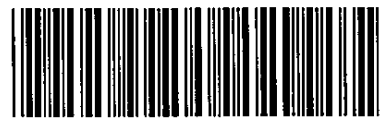


Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Annual report and financial statements for the 17 month period ended 31 March 2014

Registered number: SC434537

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Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly
MM&S (5742) Limited)

Annual report and financial statements for the 17 month period ended 31
March 2014

Contents

	Page
Company information	1
Strategic report for the 17 month period ended 31 March 2014	2
Directors' report for the 17 month period ended 31 March 2014	4
Independent auditors' report to the members of Liquid Gas Equipment Limited	6
Profit and loss account for the 17 months ended 31 March 2014.....	8
Balance sheet as at 31 March 2014	9
Notes to the financial statements for the 17 month period ended 31 March 2014	10

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Company information

Directors

N E C Campbell
A R Duckett
J Hall
M W Hardy
I Lindsay
F Martinelli
G Robinson

Company secretary

G Robinson

Registered office

Young House
42 Discovery Terrace
Heriot-Watt University Research Park
Edinburgh
EH14 4AP

Independent auditors

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

Bankers

The Royal Bank of Scotland PLC
Glasgow Branch
10 Gordon Street
Glasgow
G1 3PL

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Strategic report for the 17 month period ended 31 March 2014

The directors present their strategic report of Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited) ("the company") (Registered Number SC434537) for the 17 month period ended 31 March 2014.

Company structure and ownership changes

The company was incorporated on 11 October 2012 as MM&S (5742) Limited and changed its name to LGE Process Limited on 30 November 2012 at which time the entire share capital of the company was held by The Weir Group plc. On 1 December 2012, certain of the trade and assets of TWG Young Limited (formerly Liquid Gas Equipment Limited) (Registered Number SC045285) were transferred into the company. The company was then sold to Babcock International Group plc on 28 December 2012. The company changed its name to Liquid Gas Equipment Limited on 3 January 2013.

As this is the first reporting period of the company there are no comparatives stated.

Review of business

The company's principal activities are the design and installation of liquid gas storage and handling systems both for marine and onshore markets.

The company is part of the Marine and Technology Division of Babcock International Group PLC ("Babcock") and its results are mainly from its core market being long term contracts supplying cargo handling systems for Liquid Petroleum Gas (LPG) ships. This market is mainly shipyards manufacturing various sizes of gas ships out of Asia.

In the 17 month period to 31 March 2014 the company has experienced a high volume of new contracts won in its core LPG market with both existing and new clients. The company enters the next financial year with a strong order book with turnover expected to grow significantly as equipment is delivered on its existing contracts.

The company's principle objective is to grow the business and aims to do this by maintaining its core market position, building strong relationships with its major customers and growing into related markets.

Key performance indicators

The activities of the company are managed both at company and divisional level. The following financial and non-financial key performance indicators are utilised by the company to measure the success of the business and its strategy. The current order book is considered strong and underpins future revenues. The company aims for debtor days of around 30 and considers 38 days to be higher than normal. The other key performance indicators below are considered satisfactory.

	31 March 2014
	£'000
Operating return, before amortisation, on revenue	14.0%
Orderbook	190,462
Total Injuries rate per 100,000 hours worked	Nil
Current assets as a % of current liabilities	63%
Average number of employees	65
No. of apprentices	Nil
Debtor days	38

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Strategic report for the 17 month period ended 31 March 2014

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 business risks and uncertainties affecting the company are considered to relate to contractual performance, the political and regulatory environment, and exposure to foreign exchange.

Political risk

The company and its customers operate around the world including in the Middle East and Asia. While benefiting from the opportunities in these regions, the company and its customers are exposed to the political and business risks associated with international operations, such as sudden changes in regulation, expropriation of assets, imposition of trade barriers and limits on the export of currency.

Product liability claims

The company faces an inherent business risk of exposure to product liability and warranty claims in the event that a failure of a product results in, or is alleged to result in, bodily injury, property damage and/or consequential loss. The company's parent company maintains insurance coverage for product liability claims where possible. For warranty claims not covered by insurance, warranty costs may be incurred which the company may not be able to recover.

Financial risk management

The company's principal financial instruments comprise cash at bank and bank overdrafts as well as financial derivatives. The main purpose of these financial instruments is to manage the company's funding and liquidity requirements. The company has other financial instruments such as trade debtors and trade creditors which arise directly from its operations. The principal financial risks to which the company is exposed are those relating to foreign currency, commodity price and credit risk. Financial risk is managed in accordance with group policies and procedures which are discussed on pages 136 to 139 and note 2 of the annual report of Babcock International Group PLC.

Foreign exchange risk

The company buys and sells goods and services in currencies other than its functional currency which is pound sterling. As a result, the company's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. The company seeks to minimise its transaction exposure by maintaining a policy that forward foreign currency contracts are used to hedge material currency exposures on firm future commitments. It is company policy not to engage in any speculative transaction of any kind.

Commodity price risk

The company's exposure to raw material price risk is generally diminished by restricting bid validity to periods within those quoted by suppliers and by material price agreements and escalation clauses.

Credit risk

The company's credit risk is primarily attributable to its trade receivables and amounts due under construction contracts. Where appropriate, the company endeavours to minimise risk by the use of trade finance instruments such as letters of credit. Credit worthiness checks are also undertaken before entering into contracts with new customers.

Approved by the board on 27 June 2014 and signed on behalf of the board by:



I Lindsay
Director
27 June 2014

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Directors' report for the 17 month period ended 31 March 2014

The directors present their report and the audited financial statements of Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited) ("the company") (Registered Number SC434537) for the 17 month period ended 31 March 2014.

Directors

The directors of the company who were in office during the reporting period and up to the date of signing the financial statements were:

C Truesdale (resigned 29 November 2012)
Vindex Limited (resigned 29 November 2012)
Vindex Services Limited (resigned 29 November 2012)
N E C Campbell (appointed 29 November 2012)
R Davies (appointed 29 November 2012, resigned 30 October 2013)
A R Duckett (appointed 29 November 2012)
G Robinson (appointed 29 November 2012)
J Hall (appointed 28 December 2012)
M W Hardy (appointed 28 December 2012)
I Lindsay (appointed 28 December 2012)
F Martinelli (appointed 28 December 2012)

Results and dividends

The directors report that the company has made a profit after taxation for the 17 month period to 31 March 2014 of £4,084,000. No dividends were proposed or paid during the reporting period.

Qualifying indemnity provision

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 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 2012 and remain in force.

Employment policies

The company's employment policies and, in particular, those relating to the employment of disabled persons, are set out in detail in the directors' report of Babcock International Group PLC, the ultimate parent company.

Gender Diversity

	31 March 2014	
	Male	Female
Paid Directors	3	-
Senior Managers	4	1
Employees	44	13
Total average number of employees	51	14

Health and Safety

The company operates long established working practices and controls to minimise damage and injury and 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.

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Directors' report for the 17 month period ended 31 March 2014

Research and development

The company continues to invest in research and development and encourage its staff to develop new designs and processes and to improve the performance and cost effectiveness of existing designs and processes.

Independent auditors

PricewaterhouseCoopers LLP were auditors to the company during the financial period in accordance with Section 485 of the Companies Act 2006 and re-appointment will be put forward at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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.

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board on 27 June 2014

Signed on behalf of the Board by:



I Lindsay
Director
27 June 2014

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Independent auditors' report to the members of Liquid Gas Equipment 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 period 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 Liquid Gas Equipment Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account for the period 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 Directors' 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Independent auditors' report to the members of Liquid Gas Equipment Limited (continued)

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, 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
27 June 2014

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

Profit and loss account for the 17 months ended 31 March 2014

	Note	2014 £'000
Turnover	2	55,988
Cost of sales		(47,369)
Gross profit		8,619
Administrative expenses		(2,555)
Operating profit		6,064

Operating profit consists of:

Earnings before interest, tax, depreciation and amortisation		7,873
Depreciation of fixed assets		(18)
Amortisation of Goodwill	9	(1,791)

Profit on ordinary activities before interest and taxation		6,064
Interest payable and similar charges	3	(78)
Profit on ordinary activities before taxation	4	5,986
Tax on profit on ordinary activities	7	(1,902)
Profit for the financial period	19	4,084

All the profit and loss items relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial period stated above and their historical cost equivalent.

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

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

Registered number: SC434537

Balance sheet as at 31 March 2014

	Note	2014 £'000
Fixed assets		
Intangible assets – goodwill	9	34,031
Tangible assets	10	35
Derivative financial instruments	15	2,073
		36,139
Current assets		
Derivative financial instruments	15	2,745
Debtors	11	26,630
Cash at bank and in hand	12	17,032
		46,407
Creditors – amounts falling due within one year	13	(73,734)
Net current liabilities		(27,327)
Total assets less current liabilities		8,812
Creditors – amounts falling due after more than one year	14	(565)
Provisions for liabilities	16	(777)
Net Assets		7,470
Capital and reserves		
Called up share capital	18	-
Other reserve	19	3,386
Profit and loss account	19	4,084
Total shareholders' funds	19	7,470

The financial statements on pages 8 to 24 were approved by the Board of directors on 27 June 2014 and were signed on its behalf by:



I Lindsay
Director

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Notes to the financial statements for the 17 month period ended 31 March 2014

1 Accounting policies

The principal accounting policies are summarised below.

Basis of accounting

The financial statements have been 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. A summary of the key accounting policies, which have been applied consistently, is set out below.

Tangible fixed assets

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and any provision for impairment in value. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition less any provision for impairment in value. Depreciation is provided on a straight line basis to write off the cost of all tangible fixed assets over their estimated useful lives or contract period if shorter, to their estimated residual value as follows:

Plant and machinery	4 to 10 years (or where applicable over remainder of lease period)
---------------------	--

Intangible fixed assets - Goodwill

Intangible fixed costs are stated at cost less accumulated amortisation. When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets the difference is treated as purchased goodwill and is capitalised. The goodwill is amortised through the profit and loss account over its estimated economic life. An assessment for impairment is made by management on an annual basis. The goodwill arising on the acquisition of trade and assets from TWG Young Limited is to be amortised on a straight line basis over 20 years.

Turnover

Turnover mainly comprises amounts earned on long term contracts for engineering and procurement activities. Such revenue is recognised in line with overall contract progress. On other contracts revenue is recognised as the work is carried out with the profit element recognised on a suitable prudent basis. All turnover is stated net of value added tax.

Long term contracts

A long term contract is defined as the supply of a single substantive asset or the provision of a service where the time taken to contract execution extends for more than twelve months. Sales revenue recorded on long term contracts is the value of work done and this is calculated as contract costs incurred together with a proportion of profit attributable to the stage of completion of each contract.

Profit earned on long term contracts is recognised when the forecast profitability of the contract can be estimated with reasonable confidence. Losses are taken in full, as soon as they become foreseeable with reasonable certainty.

The gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits exceeds progress billings is shown under "amounts recoverable on contracts" within debtors.

The gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits is shown under "payments received on account of long term contracts" within creditors.

Pre-contract costs are recognised as expenses as incurred.

Liquid Gas Equipment Limited (formerly LGE Process Limited, formerly MM&S (5742) Limited)

Notes to the financial statements for the 17 month period ended 31 March 2014 (continued)

1 Accounting policies (continued)

Short term contracts

Sales revenue recorded on short term contracts is calculated as contract costs incurred. Profit is recognised on completion of the work.

The gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits exceeds progress billings is shown under "amounts recoverable on contracts" within debtors.

The gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits is shown under "payments received on account of long term contracts" within creditors.

Prepayments and accrued income

The company makes advance payments to some of its key equipment suppliers as part of the normal course of business. The invoice value that relates to delivery of equipment in future periods is shown within prepayments in the balance sheet at the contract rate and transferred to cost of sales in the profit and loss account at such time when the supplier has completed its contractual obligations and delivered the equipment.

Research and Development expenditure

Research and development expenditure is written off in the period in which it is incurred.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. The taxation liabilities of certain group companies may be reduced, wholly or in part, by the surrender of losses by fellow group companies. The decision to charge group relief is made on a case by case basis.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax in the future.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

1 Accounting policies (continued)

Foreign currency translation

Trading activities denominated in foreign currencies are recorded in sterling at the exchange rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at the weighted average contract rate. Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange gains and losses are taken to the profit and loss account.

Derivative financial instruments and hedging activities

The company enters into forward contracts for the purchase and/or sale of foreign currencies in order to manage its exposure to fluctuations in currency rates. All forward exchange contracts that have been designated in a hedge accounting relationship undergo effectiveness testing at the balance sheet date to ensure that the hedge remains highly effective. Forward exchange contracts are valued at the period end exchange rate and shown in the balance sheet as financial assets or liabilities. Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Gains or losses on ineffective hedges are recognised in the profit and loss account.

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Babcock International Group PLC and is included in the consolidated financial statements of Babcock International Group PLC, which are publicly available. Consequently, the company has taken advantage of the exemptions from preparing a cashflow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'. The company is also exempt under the terms of FRS 8 'Related party disclosures' from disclosing related party transactions with entities that are part of Babcock International Group PLC.

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

2 Turnover

Turnover represents the amount invoiced to third parties in respect of goods sold and services provided excluding value added tax. In the case of long term contracts, it represents the value of work done during the period. Turnover is almost entirely attributable to the supply of cargo handling systems in the oil and gas sector and is analysed by geographical analysis, based on the country in which the customer is located, as shown below:

	2014 £'000
Geographical analysis of turnover	
UK	430
Europe	154
Asia	55,386
Middle East	8
USA and Americas	20
	55,988

3 Interest payable and similar charges

	2014 £'000
Interest payable and similar charges	
Bank interest	(3)
Other interest payable to group undertakings	(75)
Interest charge	(78)

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2014 £'000
Depreciation - owned tangible fixed assets (note 10)	18
Goodwill amortisation (note 9)	1,791
Auditors' remuneration	
- audit fees	25
Operating lease rentals	
- Property	164

5 Staff costs

	2014 £'000
Wages and salaries	3,489
Social security costs	344
Other pension costs	212
Staff costs	4,045

The cost of contributions to the defined contribution scheme, within the Babcock International Group Pension Scheme, amounts to £212,000. There were no outstanding or prepaid contributions at the period end.

The average monthly number of persons employed by the Company during the period was:

By activity	2014 Number
Operations	51
Administration and Management	14
Total	65

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

6 Directors' remuneration

	2014 £'000
Aggregate emoluments	579

Highest Paid Director

	2014 £'000
Aggregate emoluments and benefits	169

No share options were exercised by the highest paid director during the period.

The above disclosures relate to four directors paid by the company during the period. J Hall, M W Hardy, I Lindsay and F Martinelli are also directors of the holding company or other subsidiaries of Babcock International Group plc. No remuneration was paid by the company to these directors.

7 Tax on profit on ordinary activities

The taxation charge comprises:	2014 £'000
Current tax	
UK corporation tax	1,819
	1,819
Deferred tax (note 17)	
Deferred tax credit	(1)
Impact of change in UK tax rate	84
Tax on profit on ordinary activities	1,902

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

7 Tax on profit on ordinary activities (continued)

The tax assessed for the period is equal to the standard rate of corporation tax in the UK (23.32%). The difference between the total current tax for the period shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before taxation is as follows:

	2014 £'000
Profit on ordinary activities before taxation	5,986
Tax on profit on ordinary activities at standard UK corporation tax rate of 23.32%	1,396
Effects of:	
Timing differences	1
Expenses not deductible for tax purposes	422
Current tax charge for the period	1,819

A number of changes to the UK Corporation tax system were announced in the March 2012 Budget Statement. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 is included in the Finance Act 2013. Further changes to the UK corporation tax system were announced in the March 2013 Budget Statement. These included further reductions to the main corporation rate from 21% to 20% by 1 April 2015. These further changes have been substantively enacted at the balance sheet date and, therefore the impact is included in these financial statements. As a result of the above all deferred tax balances are restated at 20% at the balance sheet date.

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

8 Acquisitions

On 1 December 2012, certain of the trade and assets of TWG Young Limited were purchased and transferred into the company for a total consideration of £25,220,000 and the company was subsequently sold to Babcock Integrated Technology Limited on 28 December 2012. The total adjustments required to the book values of the assets and liabilities acquired in order to present the net assets at fair values on 28 December 2012 were £1,495,000, details of which are set out below together with the resultant amount of goodwill arising.

	Book value	Revaluations	Fair value
	£'000	£'000	£'000
Tangible fixed assets	47	-	47
Debtors	7,392	687	8,079
Creditors	(15,435)	(2,092)	(17,527)
Provisions	(2,898)	(90)	(2,988)
Cash at bank	1,787	-	1,787
Net liabilities acquired	(9,107)	(1,495)	(10,602)
Goodwill			35,822
Consideration satisfied by cash			25,220

The book values are the values associated with the assets and liabilities of TWG Young Limited at 1 December 2012.

The revaluation adjustment to creditors relates to additional contract cost allowances and the revaluation of provisions is an allowance for office dilapidations. Other adjustments to debtors include a deferred tax asset relating to these revaluations.

The above consideration of £25,220,000 was paid by Babcock Integrated Technology Limited on behalf of the company and is shown under "amounts owed to group undertakings" within creditors – amounts falling due within one year (see note 13).

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 11 October 2012	-
Additions	35,822
At 31 March 2014	35,822
Accumulated amortisation	
At 11 October 2012	-
Charge for the period	1,791
At 31 March 2014	1,791
Net book value	
At 31 March 2014	34,031
At 11 October 2012	-

Goodwill is being amortised on a straight line basis over 20 years.

The directors have evaluated the carrying value of goodwill as at 31 March 2014. Given that the company has a large order book at 31 March 2014 securing future revenues the directors have not carried out an impairment review.

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

10 Tangible fixed assets

	Plant and machinery £'000
Cost or valuation	
At 11 October 2012	-
Acquisitions	47
Additions	6
At 31 March 2014	53
Accumulated depreciation	
At 11 October 2012	-
Charge for the period	18
At 31 March 2014	18
Net book value	
At 31 March 2014	35
At 11 October 2012	-

11 Debtors

Amounts falling due within one year:

	2014 £'000
Trade debtors	17,550
Amounts recoverable on contracts	580
Amounts owed by group undertakings	217
Deferred Tax (note 17)	419
Other debtors	136
Prepayments and accrued income	7,728
	26,630

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

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

12 Cash at bank and in hand

	2014 £'000
Cash at bank and in hand – sterling	15,662
Cash at bank and in hand – foreign currency	1,370
	17,032

13 Creditors – amounts falling due within one year

	2014 £'000
Bank loans and overdrafts	2,897
Trade creditors	3,938
Amounts owed to group undertakings	25,428
UK corporation tax	1,797
Other taxation and social security	75
Other creditors	5
Payments received on account of long term contracts	36,547
Derivative financial instruments	867
Accruals and deferred income	2,180
	73,734

The company has access to the Babcock International Group PLC overdraft facility. The company along with other group undertakings has provided cross guarantees in relation to this facility (note 19).

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

14 Creditors – amounts falling due after more than one year

	2014 £'000
Derivative financial instruments	565

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

15 Derivative financial instruments

	2014 Assets £'000	2014 Liabilities £'000
At 31 March 2014		
Forward foreign currency contracts – cash flow hedge	4,818	(1,432)
Current portion	2,745	(867)
Non-current portion	2,073	(565)

The ineffective portion recognised as a profit in the period that arose from cash flow hedges was £164,000.

16 Provisions for liabilities

	Warranties £'000	Property £'000	Total £'000
At 11 October 2012	-	-	-
Acquisitions	2,898	-	2,898
Additional provisions	406	90	496
Released to the profit and loss account	(2,356)	-	(2,356)
Utilised in the period	(261)	-	(261)
At 31 March 2014	687	90	777

Warranty provisions include provisions for expected warranty and contract damages claims on products sold and services provided. It is expected that all costs related to such claims will have been incurred within five years of the balance sheet date.

The property provision is a dilapidations provision to make repairs to the company's rented office space prior to expiry of the lease in August 2016.

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

17 Deferred tax

The components of the deferred tax asset recorded are as follows:

	2014 £'000
Accelerated capital allowances	1
Other short term timing differences	418
	419

The movement on the deferred tax asset is as follows:

	£'000
At 11 October 2012	-
On acquisition	502
Deferred tax credit in profit and loss account (see note 7)	1
Impact of change in UK tax rate	(84)
At 31 March 2014	419

18 Called up share capital

	2014 £
Authorised	
2 ordinary shares of £1 each	2
Allotted and fully paid	
2 ordinary shares of £1 each	2

The shares were issued on 11 October 2012.

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

19 Reconciliation of movements in shareholders' funds and reserves'

	Called up Share Capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
At 11 October 2012	-	-	-	-
Profit for the financial period	-	-	4,084	4,084
Net movement on foreign currency cash flow hedge	-	3,386	-	3,386
At 31 March 2014	-	3,386	4,084	7,470

20 Guarantees and financial commitments

Capital commitments

There were no capital commitments outstanding at the end of the financial period.

Contingent liabilities

At the year end the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £620,800,000 provided to certain group companies. In addition, the Company at the period end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £nil.

Operating lease commitments

At 31 March the company had annual commitments under non cancellable operating leases expiring as follows:

	2014	
	Property £'000	Other £'000
- within one year	123	-
- within two to five years	164	-
	287	-

**Liquid Gas Equipment Limited (formerly LGE Process Limited,
formerly MM&S (5742) Limited)**

**Notes to the financial statements for the 17 month period ended 31
March 2014 (continued)**

21 Related party disclosures

The company, as a wholly owned subsidiary, has taken advantage of the exemption, granted under FRS 8, 'Related party disclosures', from disclosing details of related party transactions with other members of the group headed up by Babcock International Group PLC.

22 Ultimate parent undertaking and controlling party

The company's immediate parent company is Babcock Integrated Technology 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