
Babcock Vehicle Engineering Limited

Annual report

For the year ended 31 March 2021

Company registration number:

00434529

Babcock Vehicle Engineering Limited

Directors and advisors

Current directors

C Spicer
J Parker
S Doherty

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Strategic report for the year ended 31 March 2021

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

Principal activities

The Company provides specialist vehicle conversion services in the Emergency Services and Defence sectors.

Review of the Business

	2021	2020
	£000	Restated £000
Revenue	25,592	29,109
Operating (Loss)/Profit	(1,221)	1,103

Revenue and Operating (Loss) / Profit for the year ended 31 March 2020 has been restated. Following a review of the Company's revenue recognition, it has been identified that a number of adjustments were required to the prior year revenue, for further information please refer to note 4.

Over the course of the year, the Company's business activities were adversely affected by the impact of COVID-19.

In the last year the Company has continued to maintain the high levels of quality and service to its

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

Future developments

Following the COVID-19 outbreak, the Company has continued to work closely with its customers in order to understand their priorities in response to the pandemic. The business has implemented the necessary plans in consultation with key customers to continue to deliver

Directors' report

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

Results and dividends

The Company's results for the year are set out in the income statement on page 11 showing an operating loss for the financial year of £1,221,000 (2020: £1,103,000 profit). At 31 March 2021 the Company had net assets of £648,000 (2020: £1,922,000).

A total dividend of £nil (2020: £6,000,000) has been paid in the current year and no final dividend for the year ended 31 March 2021 has been provided by the directors (2020: £nil).

Future developments

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

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 if required.

Interest rate risk

The Company has interest-bearing assets. Cash balances accrue interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Directors' report *(continued)*

Directors

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

M Hayward (Appointed 3 August 2020, resigned 23 November 2021)
S White (Resigned 3 August 2020)
J Parker (Appointed 14 September 2020)
S West (Resigned 14 September 2020)
R Taylor (Resigned 31 October 2021)
I Urquhart (Resigned 31 May 2022)
C Spicer (Appointed 23 November 2021)
S Doherty (Appointed 31 May 2022)

Employment of disabled persons

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

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of persfhhel

Directors' report *(continued)*

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 Company for that period. In preparing the financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

Directors' report (continued)

Going Concern

The directors have prepared the financial statements on a going concern basis as confirmation has been received from Babcock Southern Holdings Limited, that they will ensure the Company is able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements unless the Company generates sufficient cash flows from its operations to meet the repayments and its third-party obligations as they fall due.

Appointment of independent auditors

PricewaterhouseCoopers LLP has now completed its final audit as external auditors. Deloitte LLP has been selected as the Company's external auditors for the financial year ended 31 March 2022 following shareholder approval at the Annual General Meeting of the Ultimate Parent, Babcock International Group PLC.

On behalf of the board



J Parker

Director

28 November 2022

Independent auditors' report to the members of Babcock Vehicle Engineering Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock Vehicle Engineering Limited's financial statements:

give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended; have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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: Statement of financial position as at 31 March 2021; Income statement, Statement of comprehensive income and 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

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

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

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

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

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 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

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statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management to enquire of any known instances of non-compliance with laws and regulations and fraud;
- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations; and
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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

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Income statement for the year ended 31 March 2021

	Note(s)	2021 £000	2020 Restated £000
Revenue	4,5	25,592	29,109
Cost of sales		<u>(25,438)</u>	<u>(27,536)</u>
Gross profit		154	1,573
Administrative expenses		(1,375)	(470)
Operating (loss)/profit	6	<u>(1,221)</u>	<u>1,103</u>
Finance expenses	7	<u>(30)</u>	<u>(30)</u>
(Loss)/profit before income tax		(1,251)	1,073
Income tax (expense)/credit	10	<u>(23)</u>	<u>31</u>
(Loss)/profit for the financial year		<u><u>(1,274)</u></u>	<u><u>1,104</u></u>

All of the above results derive from continuing operations.

Statement of comprehensive Income for the year ended 31 March 2021

	2021 £000	2020 Restated £000
(Loss)/profit for the financial year	(1,274)	1,104
Total comprehensive (expense)/income for the financial year	<u><u>(1,274)</u></u>	<u><u>1,104</u></u>

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Statement of financial position
as at 31 March 2021

	Note	2021 £000	2020 Restated £000
Fixed assets			
Tangible assets	11	1,958	2,047
Right of use assets	12	153	58
		<hr/>	<hr/>
		2,111	2,105

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

Note	Called up share capital £000	Retained
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Notes to the financial statements

1 General information

Babcock Vehicle Engineering Limited is a private Company which is incorporated and domiciled in the UK, limited by shares. 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, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

These financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 as confirmation has been received from Babcock Southern Holdings Limited, that they will ensure the Company is able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements unless the Company generates sufficient cash flows from its operations to meet the repayments and its third party obligations as they fall due.

The financial statements are prepared in pounds 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 Critical Services Limited and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available.

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

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
- b) IFRS 7, 'Financial instruments: Disclosures'
- c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
 - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;

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

Basis of preparation (continued)

2 Summary of significant accounting policies (continued)

- f) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- g) The requirements of paragraph 58 of IFRS 16.
- h) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- i) IAS 7, 'Statement of cash flows'
- j) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- k) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- l) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Notes to the financial statements **(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.

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

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

Dividend distribution

Dividends are recognised as a liability in T170.6(t)11.na

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

4 Prior year restatement (continued)

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

6 Operating (loss)/profit (continued)

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

7 Finance expenses

	2021	2020
	£000	Restated £000
Finance (expenses)/income:		
Bank interest	(10)	3
Leases	(7)	(1)
Other interest	(13)	(32)
	<u>(30)</u>	<u>(30)</u>

8 Staff costs

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

	2021	2020
	Number	Number
By activity:		
Production	229	247
Management and administration	69	56
	<u>298</u>	<u>303</u>

Their aggregate remuneration comprised:

	2021	2020
	£000	£000
Wages and salaries	8,380	9,146
Social security costs	819	816
Other pension costs	350	347
	<u>9,549</u>	<u>10,309</u>

Included in other pension costs are £350,000 (2020: £347,000) in respect of the defined contribution scheme.

9 Directors' remuneration

All of the directors of the Company are remunerated by other Babcock Group companies in the current and prior year. 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.

12 Right of use assets

	Plant and equipment £000	Total £000
Cost		
At 1 April 2020	69	69
Additions	138	138
Disposals	-	-
At 31 March 2021	207	207

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

14 Trade and other receivables

	2021	2020
	£000	Restated £000
Amounts falling due within one year:		
Trade receivables		

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

16 Lease liabilities

The entity leases plant & machinery, and vehicles, under non-cancellable operating leases.

Discounted future minimum lease payments are as follows:

	2021 £000	2020 £000
Within one year	37	30

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

20 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.

21 Deferred taxation

The major components of the deferred tax assets are recorded as follows.
All deferred tax related to accelerated capital allowances:

Deferred tax (assets)	Accelerated capital allowances £000
At 1 April 2019:	(46)
- Current year credit	(13)
- Prior year adjustment	(11)
- Impact of change in tax rate	(7)
	<hr/>
	(77)
At 31 March 2020:	<hr/>
At 1 April 2020:	(77)
- Current year credit	2
- Prior year adjustment	21
- Impact of change in tax rate	-
	<hr/>
At 31 March 2021:	<hr/> (54)

All tax losses are utilised through Group relief. There are no losses carried forward and therefore no deferred tax impact.

22 Ultimate parent undertaking

The Company's immediate parent Company is Babcock Critical Services Limited, a limited Company registered in Scotland. 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