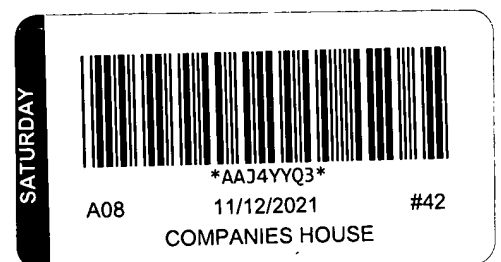


Babcock Services Limited
Annual report
For the year ended 31 March 2021
Company registration number:
10278084



Babcock Services Limited

Directors and advisors

Current directors

P Edwards
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 2021

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

Principal activities

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

Review of the business

| | 2021 | 2020 |
|-----------------|-----------------|-----------------|
| | £000 | £000 |
| Revenue | - | - |
| Operating loss | (6,289) | (6,842) |
| Net liabilities | (20,593) | (14,194) |

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

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 and including the expected impact of COVID-19 is provided on pages 84 to 95 of the annual report of Babcock International Group PLC, which does not form part of this report.

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 division of Babcock International Group PLC, which includes the Company, is discussed on pages 54 to 55 of the annual report of Babcock International Group PLC, which does not form part of this report.

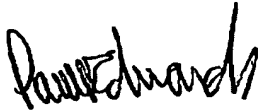
Babcock Services Limited

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

S172(1) Statement and Stakeholder engagement

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the Shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 58, 59, 79 and 114 to 116 of the annual report of Babcock International group PLC, which does not form part of this report.

On behalf of the board



P Edwards
Director

..... 26 / 11 / 2021

Babcock Services Limited

Directors' report for the year ended 31 March 2021

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

Dividends

No dividends were paid in the year (2020: £nil). No final dividend for the year ended 31 March 2021 has been proposed by the directors (2020: £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:

P Edwards (appointed 4 November 2021)

R Taylor (resigned 31 October 2021)

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.

Babcock Services Limited

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of the disclosure exemptions, if any, of FRS 101 used in the preparation of these financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



P Edwards
Director

Babcock Services Limited

.....26/11/.....2021

Babcock Services Limited

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 2021 which comprise the Income Statement, Balance Sheet and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 2021 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

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

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

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

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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Babcock Services Limited

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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Babcock Services Limited

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.

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

From discussion with management and those charged with governance information about the entity is documented to assess the activity within the organisation. We discuss management's assessment of risk in respect of irregularities, fraud and going concern.

Based on these discussions and our own assessments we determined that the key risk areas were income recognition in respect of cut off issues and management override concerning the size of the organisation.

As a subsidiary company providing support to group, costs are recharged, we set financial statement materiality level based on losses/costs incurred during the year. Our overall assessment of risk was used to determine performance materiality at an appropriate level.

Substantive audit tests were designed after assessing and performing walkthrough tests. The walkthrough testing confirmed documented systems which have been designed to act as a preventative measure against fraud and error which appear to be operating as documented. Substantive testing tested a sample of the population, representative of the population, to identify errors. The testing did not identify any material misstatements in areas tested.

Audit substantive tests concluded no material errors over the key risk areas of income recognition and management override.

The audit considers the organisation is not exposed to material risk of error as a result of assessing laws and regulations that are appropriate to the organisation.

Management assessed there is no going concern risk. The audit undertook a review of budgets, management accounts and the review of board minutes and came to the same conclusion as management.

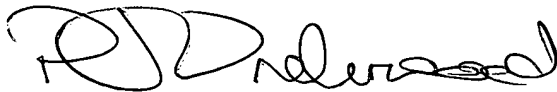
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Babcock Services Limited

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

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

9 December 2021

Babcock Services Limited

Income statement

for the year ended 31 March 2021

| | Note | 2021 £000 | 2020 £000 |
|---|------|--------------|--------------|
| Revenue | 4 | - | - |
| Cost of sales | | - | - |
| Gross profit | | - | - |
| Administration expenses | | (6,289) | (6,842) |
| Operating loss | 5 | (6,289) | (6,842) |
| Loss on ordinary activities before interest and taxation | | (6,289) | (6,842) |
| Finance cost | 6 | (101) | (95) |
| Loss on ordinary activities before income tax | | (6,390) | (6,937) |
| Income tax charge | 10 | (9) | (9) |
| Loss for the financial year | | (6,399) | (6,946) |

All of the above results derive from continuing operations.

Statement of Comprehensive Income

for the year ended 31 March 2021

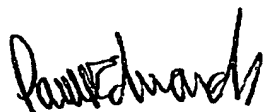
| | 2021 £000 | 2020 £000 |
|--|--------------|--------------|
| Loss for the financial year | (6,399) | (6,946) |
| Other comprehensive income: | | |
| Tax on net defined benefit obligation | - | 53 |
| Loss on re-measurement of net defined benefit obligation | - | (297) |
| Total other comprehensive income | - | (244) |
| Total comprehensive income | (6,399) | (7,190) |

Babcock Services Limited**Statement of financial position***as at 31 March 2021*

| | Note | 2021 £000 | 2020 £000 |
|--|------|-----------------|------------------|
| Fixed assets | | | |
| Intangible assets | 11 | 693 | 527 |
| Right of use assets | 12 | 131 | 155 |
| | | <u>824</u> | <u>682</u> |
| Current assets | | | |
| Trade and other receivables | 13 | | |
| - due within one year | | 1,859 | 2,726 |
| - due after one year | | - | 200 |
| Cash and cash equivalents | | - | - |
| | | <u>1,859</u> | <u>2,926</u> |
| Trade and other payables – amounts falling due within one year | 14 | (23,141) | (17,644) |
| Lease liabilities | 15 | (58) | (53) |
| | | <u>(21,340)</u> | <u>(14,771)</u> |
| Net current assets | | | |
| | | <u>(21,340)</u> | <u>(14,771)</u> |
| Total assets less current liabilities | | <u>(20,516)</u> | <u>(174,089)</u> |
| Lease liabilities | 15 | (77) | (105) |
| | | <u>(20,593)</u> | <u>(14,194)</u> |
| Net liabilities | | | |
| | | <u>(20,593)</u> | <u>(14,194)</u> |
| Equity | | | |
| Called up share capital | 18 | - | - |
| Retained earnings | | (20,593) | (14,194) |
| | | <u>(20,593)</u> | <u>(14,194)</u> |
| Total shareholders' funds | | <u>(20,593)</u> | <u>(14,194)</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:



P Edwards
Director

Babcock Services Limited

.....26/11/2021

Babcock Services Limited

Statement of changes in equity

for the year ended 31 March 2021

| | Called-up share capital £000 | Retained earnings £000 | Total £000 |
|---------------------------------|---|---------------------------------------|-----------------------|
| Balance at 31 March 2019 | - | (7,004) | (7,004) |
| Loss for the year | - | (6,946) | (6,946) |
| Other comprehensive loss | - | (244) | (244) |
| Balance at 31 March 2020 | - | (14,194) | (14,194) |
| Loss for the year | - | (6,399) | (6,399) |
| Other comprehensive loss | - | - | - |
| Balance at 31 March 2021 | - | (20,593) | (20,593) |

Babcock Services Limited

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'

Babcock Services Limited

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.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Adoption of new and revised standards

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

Intangible assets

a) Computer software

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

Share based payments

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

Taxation

(a) Current income tax

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

(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

Babcock Services Limited

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.

Notes to the financial statements *(continued)*

Summary of significant accounting policies *(continued)*

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

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

Pensions costs and other post-retirement benefits

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

Lessee Accounting

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the present value of future lease payments are capitalised to the statement of financial position in accordance with IFRS 16 'Leases', with a corresponding right of use asset recognised. Lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate where the interest rate implicit in the lease is not available.

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

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

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

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

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.

Babcock Services Limited**Notes to the financial statements (continued)****4 Revenue**

The company generated no revenue during the year.

5 Operating loss

Operating loss is stated after charging:

| | 2021 | 2020 |
|---|-------------|-------|
| | £000 | £000 |
| Amortisation of intangible assets (Note 11) | 56 | - |
| Right of use asset depreciation (Note 12) | 62 | 55 |
| Audit fees payable to the Company's auditor | 5 | 5 |
| | <hr/> | <hr/> |

6 Finance income and costs

| | 2021 | 2020 |
|-----------------------|--------------|-------|
| | £000 | £000 |
| Finance costs: | | |
| Bank borrowings | (94) | (88) |
| IFRS 16 interest | (7) | (7) |
| | <hr/> | <hr/> |
| | (101) | (95) |
| | <hr/> | <hr/> |

7 Staff costs

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

| | 2021 | 2020 |
|-------------------------------|---------------|--------|
| | Number | Number |
| By activity: | | |
| Management and administration | 119 | 118 |
| | <hr/> | <hr/> |

Their aggregate remuneration comprised:

| | 2021 | 2020 |
|-------------------------------|--------------|--------|
| | £000 | £000 |
| Wages and salaries | 8,140 | 8,688 |
| Social security costs | 960 | 1,088 |
| Other pension costs (note 17) | 817 | 756 |
| | <hr/> | <hr/> |
| | 9,917 | 10,532 |
| | <hr/> | <hr/> |

Included in wages and salaries is a total expense of share-based payments of £226,000 (2020: £181,000), arising from transactions accounted for as equity settled share-based payment transactions.

Babcock Services Limited

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:

| | 2021 | 2020 |
|---|-------------|------|
| | £000 | £000 |
| Emoluments (including benefits in kind) | 451 | 445 |
| Defined contribution pension scheme | - | 20 |
| | 451 | 465 |

During the year one (2020: one) director remunerated by Babcock Services Limited exercised share options under long term incentive plans and one (2020: 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 £4.2 million (2020: £2.9 million), all of which related to equity-settled share-based payment transactions.

After tax, the income statement charge was £3.3 million (2020: £2.4 million).

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

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

DBMP, PSP AND DBP¹

| | Options awarded Number | Share price at grant or modification date Pence | Expected volatility % | Option life Years | Expectations of meeting performance criteria – non-market conditions % | Fair value per option – TSR Pence | Fair value per option – non-market conditions Pence | Correlation % | Grant or modification date |
|----------|------------------------------|---|-----------------------------|----------------------|--|--|---|------------------|----------------------------------|
| 2020 PSP | 695,458 | 350.0 | 19.0% | 6.0 | 100.0% | – | 305.2 | 55.0% | 01/12/20 |
| 2020 PSP | 2,091,247 | 350.0 | 19.0% | 4.0 | 100.0% | – | 350.0 | 55.0% | 01/12/20 |
| 2020 PSP | 1,341,477 | 350.0 | 19.0% | 6.0 | 100.0% | 137.9 | 305.2 | 55.0% | 01/12/20 |
| 2020 DBP | 118,320 | 289.0 | 19.0% | 4.0 | 100.0% | – | 289.0 | 55.0% | 03/08/20 |
| 2020 DBP | 146,306 | 289.0 | 19.0% | 3.0 | 100.0% | – | 289.0 | 55.0% | 03/08/20 |
| 2020 DBP | 192,096 | 284.2 | 19.0% | 4.0 | 100.0% | – | 284.2 | 55.0% | 13/08/20 |
| 2020 DBP | 8,474 | 284.2 | 19.0% | 3.0 | 100.0% | – | 284.2 | 55.0% | 13/08/20 |
| 2019 PSP | 1,370,671 | 472.8 | 11.0% | 6.0 | – | 70.9 | 472.8 | 45.0% | 13/06/19 |
| 2019 PSP | 3,019,033 | 472.8 | 11.0% | 4.0 | – | 70.9 | 472.8 | 45.0% | 13/06/19 |
| 2019 DBP | 313,909 | 472.8 | 11.0% | 4.0 | 100.0% | – | 472.8 | 45.0% | 13/06/19 |
| 2019 DBP | 93,430 | 472.8 | 11.0% | 3.0 | 100.0% | – | 472.8 | 45.0% | 13/06/19 |
| 2018 PSP | 860,157 | 856.0 | 14.0% | 6.0 | – | 370.9 | 856.0 | 56.0% | 13/06/18 |
| 2018 PSP | 1,699,323 | 856.0 | 14.0% | 4.0 | – | 370.9 | 856.0 | 56.0% | 13/06/18 |
| 2018 DBP | 187,433 | 856.0 | 14.0% | 4.0 | 100.0% | – | 856.0 | 56.0% | 13/06/18 |
| 2018 DBP | 90,777 | 856.0 | 14.0% | 3.0 | 100.0% | – | 856.0 | 56.0% | 13/06/18 |
| 2017 PSP | 902,424 | 905.5 | 15.0% | 6.0 | – | 131.2 | 905.5 | 46.0% | 14/06/17 |
| 2017 PSP | 1,769,338 | 905.5 | 15.0% | 4.0 | – | 131.2 | 905.5 | 46.0% | 14/06/17 |
| 2017 DBP | 186,949 | 905.5 | 15.0% | 4.0 | 100.0% | – | 905.5 | 46.0% | 14/06/17 |
| 2017 DBP | 103,246 | 905.5 | 15.0% | 3.0 | 100.0% | – | 905.5 | 46.0% | 14/06/17 |

Both the vesting period and the expected life of all DBMP and PSP awards are three years, but for the DBP they are two years, other than for Executive Directors where the vesting period is three years. The holders of all awards receive dividends.

PSP awards for 2017 to 2019 are split evenly between the performance criteria of TSR, EPS and ROCE.

For PSP awards made in December 2020, 2,786,705 were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached. A further 1,341,477 awards were made where the performance criteria is 50% against free cash flow and 50% TSR.

There are no performance conditions attached to the DBP.

Babcock Services Limited

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.

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

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 180,175 matching shares (2020: 104,756 matching shares) at a cost of £0.5 million (2020: £0.5 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 5,000 matching shares were purchased on the open market (2020: 1,000 matching shares) and 1,193 matching shares vested (2020: 713 matching shares) leaving a balance of 5,012 matching shares (2020: 1,205 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**

| | 2021 | 2020 |
|---|-------------|-------------|
| | £000 | £000 |
| Current tax: | | |
| UK Corporation tax on profits for the year | - | - |
| Current tax charge for the year | - | - |
| Deferred tax: | | |
| Origination and reversal of timing differences | (28) | 15 |
| Adjustment in respect of prior years | 37 | (5) |
| Impact of change in UK tax rate | - | (1) |
| Total deferred tax charge (note 16) | 9 | 9 |
| Tax on loss on ordinary activities | 9 | 9 |
| Tax charge included in other comprehensive income | | |
| Deferred tax: | | |
| Tax impact of actuarial gains on post-employment benefits | - | (56) |
| Impact of change in UK tax rate | - | 3 |
| | - | (53) |

Babcock Services Limited**Notes to the financial statements (continued)****10 Income tax (continued)**

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

| | 2021 £000 | 2020 £000 |
|---|----------------------------|----------------------------|
| Loss on ordinary activities before taxation | (6,390) | (6,937) |
| Profit on ordinary activities multiplied by standard UK corporation tax rate of 19% (2020: 19%) | (1,214) | (1,318) |
| Effects of: | | |
| Group relief surrendered for nil consideration | 1,214 | 1,333 |
| Permanent differences | (28) | - |
| Adjustments in respect of deferred tax for prior years | 37 | (5) |
| Impact of change in UK tax rate | - | (1) |
| Total tax charge for the year | 9 | 9 |

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

11 Intangible assets

| | Software £000 | Total £000 |
|---------------------------------|--------------------------------|-----------------------------|
| Cost | | |
| At 1 April 2020 | 527 | 527 |
| Additions | 222 | 222 |
| At 31 March 2021 | 749 | 749 |
| Accumulated amortisation | | |
| At 1 April 2020 | - | - |
| Amortisation of software | 56 | 56 |

Babcock Services Limited

| | | |
|-------------------------|------------|------------|
| At 31 March 2021 | 56 | 56 |
| Net book value | | |
| At 31 March 2021 | 693 | 693 |
| At 31 March 2020 | 527 | 527 |

Notes to the financial statements (continued)

12 Right of use assets

| | Plant & equipment £000 | Total £000 |
|---------------------------------|---|-----------------------|
| Cost | | |
| At 1 April 2020 | 199 | 199 |
| Additions | 69 | 69 |
| Terminations | (54) | (54) |
| At 31 March 2021 | 214 | 214 |
| Accumulated amortisation | | |
| At 1 April 2020 | (44) | (44) |
| Charge for year | (62) | (62) |
| Terminations | 23 | 23 |
| At 31 March 2021 | (83) | (83) |
| Net book value | | |
| At 31 March 2021 | 131 | 131 |
| At 31 March 2020 | 155 | 155 |

13 Trade and other receivables

| | 2021 £000 | 2020 £000 |
|---|----------------------|----------------------|
| Amounts falling due within one year: | | |
| Trade receivables | 279 | 124 |
| Amounts owed from parent and group undertakings | 1,149 | 1,153 |
| Deferred tax (see note 16) | 7 | 16 |
| Other receivables | 357 | 1,370 |
| Prepayments | 67 | 63 |
| | 1,859 | 2,726 |
| Amounts falling due after one year: | | |
| Other receivables | - | 200 |

Babcock Services Limited

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

| | 2021 £000 | 2020 £000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Bank overdraft | 1,037 | 8,877 |
| Trade payables | 90 | 106 |
| Amounts owed to parent and group undertakings | 20,146 | 5,695 |
| Taxation and social security | 353 | 264 |
| Other payables | 757 | 981 |
| Accruals and deferred income | 758 | 1,721 |
| | 23,141 | 17,644 |

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.

| | 2021 £000 | 2020 £000 |
|-------------------------|--------------|--------------|
| At 31 March 2020 | 158 | 130 |
| Additions | 69 | 115 |
| Disposal | (31) | (35) |
| Payments | (68) | (59) |
| Interest charged | 7 | 7 |
| At 31 March 2021 | 135 | 158 |

Discounted future minimum lease payments are as follows:

| | 2021 | 2020 |
|----------------------------|------|---------|
| Registered number 10278084 | | Page 24 |

Babcock Services Limited

| | £000 | £000 |
|---------------------|------------|------------|
| Within 1 year | 58 | 53 |
| Within 2 to 5 years | 77 | 105 |
| | <u>135</u> | <u>158</u> |

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:

| Deferred tax asset/(liabilities) | Accelerated capital allowances £000 | Other £000 | Total £000 |
|----------------------------------|--|---------------|---------------|
| At 1 April 2020 | (16) | - | (16) |
| Charged to the income statement | 9 | - | 9 |
| At 31 March 2021 | <u>(7)</u> | <u>-</u> | <u>(7)</u> |

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.

18 Share capital

| | 2021 £000 | 2020 £000 |
|------------------------------|--------------|--------------|
| Allotted and fully paid | | |
| 1 ordinary shares of £1 each | <u>-</u> | <u>-</u> |

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 joint and several liability for drawn bank overdraft facilities of other Group companies of £nil (2020: £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.

Babcock Services Limited

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 2021 the accrued VAT liability of the group was £2,246,000 (2020: £1,368,000).

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 2021.

Notes to the financial statements *(continued)*

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