Babcock Airports Limited

Annual report and financial statements

for the year ended 31 March 2023

Registered number**: 03954520**

COMPANY INFORMATION

Directors	**C Spicer** **S Doherty** **A Phillips**
Company secretary	**Babcock Corporate Secretaries Limited**
Registered Number	**03954520**
Registered office	**33 Wigmore Street** **London** **W1U 1QX**

CONTENTS

Strategic report for the year ended 31 March 2023

The directors present their Strategic report on the Company for the year ended 31 March 2023.

Principal activities
The Company's principal activities was to support services operations in the Airports sector. Services range from the formulation of solutions through to detailed design, project management, commissioning, operation and maintenance.

Business review

	2023	2022
	£000	£000
Revenue	**-**	1,488
Profit before interest and tax	**361**	1,287
Net assets	**19,055**	18,778

The contract with Heathrow Airport Limited (HAL) for the operations and maintenance of the baggage handling facilities across the Heathrow campus ended on 31 October 2020. The Company continued to operate existing project services from the formulation of solutions through to detailed design, project management and commissioning at a reduced level during the year ended 31 March 2022. The Company completed its commitments on existing contracts in December 2021 and from that date has had no ongoing operations.

Financial position

The Company has increased total shareholders' funds to £19.1m (2022 £18.8m) as a result of the performance for the year. Cash and cash equivalents is £0.2m at 31 March 2023 (2022 liability £6.3m) due to a cash pooling agreement set up in year.

Principal risks and uncertainties

The Company's ultimate controlling parent is Babcock International Group PLC. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group PLC. The principal risks and uncertainties of Babcock International Group PLC are discussed in its Annual Report for the year ended 31 March 2023, which does not form part of this report.

The key risks and uncertainties affecting the Company while it had ongoing operations were the completion of remaining projects. The directors continue to consider risks impacting the company and 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 87 to 103 of the annual report of Babcock International Group PLC, which does not form part of this report.

Strategic report for the year ended 31 March 2023 *(continued)*

Key performance indicators

The Company's activities are managed on a divisional 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 the Company, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 48 to 51 of the annual report of Babcock International Group PLC, which does not form part of this report.

S.172 (1) Statement and Stakeholder engagement

This statement contains an overview of how the Directors have performed their duty to promote the success of the Company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to activity in the way they consider, in good faith, would most like promote the success of the company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

a) the likely consequences of any decision in the long term,
b) the interests of the company's employees,
c) the need to foster the company's business relationships with suppliers, customers and others,
d) the impact of the company's operations on the community and the environment,
e) the desirability of the company maintaining a reputation for high standards of business conduct, and
f) the need to act fairly as between members of the company.

Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 56, 57, and 115 of the annual report of Babcock International Group PLC, which does not form part of this report.

Employees
Our success is led by our employees. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose.

These engagement activities form part of the Group-wide People Strategy as described on pages 20-21 and 74-78 of the annual report of Babcock International Group PLC which does not form part of this report.

Business relationships
We are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations. We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs.
We build and maintain long-term relationships with our customers to promote the future success of the Company.

To support our global business operations and strategy we require an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the Group-wide Procurement Strategy as described on pages 20-21 and 83-85 of the annual report of Babcock International Group PLC which does not form part of this report.

The community and environment
Sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: to create a safe and secure world, together. We have done a lot in the past year to drive our sustainability programme across the Group, ensure progress towards our corporate commitments and deliver our five ESG priorities shown below.

1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040.
2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources.
3. We will ensure the safety and wellbeing of all our people.
4. We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies.
5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

These activities form part of the Group-wide ESG Strategy as described on pages 58-86 of the annual report of Babcock International Group PLC which does not form part of this report.

This report was approved by the board on 25th March 2024 and signed on its behalf by.

A Phillips

A Phillips
Director

Directors' report for the year ended 31 March 2023

The directors present their report and the unaudited financial statements of the Company for the year ended 31 March 2023.

Dividends

No dividends were declared and paid during the year (2022: £nil was declared and paid).

Directors and their interests

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

Urquhart, I S	(Resigned 31/05/2022)
Doherty, S	(Appointed 31/05/2022)
Parker, J R	(Resigned 12/01/2023)
Spicer, C J L	
Phillips, A M	(Appointed 12/01/2023)

The Board is not aware of any contract of significant in relation to the Company in which any Director has, or has had, a material interest.

Going concern

The Company completed its commitment under existing contracts with customers in December 2021. There are no current plans to pursue new contract opportunities. As such, the Company is winding down its operations and will be liquidated, therefore the financial statements have been prepared on a basis other than going concern. As a result, all assets have been valued at their realisable value, which has not resulted in any material change compared to their carrying value on a going concern basis. The Company had no fixed assets or long-term creditors which required reclassification to current assets and liabilities as the assets will continue to be utilised through to the completion of the existing contracts. As at the year end, there is a significant net asset balance available to cover all liabilities and it is expected that all current liabilities will be paid. No further material liabilities are expected to arise from the completion of the remaining contracts and liquidation.

Financial risk management

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail with the annual report for Babcock International Group which does not form part if this report.

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.

Energy and carbon reporting

The company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2023 of its ultimate parent, Babcock International Group PLC.

Research and development

The Company commits resources to research and development to the extent management considers reasonable for the evolution and development of the business.

Employees

The company is committed to equal opportunities and will not discriminate on the basis of disability, age, race, colour, ethnic origin, gender, marital status, religious or political beliefs or sexual orientation.

We believe that only by encouraging applicants from the widest pool of talent possible, and then selecting the best candidate based on their ability to do the job, can we ensure we continue to deliver our best for our customers and safeguard the future of Babcock. For more information about our inclusion and diversity policy, please see pages 20-21 and 74-78 of the annual report for Babcock International Group Plc.

Engagement with UK employees has been considered on page 4 of the Strategic report.

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 seeks 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 the 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.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

This report was approved by the board on 25th March 2024 and signed on its behalf by.

A Phillips

A Phillips

Director

Statement of Directors' responsibilities

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 have been followed, subject to any material departures disclosed and explained in the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Income statement
for the year ended 31 March 2023

	Note	**2023** **£'000**	2022 £'000
Revenue	4	**-**	1,488
Cost of sales		**370**	(497)
Gross profit		**370**	991
Administrative expenses		**(9)**	(94)
Exceptional costs	5	**-**	390
Operating profit	6	**361**	1,287
Finance income	7	**-**	28
Finance costs	7	**(61)**	(34)
Profit before income tax		**300**	1,281
Income tax (charge)/credit	10	**(23)**	5
Profit for the financial year		**277**	1,286

The notes on page 12 to 26 form part of these financial statements.

There have been no other comprehensive gains/losses during either the current or prior year other than as disclosed in the income statement and therefore no separate statement of comprehensive income has been presented.

Statement of financial position		**2023**	2022
as at 31 March 2023		**£'000**	£'000
Fixed assets			
Deferred tax	10	**105**	128
Right-of-use assets	11	**-**	-
Investments in subsidiaries	12	**17**	17
		122	145
Current assets			
Trade and other receivables	13	**26,225**	33,008
Cash and cash equivalents		**156**	-
		26,381	33,008
Current liabilities			
Trade and other payables	14	**(7,448)**	(14,026)
Provisions for liabilities	15	**-**	(349)
Net current assets		**18,933**	18,633
Net assets		**19,055**	18,778
Equity			
Called up share capital	16	**-**	-
Retained earnings		**19,055**	18,778
Total shareholders' funds		**19,055**	18,778

The notes on pages 12 to 26 are an integral part of these financial statements.

For the year ending 31 March 2023 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 9 to 26 were approved by the board of directors and signed on its behalf by:

A Phillips

A M Phillips
Director

Statement of changes in equity
for the year ended 31 March 2023

	Called-up share capital	Retained earnings	Total Shareholders' funds
	£'000	£'000	**£'000**
Balance at 1 April 2021	-	17,492	17,492
Results for the financial year	-	1,286	1,286
Balance at 31 March 2022	-	18,778	18,778
Results for the financial year	-	277	277
Balance at 31 March 2023	**-**	**19,055**	**19,055**

Notes to the financial statements

1 General information

Babcock Airports Limited is a private company limited by shares which is incorporated and domiciled in the UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

Its ultimate controlling party is disclosed in note 21. The principal activity of the Company is set out in the Strategic Report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

2 Summary of significant accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework (FRS 101)’. The Company applies the recognition, measurement and disclosure requirements in accordance with the international accounting standards and FRS 101, but makes amendments where necessary in order to comply with the Companies Act 2006.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ (FRS 101). In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken:

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;

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’
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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company intends to continue to prepare its financial statements in accordance with FRS 101.

Notes to the financial statements *(continued)*

2. Summary of significant accounting Policies *(continued)*

Basis of preparation *(continued)*

The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Babcock International Group PLC, a company registered in England and Wales. Accordingly, these financial statements present information about the Company as an individual and not as a group.

The financial statements have been prepared under the historical cost convention.

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 2023 that have a material impact on the Company's financial statements.

Going concern

The Company completed its commitment under existing contracts with customers in December 2021. There are no current plans to pursue new contract opportunities. As such, the Company is winding down its operations and will be liquidated, therefore the financial statements have been prepared on a basis other than going concern. As a result, all assets have been valued at their realisable value, which has not resulted in any material change compared to their carrying value on a going concern basis. The Company had no fixed assets or long-term creditors which required reclassification to current assets and liabilities as the assets will continue to be utilised through to the completion of the existing contracts. As at the year end, there is a significant net asset balance available to cover all liabilities and it is expected that all current liabilities will be paid. No further material liabilities are expected to arise from the completion of the remaining contracts and liquidation.

Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of business. Revenue is recognised in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

(a) Performance obligations

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract. The integrated output nature of many of the goods and services provided by the Company can result in contracts with one performance obligation.

(b) Allocation of contract price to performance obligations

The contract price represents the amount of consideration which the Company expects to receive in exchange for delivering the promised goods or services to the customer. Variable consideration is included in the contract price on the most likely outcome basis but only to the extent that it is highly probable that it will not reverse in the future. Given the bespoke nature of many of the goods and services the Company provides, stand-alone selling prices are generally not available and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin, in accordance with the Group's pricing principles. The Company's contracts typically do not include significant financing components.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(c) Revenue and profit recognition

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time and the Company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

- the customer simultaneously receives and consumes the benefits of the company's performance as it performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the company has an enforceable right to payment for work done; or
- the Company's performance creates or enhances an asset controlled by the customer.

Most of the Company's contracts meet the requirements to satisfy performance obligations and recognise revenue over time either because the customer simultaneously receives and consumes the benefits of the Company's performance as it performs or the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for work done.

Where the Company satisfies performance obligations over time, revenue is recognised using costs incurred as a proportion of total estimated costs to assess stage of completion, but with the stage of completion and revenue assessed in relation to each performance obligation.

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis by suitably qualified and experienced personnel and the assessments of all significant contracts are subject to review and challenge by local management, sector management and Group management. Assessment of outcomes are in relation to separate performance obligations and include variable consideration, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Any expected loss on a contract is recognised immediately in the income statement.

The Company operates in a partnering environment with some customers and certain contracts include pain/gain share arrangements under which cost under/over spends against the contract target cost are shared with the customer. These contract sharing arrangements are included in the assessment of contract outturns.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to payment by the Company.

(d) Costs of obtaining a contract

Pre-contract costs are recognised as expenses as incurred, except that directly attributable costs are recognised as an asset and amortised over the life of the contract when it can be reliably expected that a contract will be obtained, typically at preferred bidder stage, and the contract is expected to result in future net cash inflows.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Investments

Fixed asset investments are stated at cost less accumulated impairment losses.

Trade and other receivables

Trade and other receivables are stated at their cost less provision for bad debts. A provision for bad debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The Company writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery.

Taxation

a) Current income tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 substantively enacted, by the reporting 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. Deferred tax assets are recognised where deferred tax liabilities exist and are expected to reverse in the same period as the deferred tax asset or in periods into which a loss arising from a deferred tax asset can be carried forward or back. In the absence of sufficient deferred tax liabilities, deferred tax assets are recognised where it is probable that there will be future taxable profits from other sources against which a loss arising from the deferred tax asset can be offset. In assessing the availability of future profits, the Company uses profit forecasts consistent with those used for goodwill impairment testing. Profits forecast beyond the Company's five-year budget cycle are risk-weighted to reflect commercial uncertainties.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

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.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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 is measured in accordance with the FRS 101 fair value hierarchy using 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 surplus has been determined from the value of the plan assets at the end of the reporting date less the fair value of the defined benefit obligation at the reporting date.

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

Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the year-end exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Leases

The Company as lessee

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the Company recognises a right of use asset and corresponding lease liability at commencement of the lease. The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on a number of factors including asset type, lease currency and lease term. Lease payments include fixed payments and variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date. The lease term reflects any extension or termination options that the Company is reasonably certain to exercise.

The lease liability is subsequently measured at amortised cost using the effective interest rate method, with interest on the lease liability being recognised as a finance expense in the income statement. The lease liability is remeasured, with a corresponding adjustment to the right of use asset, if there is a change in future lease payments, for example resulting from a rent review, change in a rate/index or change in the Company's assessment of whether it is reasonably certain to exercise an extension, termination or purchase option.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Leases *(continued)*

The right of use asset is initially recorded at cost, being equal to the lease liability, adjusted for any initial direct costs, lease payments made prior to commencement date, lease incentives received and any dilapidation costs. 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.

Right of use assets arising from sale and leaseback transactions are measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Gains arising on sale and leaseback transactions are recognised to the extent that they relate to the rights transferred to the buyer-lessor whilst losses arising on sale and leaseback transactions are recognised in full.

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 not exceeding 12 months in duration or low-value leases are expensed straight line to the income statement as permitted by IFRS 16, 'Leases'.

Provisions for liabilities

A provision is recognised in the balance sheet 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. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision is made where leases are deemed to be onerous. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Company incurring further costs.

Provisions for losses on contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write downs of work-in-progress for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly.

A provision for employee benefits is recognised when there is a realistic expectation of the liability.

Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur or the value of such outflow cannot be measured reliably. A provision is recognised for any amounts that the Directors consider may become payable. See note 18 for details of contingent liabilities.

Cash and cash equivalents

Company cash and cash equivalents consist of cash at bank and cash in hand, together with short-term deposits with an original maturity of three months or less and money market funds.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Finance costs
Finance costs are recognised as an expense in the period in which they are incurred unless they are attributable to an asset under construction, in which case finance costs are capitalised.

Finance income
Finance income is recognised in the period to which it relates using the effective interest rate method.

Dividends
Dividends are recognised as a liability in the Company's financial statements in the period in which they are approved. Interim dividends are recognised when paid.

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.

Contract accounting

The Company has long term contracts where revenue and expenses are incurred over multiple financial periods. This requires estimates of revenue and expenses over multiple periods, considering various elements such as frequency and extent of the number of employees, material and other resources required to fulfil the contract terms, billing rates and cost changes. Revisions that affect a contract's total estimated profitability results in an adjustment of earnings. Where necessary, provisions are established for any probable future losses.

4 Revenue

Revenue is wholly attributable to the principal activities of the Company and arises as follows:

	2023	2022
	£'000	£'000
By area of activity:		
Airport Services	-	1,488
Provision of Services - transferred over time	**-**	1,488

All the revenue in the year ending 31 March 2022 originated in the United Kingdom.

Notes to the financial statements *(continued)*

5 Exceptional items

	2023	2022
	£'000	£'000
Redundancy and restructuring costs	-	(390)
	-	(390)

In the year to 31 March 2022 a provision was released for £390,000 as it was no longer required.

6 Operating profit

Operating profit is stated after charging / (crediting):

	2023	2022
	£'000	£'000
Lease charges		
Property	-	12

7 Finance income and costs

	2023	2022
	£'000	£'000
Finance income:		
Foreign exchange	-	28
	-	28
Finance cost:		
Bank interest	(59)	-
Foreign exchange	(2)	-
Loan interest payable to group undertakings	-	(34)
	(61)	(34)

Notes to the financial statements *(continued)*

8 Staff costs

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

	2023	2022
	Number	Number
By activity:		
Operations	-	10
Management and administration	-	5
	-	15

Their aggregate remuneration comprised:

	2023	2022
	£'000	£'000
Wages and salaries	-	639
Social security costs	-	123
Other pension costs	-	273
	-	1,035

9 Directors' emoluments

During this and the prior year all of the directors of the company 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.

Notes to the financial statements *(continued)*

10 Tax

Income tax expense

	2023	2022
	£'000	£'000
Deferred tax:		
Origination and reversal of timing differences	**17**	25
Adjustment in respect of prior years	**-**	-
Impact of change in UK tax rate	**6**	(30)
Total deferred tax charge/(credit)	**23**	(5)
Income tax charge/(credit)	**23**	(5)

The tax for the year is lower (2022: lower) than the standard rate of corporation tax in the UK . The differences are explained below:

	2023	2022
	£'000	£'000
Profit before income tax	**300**	1,281
Tax on profit before income tax at standard UK corporation tax rate of 19% (2022: 19%)	**57**	243
Effects of:		
Expenses not deductible for tax purposes	**-**	-
Group relief claimed for nil consideration	**(40)**	(218)
Adjustments in respect of deferred tax for prior years	**-**	-
Impact of change in UK tax rate	**6**	(30)
Total tax charge/(credit) for the year	**23**	(5)

Deferred tax

Deferred tax assets and deferred tax liabilities have been offset if, and only if, there is a legally enforceable right in that jurisdiction to set off corporation tax assets and corporation tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same Taxation Authorities:

The major components of the deferred tax (assets)/liabilities are:

Deferred tax (assets)/liabilities	**Accelerated capital allowances**	**Other**	**Total**
	£'000	**£'000**	**£'000**
At 1 April 2021:	**(117)**	**(6)**	**(123)**
- (Credited)/Charged to the income statement	(10)	5	(5)
At 31 March 2022:	**(127)**	**(1)**	**(128)**
- Charged to the income statement	22	1	23
At 31 March 2023:	**(105)**	**-**	**(105)**

Notes to the financial statements *(continued)*

11 Right of Use assets

The Company leases plant and equipment under non-cancellable lease arrangements.

Right Of Use assets	**Plant and equipment**	**Total**
	£'000	**£'000**
Cost		
At 1 April 2022	**32**	32
Additions	**-**	-
Modifications	**-**	-
Terminations	**(32)**	(32)
At 31 March 2023	**-**	-
Accumulated depreciation		
At 1 April 2022	**(32)**	(32)
Charge for the year	**-**	-
Terminations	**32**	32
At 31 March 2023	**-**	-
Net book value		
At 31 March 2023	**-**	**-**
At 31 March 2022	**-**	-

12 Investments	**2023 Shares in group undertakings £'000**	2022 Shares in group undertakings £'000
Cost		
At 1 April	**17**	17
Additions	**-**	-
Disposals	**-**	-
At 31 March	**17**	17
Impairment		
At 1 April	**-**	-
Charged in the year	**-**	-
Disposals	**-**	-
At 31 March	**-**	-
Net Book Value		
At 1 April	17	17
At 31 March	**17**	**17**

Notes to the financial statements *(continued)*

12 Investments *(continued)*

The Company's subsidiary undertakings, all of which are wholly-owned, are:

Company	Country of registration	Principal activities
Babcock BV	Netherlands	Provide support services operations in Airports sector

On 15 September 2010, proprietary know-how, not capitalised in the financial statements of the Company in accordance with FRS 10 'Goodwill and Intangible Assets', was transferred to Babcock Integration LLP in exchange for an interest in that partnership. This was in order to facilitate the integration of the Babcock and VT groups. The partnership interest has been recognised at a cost of £nil given that the know-how transferred was not recognised in the financial statements of the Company prior to the transfer.

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

13 Trade and other receivables

	2023	2022
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	**-**	75
Contract assets	**-**	262
Amounts due from group undertakings	**26,197**	32,643
Other receivables	**28**	28
	26,225	33,008

Contract assets	**2023**	2022
	£'000	£'000
At 1 April	**262**	23
Transfers from contract assets recognised at the beginning of the year to receivables	**(262)**	(23)
Increase due to work not recognised in the income statement	**-**	262
	-	262

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand. There is one major loan of £25.2m (2022: £31.8m) to group companies.

Trade receivables are stated after provisions for impairment of £nil (2022: £nil) in line with the expected loss model.

Notes to the financial statements *(continued)*

14 Trade and other payables

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade payables	**1**	-
Contract liabilities	**-**	262
Amounts due to parent and group undertakings	**1,672**	1,762
Bank overdraft	**-**	6,251
UK corporation tax payable	**5,569**	5,569
Accruals and deferred income	**196**	172
Other payables	**10**	10
	7,448	14,026

Contract Liabilities	2023 £'000	2022 £'000
At 1 April	**262**	1,128
Revenue recognised that was included within contract liabilities at the beginning of the year	**(262)**	(1,128)
Increase due to cash received, excluding amounts recognised as revenue	**-**	262
At 31 March	**-**	262

Amounts owed by 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).

15 Provisions for liabilities

The company had the following provisions during the year:

	Employee benefits and reorganisation costs £'000	Contract Provision £'000	Total £'000
At 1 April 2022	50	299	**349**
Utilised in the year	(50)	(299)	**(349)**
At 31 March 2023	-	-	**-**

Contract provisions related to a review of the major projects and relate to warranties on complete projects. The provisions were fully utilised during the year ending 31 March 2023.

Employee benefits and reorganisation provision related to closure and redundancy costs of closing the Airports projects business.

Notes to the financial statements *(continued)*

16 Share capital

	2023	2022
	£	£
Allotted and fully paid		
1 (2022: 1) Ordinary share capital authorised at £1 each.	**1**	1

17 Dividends

Dividends declared and paid were £nil (2022: £nil). There are no plans for a final dividend.

18 Contingent liabilities

The Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with utilisation of £21.0m at 31 March 2023 (31 March 2022: £383.6m).

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

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.

In the year ended 31 March 2023, the Company had no transactions or balances outstanding with related parties that fall outside the FRS 101 exemption criteria.

20 Subsidiary, and associate and Joint Venture undertakings

Company Name	Registered and Trading Address	Interest	Direct %	Ultimate%
Babcock BV	1 Bezuidenhoutseweg S-Gravenhage 2594 AB Netherlands	18,000 Ordinary shares	100.00%	100.00%

Babcock BV maintain baggage handling facilities at Schiphol Airport.

Notes to the financial statements *(continued)*

21 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Critical Assets Holdings LLP, a limited liability partnership 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 address:

The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London W1U 1QX