Liquid Gas Equipment Limited

Annual report and financial statements for the year ended 31 March 2015

Registered number: SC434537

Liquid Gas Equipment Limited

Annual report and financial statements for the year ended 31 March 2015

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Liquid Gas Equipment 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
Strategic report for the year ended 31 March 2015

The directors present their strategic report of Liquid Gas Equipment Limited for the year ended 31 March 2015.

Comparative numbers for 2014 referenced below cover the 17 month period to 31 March 2014.

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, principally within the oil and gas industry.

The company's results are mainly from its core market being long term contracts supplying cargo handling systems for Liquid Petroleum Gas (LPG) ships. The company's clients are mainly shipyards manufacturing various sizes of gas ships out of South Korea and China.

In the year ended 31 March 2015 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 company aims for operating returns above 10% and is currently achieving these levels. The current order book is considered strong and underpins future revenues. The company aims for debtor days of around 30 and considers 47 days to be higher than normal. The other key performance indicators below are considered satisfactory.

The growth and performance of Marine & Technology, a division of Babcock International Group PLC, which includes the company, is discussed on pages 12 to 17 and 40 to 47 of the Group's report, which does not form part of this report.

	31 March 2015	31 March 2014
Revenue growth	**69%**	-
Operating return, before amortisation, on revenue	**14.5%**	14.0%
Orderbook	**207,554**	190,462
Total Injuries rate per 100,000 hours worked	**Nil**	Nil
Current assets as a % of current liabilities	**67%**	63%
Average number of employees	**80**	65
No. of apprentices	**Nil**	Nil
Debtor days	**47**	38

Liquid Gas Equipment Limited
Strategic report for the year ended 31 March 2015

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. Further discussion of these risk and uncertainties, in the context of the Group as a whole, is provided on pages 60 to 69 of the annual report of Babcock International Group PLC, which does not form part of this report.

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.

On behalf of the board

I Lindsay
Director

29 July 2015

Liquid Gas Equipment Limited
Directors' report for the year ended 31 March 2015

The directors present their report and the audited financial statements of Liquid Gas Equipment Limited for the year ended 31 March 2015. Comparative numbers for 2014 cover the 17 month period to 31 March 2014.

Directors

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

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

Results and dividends

The directors report that the company has made a profit after taxation for the financial year of £8,062,000 (17 months to March 2014: £4,084,000). A dividend payment of £7,000,000 was paid in the year (2014: £nil) to Babcock Integrated Technology Limited. No further dividends were proposed during the year.

The balance sheet as at 31 March 2015 shows net liabilities of £10,149,000 (17 months to March 2014: net assets £7,470,000).

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 2015		31 March 2014	
	Male	**Female**	Male	Female
Paid Directors	**3**	**-**	3	-
Senior Managers	**5**	**2**	4	1
Employees	**53**	**17**	44	13
Total average number of employees	**61**	**19**	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.

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 44 to 46 and note 2 of the annual report of Babcock International Group PLC, which does not form part of this report. The Financial risk management note (Note 2) is on pages 142 to 145 of the annual report of Babcock International Group PLC, which does not form part of this report.

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.

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.

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.

Customer relationships and supply chain
The company benefits from close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, or a significant worsening in commercial terms, could impact on the Company's results. The Company devotes significant resources to supporting these relationships to ensure they continue to operate satisfactorily.

The company purchases equipment through supply chains external to the company. Any failure of the supply chain would represent a risk to the company's ability to meet customer requirements and achieve its financial goals. As part of company strategy, the company seeks to forge deeper and stronger relationships with its suppliers.

Future developments
In the following year much effort will be focussed on successfully delivering projects from the current order book as well as developing our technology in the Liquefied Natural Gas (LNG) market to win new business in this sector.

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.

Going concern statement
The company had net liabilities at 31 March 2015, due to the hedging reserve (Note 1 to the financial statements) arising from the revaluation of foreign exchange contracts at the year end. The company enters into forward contracts for the purchase and / or sale of foreign currencies in order to underpin contracted levels of profitability and as the forward foreign currency contracts mature and, are settled, the associated hedging reserve will be eliminated. The company has traded profitably throughout the year and the directors consider that, having regard to the company's prospects for future business, it remains appropriate to adopt the going concern basis in preparing the financial statements.

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 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 year. 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
The directors who held office at the date of approval of this director's report confirm that, so far as they are each 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.

On behalf of the Board

I Lindsay
Director

29 July 2015

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

Report on the financial statements

Our opinion

In our opinion, Liquid Gas Equipment Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 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.

What we have audited

Liquid Gas Equipment Limited's financial statements comprise:

- the balance sheet as at 31 March 2015;
- 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 the preparation of the financial statements 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.

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 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 6, 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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in 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.

M Cowie

Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
29 July 2015

Liquid Gas Equipment Limited

Profit and loss account for the year ended 31 March 2015

	Note	2015 £'000	17 months March 2014 £'000
Turnover	2	**94,590**	55,988
Cost of sales		**(79,964)**	(47,369)
Gross profit		**14,626**	8,619
Administrative expenses		**(2,746)**	(2,555)
Operating profit		**11,880**	6,064

Operating profit consists of:			
Earnings before interest, tax, depreciation and amortisation		**13,687**	7,873
Depreciation of fixed assets		**(16)**	(18)
Amortisation of Goodwill	8	**(1,791)**	(1,791)

Profit on ordinary activities before interest and taxation		**11,880**	6,064
Net interest payable and similar charges	3	**(1,199)**	(78)
Profit on ordinary activities before taxation	4	**10,681**	5,986
Tax on profit on ordinary activities	7	**(391)**	(1,902)
Profit for the financial year/period	18	**10,290**	4,084

All the above 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 periods 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

Balance sheet as at 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets – goodwill	8	**32,240**	34,031
Tangible assets	9	**25**	35
Derivative financial instruments	14	**269**	2,073
		32,534	36,139
Current assets			
Derivative financial instruments	14	**2,255**	2,745
Debtors	10	**70,826**	26,630
Cash at bank and in hand	11	**6,769**	17,032
		79,850	46,407
Creditors – amounts falling due within one year	12	**(117,067)**	(73,734)
Net current liabililities		**(37,217)**	(27,327)
Total assets less current liabilities		**(4,683)**	8,812
Creditors – amounts falling due after more than one year	13	**(3,603)**	(565)
Provisions for liabilities	15	**(1,863)**	(777)
Net (liabilities)/assets		**(10,149)**	7,470
Capital and reserves			
Called up share capital	17	**-**	-
Hedging reserve	18	**(17,523)**	3,386
Profit and loss account	18	**7,374**	4,084
Total shareholders' (deficit)/funds	18	**(10,149)**	7,470

The notes on pages 12 to 26 form part of these financial statements.

The financial statements were approved by the Board of directors on 29 July 2015 and were signed on its behalf by:

I Lindsay

Director

Liquid Gas Equipment Limited
Notes to the financial statements for the year ended 31 March 2015

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.

Going concern basis
The company had net liabilities at 31 March 2015, due to the hedging reserve arising from the revaluation of foreign exchange contracts at the year end. The company enters into forward contracts for the purchase and / or sale of foreign currencies in order to underpin contracted levels of profitability and as the forward foreign currency contracts mature and, are settled, the associated hedging reserve will be eliminated. The company has traded profitably throughout the year and the directors consider that, having regard to the company's prospects for future business, it remains appropriate to adopt the going concern basis in preparing the financial statements.

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

Turnover
Turnover mainly comprises amounts earned on long term contracts for engineering and procurement activities and represents the value of work done during the year. On other contracts revenue is recognised as costs are incurred. 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. Recognition of contract profits requires a careful estimate of the final costs, expected increases,

delays and penalties which could reduce the expected profit. In order to manage this uncertainty, the company uses contract management and risk analysis processes to identify, quantify and manage the risks associated with the contracts.

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.

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.

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, valuation and hedging reserve

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 the hedging reserve. 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.

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 year. 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:

	2015 £'000	17 months March 2014 £'000
Geographical analysis of turnover		
UK	**43**	430
Europe	**106**	154
Africa	**2**	-
Asia	**94,432**	55,376
Middle East	**3**	8
USA and Americas	**4**	20
	94,590	55,988

3 Net interest payable and similar charges

	2015 £'000	17 months March 2014 £'000
Interest payable and similar charges		
Bank interest receivable / (payable)	**6**	(3)
Other interest payable to group undertakings	**(1,205)**	(75)
Interest charge	**(1,199)**	(78)

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2015	17 months March 2014
	£'000	£'000
Depreciation - owned tangible fixed assets (note 9)	**16**	18
Goodwill amortisation (note 8)	**1,791**	1,791
Auditors' remuneration		
- audit fees	**24**	25
Research and development	**85**	162
Operating lease rentals		
- Property	**123**	164

5 Staff costs

	2015	17 months March 2014
	£'000	£'000
Wages and salaries	**3,504**	3,489
Social security costs	**342**	344
Other pension costs	**179**	212
Staff costs	**4,025**	4,045

The cost of contributions to the defined contribution scheme, within the Babcock International Group Pension Scheme, amounts to £179,000 (17 months to March 2014: £212,000). There were no outstanding or prepaid contributions at the year end.

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

By activity	2015	17 months March 2014
	Number	Number
Operations	**62**	51
Administration and Management	**18**	14
Total	**80**	65

6 Directors' remuneration

	2015	17 months March 2014
	£'000	£'000
Aggregate emoluments	**366**	537
Aggregate company contributions to:		
- Money purchase pension schemes	**26**	42
Aggregate amounts receivable under long-term incentive scheme	**120**	-

	2015	17 months March 2014
	Number	Number
Number of directors to whom retirement benefits are accruing under:		
- Money purchase pension schemes	**3**	3

Highest Paid Director

	2015	17 months March 2014
	£'000	£'000
Aggregate emoluments	**138**	156
Aggregate company contributions to:		
- Money purchase pension schemes	**11**	13
Aggregate amounts receivable under long-term incentive scheme	**50**	-

No share options were exercised by the highest paid director during the year (2014: none).

The above disclosures relate to 3 directors (2014: 4) paid by the company during the year. 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:	2015 £'000	17 months March 2014 £'000
Current tax		
UK corporation tax	-	1,819
	-	1,819
Deferred tax (note 16)		
Deferred tax credit	-	(1)
Adjustments in respect of deferred tax for prior years	**391**	-
Impact of change in UK tax rate	-	84
Tax on profit on ordinary activities	**391**	1,902

The difference between the total current tax for the year shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before taxation is as follows:

	2015 £'000	17 months March 2014 £'000
Profit on ordinary activities before taxation	**10,681**	5,986
Tax on profit on ordinary activities at standard UK corporation tax rate of 21% (17 months to March 2014: 23.32%)	**2,243**	1,396
Effects of:		
Timing differences	-	1
Expenses not deductible for tax purposes	**378**	422
Group relief claimed for nil consideration	**(2,621)**	-
Current tax charge for the year	-	1,819

8 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 2014 and 31 March 2015	**35,822**
Accumulated amortisation	
At 1 April 2014	**1,791**
Charge for the year	1,791
At 31 March 2015	**3,582**
Net book value	
At 31 March 2015	**32,240**
At 31 March 2014	34,031

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 2015. Given that the company has a large order book at 31 March 2015 securing future revenues the directors have not carried out an impairment review.

9 Tangible fixed assets

	Plant and machinery £'000
Cost or valuation	
At 1 April 2014	**53**
Additions	6
At 31 March 2015	**59**
Accumulated depreciation	
At 1 April 2014	**18**
Charge for the year	16
At 31 March 2015	**34**
Net book value	
At 31 March 2015	**25**
At 31 March 2014	35

10 Debtors

Amounts falling due within one year:

	2015	2014
	£'000	£'000
Trade debtors	**23,131**	17,550
Amounts recoverable on contracts	**403**	580
Amounts owed by group undertakings	**32,000**	217
Deferred Tax (note 16)	**28**	419
Other debtors	**870**	136
Prepayments and accrued income	**14,394**	7,728
	70,826	26,630

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

11 Cash at bank and in hand

	2015	2014
	£'000	£'000
Cash at bank and in hand – sterling	**2**	15,662
Cash at bank and in hand – foreign currency	**6,767**	1,370
	6,769	17,032

12 Creditors – amounts falling due within one year

	2015	2014
	£'000	£'000
Bank loans and overdrafts	**1,228**	2,897
Trade creditors	**20,527**	3,938
Amounts owed to group undertakings	**25,687**	25,428
UK corporation tax	**1,797**	1,797
Other taxation and social security	**104**	75
Other creditors	**1**	5
Payments received on account of long term contracts	**46,026**	36,547
Derivative financial instruments	**18,907**	867
Accruals and deferred income	**2,790**	2,180
	117,067	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 20).

Included in Amounts owed to group undertakings is a loan of £25,220,000 payable to Babcock Integrated Technology Limited which is repayable on demand carries interest at 6 month LIBOR plus 4% on the cumulative balance owed. The remaining balances within Amounts owed to group undertakings are repayable on demand and interest free.

13 Creditors – amounts falling due after more than one year

	2015	2014
	£'000	£'000
Derivative financial instruments	**3,603**	565

14 Derivative financial instruments

	2015 Assets £'000	2015 Liabilities £'000
At 31 March 2015		
Forward foreign currency contracts – cash flow hedge	**2,524**	**(22,510)**
Current portion	**2,255**	**(18,907)**
Non-current portion	**269**	**(3,603)**

The ineffective portion recognised as a loss in the year that arose from cash flow hedges was £250,000 (17 months to March 2014: £164,000 profit).

15 Provisions for liabilities

	Warranties £'000	Property £'000	Total £'000
At 1 April 2014	687	90	**777**
Charged to the profit and loss account	1,424	-	**1,424**
Utilised during the year	(338)	-	**(338)**
At 31 March 2015	**1,773**	**90**	**1,863**

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.

16 Deferred tax

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

	2015	2014
	£'000	£'000
Accelerated capital allowances	**10**	1
Other short term timing differences	**18**	418
	28	419

The movement on the deferred tax asset is as follows:

	£'000
At 1 April 2014	419
Prior year adjustment	(391)
At 31 March 2015	**28**

17 Called up share capital

	2015	2014
	£	£
Authorised		
2 (2014: 2) ordinary shares of £1 each	**2**	2
Allotted and fully paid		
2 (2014: 2) ordinary shares of £1 each	**2**	2

18 Reconciliation of total shareholder (deficit)/funds and reserves

	Called up Share Capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2014	-	3,386	4,084	**7,470**
Profit for the financial year	-	-	10,290	**10,290**
Dividends paid	-	-	(7,000)	**(7,000)**
Net movement on foreign currency cash flow hedge	-	(20,909)	-	**(20,909)**
At 31 March 2015	**-**	**(17,523)**	**7,374**	**(10,149)**

19 Dividends Paid

	2015 £'000	17 months March 2014 £'000
Dividend paid: £3,500,000 (2014: £nil) per £1 ordinary share	**7,000**	-

At a meeting of the Board of Directors on 24 March 2015 the directors approved a dividend payment of £7,000,000, amounting to £3,500,000 per share, to Babcock Integrated Technology Limited for the year ended 31 March 2015 (17 months to March 2014: £nil).

20 Guarantees and financial commitments

Capital commitments

There were no capital commitments (2014: nil) outstanding at the end of the financial year.

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 £nil (2014: £620.8 million) provided to certain group companies. The £nil contingent liability at the end of the financial year results from a change in banking arrangements during the year. In addition, the Company at the year end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £15.0 million (2014: £nil).

The Company had other contingent liabilities in the normal course of business, including counter indemnities for advance payment and performance and warranty bonds.

Operating lease commitments

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

	2015	2014
	Property	Property
	£'000	£'000
- within one year	**123**	-
- within two to five years	-	123
	123	123

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 Cash flow statement

The Company has taken advantage of the exemption under FRS 1 (revised 1996) 'Cash Flow Statements' not to prepare a cash flow statement as it is a wholly owned subsidiary of Babcock International Group PLC, which prepares a consolidated cash flow statement and which includes the cash flows of the Company.

23 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 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 to the public from the following address:

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