

# **First Engineering Holdings Limited**

## **Annual report and financial statements**

**For the year ended 31 March 2014**

**Company registration number:**

**SC154605**



**Directors**

F Martinelli  
P L Rogers  
W L Tame  
R F Whiley

**Company Secretary**

Babcock Corporate Secretaries Limited

**Registered office**

Kintail House  
3 Lister Way,  
Hamilton Technology Park,  
Blantyre,  
Glasgow  
G72 0FT

**Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
141 Bothwell Street  
Glasgow  
G2 7EQ

The Directors present their strategic report for the year ended 31 March 2014.

### **Review of the business**

The company is an investment holding company. This is not expected to change in the foreseeable future.

### **Financial risks and uncertainties**

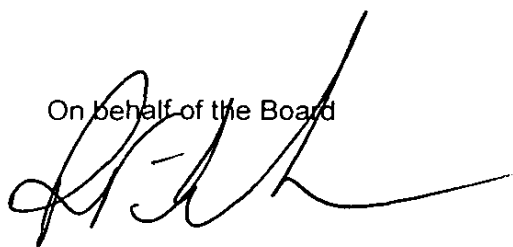
The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risks and uncertainties affecting the Company are considered to be related to contractual performance and the political and regulatory environment. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided in the annual report of Babcock International Group PLC, which does not form part of this report.

### **Key performance indicators**

The key risks and uncertainties affecting the Company are considered to be related to contractual performance and the political and regulatory environment. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided in the annual report of Babcock International Group PLC, which does not form part of this report.

On behalf of the Board



R F Whiley  
Director  
4 September 2014

The directors present the audited financial statements of the Company, for the year ended 31 March 2014.

### **Results and dividends**

The profit for the financial year was £822,000 (2013: £967,000). The directors declared a dividend of £nil (2013: £nil), resulting in profit for the financial year of £822,000 (2013: £967,000).

### **Financial risk management**

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management. The policies in respect of managing price risk, credit risk, liquidity risk and interest rate cash flow risk are provided in the annual report of Babcock International Group PLC, which does not form part of this report.

### **Director's indemnities**

The Company's Articles of Association provide that, subject to the provisions of the Companies Act, but without prejudice to any protection from liability which might otherwise apply, every director of the Company shall be indemnified out of the assets of the Company against any loss or liability incurred by him in defending any proceedings in which judgement is given in his favour, or in which he is acquitted or in connection with any application in which relief is granted to him by the court for any negligence, default, breach of duty or breach of trust by him in relation to the Company or otherwise in connection with his duties or powers of office. .

Babcock International Group PLC also 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 directors 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 2013 and remain in force.

### **Directors of the company**

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

F Martinelli  
P L Rogers  
W Tame  
R F Whiley

---

### Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Independent auditors and the disclosure of information

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) 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

A resolution proposing to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



R F Whiley  
Director  
4 September 2014

## **Independent auditors' report to the members of First Engineering Holdings Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by First Engineering Holdings Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Independent auditors' report to the members of First Engineering Holdings Limited**

**Report on the financial statements (continued)**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.



Martin Cowie (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
4 September

---

**First Engineering Holdings Limited**

**Profit and loss account**  
**For the year ended 31 March 2013**

---

	Notes	2014 £'000	2013 £'000
Interest receivable and similar income	3	824	969
Interest payable and similar income	3	<u>(2)</u>	<u>(2)</u>
Profit for the financial year	9	<u>822</u>	<u>967</u>

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

All results for the year arise wholly from continuing operations.

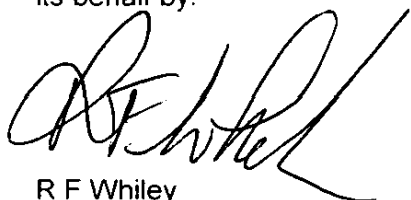
The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.

**First Engineering Holdings Limited**  
**Company registration number: SC154605**

**Balance sheet as at 31 March 2014**

	Notes	2014 £'000	2013 £'000
<b>Current assets</b>			
Debtors	6	61,012	60,190
Cash at bank and in hand		824	824
		<b>61,836</b>	<b>61,014</b>
<b>Creditors – amounts falling due within one year</b>	7	<b>(396)</b>	<b>(396)</b>
<b>Net current assets</b>		<b>61,440</b>	<b>60,618</b>
<b>Total assets less current liabilities</b>		<b>61,440</b>	<b>60,618</b>
<b>Net assets</b>		<b>61,440</b>	<b>60,618</b>
<b>Capital and reserves</b>			
Called-up share capital	8	371	371
Share premium account	9	36	36
Capital redemption reserve	9	10,800	10,800
Profit and loss account	9	50,233	49,411
<b>Total shareholders' funds</b>	9	<b>61,440</b>	<b>60,618</b>

The financial statements on pages 7-12 were approved by the board of directors and signed on its behalf by:



R F Whiley  
 Director  
 4 September 2014

**1. Accounting policies***Basis of preparation*

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

*Income*

Income generally represents the value of interest receivable during the year and is generated wholly within the United Kingdom from continuing activities.

*Taxation*

In accordance with FRS 16, corporation tax is provided on taxable profits at the current rate. Tax charges and credits are accounted for through the same primary statement (either the profit and loss account or statement of total recognised gains and losses) as the pre-tax item.

Tax, current and deferred, is calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

*Cash flow statement*

The Company has taken advantage of the exemption in Financial Reporting Standard 1 (revised 1996) to dispense with the requirement to prepare a cash flow statement in its financial statements, as a consolidated cash flow statement is included in the financial statements of the ultimate parent company.

**2. Auditors' Remuneration**

No auditors' fees have been settled directly by the Company. Audit fees of £2,000 (2013: £2,000) were paid by a fellow subsidiary undertaking on behalf of the Company in respect of audit work performed in the UK.

**3 Interest receivable/ (payable) and similar income/ (charges)**

	2014 £'000	2013 £'000
<b>Interest receivable and similar charges:</b>		
Loan interest receivable from group undertaking	824	969
	<u>824</u>	<u>969</u>
<b>Interest payable and similar income:</b>		
Loan interest payable to group undertaking	(2)	(2)
	<u>(2)</u>	<u>(2)</u>
<b>Net interest receivable</b>	<u>822</u>	<u>967</u>

## Notes to the financial statements (continued)

**4. Directors and Employees**

Other than the directors, the company had no employees during the year (2013 - none). The directors did not receive any remuneration for their services as directors of the company (2013 - £nil).

**5. Tax on profit on ordinary activities**

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Current taxation		
UK Corporation tax on profits of the year	-	-

The tax assessed for the year is lower (2013: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2014 of 23% (2013: 24%). The differences are explained below:

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Profit on ordinary activities before tax	<b>822</b>	967
Tax on profit on ordinary activities at standard UK corporation tax rate of 23% (2013: 24%)	<b>189</b>	232
Effects of:		
Group relief for nil consideration	<b>(189)</b>	(232)
Current tax charged for the year	-	-

**6. Debtors**

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Due within one year:		
Amounts owed by group undertakings	<b>59,125</b>	59,125
Prepayments and accrued income	<b>1,887</b>	1,065
	<b>61,012</b>	60,190

The amounts due from group companies, which represent the outstanding consideration, are repayable on demand. Interest is charged on these amounts at a floating rate linked to LIBOR.

## Notes to the financial statements (continued)

**7. Creditors - amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	<b>350</b>	350
Accruals and deferred income	<b>46</b>	46
	<b>396</b>	<b>396</b>

**8. Called up share capital**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted, issued and fully paid</b>		
371,319 (2013: 371,319) ordinary shares of £1 each	<b>371</b>	<b>371</b>

**9. Reconciliation of movements in shareholders' funds and reserves**

	Called up share capital £'000	Share premium account £'000	Capital Redemption Reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2013	371	36	10,800	49,411	60,618
Profit for the financial year	-	-	-	822	822
<b>At 31 March 2014</b>	<b>371</b>	<b>36</b>	<b>10,800</b>	<b>50,233</b>	<b>61,440</b>

	Called up share capital £'000	Share premium account £'000	Capital Redemption Reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2012	371	36	10,800	48,444	59,651
Profit for the financial year	-	-	-	967	967
<b>At 31 March 2013</b>	<b>371</b>	<b>36</b>	<b>10,800</b>	<b>49,411</b>	<b>60,618</b>

**10. Guarantees and financial commitments**

*Contingent liabilities*

The company at the year end had joint and several liabilities for drawn bank overdraft facilities of other group companies for the value of £nil (2013: £nil).

**11. Related party disclosures**

The Company, as a wholly owned subsidiary, has taken advantage of the exemption, granted under Financial Reporting Standard 8, Related Party Disclosures, from disclosing details of sales and purchases with other members of the group headed up by Babcock International Group PLC.

**12. Ultimate parent undertaking**

The Company's immediate parent company is Babcock Holdings Limited, a company registered in England and Wales. The company's ultimate parent company 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. The directors regard Babcock International Group PLC as the ultimate controlling party.

Copies of Babcock International Group PLC financial statements are available to the public from the following address:

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