
<b>At 31 March 2018</b>	<b>29</b>	-

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

**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's is severally liable, along with the other participating employers, for the assets and liabilities of the scheme. The allocation of the assets and liabilities of the scheme and which has been recognised in these financial statements are detailed in this note.

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

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

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

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

**15 Post-employment benefits (continued)**

**BIG Pension Scheme**

The IAS 19 valuation has been updated at 31. March 2018 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>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
<b>Major assumptions</b>		
Rate of increase in salaries	<b>2.2</b>	2.3
Rate of increase in pension payment	<b>2.9</b>	3.0
Discount rate	<b>2.6</b>	2.6
Inflation	<b>2.0</b>	2.1

The expected total employer contributions to be made by participating employers to the scheme in 2018/19 are £22.9m. The future service rate is 31.1% until 30 September 2018 and then 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 £22.9m 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.

	<b>2018</b>	<b>2017</b>
	<b>Years</b>	<b>Years</b>
<b>Mortality assumptions</b>		
Life expectancy from age 65 (male age 65)	<b>22.2</b>	22.6
Life expectancy from age 65 (male age 45)	<b>23.2</b>	23.7

The changes to the Babcock International Group Plc balance sheet at March 2018 and the changes to the Babcock International Group Plc income statement for the year to March 2018, if the assumptions were sensitised by the amounts below, would be:

	<b>Defined benefit obligations</b>	<b>Income statement</b>
	<b>2018</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Initial assumptions	1,380,628	10,419
Discount rate assumptions increased by 0.5%	(101,600)	(4,500)
Discount rate assumptions decreased by 0.5%	101,600	3,500
Inflation rate assumptions increased by 0.5%	61,100	2,400
Inflation rate assumptions decreased by 0.5%	(56,600)	(2,100)
Total life expectancy increased by half a year	28,100	900
Total life expectancy decreased by half a year	(28,100)	(900)
Salary increase assumptions increased by 0.5%	9,700	600
Salary increase assumptions decreased by 0.5%	(9,600)	(600)

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

**Notes to the financial statements****15 Post-employment benefits (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 2018 were:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Equities	<b>310,191</b>	321,942
Property	<b>120,844</b>	96,346
Absolute return and multi strategy funds	<b>4,833</b>	4,768
Bonds	<b>485,697</b>	445,079
Matching assets	<b>569,413</b>	596,325
Active position on longevity swaps	<b>(50,150)</b>	(48,451)
Total assets	<b>1,440,828</b>	1,416,009
Present market value of liabilities - funded	<b>(1,380,628)</b>	(1,371,686)
<b>Gross pension surplus / (deficit)</b>	<b>60,200</b>	44,323

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 2018, 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>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Current service cost	<b>10,253</b>	8,910
Incurred expenses	<b>2,232</b>	2,203
Total included with operating profit	<b>12,485</b>	11,113
Net interest cost / (income)	<b>(1,194)</b>	663
Total charged to the income statement	<b>11,291</b>	11,776

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 £30,000 for service cost (2017: £nil), £6,000 for incurred expenses (2017: £nil), and net interest income of £3,000 (2017: £nil).

# Babcock SSD Services Limited

## Notes to the financial statements

### 15 Post-employment benefits *(continued)*

<b>Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCl")</b>	<b>2018 £000</b>	<b>2017 £000</b>
Actuarial loss recognised in the SOCl	(4,170)	(182,960)
Experience gains	13,688	240,677
Other gains / (losses)	(439)	4,015
	<b>9,079</b>	<b>61,732</b>

The actuarial gain recognised in the SOCl in these financial statements, based on the Company's allocation of the total Babcock International Group Plc movement, was £167,000 (2017: £nil).

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>2018 £000</b>	<b>2017 £000</b>
At 1 April	1,464,460	1,232,177
Interest cost	37,512	42,556
Employee contributions	404	304
Employer contributions	18,090	18,751
Benefits paid	(76,476)	(70,210)
Actuarial gain	46,988	240,882
<b>At 31 March</b>	<b>1,490,978</b>	<b>1,464,460</b>

<b>Reconciliation of present value in scheme liabilities in Babcock International Group Plc</b>	<b>2018 £000</b>	<b>2017 £000</b>
At 1 April	1,371,687	1,205,869
Service cost	10,253	8,910
Incurred expenses	2,232	2,203
Interest on liabilities	35,058	41,445
Employee contributions	404	304
Actuarial (gain) / loss - demographics	11,172	(29,948)
Actuarial (gain) / loss – financial	(7,003)	212,909
Experience losses	33,301	205
Benefits paid	(76,476)	(70,210)
<b>At 31 March</b>	<b>1,380,628</b>	<b>1,371,687</b>

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 £173,000 (2017: £nil).



**Notes to the financial statements**

**16 Share capital**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted and fully paid</b>		
1 ordinary shares of £1 each	-	-

**17 Dividends**

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

**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 (2017: £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 £256,000 (2017: £nil).

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

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 2018 the accrued VAT liability of the group was 2018 £1,828,121 (2017: £1,738,421).

**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 2018.

**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](http://www.babcockinternational.com).