

Babcock Southern Holdings Limited

Annual Report

For the year ended 31 March 2018

Company registration number:

01915771



Babcock Southern Holdings Limited

Directors and advisors

Current directors

I Urquhart
F Martinelli
N Borrett

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Babcock Southern Holdings Limited

Strategic report for the year ended 31 March 2018

The directors present their Strategic report on Babcock Southern Holdings Limited ("the Company") for the year ended 31 March 2018.

Principal activities

The principal activities of the Company continue to be a group finance company within the Group headed by Babcock International Group PLC.

Review of the business

	2018	2017 (restated)
	£000	£000
Profit for the financial year	559,905	57,601

Figures for the year ended 31 March 2017 have been restated in respect of the accounting treatment for joint venture dividends, which were previously offset against loans to joint ventures and have now been accounted for as income from shares in joint ventures (see note 7 for further details).

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.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 68 to 79 of the Annual Report of Babcock International Group PLC, which does not form part of this report.

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the directors



I Urquhart
Director

7th December 2018

Babcock Southern Holdings Limited

Directors' report for the year ended 31 March 2018

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

Dividends

Dividends declared and paid during the financial year were £554,539,000 (2017: £72,859,000). There are no plans for a final dividend.

Future developments

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

Financial risk management

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

Directors

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

I Urquhart
F Martinelli
N Borrett

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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Babcock Southern Holdings Limited

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

Statement of directors' responsibilities *(continued)*

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.

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.

Reappointment of auditors

PricewaterhouseCoopers LLP were reappointed as auditors at the Annual General Meeting.

On behalf of the directors



I Urquhart
Director

7th December 2018

Babcock Southern Holdings Limited

Independent auditors' report to the members of Babcock Southern Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock Southern Holdings Limited's financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 March 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do

Babcock Southern Holdings Limited

Independent auditors' report to the members of Babcock Southern Holdings Limited

(continued)

not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on pages 3-4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is 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.

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 an auditors' report 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.

Babcock Southern Holdings Limited

Independent auditors' report to the members of Babcock Southern Holdings Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

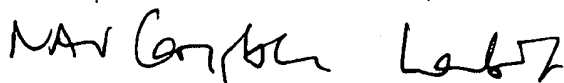
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- The financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 December 2018

Babcock Southern Holdings Limited**Income statement***for the year ended 31 March 2018*

	Note	2018 £000	2017 (restated) £000
Administrative income / (expenses)		129	(182)
Operating income		-	134
Impairment of shares in Group undertakings		-	(23,168)
Operating profit/(loss)	4	129	(23,216)
Income from shares in Group undertakings		554,539	72,859
Income from shares in joint ventures		2,680	4,467
Profit on ordinary activities before interest and taxation		557,348	54,110
Finance income	5	4,997	5,439
Finance costs	5	(2,438)	(1,946)
Profit before taxation		559,907	57,603
Income tax expense	6	(2)	(2)
Profit for the financial year		559,905	57,601

All of the above results derive from continuing operations.

Statement of comprehensive income*for the year ended 31 March 2018*

	2018 £000	2017 (restated) £000
Profit for the financial year	559,905	57,601
Total comprehensive income for the year	559,905	57,601

Figures for the year ended 31 March 2017 have been restated in respect of the accounting treatment for joint venture dividends, which were previously offset against loans to joint ventures and have now been accounted for as income from shares in joint ventures (see note 7 for further details).

Babcock Southern Holdings Limited

Balance sheet

as at 31 March 2018

	Note	2018 £000	2017 (restated) £000
Non-current assets			
Investments in Group undertakings	7	429,115	429,115
Investments in joint ventures	7	61	61
Loans to joint ventures	7	32,578	30,695
		461,754	459,871
Current assets			
Trade and other receivables	8	355,861	354,109
Cash and cash equivalents		9,155	6,189
		365,016	360,298
Current liabilities			
Trade and other payables	9	(96,286)	(94,904)
Bank overdraft		(157)	(176)
		(96,443)	(95,080)
Net current assets		268,573	265,218
Total assets less current liabilities		730,327	725,089
Non-current liabilities			
Trade and other payables	9	(50,000)	(50,000)
Provisions for liabilities	10	-	(128)
Net assets		680,327	674,961
Equity			
Called up share capital	12	9,205	9,205
Share premium account		293,904	293,904
Revaluation reserves		10,257	10,257
Retained earnings		366,961	361,595
Total shareholders' funds		680,327	674,961

Figures for the year ended 31 March 2017 have been restated in respect of the accounting treatment for joint venture dividends, which were previously offset against loans to joint ventures and have now been accounted for as income from shares in joint ventures (see note 7 for further details).

The notes on pages 10 to 23 are an integral part of these financial statements. The financial statements on pages 7 to 23 were approved by the Board of directors and signed on its behalf by:


I Urquhart
Director
7th December 2018

Babcock Southern Holdings Limited

Statement of changes in equity for the year ended 31 March 2018

	Note	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 April 2016		9,205	293,904	10,257	367,920	681,286
Restatement – joint venture dividends	7	-	-	-	8,933	8,933
Balance at 1 April 2016 (restated)		9,205	293,904	10,257	376,853	690,219
Profit for the financial year		-	-	-	53,134	53,134
Restatement – joint venture dividends	7	-	-	-	4,467	4,467
Dividends paid	14	-	-	-	(72,859)	(72,859)
Balance at 31 March 2017 (restated)		9,205	293,904	10,257	361,595	674,961
Profit for the financial year		-	-	-	559,905	559,905
Dividends paid	14	-	-	-	(554,539)	(554,539)
Balance at 31 March 2018		9,205	293,904	10,257	366,961	680,327

Figures for the year ended 31 March 2017 have been restated in respect of the accounting treatment for joint venture dividends, which were previously offset against loans to joint ventures and have now been accounted for as income from shares in joint ventures (see note 7 for further details).

Babcock Southern Holdings Limited

Notes to the financial statements

1 General information

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

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

The Company is a wholly owned subsidiary of Babcock Overseas Investments Limited and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

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

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
- b) IFRS 7, 'Financial instruments: Disclosures'
- c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
 - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
 - paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- e) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- f) IAS 7, 'Statement of cash flows'
- g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- h) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- i) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Babcock Southern Holdings Limited

Notes to the financial statements *(continued)*

Basis of preparation *(continued)*

2 Summary of significant accounting policies *(continued)*

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.

Investments in group undertakings and joint ventures

Fixed asset investments are stated at cost less provision for impairment in value. Income from shares in group undertakings and joint ventures are recognised in the income statement in the year in which they are received.

Trade receivables

Trade receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the collection of the debt is no longer probable.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the EIR method (although, in practice, the discount is often immaterial). If payment is due within one year or less payables are classified as current liabilities. If not, they are presented as non-current liabilities.

Taxation

(a) Current income tax

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

(b) Deferred income tax

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Babcock Southern Holdings Limited

Notes to the financial statements (continued)

3 Critical accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 Operating profit/(loss)

Operating loss is stated after charging / (crediting):

	2018 £000	2017 £000
Audit fee	-	2
Foreign exchange losses / (gains)	59	(71)
Impairment of shares in Group undertakings	-	(23,168)

In 2017 the impairment was £23,168,000 due to a decrease in net assets of Babcock Engineering Limited.

The fee payable to the parent auditors and their associates in respect of the audit of the Company's financial statements was £2,051 (2017: £2,000) and was borne by Babcock International Limited (2017: the Company).

5 Finance income and costs

	2018 £000	2017 £000
Finance income:		
Bank interest	4	190
Interest receivable from group undertakings	4,993	5,249
	<u>4,997</u>	<u>5,439</u>
Finance costs:		
Bank interest	(1)	(254)
Interest payable to group undertakings	(2,437)	(1,692)
	<u>(2,438)</u>	<u>(1,946)</u>

Babcock Southern Holdings Limited

Notes to the financial statements (continued)

6 Income tax expense

	2018 £000	2017 £000
Deferred tax:		
Origination and reversal of timing differences	2	3
Impact of change in UK tax rate	-	(1)
Total deferred tax charge	2	2
Tax on profit	2	2

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

	2018 £000	2017 (restated) £000
Profit before taxation	559,905	57,601
Profit before taxation multiplied by standard UK corporation tax rate of 19% (2017: 20%)	106,382	11,520
Effects of:		
Income not subject to UK tax	(105,872)	(10,831)
Group relief for nil consideration	(508)	(686)
Adjustments in respect of deferred tax for prior years	-	(1)
Total tax charge for the year	2	2

It was announced in 2018 UK Budget that UK Corporation tax will be reduced to 17% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 17% as this is the tax rate that will apply on reversal.

7 Investments

	2018 £000	2017 £000
Shares in group undertakings		
Cost		
At 1 April and 31 March	452,283	452,283
Accumulated impairment		
At 1 April and 31 March	(23,168)	(23,168)
Carrying value		
At 31 March	429,115	429,115

During the year the Company received a dividend of £1,106,000 (2017: £1,600,000) from Critical Assets LLP, £608,000 (2017: £445,000) from Defence & Security Holdings LLP, £385,027,000 (2017: £49,322,000) from Vosper Thornycroft (UK) Limited and £167,798,000 (2017: £21,492,000) from Babcock2 Limited.

In 2017 the impairment of £23,168,000 was due to a decrease in the underlying net assets of Babcock Engineering Limited.

Babcock Southern Holdings Limited

Notes to the financial statements (continued)

7 Investments (continued)

	2018	2017
	£000	(restated) £000
Investment in joint ventures at cost	61	61
At 1 April and 31 March		
	2018	2017
	£000	(restated) £000
Loans to joint ventures		
Cost and carrying amount		
At 1 April	30,695	28,914
Additions	1,883	1,781
Dividends	-	-
At 31 March	32,578	30,695

Figures for the year ended 31 March 2017 have been restated in respect of the accounting treatment for joint venture dividends, which were previously offset against loans to joint ventures and have now been accounted for as income from shares in joint ventures (see note 7 for further details). The restatement of income from shares in joint ventures amounted to £8,933,000 in respect of the year ended 31 March 2016 and £4,467,000 in respect of the year ended 31 March 2017, with a corresponding increase to the cost and carrying value of investment in joint ventures (£61,000) and loans to joint ventures (£13,339,000).

Additions in year of £1,882,911 (2017: £1,781,019) relate to the capitalisation of JV interest from AirTanker.

The directors believe that the carrying value of the investments is supported by their underlying net assets. A full list of related undertakings for the Company has been disclosed in note 15.

8 Trade and other receivables

	2018	2017
	£000	£000
Amounts due from Group undertakings	354,601	352,848
Trade receivables	1,249	1,248
Deferred tax asset (note 11)	11	13
	355,861	354,109

Amounts due from Group undertakings are unsecured, repayable on demand and:

- £210,214,000 (2017: £210,214,000) which bears interest at six month UK LIBOR plus 0.5%;
- £33,141,000 (2017: £33,141,000) which bears interest at six month UK LIBOR plus 2%;
- £11,300,000 (2017: £11,300,000) which bears interest at one month UK LIBOR plus 1.5%;
- £nil (2017: £18,000,000) which bears interest at six month UK LIBOR plus 7%; and
- The remaining £99,946,000 (2017: £80,193,000) is interest free.

Notes to the financial statements (continued)

9 Trade and other payables

	2018	2017
	£000	£000
Amounts due to Group undertakings	89,911	89,126
Other payables	3,431	2,834
UK corporation tax payable	2,944	2,944
	96,286	94,904

Amounts due to Group undertakings are unsecured, repayable on demand and:

- £11,000,000 (2017: £11,000,000) bearing at six month UK LIBOR minus 0.45%;
- £20,000,000 (2017: £20,000,000) bearing interest at six month UK LIBOR minus 0.5%;
- £30,000,000 (2017: £30,000,000) bearing interest at six month UK LIBOR plus 4%; and
- The remaining £28,911,000 (2017: £28,126,000) is interest free.

	2018	2017
	£000	£000
Amounts falling due after more than one year:		
Amounts due to parent and Group undertakings	50,000	50,000

Included in amounts due to Group undertakings is £50,000,000 (2017: £50,000,000) due in between two to five years. The loan is interest bearing at six month UK LIBOR minus twelve point five basis points.

10 Provisions for liabilities

	2018	2017
	£000	£000
At 1 April	128	128
Utilised in the year	(128)	-
At 31 March	-	128

11 Deferred taxation

	2018	2017
	£000	£000
Accelerated capital allowances:		
Provided	10	13
Full potential	10	13
At 1 April	13	15
- Charged to the income statement	(2)	(2)

Babcock Southern Holdings Limited

At 31 March

11

13

Notes to the financial statements (continued)

12 Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
1,438,710,403,786 of ordinary shares (2017: 1,438,710,403,786) at 0.0006p each	9,205	9,205

13 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.

14 Dividends paid

Dividends declared and paid during the financial year were £554,539,000 (2017: £72,859,000). There are no plans for a final dividend.

15 Related undertakings

All related undertakings for the Company are as listed below:

Name	Address	Interest	Immediate %	Ultimate %
AirTanker Holdings Limited	6th Floor, One London Wall, London, EC2Y 5EB, United Kingdom	12,000 Ordinary shares	13.33%	13.33%
AirTanker Finance Limited	6th Floor, One London Wall, London, EC2Y 5EB, United Kingdom	50,000 Ordinary shares	100.00%	13.33%
AirTanker Limited	6th Floor, London Wall, London, EC2Y 5EB, United Kingdom	45,629,001 Ordinary shares	100.00%	13.33%
AirTanker Services Limited	Airtanker Hub RAF Brize Norton, Carterton, Oxfordshire, England, OX18 3LX, United Kingdom	22,378 Ordinary shares	22.33%	22.33%
Babcock Critical Assets Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	7.00%	100.00%
Babcock Defence & Security Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	0.89%	100.00%
Babcock Education & Training Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	7.00%	7.00%
Babcock Education Holdings Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	7.00%
Babcock 4S Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	801 Ordinary-A shares	80.10%	5.61%
Babcock Learning and Development	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	80.10%	5.61%

Babcock Southern Holdings Limited

Partnership LLP	Kingdom			
Babcock Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	7.00%

Notes to the financial statements (continued)

15 Related undertakings (continued)

Name	Address	Interest	Immediate %	Ultimate %
Babcock Careers Guidance Limited	33 Wigmore Street, London, W1U 1QX, United Kingdom	1,050 Ordinary shares	100.00%	7.00%
Babcock Assessments Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	166,000 Ordinary shares	100.00%	7.00%
Capital Careers Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	8,825 Ordinary shares	88.25%	6.18%
Babcock Skills Development and Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	111 Ordinary shares	100.00%	7.00%
HCTC Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	17,621,361 Ordinary shares	100.00%	7.00%
KML (UK) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	7.00%
Touchstone Learning & Skills Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.00%	7.00%
National Training Institute LLC	PO Box 267, MadinatQaboos, Sultanate of Oman, 115, Oman	350,000 Ordinary shares	70.00%	4.90%
Skills2Learn Ltd	33, Wigmore Street, London, W1U 1QX, United Kingdom	100 Ordinary shares	100.00%	7.00%
Babcock Environmental Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.00%	100.00%
Babcock Group International Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.00%	100.00%
Naiad Marine B.V	Prins Bernhardplein 200, 1097 JB, Amsterdam, Netherlands	136,200 Ordinary shares	100.00%	100.00%
Babcock Infrastructure Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	7.00%	100.00%
Babcock Project Investments Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	5,000,000 ORDINARY shares	100.00%	100.00%
Babcock Emergency Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.00%	100.00%
Babcock Fire Training (Avonmouth) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.00%	100.00%
Cura Classis Canada (Hold Co) Inc.	c/o Stewart McKelvey, 44 Chipman Hill, Suite 1000, PO Box 7289, Stn. "A", Saint John, N.B. NB E2L 4S6, Canada	631,200 Common shares, 576,000 Ordinary-A shares	48.00%	48.00%
Cura Classis (Canada) Inc.	c/o Stewart McKelvey, 44 Chipman Hill, Suite 1000, PO Box 7289, Stn. "A", Saint John, N.B. NB E2L	1,315,000 Common shares	100.00%	48.00%

Babcock Southern Holdings Limited

2A9, Canada

Cura Classis UK (Hold Co) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	178,560 Ordinary shares	48.00%	48.00%
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Notes to the financial statements (continued)

15 Related undertakings (continued)

Name	Address	Interest	Immediate %	Ultimate %
Cura Classis (UK) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	372,000 Ordinary shares	100.00%	48.00%
Learning21 Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.00%	100.00%
Babcock2 Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	6,000,145 ORDINARY shares	100.00%	100.00%
Armstrong Technology Associates Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	50,000 ORDINARY shares	100.00%	100.00%
Babcock Defence Systems Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	10,000 ORDINARY shares	100.00%	100.00%
Chepstow Insurance Limited	St Martin's House, Le Bordage, St Peter Port, GY1 4AU	600,000 Ordinary shares	100.00%	100.00%
Vosper Thornycroft (UK) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	7,100,000 Ordinary 20p shares	30.35%	100.00%
Vosper Thornycroft (UK) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	16,291,575 Ordinary 20p shares	69.65%	100.00%
Babcock Brisco Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.00%	100.00%
Babcock Corporate Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	181,369,248 Ordinary shares	100.00%	100.00%
Babcock Finance Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
Babcock Critical Assets Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	93.00%	100.00%
Babcock Airports Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
Babcock B.V.	Bezuidenhoutseweg 1, 2594AB, 's-Gravenhage, Netherlands	18,000 Ordinary shares	100.00%	100.00%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	0.73%	8.92%
Babcock Critical Services Limited	C/O DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	1.07%	8.92%
Babcock Vehicle Engineering Limited	33, Wigmore Street, London, England, W1U 1QX, United Kingdom	92 Ordinary-A shares, 108 Ordinary-B shares, 40 Ordinary-C shares, 4 Ordinary-D shares, 1 Ordinary-E shares, 1	100.00%	100.00%

Babcock Southern Holdings Limited

Chart Services Limited	C/O DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD,	Ordinary-F shares 6,345,292 Ordinary shares	100.00%	100.00%
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Notes to the financial statements (continued)

15 Related undertakings (continued)

Name	Address	Interest	Immediate %	Ultimate %
Chart Distribution Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	0.05%	100.00%
Chart Storage & Transportation Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,108,935 Ordinary shares	100.00%	100.00%
Babcock Investments (Number Eight) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	0.00%	0.00%
Chart Distribution Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,999 Ordinary shares	99.95%	100.00%
Chart Storage & Transportation Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	25 Ordinary shares	0.00%	100.00%
Transfleet Distribution Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	20,000 Ordinary shares	100.00%	100.00%
Municipal Vehicle Hire Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	100 Ordinary shares	100.00%	100.00%
Transfleet Truck Rentals Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.00%	100.00%
Babcock Defence & Security Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	99.11%	100.00%
Airwork Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
Airwork Technical Services & Partners LLC	PO Box 248 (located at Muaskar Al Murtafa'a (MAM) Garrison), Muscat, 100, Sultanate of Oman	127,500 Ordinary shares	51.00%	51.00%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	0.03%	8.92%
Babcock Aerospace Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	1.44%	8.92%
Babcock Defence and Security Investments Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
ALC (Superholdco) Limited	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ, United Kingdom	5,000 Ordinary shares	50.00%	50.00%
ALC (FMC) Limited	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ, United Kingdom	1 Ordinary shares	100.00%	50.00%
ALC (Holdco) Limited	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4	10,000 Ordinary shares	100.00%	50.00%

Babcock Southern Holdings Limited

	4DQ, United Kingdom			
ALC (SPC) Limited	The Sherard Building, Edmund Halley Road, Oxfordshire, OX4 4DQ,	10,000 Ordinary shares	100.00%	50.00%

Notes to the financial statements (continued)

15 Related undertakings (continued)

Name	Address	Interest	Immediate %	Ultimate %
Ascent Flight Training (Holdings) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	814,000 Ordinary shares	50.00%	50.00%
Advanced Jet Training Holdings Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	68,000 Ordinary shares	100.00%	50.00%
Advanced Jet Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	68,000 Ordinary shares	100.00%	50.00%
Ascent Flight Training (Management) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,500,000 Ordinary shares	100.00%	50.00%
Ascent Flight Training (Services) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	30,000 Ordinary shares	100.00%	50.00%
Fixed Wing Training Holdings Limited	c/o Babcock International Group PLC, 33 Wigmore Street, London, W1U 1QX, United Kingdom	30,000 Ordinary shares	100.00%	50.00%
Fixed Wing Training Limited	c/o Babcock International Group PLC, 33 Wigmore Street, London, W1U 1QX, United Kingdom	30,000 Ordinary shares	100.00%	50.00%
Rear Crew Training Holdings Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,000 Ordinary shares	100.00%	50.00%
Rear Crew Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,000 Ordinary shares	100.00%	50.00%
Rotary Wing Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,000 Ordinary shares	100.00%	50.00%
Holdfast Training Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	740 Ordinary shares	74.00%	74.00%
Babcock Fire Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
Babcock Flagship Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
Flagship Fire Fighting Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	100 ORDINARY shares	100.00%	100.00%
Babcock Land Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%
Babcock DSG Ltd	33, Wigmore Street, London, W1U 1QX, United Kingdom	100 Ordinary shares	100.00%	100.00%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	1.10%	8.92%
Babcock Support Services Limited	C/O DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%

Babcock Southern Holdings Limited

Active Management Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary-A shares	100.00%	100.00%
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Notes to the financial statements (continued)

15 Related undertakings (continued)

Name	Address	Interest	Immediate %	Ultimate %
Air Power International Limited	C/O DWF LLP , 110 Queen Street , Glasgow , Scotland, G1 3HD, United Kingdom	93,840 ORDINARY shares	100.00%	100.00%
Babcock Dyncorp Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	560 Ordinary-A shares	56.00%	56.00%
Babcock HSPS Trustees Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.00%	100.00%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	4.55%	8.92%
Babcock IP Management (Number One) Limited	33, Wigmore Street, London, England, W1U 1QX, United Kingdom	10,002 Ordinary shares	99.95%	8.92%
Babcock IP Management (Number Two) Limited	33, Wigmore Street, London, England, W1U 1QX, United Kingdom	10,001 Ordinary shares	100.00%	8.92%
Babcock Partners No 2010 Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.00%	100.00%
Babcock Support Services s.r.l.	Via Foro Buonaparte, 70 20121, Milano, Italy	10,000 Ordinary shares	100.00%	100.00%
BMPT Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	12 ORDINARY shares	100.00%	100.00%
Debut Services (Contracts) Limited	142 Northolt Road, Harrow, Middlesex, HA2 0EE, United Kingdom	1 Ordinary shares	9.09%	9.09%
Debut Services (South West) Limited	c/o Bovis Lend Lease Limited, 20 Triton Street, Regent's Place, London, England, NW1 3BF	500 Ordinary shares	50.00%	50.00%
Debut Services Limited	c/o Bovis Lend Lease Limited, 20 Triton Street, Regent's Place, London, England, NW1 3BF	150 Ordinary shares	15.00%	15.00%
Devonport Management Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.00%	100.00%
Hiberna FM Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.00%	100.00%
Peterhouse GmbH	Berliner Platz 12, 41061, Moenchengladbach, Germany	25,600 Ordinary shares	100.00%	100.00%
Babcock Support Services GmbH	Berliner Platz 12, 41061, Moenchengladbach, Germany	25,000 Ordinary shares	100.00%	100.00%
Babcock Engineering Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2,500,000 Ordinary shares	100.00%	100.00%
Babcock Fire Services (SW) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	50,000 Ordinary shares	100.00%	100.00%

Babcock Southern Holdings Limited

Babcock Infrastructure Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	93.00%	100.00%
Babcock Civil Infrastructure Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.00%	100.00%

Notes to the financial statements (continued)

15 Related undertakings (continued)

Name	Address	Interest	Immediate %	Ultimate %
Babcock International Support Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	26,250,000 Ordinary shares	100.00%	100.00%
Babcock Education and Skills Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.00%	100.00%
Babcock Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	0.00%	7.00%
Babcock Engineering Assessments Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	43,100 A ORDINARY shares, 43,100 B ORDINARY shares, 16,300 C ORDINARY shares	100.00%	100.00%
Babcock Lifeskills Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	10,000 Ordinary shares	100.00%	100.00%
Surrey Careers Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	23,328 ORDINARY shares	94.11%	94.11%
Babcock Project Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	25,000 Ordinary-A shares, 25,000 Ordinary-B shares	100.00%	100.00%
Babcock Southern Careers Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	15,020 Ordinary-A shares, 3,980 Ordinary-B shares, 1,000 Ordinary-C shares	100.00%	100.00%
Babcock Technical Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.00%	100.00%
Vosper ManTech Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	30,000 Ordinary-A shares, 20,000 Ordinary-B shares	100.00%	100.00%
Westminster Education Consultants Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	10,000 Ordinary shares	100.00%	100.00%
Babcock Investments (Fire Services) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.00%	100.00%
Babcock Leaseco Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.00%	100.00%
Babcock Malta Limited	44 Esplanade, St Helier, Jersey, JE4 9WG, Jersey	141 Ordinary shares	100.00%	100.00%
Babcock Marine Products Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.00%	100.00%
Form Land Support Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.00%	100.00%
Babcock Partner No 6 Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	45,309,880 Ordinary shares	100.00%	100.00%
Babcock Partner No 7 Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	500,000 Ordinary shares	100.00%	100.00%

Babcock Southern Holdings Limited

	Kingdom			
Babcock Trustees Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.00%	100.00%
VT Insurance Services Limited	St Martins House, Le Bordagé, St Peter Port	20,999,999 Ordinary shares	100.00%	100.00%

Notes to the financial statements *(continued)*

16 Contingent liabilities

At the year-end date the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2017: £nil) provided to certain Group companies. In addition, the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2017: £nil).

17 Immediate and ultimate parent undertaking

The Company's immediate parent company is Babcock Overseas 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 address:

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