# Babcock Airports Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## For the year ended 31 March 2021

**Company registration number:**

**03954520**

## Directors and advisors

**Current directors**
Spicer, C J L
Urquhart, I S
Parker, J R

**Company Secretary**
Babcock Corporate Secretaries Limited

**Registered Office**
33 Wigmore Street
London
W1U 1QX

**Independent auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Southampton
SO14 3TJ

## Strategic report

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

### Principal activities

**The Company provides support services operations in the Airports sector. Services range from the formulation of solutions through to detailed design, project management, commissioning, operation and maintenance.**

### Review of the business

| | 2021<br>Ã'000 | 2020<br>£'000 |
|---|---|---|
| Revenue | 24,457 | 84,994 |
| Profit for the financial year | 155 | 7,756 |

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

**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 will continue to operate existing project services from the formulation of solutions through to detailed design, project management and commissioning at a reduced level for the year ended 31 March 2022. The Company will be completing its current commitments on existing contracts through to October 2021 and will then cease trading.**

**Work across the Company's principle market of airports has greatly reduced since March 2020 due to the impact of the COVID-19 pandemic, with projects delayed and resource requirements greatly reduced. The bulk of operational staff in the Company have been designated as essential workers during the COVID-19 pandemic and therefore have continued to provide ongoing services and support to airports. The health and wellbeing of our staff has been our main concern and we have taken measures to ensure they can continue to work safely.**

### Financial position

**The Company has increased total shareholders' funds to £17.5m (2020 £17.3m) as a result of the performance for the year. Cash and cash equivalents decreased to a liability of £1.7m at 31 March 2021 (2020 asset £9.7m) due to further amounts being advanced to other group companies during the year.**

### Principal risks and uncertainties

**The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee. The key risks and uncertainties affecting the Company are considered to be the resource requirements due to Covid and the completion of remaining projects. A number of the Company's long term contracts are ceasing from October 2021. The directors manage these risks**

## Future developments and going concern

## Directorsô report

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

### Dividends

No dividends were declared and paid during the year (2020: £nil was declared and paid).

### Future developments

Information on the future developments of the Company can be found in the Strategic report on page 3.

### Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance departments. The department has a policy and procedures manual that sets out specific guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk
The Company is exposed to price risk as a result of its operations. This risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities. The Company has no exposure to equity securities price risks as it holds no listed equity investments.

Credit risk
The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company also monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk
The Company retains access to pooled cash resources to ensure it has sufficient available funds for operations. The Company also has access to longer term funding from its ultimate parent undertaking

**Babcock Airports Limited**

**Registered number 03954520**

## 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.**

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

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

**Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law).**

**Under company law, 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 compN**

## Statement of engagement with customers, employees, suppliers and others in a business

## Independent auditors' report to the members of Babcock Airports Limited

# Report on the audit of the financial statements

### Opinion

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## Income statement
**for the year ended 31 March 2021**

| | Note | 2021 | 2020 |
|---|---|---|---|

| Statement of financial position<br>as at 31 March 2021 | | 2021<br>Ã'000 | 2020<br>£'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 12 | - | 454 |
| Right-of-use assets | 13 | 9 | 332 |

## Statement of changes in equity
for the year ended 31 March 2021

| | Called-up share capital | Retained earnings | Total Shareholders' funds |
|---|---|---|---|
| | £'000 | £'000 | Ã'000 |
| **Balance at 1 April 2019** | - | 13,777 | 13,777 |
| Profit for the financial year | - | 7,756 | 7,756 |
| Other comprehensive expense | - | (4,196) | (4,196) |
| **Balance at 31 March 2020** | - | 17,337 | 17,337 |
| Profit for the financial year | - | 155 | 155 |
| Other comprehensive expense | - | - | - |
| **Balance at 31 March 2021** | - | 17,492 | 17,492 |

## Notes to the financial statements

### 1 General information

Babcock Airports Limited is a private company limited by shares which is incorporated and domiciled in England, 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.

#### Adoption of new and revised standards

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

#### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The Company will be completing its current commitments on existing contracts and will then cease trading. As such, the Company is winding down its operations and will be liquidated and 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

## 2 Summary of significant accounting policies (continued)

**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;
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,

## 2 Summary of significant accounting policies (continued)

## 2 Summary of significant accounting policies (continued)

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

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

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

### Pensions costs and other post-retirement benefits

The Company participates in a defined benefit scheme that shares risks between entities under common control. The defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension scheme are charged to operating profit in the entities who participate in the scheme. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income.

The fair value of plan assets 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.

## 2 Summary of significant accounting policies (continued)

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.

### Grant Income

The Job Retention Scheme grant income received has been be recognised in the period in which the underlying furloughed staff costs are incurred.

## 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.

## 6 Operating profit

Operating profit is stated after charging / (crediting):

| | 2021 | 2020 |
|---|---|---|
| | Ã'000 | £'000 |
| Depreciation of tangible fixed assets | 190 | 253 |
| Depreciation of right-of-use assets | 169 | 181 |
| Inventory charged as an expense | 7,531 | 2,739 |
| Lease charges | | |
| Property | 75 | 132 |
| Audit fees payable to the Company's auditors | 35 | 22 |
| Research and development tax credits | (239) | (722) |

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, and its associates, for services other than the statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC. The group financial statements are required to comply with the statutory disclosure requirements.

## 7 Finance income and finance cost

| | 2021 | 2020 |
|---|---|---|
| | Ã'000 | Ã'000 |
| **Finance income:** | | |
| Bank and other interest | - | 18 |
| | - | 18 |
| **Finance cost:** | | |
| Bank interest | (6) | (51) |
| Interest on lease liabilities | (12) | (15) |
| | (18) | (66) |

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## Notes to the financial statements (continued)

### 10 Share Based Payments

**The charge to the income statement has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below is included within the Remuneration report of the Annual report of Babcock International Group PLC, which does not form part of this report.**

## 14 Investments in subsidiaries

| | 2021 Shares in group undertakings | Total | 2020 Shares in group undertakings | Total |
|---|---|---|---|---|
| | Ã'000 | Ã'000 | £'000 | £'000 |
| **Cost** | | | | |
| At 1 April | 17 | 17 | 17 | 17 |

## 22 Dividends

**Dividends declared and paid were £nil (2020: £nil). There are no plans for a final dividend.**

## 23 Guarantees and financial commitments

### 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 (2020: £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 (2020: £nil).**

## 24 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.**

## 25 Pension commitments

**The Company accounts for pension costs in accordance with IAS 19. The Company contributes to a defined contribution scheme in the UK in respect of a number of its employees. The Company is also**

### 25 Pension commitments (continued)

**The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2021 were:**

| | 2021 | 2020 |
|---|---|---|
| | Ã'000 | £'000 |
| Equities | (79) | 17,851 |
| Property | 138,681 | 136,091 |
| Absolute return and multi-strategy funds | 77,583 | 87,564 |
| Bonds | 724,997 | 588,848 |
| Matching assets | 551,788 | 622,665 |
| Scheme assets | 1,492,970 | 1,453,019 |
| Active position on longevity swaps | (53,800) | (65,642) |
| Total assets | 1,439,170 | 1,387,377 |
| Present market value of liabilities - funded | (1,421,689) | (1,276,793) |
| Pension Surplus | 17,481 | 110,584 |

**All the assets of the scheme are quoted except for the longevity swaps.**

**The scheme does not invest directly in assets or share of Babcock International Group Plc.**

**The Babcock Airports Limited net pension assets of £nil (2020: £ nil) represents 0.0% (2020: 0.0%) of the Babcock International Group PLC Net Pension Surplus.**

**The longevity swaps have been valued, in 2021, in line with assumptions that are consistent with the requirements of IFRS 13.**

## 25 Pension commitments (continued)

| Analysis of amount charged to the income statement in Babcock International Group PLC | 2021 Ã'000 | 2020 £'000 |
|---|---|---|
| Current service cost | 5,741 | 6,693 |
| Incurred expenses | 2,596 | 1,970 |
| Past service cost | 999 | - |
| Settlement | - | - |
| Total included within operating profit | 9,336 | 8,663 |
| Net interest income | (2,843) | (1,300) |
| Total charged to the income statement | 6,493 | 7,363 |

## 25 Pension commitments (continued)

| Reconciliation of reimbursement rights | 2021<br>Ã'000 | 2020<br>£'000 |
|---|---|---|
| At 1 April | (65,642) | (60,111) |
| Interest on reimbursement rights | (1,576) | (1,444) |
| Actuarial losses | 13,418 | (4,087) |
| At 31 March | ( | co |

## 26 Subsidiary, and associate and joint venture undertakings

**All related undertakings for the Company are as listed below:**

**Company Name**