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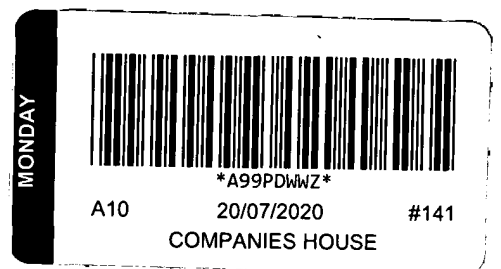
**Babcock Fire Services Limited**

**Annual Report**

**For the year ended 31 March 2020**

**Company registration number:**

**03707192**



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**Babcock Fire Services Limited**

**Directors and advisors**

**Current directors**

N Borrett  
M Graves  
D Jones  
K Stewart  
I Urquhart

**Company secretary**

Babcock Corporate Secretaries Limited

**Registered office**

33 Wigmore Street  
London  
W1U 1QX

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
3 Ocean Way  
Southampton  
SO14 3TJ

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## Babcock Fire Services Limited

### Strategic report for the year ended 31 March 2020

The directors present their Strategic report on the Company for the year ended 31 March 2020.

#### Principal activities

The Company's principal activity is the design, construction and maintenance of firefighting training units for use in the provision of firefighting training to the Royal Navy under a sub contract arrangement with Flagship Fire Fighting Training Limited, which runs until 2021.

#### Review of the business

	2020	2019
	£000	£000
Turnover	4,649	4,466
Profit for the financial year	2,844	2,605

During the year the main activity of the Company was the maintenance of the firefighting training units for the Naval Training Command (NTC) at Portsmouth and Plymouth through its sub-contract from Flagship Fire Fighting Training Limited. The Company's performance is monitored by a variety of qualitative measures in terms of service delivery that can result in performance deductions.

Over the course of the year, the Company's core business activity continued to perform in line with expectations. A year on year increase in turnover and margin is driven by updated assumptions regarding contract outturn and the phasing of expenditure and indexation assumptions across the remaining term of the contract which directly impacted the prior year comparator.

The Company has less than 1 year remaining of the original contract with the NTC in respect of the operation of the facilities, providing strong visibility of future trading income.

As 2019/20 drew to a close, the impact of COVID-19 measures came into force. The company has seen minimal impact caused by Covid-19 for financial year ending March 20 and it continues to remain in a healthy position for the foreseeable future. Working closely with the MOD, the Company continues to implement government guidelines and review operational support priorities.

The directors consider the financial position of the company to be satisfactory.

#### 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 Babcock International Group (the "Group") level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risk facing the Company is maintaining high quality delivery to the client, ensuring that the firefighting training facilities are available as and when required to avoid performance deductions. This is mitigated in conjunction with the lead contractor by ensuring that there is a close working relationship with the NTC and a detailed costed maintenance schedule is in place based upon historical experience of managing similar contracts.

Further discussion of these risks and uncertainties, in the context of the Group as a whole and including the expected impact of COVID-19 is provided on pages 80 to 92 of the annual report of Babcock International Group PLC, which does not form part of this report.

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**Babcock Fire Services Limited**

**Strategic report for the year ended 31 March 2020** *(continued)*

**Future developments**

The firefighting training unit's contract has a requirement for a Value For Money (VFM) submission every 5 years from the contract start. The final value for money review will occur at the end of the contract term in 2021. The company will become dormant at the end of the contracted term.

**Key performance indicators**

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Marine, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 68 to 71 of the Group's report, which does not form part of this report.

On behalf of the Board

Mark Graves



**Director**

6 July 2020

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## **Babcock Fire Services Limited**

### **Directors' report for the year ended 31 March 2020**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

#### **Results and dividends**

The Company's results for the year are set out in the Statement of Comprehensive Income on page 10 showing a profit for the financial year of £2,844,000 (2019: £2,605,000). At 31 March 2020 the Company had net assets of £12,118,000 (2019: £9,274,000).

No interim dividend was paid in the year (2019: *£nil*) and the directors do not recommend the payment of a final dividend (2019: *£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 cash flow risk*

The Company has both interest-bearing assets and interest-bearing liabilities. The interest-bearing assets earn interest at a fixed rate, with the exception of interest earned on cash balances which accrue interest at a floating rate. Interest-bearing liabilities 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.

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**Babcock Fire Services Limited****Directors' report for the year ended 31 March 2020****Financial risk management** *(continued)*

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 65 to 67 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:

N Borrett  
M Graves  
D Jones  
K Stewart  
I Urquhart

**Safety policy**

The Company recognises the promotion of health and safety at work as an important objective. It is Company policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of the employees of the Company.

**Environment**

The Company recognises its responsibility to minimise so far as reasonably possible the potential for adverse impacts from its operations. It aims to achieve the highest standards in environmental management and seek accreditation to appropriate standards where appropriate.

The Company has developed and implemented an environmental policy to ensure that the impact of its activities on the environment is limited to the minimum practicable level.

**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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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.

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## **Babcock Fire Services Limited**

### **Directors' report for the year ended 31 March 2020 (continued)**

#### **Statement of directors' responsibilities in respect of the financial statements (Continued)**

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

#### **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.

#### **Going Concern**

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

#### **Statement of disclosure of information to auditors**

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

#### **Reappointment of auditors**

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

On behalf of the Board

Mark Graves



Director

6 July 2020

Registered number 03707192

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**Independent auditors' report to the members of Babcock Fire Services Limited**

**Report on the audit of the financial statements**

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**Opinion**

In our opinion, Babcock Fire Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 2020; 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.

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**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.

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**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 where:

- 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.

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**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 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.



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## Babcock Fire Services Limited

### Independent auditors' report to the members of Babcock Fire Service Limited (continued)

#### 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 2020 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.

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#### 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 in Respect of the Financial Statements, 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.

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](http://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.

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## 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.



Christopher Solomides (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton  
6 July 2020

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**Babcock Fire Services Limited****Statement of comprehensive income**  
*for the year ended 31 March 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	2019 £000
<b>Turnover</b>	4	<b>4,649</b>	4,466
Cost of sales		<b>(1,927)</b>	(1,930)
<b>Operating profit</b>	5	<b>2,722</b>	2,536
Interest receivable and similar income	6	<b>25</b>	109
Interest payable and similar expenses	6	-	(82)
<b>Profit before tax</b>		<b>2,747</b>	2,563
Tax on profit	8	<b>97</b>	42
<b>Profit for the financial year</b>		<b>2,844</b>	2,605

All of the above results derive from continuing operations.

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**Babcock Fire Services Limited****Balance Sheet***as at 31 March 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	9	607	1,413
		<u>607</u>	<u>1,413</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	8,768	8,759
Cash at bank and in hand		4,874	1,825
		<u>13,642</u>	<u>10,584</u>
Creditors – amounts falling due within one year	11	(2,121)	(2,616)
		<u>11,521</u>	<u>7,968</u>
<b>Net current assets</b>			
		<u>12,128</u>	<u>9,381</u>
<b>Total assets less current liabilities</b>			
Provisions for liabilities	12	(10)	(107)
		<u>12,118</u>	<u>9,274</u>
<b>Net assets</b>			
		<u>12,118</u>	<u>9,274</u>
<b>Equity</b>			
Called up share capital	15	50	50
Retained earnings		12,068	9,224
		<u>12,118</u>	<u>9,274</u>
<b>Total equity</b>		<u>12,118</u>	<u>9,274</u>

The notes on pages 12-21 form an integral part of these financial statements.

The financial statements on pages 9-21 were approved by the board of directors on 6 July 2020 and signed on its behalf by:



Mark Graves  
Director

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**Babcock Fire Services Limited**

**Statement of changes in equity**  
*for the year ended 31 March 2020*

	<i>Note</i>	<b>Called up Share capital</b>	<b>Retained earnings</b>	<b>Total Equity</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2018		50	6,619	6,669
Profit for the year and total comprehensive income		-	2,605	2,605
Balance at 31 March 2019		<u>50</u>	<u>9,224</u>	<u>9,274</u>
Balance at 1 April 2019		50	9,224	9,274
Profit for the year and total comprehensive income		-	2,844	2,844
<b>Balance at 31 March 2020</b>		<b><u>50</u></b>	<b><u>12,068</u></b>	<b><u>12,118</u></b>

**Notes to the financial statements**

**1 General information**

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

**2 Summary of significant accounting policies**

The financial statements of Babcock Fire Services Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

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. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall.

The preparation of financial statements in conformity with FRS 102 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.

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Babcock International Group PLC which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- from disclosing share based payments arrangements, required by paragraphs 26.18(b), 26.19 to 26.21 and 26.23 of FRS 102, concerning its own equity instruments;
- from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

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## Babcock Fire Services Limited

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

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

##### Basis of preparation *(continued)*

The Company has taken advantage of the exemption in FRS 102 paragraph 35.10 (i) from the application of operator accounting of service concession arrangements which had been entered into prior to transition to FRS 102.

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

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

##### Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered net of value added tax.

##### *Rendering of services*

Turnover from services rendered is recognised by reference to the stage of completion of the transaction. Turnover from services provided on a short-term or one-off basis is recognised when the service is complete. The provision of services over a long-term period is treated as set out below.

##### *Long-term contracts*

Turnover from long-term service provision contracts is recognised by reference to the stage of completion of the contract. The stage of completion is determined by the costs incurred on the contract to date, to the extent that such costs represent progress made on the project. Profit attributable to the contract activity is recognised if the final outcome of such contracts can be reliably assessed. An expected loss on a contract is recognised immediately in the statement of comprehensive income. Amounts due from customers for contract work are disclosed within debtors and payments received on account are disclosed within creditors.

##### *Deferred and accrued income*

The timing of billings to the customer does not always reflect the pattern of turnover recognition. Where amounts invoiced to the customer exceed the amount that has been recognised as turnover within the statement of comprehensive income the difference is held as a liability on the balance sheet in deferred income to the extent that the cash has been received from the customer. Where the amount that has been recognised as turnover within the statement of comprehensive income exceeds the amounts invoiced to the customer the difference is held as an asset on the balance sheet in accrued income to the extent that the cash has not been received from the customer.

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

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

**Tangible assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs directly attributable to bring the asset to its working condition for its intended use.

Depreciation on equipment is provided on a straight line basis over the estimated useful lives as follows:

Plant and machinery	4 to 20 years
Leasehold buildings	20 years

Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell or value in use.

**Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

*a) Current Tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

*b) Deferred Tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

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## **Babcock Fire Services Limited**

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

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

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

##### **Interest payable**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **Interest income**

Interest income is recognised using the effective interest method. When a loan or debtor is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and debtors is recognised using the original effective interest rate.

##### **Trade and other debtors**

Trade and other debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

A provision for bad debt is established when there is objective evidence that the collection of the debt is no longer probable.

##### **Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### **Financial Instruments**

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

###### **(i) Financial assets**

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

###### **(ii) Financial liabilities**

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price.



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## **Babcock Fire Services Limited**

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

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

##### **Financial Instruments** *(continued)*

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in interest expense or income as appropriate.

The company does not currently apply hedge accounting for interest rate derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### **Provisions for liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Onerous contracts are recognised immediately in the statement of comprehensive income and a provision made in the balance sheet to be unwound over the remaining life of the contract.

##### **Functional currency**

The company's functional and presentational currency is Pounds Sterling.

##### **Distributions to equity holders**

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

### **3 Critical accounting judgements**

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.

- a) The Company has a long term contract where turnover and costs are incurred over multiple financial periods. This requires estimates of turnover and expenses over multiple periods, considering various elements such as the frequency and extent of the number of employees, materials 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.
- b) The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

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

Revenue is wholly attributable to the principal activity of the Company and is of United Kingdom origin and destination.

	2020	2019
	£'000	£'000
Sale of goods – transferred over time	4,649	4,466
	<u>4,649</u>	<u>4,466</u>

**5 Operating profit**

Operating profit is stated after charging:

	2020	2019
	£000	£000
Depreciation - owned tangible fixed assets	838	860

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.

Fees payable for the audits of the company of £9,500 (2019: £7,000) have been borne by Babcock Marine Training Limited.

**6 Interest receivable and interest payable**

	2020	2019
	£000	£000
<b>Interest receivable and similar income</b>		
Bank interest receivable	25	53
Gains on derivative financial instrument	-	56
	<u>25</u>	<u>109</u>
<b>Interest payable and similar expenses</b>		
Interest payable on bank loans	-	(80)
Loan interest payable to group undertakings	-	(2)
	<u>-</u>	<u>(82)</u>

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**Babcock Fire Services Limited****Notes to the financial statements (continued)****7 Directors' remuneration and employee information**

None of the directors received remuneration for their services to the Company as the services provided to the Company are incidental to their wider role in the group (2019: £nil). The Company employs no staff (2019: none).

**8 Tax on profit**

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Current tax</b>		
UK Corporation tax on profits for the year	-	-
<b>Current tax charge for the year</b>	<u>-</u>	<u>-</u>
<b>Deferred tax (Note 12)</b>		
Origination and reversal of timing differences	<b>(110)</b>	(50)
Adjustments in respect of deferred tax for prior years	-	3
Impact of change in UK tax rate	<b>13</b>	5
<b>Total deferred tax credit</b>	<u><b>(97)</b></u>	<u>(42)</u>
<b>Tax credit for the year</b>	<u><b>(97)</b></u>	<u>(42)</u>

The tax assessed for the year is lower (2019: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2020 of 19% (2019: 19%). The differences are explained below:

	<b>2020</b>	2020
	<b>£000</b>	£000
<b>Profit before taxation</b>	<u><b>2,747</b></u>	<u>2,563</u>
Profit before taxation multiplied by standard UK Corporation tax rate of 19% (2019: 19%)	<b>522</b>	487
Effects of:		
Adjustment in respect of deferred tax for prior years	-	3
Expenses not deductible for tax purposes	<b>27</b>	77
Group relief for nil consideration	<b>(659)</b>	(614)
Impact of change in UK tax rate	<b>13</b>	5
<b>Total tax credit for the year</b>	<u><b>(97)</b></u>	<u>(42)</u>

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**Babcock Fire Services Limited****Notes to the financial statements (continued)****8 Tax on profit (continued)**

In November 2019 the Government announced it intended to cancel the future reduction in corporation tax rate from 19% to 17%. This was subsequently enacted in March 2020. Therefore deferred taxes at the balance sheet date have been measured at a rate of 19% (2019: 17%).

**9 Tangible assets**

	<b>Leasehold land &amp; buildings £000</b>	<b>Vehicles, plant &amp; machinery £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 April 2019	8,071	13,510	21,581
Additions	-	32	32
At 31 March 2020	<u>8,071</u>	<u>13,542</u>	<u>21,613</u>
<b>Accumulated depreciation</b>			
At 1 April 2019	7,328	12,840	20,168
Charge for the year	405	433	838
At 31 March 2020	<u>7,733</u>	<u>13,273</u>	<u>21,006</u>
<b>Net book value</b>			
At 31 March 2020	<u>338</u>	<u>269</u>	<u>607</u>
At 1 April 2019	<u>743</u>	<u>670</u>	<u>1,413</u>

**10 Debtors: Amounts falling due within one year**

	<b>2020 £000</b>	<b>2019 £000</b>
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	<b>8,768</b>	<b>8,759</b>
	<u><b>8,768</b></u>	<u><b>8,759</b></u>

All financial assets of the company are carried at amortised cost. Amounts due from group undertakings, including an £8,000,000 loan, are interest free, repayable on demand and unsecured.

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**Babcock Fire Services Limited****Notes to the financial statements (continued)****11 Creditors - amounts falling due within one year**

	2020	2019
	£000	£000
Amounts owed to group undertakings	872	870
Other taxation and social security	201	206
UK corporation tax payable	746	746
Accruals and deferred income	302	794
	<u>2,121</u>	<u>2,616</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

UK corporate tax payable represents the aggregate amount of current tax charges, the balance of which is owed to other group undertakings.

**12 Provisions for liabilities**

The major components of the deferred tax asset and liability are as follows:

	Accelerated capital allowances £000	Total £000
At 1 April 2019:	107	107
- Credited to the income statement	(97)	(97)
At 31 March 2020	10	10

**13 Other financial liabilities**

No derivative financial instruments at fair value were included in the year (2019: £nil)

The Company has taken advantage of the exemptions within FRS 102 sections 11 and 12 not to disclose all requirements, on the basis that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available with compliance to IFRS.

**14 Dividends paid**

No interim dividend was paid in the year (2019: £nil) and the directors do not recommend the payment of a final dividend (2019: £nil).

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**Babcock Fire Services Limited**

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

**15 Called up share capital**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted called up and fully paid</b>		
50,000 ordinary shares of £1 each (2019 : 50,000)	<u><b>50</b></u>	<u><b>50</b></u>

**16 Guarantees and financial commitments**

Under the terms of a contract with the Government for the provision of firefighting training units, the company has an obligation to pass to the Government, at the end of the contract in 2021, relevant property plant and equipment in its ownership for the consideration of £1.

**17 Immediate and ultimate parent undertakings**

The Company's immediate parent company is Babcock Defence & Security Holdings LLP, a limited liability partnership registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC Financial Statements are available from the following address:

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