

**Liquid Gas Equipment Limited**  
**Annual report and financial statements**  
**for the year ended 31 March 2022**

**Registered number: SC434537**

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**COMPANY INFORMATION**

<b>Directors</b>	N E C Campbell S Doherty
<b>Company secretary</b>	Babcock Corporate Secretaries Limited
<b>Registered Number</b>	SC434537
<b>Registered office</b>	Rosyth Business Park Rosyth Dunfermline Fife KY11 2YD
<b>Independent auditor</b>	Deloitte LLP 1 New Street Square, London, EC4A AHQ

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## **Strategic report for the year ended 31 March 2022**

The Directors present their Strategic report on the Company for the year ended 31 March 2022.

### **Principal activities**

The Company's principal activities continued to be the design and supply of liquefied gas storage and handling systems for worldwide marine gas transportation markets.

### **Business review**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Revenue	<b>202,452</b>	155,404
Loss for the financial year	<b>(9,159)</b>	(5,321)

The company's results are from its core market being long-term contracts supplying cargo handling systems for Liquefied Petroleum Gas (LPG), Liquefied Ethane and Liquefied Natural Gas (LNG) ships. The company's contractual clients are shipyards manufacturing various sizes of gas ships in South Korea and China. The company's other customers are shipowners and energy majors who benefit from the operational performance and efficiency of the supplied innovative technology systems.

In the year ended 31 March 2022, the company experienced another growth year with a high volume of contract awards and completions within its core markets for existing shipyard customers and new ship-owner customers. The revenue growth stemmed primarily from the strategic focus of the business on the core markets and the ecoFGSS™ LPG Fuel Gas Supply Systems.

Despite the increased revenue the company has made a loss after tax as a result of increased patent payments to other group companies and higher oversea expenses. From 16th April 2021 the royalties are paid to a newly formed subsidiary LGE IP Management Company Ltd, wholly owned by the company instead of being paid to Babcock International Group plc.

The company strives to maintain its core LPG, Ethane and LNG market positions, building strong relationships with its major customers and end users while further growing into related strategic markets and new technologies especially in low and zero-carbon technologies resulting in a strong orderbook at the end of the year and securing revenues into 2022/23.

Statement of financial position has deteriorated during the year, the overall net liability increasing by 6%. Trade and other receivables have increased, mainly driven by increase in business (note 13). Current liabilities have increased, driven by increase in payments on account and contract accruals due to the increase in key China contracts (note 14).

### **Principal risks and uncertainties**

The Company's ultimate controlling parent is Babcock International Group Plc. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group Plc. The principal risks and uncertainties of Babcock International Group Plc are discussed in its Annual Report for the year ended 31 March 2022.

The key risks and uncertainties affecting the Company are considered to be related to contractual performance, the political and regulatory environment, and exposure to foreign exchange. The Directors manage this risk by meeting on a regular basis to discuss these risks.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 74 to 87 of the annual report of Babcock International Group PLC, which does not form part of this report.

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**Strategic report for the year ended 31 March 2022 (continued)**

**Key performance indicators**

The Company's activities are managed on a divisional basis. The following financial and non-financial key performance indicators (KPIs) have been identified. These reflect the internal benchmarks that are used to measure the success of the business and strategy.

				2022	2021	
Revenue	Growth	from	continuing	30.3%	34.8%	Increase in turnover for continuing operations when compared to that in the previous year.
operations						<b>Increase in overall level of business in both ecoSMRT and LPG markets with existing customers</b>
Operating	Return	on	Turnover	(0.2%)	(2.2%)	Operating loss expressed as a percentage of turnover.
continuing			from			<b>Increase in overall level of business in both ecoSMRT and LPG markets with existing customers revenue up 30%.</b>
operations						
Orderbook	£'000			289,440	209,685	Total value of signed contracts at the end of the year.
						<b>Orderbook is dominated by the Korea customer orders (87% at March 2022, 73% at March 2021).</b>

The growth and performance of Marine, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 42 to 43 of the annual report of Babcock International Group PLC, which does not form part of this report.

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**Strategic report for the year ended 31 March 2022 (continued)**

**S172(1) Statement and Stakeholder engagement**

This statement contains an overview of how the Directors have performed their duty to promote the success of the Company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 52, 53, and 101 of the annual report of Babcock International group PLC, which does not form part of this report.

**Employees**

Our success is led by our employees. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose.

These engagement activities form part of the Group-wide People Strategy as described on pages 19 and 63 – 66 of the annual report of Babcock International group PLC.

**Business relationships**

We are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations. We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs. We build and maintain long-term relationships with our customers to promote the future success of the Company.

To support our global business operations and strategy we require an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the Group-wide Procurement Strategy as described on pages 21 and 69 – 72 of the annual report of Babcock International group PLC.

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**Strategic report for the year ended 31 March 2022 (continued)**

**The community and environment**

Sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: to create a safe and secure world, together. We have done a lot in the past year to drive our sustainability programme across the Group, ensure progress towards our corporate commitments and deliver our five ESG priorities shown below.

1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040.
2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources.
3. We will ensure the safety and wellbeing of all our people.
4. We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies.
5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

These activities form part of the Group-wide ESG Strategy as described on pages 54 – 75 of the annual report of Babcock International group PLC.

Climate action is a key focus: we are continuing to progress our Group-wide decarbonisation programme (Plan Zero 40). Aligned with the Plan Zero 40 pathway announced last year, we commenced baselining our carbon footprint and are on track to submit carbon reduction targets to the Science-Based Targets initiative by April 2023. These are to be achieved by 2030 and will set us on course for decarbonising our estate, assets and operations to reach our overarching goal of net zero emissions by 2040. Further information is included on page 54 of the annual report of Babcock International Group Plc.

This report was approved by the board on 12<sup>th</sup> September 2023 and signed on its behalf



**Neale Campbell**

**Director**

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## **Directors report for the year ended 31 March 2022**

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2022.

### **Dividends**

A dividend of £NIL representing NIL pence per ordinary share was declared and paid in the year (2021: £NIL).

### **Directors and their interests**

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

N E C Campbell

A R Duckett                      resigned 3<sup>rd</sup> May 2023

I Urquhart                        resigned 30<sup>th</sup> June 2022

S Doherty                         appointed 30<sup>th</sup> June 2022

The Board is not aware of any contract of significant in relation to the Company in which any Director has, or has had, a material interest.

### **Future developments**

The company strives to maintain its core LPG, Ethane and LNG market positions, building strong relationships with its major customers and end users while further growing into related strategic markets and new technologies especially in low and zero-carbon technologies.

New Product Development for FY23 is driven by market demands for the World (shipping in particular), to reduce the usage of hydrocarbons which in turn will reduce Co2 emissions. There are two aspects to this – firstly hydrogen is foreseen as the ideal fuel of the future because it is has zero carbon and if made from 'green' energy sources, will in turn be considered 'green'. Bulk inter-continental ship transportation of hydrogen is currently not seen as being practical in the quantities that will be required because it will need to be carried at such low temperature (minus 260 degree Celsius), therefore the current view is that marine transportation (and use as a marine fuel) will be with hydrogen in the form of ammonia which is much easier to carry (only minus 33 degree Celsius). The Company is involved in the several future ship projects where ammonia will be added to the cargo list.

In addition, the Company's ammonia fuel gas system (ecoFGSS-FLEX®) has been developed to use ammonia as a fuel for ship main engines once the engine manufacturers have launched their suitable main engine products. The second aspect on the 'green' journey is where large quantities of Co2 are captured then transported by ship to locations where the Co2 can be pumped into for eternal storage – such locations include old oil and gas reservoirs and salt aquifers – some of these will use old pipelines to move the Co2 but many will require the Co2 to be carried by ships so our ecoCO2® technology has been developed. Both are being actively marketed.

### **Going concern**

The Company's business activities, together with the factors likely to affect it future development and financial position are set out within the Strategic Report. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with it parents and fellow subsidiaries. The Company is in a net current liabilities position of £107.7m, but is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock International Group Plc confirming this position. In completing this analysis, the Directors have considered the ability of Babcock International Group Plc to provide such finance.

## **Directors report for the year ended 31 March 2022 (continued)**

### **Going concern (continued)**

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Financial risk management**

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail with the annual report for Babcock International Group Plc.

### **Safety policy**

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

### **Research and development**

The Company commits resources to research and development to the extent management considers reasonable for the evolution and development of the business.

### **Energy and carbon reporting**

The Company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2022 of its ultimate parent, Babcock International Group Plc.

### **Engagement with suppliers and customers**

Engagement with suppliers and customers has been considered in the Strategic Report on page 5.

### **Employees**

The Company is committed to equal opportunities and will not discriminate on the basis of disability, age, race, colour, ethnic origin, gender, marital status, religious or political beliefs or sexual orientation. We believe that only by encouraging applicants from the widest pool of talent possible, and then selecting the best candidate based on their ability to do the job, can we ensure we continue to deliver our best for our customers and safeguard the future of Babcock. For more information about our inclusion and diversity policy, please see pages 64 and 107 of the annual report for Babcock International Group Plc.

Engagement with UK employees has been considered on page 5 of the Strategic Report.

### **Environment**

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

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

### **Qualifying third party indemnity provisions**

Babcock International Group PLC provides protections for directors of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by Companies Act 2006) for the benefit of members of Babcock International Group PLC, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities came into force in 2012 and remain in force.

### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

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**Directors report for the year ended 31 March 2022 (continued)**

**Statement of disclosure of information to auditors**

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

This confirmation is given and should be interpreted in accordance with the provisions of the s418 of the Companies Act 2006.

**Appointment of auditors**

At the 2022 Annual General meeting of Babcock International Group plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

This report was approved by the board on 12<sup>th</sup> September 2023 and signed on its behalf

A handwritten signature in black ink, appearing to read 'Neale Campbell', written in a cursive style.

**Neale Campbell**  
**Director**

## **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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). 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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**OPINION**

In our opinion the financial statements of Liquid Gas Equipment Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CONCLUSIONS RELATING TO GOING CONCERN**

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

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

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

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

**OTHER INFORMATION**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES,  
INCLUDING FRAUD**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities.

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

**EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES,  
INCLUDING FRAUD (CONTINUED)**

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists, including tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

Revenue and margin recognition on key long-term contracts with significant management judgment

- Obtaining an understanding of relevant manual and IT controls and project accounting processes which management have established to ensure that contracts are appropriately forecast, managed, challenged and accounted for;
- Making inquiries of contract project teams and other personnel to obtain an understanding of the performance of the project throughout the year and at year-end;
- Analysing historical contract performance and understanding the reason for in-year movements or changes;
- Testing the underlying calculations used in the contract assessments for accuracy and completeness, including the estimated costs to complete the contract and associated contingencies. We considered historical forecasting accuracy of costs, compared to similar programmes, and challenged future cost expectations with reference to those data points;
- Examining external correspondence to assess the timeframe for delivery of the product or service and any judgements made in respect of these;
- Examining external evidence to assess contract status and estimation of variable consideration (including associated recoverability of contract balances), such as customer correspondence and for certain contracts meeting with the customer directly;
- Enquiring with in-house and external legal counsel regarding contract related litigation and claims; and
- Considering whether there were any indicators of management override of controls or bias in arriving at their reported position.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**USE OF OUR REPORT**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Makhan Chahal FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
12<sup>th</sup> September 2023

**Classification:UNCLASSIFIED**  
**Liquid Gas Equipment Limited**

**Income statement for the year ended 31 March 2022**

	Note	2022 £'000	2021 £'000
<b>Revenue</b>	4	<b>202,452</b>	155,404
Cost of sales		(180,853)	(144,328)
<b>Gross profit</b>		<b>21,599</b>	11,076
Administration and distribution expenses		(22,002)	(14,500)
<b>Operating loss</b>	5	<b>(403)</b>	(3,424)
Provision for expected credit loss on amounts due to group undertaking		(3,576)	-
Finance costs	6	(6,991)	(1,485)
<b>Loss before taxation</b>		<b>(10,970)</b>	(4,909)
Income tax benefit/(expense)	10	1,811	(412)
<b>Loss for the financial year</b>		<b>(9,159)</b>	(5,321)

The notes on page 19 to 40 form part of these financial statements.

All of the above results derive from continuing operations.

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**Statement of comprehensive income for the year ended 31 March 2022**

	Note	2022 £'000	Restated 2021 £'000
<b>Loss for the financial year</b>		<b>(9,159)</b>	<b>(5,321)</b>
<b>Other comprehensive (expense)/income:</b>			
<i>Items that may be subsequently reclassified to income statement:</i>			
Fair value adjustment of interest rate and foreign exchange hedges	16	(5,335)	7,429
Tax impact of movement in derivatives		1,014	(1,412)
<b>Total comprehensive (expense)/income for the year</b>		<b>(13,480)</b>	<b>696</b>

In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 17

**Classification: UNCLASSIFIED**  
**Liquid Gas Equipment Limited**

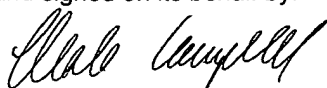
**Statement of financial position as at 31 March 2022**

		2022	Restated 2021
	Note	£'000	£'000
<b>Non-current assets</b>			
Intangible assets	11	35,861	36,329
Deferred tax assets	10	3,252	427
Other receivables due after one year	13	55,850	41,291
Other financial assets	16	225	784
		<u>95,188</u>	<u>78,831</u>
<b>Current assets</b>			
Inventories	12	13	7
Trade and other receivables	13	46,775	22,677
Other financial assets	16	1,834	6,488
Cash and cash equivalents		6,863	20,925
		<u>55,485</u>	<u>50,097</u>
<b>Current Liabilities</b>			
Trade and other payables	14	(154,446)	(125,648)
Other financial liabilities	16	(7,679)	(4,417)
Provisions	15	(1,086)	(684)
<b>Net current liabilities</b>		<u>(107,726)</u>	<u>(80,652)</u>
<b>Total assets less current liabilities</b>		<u>(12,538)</u>	<u>(1,821)</u>
<b>Non-current liabilities</b>			
Other financial liabilities	16	(2,463)	(132)
Provisions	15	(1,042)	(610)
<b>Net liability</b>		<u>(16,043)</u>	<u>(2,563)</u>
<b>Equity</b>			
Called up share capital	18	-	-
Other reserves		(2,116)	2,205
Retained earnings		(13,927)	(4,768)
<b>Total shareholders' funds</b>		<u>(16,043)</u>	<u>(2,563)</u>

The notes on pages 19 to 40 are an integral part of these financial statements.

In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 17.

The financial statements on pages 19 to 40 were approved by the board of Directors on 12<sup>th</sup> September 2023 and signed on its behalf by:



**Neale Campbell**

Director

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**Statement of changes in equity as at 31 March 2022**

	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Restated Retained earnings £'000	Total shareholde rs' funds £'000
<b>Balance at 1 April 2020 (previously stated)</b>	-	-	(4,706)	553	(4,153)
Prior year restatement	-	-	894	-	894
<b>Balance at 1 April 2020 restated</b>	-	-	(3,812)	553	(3,259)
Loss for the year	-	-	-	(5,321)	(5,321)
Other comprehensive income/(expense) - Restated	-	-	6,017	-	6,017
<b>Balance at 31 March 2021 restated</b>	-	-	<b>2,205</b>	<b>(4,768)</b>	<b>(2,563)</b>
Loss for the year	-	-	-	(9,159)	(9,159)
Other comprehensive (expense)/income	-	-	(4,321)	-	(4,321)
<b>Balance at 31 March 2022</b>	-	-	<b>(2,116)</b>	<b>(13,927)</b>	<b>(16,043)</b>

In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 17.

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

### **1 General information**

Liquid Gas Equipment Limited is a private company which is incorporated and domiciled in Scotland, UK. The address of the registered Office is Rosyth Business Park, Rosyth, Dunfermline, KY11 2YD.

The ultimate controlling party is disclosed in note 26. The principal activity of the Company is set out in the Strategic Report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

### **2 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

#### **Basis of preparation**

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken:

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'.
- b) IFRS 7, 'Financial instruments: Disclosures'.
- c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- d) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- e) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 58, 90, 91 and 93 of IFRS 16 Leases.
- f) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
  - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
  - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- g) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
- h) IAS 7, 'Statement of cash flows'
- i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'.
- j) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation.
- k) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.
- l) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- m) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company intends to continue to prepare its financial statements in accordance with FRS 101.

The Company is exempt under Section 400 of the Companies Act 2006 from the required to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Babcock International Group Plc, a company

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

### **2 Accounting policies (continued)**

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

registered in England and Wales. Accordingly, these financial statements present information about the Company as an individual and not as a group.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of relevant financial assets and financial liabilities (including derivative instruments).

#### **Adoption of new and revised standards**

The following standards and amendments to IFRSs became effective for the annual reporting period beginning on 1 April 2021 and did not have a material impact on the financial statements:

- The IFRS Interpretations Committee (IFRIC) published an agenda decision in April 2021 which clarified how a customer should account for the costs of configuring or customising the supplier's application software in a software-as-a-service arrangement. As a result of this decision the Company has revised its accounting policy and will not capitalise costs associated with software-as-a-service arrangements where it does not control the underlying software and will no longer capitalise configuration or customisation costs associated with software-as-a-service arrangements unless those costs result in the creation of an asset controlled by the Company. Where amounts are paid to a software-as-a-service supplier for implementation services and those services are determined not to be distinct from the underlying software-as-a-service arrangement, a prepayment asset is initially recognised then amortised to expense as the services are received. This policy has been retrospectively applied and all costs capitalised in relation to software-as-a-service arrangements have been reviewed. This has not had a material impact on the financial statements. The Company will continue to apply this accounting policy to new software-as-a-service arrangements as we continue to upgrade and standardise our IT environment. As this policy requires costs to be expensed as incurred, this may lead to a higher up-front charge to the income statement in future years but will not impact on the Company's cash flows.
- Interest Rate Benchmark Reform, Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic Report. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The Company is in a net current liabilities position of £107.7m, but is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock International Group Plc confirming this position. In completing this analysis, the Directors have considered the ability of Babcock International Group Plc to provide such finance.

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

**2 Accounting policies (continued)**

**Revenue**

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of the Company's activities. The Company recognises revenue in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, determination of contract price, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

**(a) Performance obligations**

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract.

In assessing whether the performance obligations are separately identifiable, the services are reviewed to determine the extent to which the goods or services within a contract are interrelated and whether they modify other goods or services within a contract. The Company also considers whether the goods and/or services are integrated and represent a combined output for which the customer has contracted.

The integrated output nature of many of the services provided by the Company results in some contracts only having one performance obligation.

**(b) Determination of contract price**

The contract price represents the amount of consideration which the Company expects to be entitled in exchange for delivering the promised goods or services to the customer. Contracts can include both fixed and variable consideration.

Inclusion of variable consideration in the contract price requires the exercise of judgement in relation to the amount to be received through unpriced contract variations and claims (see section (e) below for further details) and variable elements of existing contracts, such as performance-based penalties and incentives, and gain/pain share arrangements where cost under/overspends are shared with the customer. Elements of variable consideration are estimated at contract inception and at the end of each reporting period. Any required adjustment is made against the contract price in the period in which the adjustment occurs.

Variable consideration is estimated using either the expected value or the most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. This judgement is made by suitably qualified and experienced personnel based on the contract terms, status of negotiations with customers and historical experience with customers and with similar contracts. Variable consideration may be included in the total transaction price or, in certain circumstances, may be allocated to a specific time period. Where variable consideration is allocated to a specific time period this will typically be in relation to performance related deductions.

As part of this judgement, variable consideration may be constrained. The Company recognises variable consideration only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised when the uncertainty associated with the variable consideration is subsequently resolved.

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

**2 Accounting policies (continued)**

**Revenue (continued)**

**(c) Allocation of contract price to performance obligations**

Given the bespoke nature of many of the goods and services the Company provides, standalone selling prices are generally not observable and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin. This amount would be the standalone selling price of each performance obligation if contracted with a customer separately.

**(d) Revenue and profit recognition**

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time and the Company determines, for each performance obligation, whether it is satisfied over time or at a point in time.

**Revenue recognised over time**

Performance obligations are satisfied over time if any of the following criteria are satisfied:

- the customer simultaneously receives and consumes the benefits of the Company's performance as it performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for work done; or
- the Company's performance creates or enhances an asset controlled by the customer.

Typical performance obligations in the Company's contracts that are recognised over time include the delivery of services (such as maintenance, engineering and training), as the customer simultaneously receives and consumes the benefits of the Company's performance as it performs the services. Revenue from the design, manufacture and enhancement of bespoke assets is also recognised over time, as the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin.

Where the Company satisfies performance obligations over time, the Company primarily uses an input method to measure satisfaction of each performance obligation based on costs incurred compared to total estimated contract costs. For the majority of the Company's contracts, this is deemed to be the most appropriate method to measure Babcock's effort in satisfying the applicable performance obligations. Costs are included in the measurement of progress towards satisfying the performance obligation to the extent that there is a direct relationship between the input and satisfaction of the performance obligation. For contracts where costs incurred is not deemed to be the most appropriate measure, the Company uses time elapsed to measure satisfaction of the performance obligation.

Under most of the Company's contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the value of the goods or services rendered by the Company exceed payments, a contract asset is recognised. If payments exceed the value of the goods or services rendered, a contract liability is recognised. See section (h) for further details on how contract assets and liabilities are recognised.

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

**2 Accounting policies (continued)**

**Revenue (continued)**

**Revenue recognised at a point in time (continued)**

If control of the goods or services is not transferred to the customer over time, then revenue is recognised at the point in time that control is transferred to the customer.

Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to receive payment by the Company.

**Assessment of contract profitability**

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis, including consideration of technical and other risks, by suitably qualified and experienced personnel and the assessments of all significant contracts are subject to review and challenge.

Estimating contract revenues can involve judgements around whether the Company will meet performance targets and earn incentives, as well as consideration as to whether it is necessary to constrain variable revenues to meet the highly probable not to significantly reverse test set out in paragraph 56 of IFRS 15. When considering variations, claims and contingencies, the Company analyses various factors including the contractual terms, status of negotiations with the customer and historical experience with that customer and with similar contracts. Estimates of costs include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge and estimation uncertainty is resolved on a contract-by-contract basis as contracts near the end of the project lifecycle.

If a contract is deemed to be loss making the present obligation is recognised and measured as provisions. Further detail is included in the Provisions accounting policy.

**(e) Contract modifications**

**Claims and variations**

The Company's contracts are often amended for changes in the customers' requirements. Contract modifications can relate to changes in both contract scope and price arising in the ordinary course of delivering contracts, which are referred to as contract variations. Such variations may arise as a result of customer requests or instructions or from requests from the Company in response to matters arising during the delivery of contracts. For example, some contracts include the requirement to conduct surveys and to report on or to recommend additional work as required. Some contracts may require the Company to proceed with variations and to agree pricing subsequently. See further detail on accounting for contract modifications below.

Contract modifications can also refer to changes in price only, with no change in scope, where there is a difference of view or dispute in relation to interpretation of contracts.

These contract claims and variations are considered to be modifications as referred to in paragraph 18 of IFRS 15.

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

**2 Accounting policies (continued)**

**Revenue (continued)**

**Accounting for contract modifications**

The Company accounts for contract modifications in one of three ways, based on the facts and circumstances of the contract modification:

1. Prospectively, as an additional, separate contract;
2. Prospectively, as a termination of the existing contract and creation of a new contract; or
3. As part of the original contract using a cumulative catch-up.

The Company recognises contract variations, which impact both scope and price, when they are approved in accordance with IFRS 15. The Company's preferred approach is to approve contract modifications by formal contract amendment. However, the approval of contract modifications often requires to be carried out at pace and other mechanisms, informed by established customer relationships and local working arrangements, can be used to achieve approval of contract modifications. In approving contract modifications in these circumstances, the Company considers the scope of the contract modification in the context of the contract scope and contract terms. Contract variations where the formal contract amendment has not been received but which are, in management's judgement, approved are accounted for as a contract modification in accordance with IFRS 15 paragraph 18. Revenue from these contract variations is treated as variable consideration and subject to constraint as outlined in section (b) above, until the pricing is agreed.

Contract claims are also considered to be contract modifications in accordance with IFRS 15, and revenue is subject to constraint as outlined in section (b).

**Claims and variations which are not deemed to be contract modifications**

Claims can also be raised by Babcock against third-party sub-contractors or suppliers to the Company. As these do not relate to contracts with customers, but rather relate to contracts with suppliers, they are not accounted for under IFRS 15. The Company's accounting policy is to account for such claims in accordance with the contingent asset guidance per IAS 37. Income in relation to these claims will only be recognised once it is virtually certain.

**(f) Costs of obtaining a contract**

Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

Directly attributable costs to obtain a contract with a customer that the Company would not have incurred if the contract had not been won are recognised as an asset. These costs are capitalised as an asset after the point that it can be reliably expected that a contract will be obtained. The costs are capitalised as an asset in capitalised contract costs and amortised to cost of revenue on a typically straight-line basis consistent with the transfer to the customer of the goods and services to which the asset relates, provided that the contract is expected to result in future net cash inflows.

**(g) Costs to fulfil a contract**

Post contract award but pre contract operational start-up costs which satisfy the criteria for capitalisation under another standard, such as property, plant and equipment (IAS 16) or intangible assets (IAS 38), are accounted for in accordance with those standards. Costs to fulfil a contract which do not fall within the scope of another standard are recognised under IFRS 15 as an asset in capitalised contract costs where they meet all of the following criteria:

- i. the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- iii. the costs are expected to be recovered.

Costs of recruiting or training staff are expensed as incurred.

Capitalised contract costs are amortised to cost of revenue on a straight-line basis consistent with the transfer to the customer of the goods and services to which the asset relates.

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

**2 Accounting policies (continued)**

**Revenue (continued)**

**(h) Contract assets and liabilities**

Contract assets represent amounts for which the Company has a conditional right to consideration in exchange for goods or services that the Company has transferred to the customer. Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Payment terms are set out in the contract and reflect the timing and performance of service delivery. For substantially all contracts the payment terms are broadly in line with satisfaction of performance obligations, and therefore recognition of revenue, such that each contract has either a contract asset or contract liability, however these are not overly material in the context of the contract.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortisation. The intangible assets are amortised on a straight-line basis as follows:

**a) Goodwill**

Goodwill relating to acquisitions prior to transition date is maintained at its net book value on the date of transition to FRS 101.

Goodwill is reviewed annually for impairment.

**b) Research and development**

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit but not exceeding seven years.

**Impairment of non-current assets**

Goodwill and indefinite life intangibles are reviewed for impairment at least annually. For all other non-financial non-current assets (including acquired intangible assets, capitalised development costs, software assets, property, plant and equipment and right of use assets) the Company performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value-in-use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Company income statement.

Where an impairment loss on other non-financial non-current assets subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Goodwill impairments are not subsequently reversed.

**Inventory**

Inventory is valued at the lower of cost and net realisable value, being the estimated selling price of the assets in the ordinary course of business less estimated costs of completion and costs of sale. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads.

Spare parts that are consumed in the sale of goods or in the rendering of services are classified as inventory.

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

**2 Accounting policies (continued)**

**Provision**

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

A provision for employee benefits is recognised when there is a realistic expectation of the liability.

**Contingent liabilities**

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur or the value of such outflow cannot be measured reliably. A provision is recognised for any amounts that the Directors consider may become payable. See note 24 for details of contingent liabilities.

**Cash and cash equivalents**

Company cash and cash equivalents consist of cash at bank and cash in hand, together with short-term deposits with an original maturity of three months or less and money market funds.

**Taxation**

**a) Current income tax**

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 substantively enacted by the reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

**2 Accounting policies (continued)**

**Taxation (continued)**

**b) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are recognised where deferred tax liabilities exist and are expected to reverse in the same period as the deferred tax asset or in periods into which a loss arising from a deferred tax asset can be carried forward or back. In the absence of sufficient deferred tax liabilities, deferred tax assets are recognised where it is probable that there will be future taxable profits from other sources against which a loss arising from the deferred tax asset can be offset. In assessing the availability of future profits, the Company uses profit forecasts consistent with those used for goodwill impairment testing. Profits forecast beyond the Company's five-year budget cycle are risk-weighted to reflect commercial uncertainties.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

**Trade and other receivables**

Trade and other receivables are stated at their cost less provision for bad debts. A provision for bad debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The Company writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery.

**Finance costs**

Finance costs are recognised as an expense in the period in which they are incurred unless they are attributable to an asset under construction, in which case finance costs are capitalised.

**Finance income**

Finance income is recognised in the period to which it relates using the effective interest rate method.

**Employee benefits**

**a) Pension obligations**

The Company participates in a defined contribution scheme. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement.

**b) Share-based compensation**

The Company operates equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models. The charge is recognised in the income statement over the vesting period of the award.

**c) Holiday pay**

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned.

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

**2 Accounting policies (continued)**

**Financial instruments**

**a) Financial assets and liabilities at amortised cost**

Cash and cash equivalents, trade receivables, amounts due from related parties and other receivables are classified as financial assets held at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Trade receivables, contract assets and lease receivables include a provision for expected credit losses. The Company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. For all other financial assets carried at amortised cost, including loans to joint ventures and associates and other receivables, the Company measures the provision at an amount equal to 12-month expected credit losses.

Trade and other payables, amounts due to related parties, other payables, accruals and bank loans and overdrafts are classified as financial liabilities held at amortised cost.

**b) Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at fair value. The Company designates certain of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, fair value gains or losses are deferred in equity until the underlying transaction is recognised.

**Fair value measurement**

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the year-end date. Fair value measurements are used on a recurring basis except where used in the acquisition of assets and liabilities through a business combination.

The fair values of derivative financial instruments are determined by the use of valuation techniques based on assumptions that are supported by observable market prices or rates. The fair values of non-financial assets and liabilities are based on observable market prices or rates.

The carrying values of financial assets and liabilities which are not held at fair value in the Company balance sheet are assumed to approximate to fair value due to their short-term nature, with the exception of fixed rate bonds.

There have been no changes to the valuation techniques used during the year.

**Dividends**

Dividends are recognised as a liability in the Company's financial statements in the period in which they are approved. Interim dividends are recognised when paid.

**Foreign currencies**

**a) Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

**b) Transactions and balances**

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the year-end exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange

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

### **2 Accounting policies (continued)**

#### **Foreign currencies (continued)**

rates ruling at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **3 Critical accounting estimates and judgements**

In the course of preparation of the financial statements judgements and estimates have been made in applying the Company's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in certain forward-looking estimates may result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates and judgements in relation to these financial statements are considered below.

#### **Critical accounting judgements**

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below. Detail of the Company's key judgements involving estimates are included in the Key sources of estimation uncertainty section.

#### **Revenue and profit recognition**

A number of the Company's contracts include promises in relation to procurement activity undertaken on behalf of customers at low or nil margin, sub-contractor arrangements, and other pass-through costs. Management is required to exercise judgement on these revenue streams in considering whether the Company is acting as principal or agent. This is based on an assessment as to whether the Company controls the relevant goods or services under the performance obligations prior to transfer to customers. Factors that influence this judgement include the level of responsibility the Company has under the contract for the provision of the goods or services, the extent to which the Company is incentivised to fulfil orders on time and within budget, either through gain share arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Company exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Company then comes to a judgement as to whether it acts as principal or agent on a performance obligation-by-performance obligation basis. Note that any changes in this judgement would not have a material impact on profit, although there may be a material impact to revenue and cost of revenue.

#### **Key sources of estimation uncertainty**

The key sources of estimation uncertainty at the reporting period end that may result in significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below:

#### **Revenue and profit recognition**

The Company's revenue recognition policies require management to make an estimate of the cost to complete for long-term contracts. Management estimates outturn costs on a contract-by-contract basis and estimates are carried out by suitably qualified and experienced personnel. Estimates of cost to complete include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge, and judgements and estimates are reviewed regularly throughout the contract life based on latest available information and adjustments are made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn.

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

**4 Revenue**

Revenue is wholly attributable to the principal activities of the Company and arises as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
	<b>Supply of Cargo Handling Systems</b>	<b>Supply of Cargo Handling Systems</b>
By area of activity:		
Sale of goods – transferred at a point in time	<b>542</b>	<b>527</b>
Sale of goods – transferred over time	<b>201,910</b>	<b>154,877</b>
	<b>202,452</b>	<b>155,404</b>
	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
By geographical area:		
Korea	<b>157,713</b>	<b>113,848</b>
China	<b>44,739</b>	<b>41,556</b>
	<b>202,452</b>	<b>155,404</b>

**5 Operating loss**

Operating loss is stated after charging / (crediting):

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Amortisation of intangible assets (Note 11)	<b>467</b>	<b>287</b>
Foreign exchange (gain)	<b>(555)</b>	<b>-</b>
Audit fees payable to the Company's auditor	<b>82</b>	<b>33</b>
Research and development income	<b>(63)</b>	<b>(215)</b>

The auditors' remuneration for the current (£82,000) and prior year (£33,000) has been borne by a fellow group company. Fees paid to the company's auditors, Deloitte LLP and its associates (2022), PricewaterhouseCoopers LLP and its associates (2021) are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group Plc.

**6 Finance income and costs**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
<b>Finance income:</b>		
Bank interest income	<b>-</b>	<b>3</b>
Fair value movement on derivatives	<b>315</b>	<b>-</b>
<b>Finance costs:</b>		
Fair value movement on derivatives	<b>(5,786)</b>	<b>-</b>
Loan interest payable to group undertakings	<b>(1,520)</b>	<b>(1,482)</b>
	<b>(6,991)</b>	<b>(1,482)</b>

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

**7 Staff costs**

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

	<b>2022</b>	2021
	<b>Number</b>	Number
<b>By activity:</b>		
Operations	<b>120</b>	93
Management and administration	<b>20</b>	23
	<b>140</b>	116

Their aggregate remuneration comprised:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Wages and salaries	<b>6,919</b>	5,931
Social security costs	<b>738</b>	608
Pension costs – defined contribution plans (note 22)	<b>826</b>	341
Share based payments (note 9)	<b>3</b>	3
	<b>8,486</b>	6,883

**8 Directors' emoluments**

The emoluments of the Directors, including pension contributions, paid in respect of services provided to the Company were as follows:

The emoluments of the directors which was paid by the Company was as follows:	<b>2022</b>	2021
	<b>£'000</b>	£'000
Remuneration (including benefits in-kind)	<b>240</b>	268
Defined contribution pension scheme	<b>26</b>	25
	<b>266</b>	293

During the year, nil (2021: nil) Directors remunerated by Liquid Gas Equipment Limited exercised share options under long term incentive plans and nil (2021: nil) Directors were entitled to receive share options under long term incentive plans.

Except for two (2021: two) Directors, all of the Directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these Directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these Directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the Directors in relation to other Babcock Group companies.

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

**8 Directors' remuneration (continued)**

The above amounts include the following in respect of the highest paid Director:

	2022 £'000	2021 £'000
The emoluments of the directors which was paid by the Company was as follows:		
Remuneration (including benefits in-kind)	136	157
Defined contribution pension scheme	15	14
	<b>151</b>	<b>171</b>

The highest paid Director did not exercise shares under long term incentive plans (2021: did not exercise shares under long term incentive plans).

**9 Share-based payments**

The charge to the income statement is based on the amount charged from Babcock International Group PLC. This charge represents an allocation of the total charge based on the proportion which relates to Liquid Gas Equipment. The total charge has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below is included within the Remuneration report in the Babcock International Group PLC Annual Report and Accounts.

During the year the total charge relating to employee share-based payment plans was £3,332 (2021: £2,756) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £2,699 (2021: £2,232).

The fair value per option granted and the assumptions used in the calculation are as follows:

Deferred Bonus Matching Plan (DBMP), Performance Share Plan (PSP) and Deferred Bonus Plan (DBP)

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – non-market conditions %	Fair value per option – TSR Pence	Fair value per option – non-market conditions Pence	Correlation %	Grant or modification date
2021 PSP	769,165	371.6	19.0%	6.0	100.0%	148.6	315.9	55.0%	24/08/21
2021 PSP	626,704	380.2	19.0%	6.0	100.0%	–	325.0	55.0%	24/09/21
2021 PSP	1,780,84	380.2	19.0%	4.0	100.0%	–	380.2	55.0%	24/09/21
2021 DBP	45,312	380.2	19.0%	4.0	100.0%	–	380.2	55.0%	24/09/21
2020 PSP	695,458	350.0	19.0%	6.0	100.0%	–	305.2	55.0%	01/12/20
2020 PSP	2,091,24	350.0	19.0%	4.0	100.0%	–	350.0	55.0%	01/12/20
2020 PSP	1,341,47	350.0	19.0%	6.0	100.0%	137.9	305.2	55.0%	01/12/20
2020 DBP	118,320	289.0	19.0%	4.0	100.0%	–	289.0	55.0%	03/08/20
2020 DBP	146,306	289.0	19.0%	3.0	100.0%	–	289.0	55.0%	03/08/20
2020 DBP	192,096	284.2	19.0%	4.0	100.0%	–	284.2	55.0%	13/08/20
2020 DBP	8,474	284.2	19.0%	3.0	100.0%	–	284.2	55.0%	13/08/20
2019 PSP	1,370,67	472.8	11.0%	6.0	–	70.9	472.8	45.0%	13/06/19
2019 PSP	3,019,03	472.8	11.0%	4.0	–	70.9	472.8	45.0%	13/06/19
2019 DBP	313,909	472.8	11.0%	4.0	100.0%	–	472.8	45.0%	13/06/19
2019 DBP	93,430	472.8	11.0%	3.0	100.0%	–	472.8	45.0%	13/06/19
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56.0%	13/06/18
2018 PSP	1,699,32	856.0	14.0%	4.0	–	370.9	856.0	56.0%	13/06/18
2018 DBP	187,433	856.0	14.0%	4.0	100.0%	–	856.0	56.0%	13/06/18
2018 DBP	90,777	856.0	14.0%	3.0	100.0%	–	856.0	56.0%	13/06/18
2017 PSP	902,424	905.5	15.0%	6.0	–	131.2	905.5	46.0%	14/06/17
2017 PSP	1,769,33	905.5	15.0%	4.0	–	131.2	905.5	46.0%	14/06/17
2017 DBP	186,949	905.5	15.0%	4.0	100.0%	–	905.5	46.0%	14/06/17

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

**9 Share-based payments (continued)**

Both the vesting period and the expected life of all DBMP and PSP awards are three years, but for the DBP they are two years, other than for Executives where the vesting period is three years. The holders of all awards receive dividends.

PSP awards for 2017 to 2019 are split evenly between the performance criteria of TSR, EPS and ROCE.

For PSP awards made in December 2020, 2,786,705 were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached. A further 1,341,477 awards were made where the performance criteria is 50% against free cash flow and 50% TSR.

PSP awards made in August 2021 of 769,165 shares include performance criteria weighted to 50% against free cash flow targets and 50% against TSR performance.

PSP awards made in September 2021 of 2,407,553 shares were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached. There are no performance conditions attached to the DBP.

The expected volatility is based on historical volatility over the last one to three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 159,494 matching shares (2021: 180,175 matching shares) at a cost of £0.5 million (2021: £0.5 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 4,784 matching shares were purchased on the open market (2021: 5,000 matching shares) and 2,823 matching shares vested (2021: 1,193 matching shares) leaving a balance of 6,973 matching shares (2021: 5,012 matching shares).

**10 Tax**

**Income tax expense**

**Tax (benefit)/expense to the profit and loss account**

	31 March 2022 £m	31 March 2021 £m
<b>Analysis of tax (benefit)/expense in the year</b>		
Current tax		
• UK current year expense/(benefit)	-	-
Deferred tax		
• UK current year (benefit)	(2,084)	(933)
• UK prior year expense	935	1,345
• Impact of changes in tax rates	(662)	-
<b>Total income tax (benefit)/expense</b>	<b>(1,811)</b>	<b>412</b>

**Tax (benefit)/expense to the statement of comprehensive income**

	31 March 2022 £m	31 March 2021 £m
• Deferred tax charged on revaluation of cash flow hedges	(1,014)	1,412
<b>Total tax (benefit)/expense to other comprehensive income</b>	<b>(1,014)</b>	<b>1,412</b>

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

**10 Tax (continued)**

**Income tax expense (continued)**

The tax for the year is higher (2021: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	31 March 2022 £m	31 March 2021 £m
<b>Loss before tax</b>	<b>(10,970)</b>	<b>(4,909)</b>
loss on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	<b>(2,084)</b>	<b>(933)</b>
Effects of:		
Deferred tax not previously recognised/derecognised	<b>935</b>	<b>1,345</b>
Impact of changes in tax rates	<b>(662)</b>	<b>-</b>
<b>Total income tax (benefit)/expense</b>	<b>(1,811)</b>	<b>412</b>

In the 2020 budget, it was announced that the decrease in the UK rate of corporation tax from 19% to 17% was cancelled. On 24 May 2021, the Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Deferred tax balances as at 31 March 2022 that are expected to reverse after 1 April 2023 have been calculated at 25%.

**Deferred tax**

Deferred tax assets and deferred tax liabilities have been offset if, and only if, there is a legally enforceable right in that jurisdiction to set off corporation tax assets and corporation tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same Taxation Authorities:

	31 March 2022 £m	Restated 31 March 2021 £m
Deferred tax asset	<b>3,252</b>	<b>427</b>
	<b>3,252</b>	<b>427</b>

The movements in deferred tax assets and liabilities during the year are shown below.

	Advanced capital allowances £m	Tax losses (revenue) £m	Derivative financial instruments £m	Total £m
<b>At 1 April 2020 previously stated</b>	8	1,348	-	1,356
Tax impact of movement in derivatives	-	-	894	894
<b>At 1 April 2020 restated</b>	8	1,348	894	2,250
Income statement credit	2	(413)	-	(411)
Tax impact of movement in derivatives	-	-	(1,412)	(1,412)
<b>At 1 April 2021 restated</b>	10	935	(518)	427
Income statement credit	1	1,810	-	1,811
Tax impact of movement in derivatives	-	-	1,014	1,014
<b>At 31 March 2022</b>	<b>11</b>	<b>2,745</b>	<b>496</b>	<b>3,252</b>

In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 17.

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

**11 Intangible assets**

	<b>Development Costs £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2021	3,579	34,031	37,610
Additions	-	-	-
At 31 March 2022	<b>3,579</b>	<b>34,031</b>	<b>37,610</b>
<b>Accumulated amortisation and impairment</b>			
At 1 April 2021	(1,282)	-	(1,282)
Amortisation	(467)	-	(467)
At 31 March 2022	<b>(1,749)</b>	<b>-</b>	<b>(1,749)</b>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>1,830</b>	<b>34,031</b>	<b>35,861</b>
At 31 March 2021	2,298	34,031	36,329

Goodwill arose on acquisition by Babcock International Group Plc in December 2012. The directors have evaluated the carrying value of goodwill based on an assessment of its value in use as at 31 March 2022. Given that the company's carrying order book at the 31<sup>st</sup> March 2022 secures future revenues, along with a positive outlook into new strategic markets, the directors have concluded that no impairment adjustment is required.

The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to those Regulations.

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £1,702k (2021: £1,702k) against operating profit and a reduction of £15,740k (2021: £14,038k) in the carrying value of goodwill in the balance sheet.

Development cost relates to 3 new technologies – LNG GSV FGSV0™, ecoSMRT® Reliquefaction and ecoETHN®. As the required criterion for application of IAS 38 has been met, the development cost have been capitalised. Based on changing market environments and legislative requirements, it was decided in financial year 2020 to fully impair the LNG GSV FGSV0™ asset replacing the 5 year amortisation period previously applied as while there are future pipeline opportunities this is not a market area that LGE will be pursuing. In accordance with IAS 38 (para 107) the company has determined that the ecoSMRT® and ecoETHN development asset has a 5 year useful life. The useful life will continue to be reviewed in line with IAS 36, Impairment of Assets.

Intangible assets amortisation is recorded in administrative expenses in the income statement.

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

**12 Inventories**

	<b>31 March 2022 £'000</b>	<b>31 March 2021 £'000</b>
Raw materials	<b>13</b>	<b>7</b>
	<b>13</b>	<b>7</b>

Inventories are stated after provisions for impairment of nil (2021: nil).

**13 Trade and other receivables**

	<b>31 March 2022 £'000</b>	<b>*Restated 31 March 2021 £'000</b>
<b>Amounts due after more than one year:</b>		
Amounts due from group undertakings	<b>55,850</b>	<b>41,291</b>
	<b>55,850</b>	<b>41,291</b>

Amounts due from Group undertakings comprises the following:

- Six loans totalling £55,850,000 (2021: £41,291,000) are repayable on demand, with no interest charge.

Amounts due from group undertakings are stated after provisions for expected credit losses.

**Amounts falling due within one year:**

Trade receivables	<b>30,706</b>	<b>15,478</b>
Amounts due from group undertakings	<b>4,000</b>	<b>-</b>
Contract assets	<b>10,678</b>	<b>5,964</b>
Other receivables	<b>781</b>	<b>1,158</b>
Prepayments	<b>610</b>	<b>77</b>
	<b>46,775</b>	<b>22,677</b>

Amounts due from Group undertakings comprises the following:

- One loan totalling £4,000,000 (2021: nil) are repayable on demand, with no interest charge.

Trade receivables are stated after provisions for impairment of £91,000 (2021: £91,000). Amounts due from group undertakings are stated before provisions for expected credit losses.

In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 17.

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

**14 Trade and other payables**

	2022 £'000	*Restated 2021 £'000
<b>Amounts falling due within one year:</b>		
Trade payables	24,989	21,850
Contract liabilities	32,026	19,742
Amounts due to parent and group undertakings	79,436	72,166
UK corporation tax payable	-	-
Other taxation and social security	203	178
Accruals	17,792	11,712
	<b>154,446</b>	<b>125,648</b>

Included in Amounts due to parent and group undertakings are the following:

- A loan of £25,220,000 (2021: £25,220,000) is repayable on demand, the interest rate is 5.471% (2021: 4.112%).
- Two loans of £16,939,000 (2021: £16,146,000) are repayable on demand, with no interest charge.
- All other amounts due from group undertakings are unsecured and repayable on demand.

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 24).

\*£5,022,000 of UK corporation tax payable has been reclassified in the prior year from UK corporation tax payable to Amounts due to parent and group undertakings.

In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 17.

**15 Provisions for liabilities**

The company had the following provisions during the year:

	Contract/ warranty £'000	Total £'000
<b>At 1 April 2021</b>	1,294	1,294
Charged to the income statement	2,375	2,375
Unused amounts reversed to the income statement	(350)	(350)
Utilised in the year	(1,191)	(1,191)
<b>At 31 March 2022</b>	<b>2,128</b>	<b>2,128</b>

Provisions have been analysed as current and non-current as follows:

	March 2022 £'000	Restated March 2021 £'000
Current	1,086	684
Non-current	1,042	610
	<b>2,128</b>	<b>1,294</b>

Contract provisions relate to a review of the major programmes in Liquid Gas Equipment Limited and relate to expected contract losses. These are based on the assessment of future costs and are assessed with reference to past experience. The provisions are expected to be fully utilised between 2 to 5 years.

In the year ended 31 March 2022, the Company restated the prior year financial information. Details of the restatement are contained in note 17.

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

**16 Other financial assets and liabilities**

Included in derivative financial instruments at fair value:

	<b>31 March 2022</b>		<b>31 March 2021</b>	
	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Assets £'000</b>	<b>Liabilities £'000</b>
<b>Non-current:</b>				
Forward FX contracts – cash flow hedges	<b>225</b>	<b>(2,463)</b>	784	(132)
	<b>225</b>	<b>(2,463)</b>	784	(132)
<b>Current:</b>				
Forward FX contracts – cash flow hedges	<b>1,834</b>	<b>(7,679)</b>	6,488	(4,417)
	<b>1,834</b>	<b>(7,679)</b>	6,488	(4,417)

The Company has taken advantage of the exemptions within FRS 101 not to disclose all IFRS 7 and IFRS 13 requirements, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available with compliance to IFRS.

**17 Prior year restatements**

In the year ended 31 March 2022, the Company restated the prior year financial information. The restatements are summarised below:

**31 March 2021 – Statement of other comprehensive income (extract)**

	<b>Year ended 31 March 2021 (previously published)</b>	<b>(iv) Tax impact of movement in derivatives</b>	<b>Year ended 31 March 2021 (restated)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Other comprehensive income</b>	2,108	(1,412)	696
Tax impact of movement in derivatives	-	(1,412)	(1,412)

**31 March 2021 – Statement of financial position (extract)**

	<b>31 March 2021 (previously published)</b>	<b>(i) Amounts due from group undertakings Restatement</b>	<b>(ii) Deferred Tax Restatement</b>	<b>(iii) Provisions for liabilities</b>	<b>(iv) Tax impact of movement in derivatives</b>	<b>31<sup>st</sup> March 2021 (restated)</b>
<b>Assets</b>						
<b>Non-current assets</b>						
Deferred Tax	-	-	945	-	(518)	427
Other receivables due after one year	-	41,291	-	-	-	41,291
<b>Total non-current assets*</b>	<b>37,113</b>	<b>41,291</b>	<b>945</b>	<b>-</b>	<b>(518)</b>	<b>78,831</b>
<b>Current (liabilities)/assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trade and other receivables	48,767	(25,145)	(945)	-	-	22,677
<b>Total net current assets*</b>	<b>76,187</b>	<b>(25,145)</b>	<b>(945)</b>	<b>-</b>	<b>-</b>	<b>50,097</b>
Amounts due to parent and group undertakings	(109,502)	(16,146)	-	-	-	(125,648)
<b>Provisions</b>	<b>(1,294)</b>	<b>-</b>	<b>-</b>	<b>610</b>	<b>-</b>	<b>(684)</b>
<b>Net current liabilities</b>	<b>(39,026)</b>	<b>(41,291)</b>	<b>(945)</b>	<b>610</b>	<b>-</b>	<b>(80,652)</b>
<b>Total non-current liabilities*</b>	<b>(132)</b>	<b>-</b>	<b>-</b>	<b>(610)</b>	<b>-</b>	<b>(742)</b>
<b>Equity*</b>	<b>(2,045)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(518)</b>	<b>(2,563)</b>

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

### **17 Prior year restatements (continued)**

\*The table above includes only those financial statement line items which have been restated. The total non-current assets, net current liabilities, non-current liabilities, and equity do not therefore represent the sum of the line items presented above.

- (i) **Amounts due from group undertakings Restatement**  
In the prior year, amounts due from group undertakings were presented as falling due within one year and classified within current assets. Based on the underlying terms of the agreement and considering the fact that these assets are not expected to be settled within the next 12 months the classification has been reassessed, and the amounts due from group undertakings presented within non-current assets. The balance sheet and applicable note in the comparative period have been restated accordingly.
- (ii) **Deferred tax Restatement**  
In the prior year, deferred tax was presented as falling due within one year and classified within current assets. Based on the underlying terms of the agreement and considering the fact that these assets are not expected to be settled within the next 12 months the classification has been reassessed, and the deferred tax has been presented within non-current assets. The balance sheet and applicable note in the comparative period have been restated accordingly.
- (iii) **Provisions for liabilities Restatement**  
The provision for liabilities were incorrectly split between current and non-current. This has impacted the Statement of financial position by decreasing current liabilities by £0.6m and increasing non-current liabilities by £0.6m.
- (iv) **Tax impact of movement in derivatives**  
The tax impact on the movement in derivatives was previously omitted from the Statement of comprehensive income (OCI). The OCI, balance sheet and applicable notes have been restated accordingly. This has impacted the OCI by £1.4m and Statement of financial position by decreasing non-current assets by £0.5m and equity.

### **18 Share capital**

	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
2 ordinary shares of £1 each (2021: 2)	<u>2</u>	<u>2</u>

### **19 Dividends**

Dividends declared and paid were nil (2021: £nil). There are no plans for a final dividend.

### **20 Guarantees and financial commitments**

#### **a) Capital Commitments**

At 31 March 2022 the Company had capital commitments of nil (2021: £nil).

#### **b) Lease Commitments**

At 31 March 2022 the Company had lease commitments of £nil for leases not yet commenced (2021: £nil).

### **21 Related party disclosures**

The Company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available.

In the year ended 31 March 2022, the Company had no transactions or balances outstanding with related parties that fall outside the FRS 101 exemption criteria.

**Classification: UNCLASSIFIED**  
**Liquid Gas Equipment Limited**

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

**22 Pension commitments**

Pension costs for defined contribution schemes are as follows:

	<b>31 March 2022 £'000</b>	<b>31 March 2021 £'000</b>
Defined contribution schemes	826	341

The Company accounts for pension costs in accordance with IAS 19. The Company contributes to a defined contribution scheme in the UK in respect of a number of its employees.

**23 Subsidiary, and associate and Joint Venture undertakings**

All related undertakings for the Company are as listed below:

<b>Company Name</b>	<b>Country</b>	<b>Interest</b>	<b>Direct %</b>
LGE IP Management Company Limited <sup>1</sup> William Rankine Building, Rosyth Business Park, Rosyth, Fife, KY11 2YD Scotland	United Kingdom	100%	100.0%
Liquid Gas Equipment LLC 251 Little Falls Drive, Wilmington, Delaware 19808, United States	United States	100%	100%

**24 Contingent liabilities**

The Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with utilisation of £383.6m at 31 March 2022 (31 March 2021: £371.3m).

**25 Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**26 Immediate and ultimate parent undertakings**

The Company's immediate parent company is Babcock Integrated Technology Limited, a company registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

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

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