Airwork Limited

Directors' report and financial statements
For the year ended 31 March 2012

Company Registered Number:
322249

Directors and advisors

Directors

F Martinelli
JR Davies

Company secretary

NJW Borrett

Registered office

33 Wigmore street
London
W1U 1QX

Independent Auditors

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

Directors' report

The directors present their report and the audited financial statements of the Company, for the year ended 31 March 2012

Principal activities

The principal activity of the Company is the provision of technical support predominantly in the field of military aircraft maintenance and repair

Business review

	2012 £000	2011 £000
Turnover	**6,560**	7,425
Operating (loss) / profit	**(145)**	751

The Company's principal business continues to be the supply of manpower under a subcontract arrangement to the Company's subsidiary company, Airwork Technical Services & Partners LLC, in connection with the Royal Air Force of Oman contract The reduction in both turnover and operating profit since the previous year is a direct result of the nature of the contract with the Royal Air Force of Oman, whereby there is a year-on-year reduction in the requirement of the number of employees In addition, the Company bore a proportion of business development costs with a view to increasing its presence in the Middle East. Management is therefore confident that the Company will return to profitability

Principal risks and uncertainties

The management of the business is subject to a number of risks Procedures are in place across the Group to identify, assess and mitigate major business risk The management of risk is an integral part of our operational review process and is supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee

The key risks and uncertainties affecting the Company are considered to be related to contractual performance and the political and regulatory environment The Company's business is susceptible to individual contract performance All of the Company's contracts are affected by changes in government policy, budget allocations and the changing political environment The directors manage this risk by maintaining regular discussions with the relevant customers and controlling both direct and indirect expenditure as necessary

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 40 to 43 of the annual report of the Babcock International Group PLC, which does not form part of this report

Key performance indicators

The Company's activities are managed on a divisional basis For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company The growth and performance of Babcock International, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 34 to 35 of the Group's report, which does not form part of this report

Directors' report *(continued)*

Future developments

The directors are confident about the future trading prospects of the Company in the light of the current order book position and other market opportunities

Financial risk management

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate cash flow risk The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company finance departments The Group finance department has a policy and procedures manual that sets out guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these

Price risk

The Company is exposed to price risk as a result of its operations This risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made The Company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies

Liquidity risk

The Company retains access to pooled cash resources to ensure it has sufficient available funds for operations The Company also has access to longer term funding from its ultimate parent undertaking if required

Interest rate cash flow risk

The Company has interest bearing liabilities Interest bearing liabilities accrue interest at a floating rate The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

Results and dividends

The Company's profit for the financial year is £129,000 *(2011 £841,000)* The directors do not recommend the payment of a dividend *(2011 £nil)*

Directors' report *(continued)*

Directors

The directors who served during the year and up to the date of signing were as follows

F Martinelli
JR Davies

Qualifying third-party indemnity provisions

Under their respective Articles of Association, the directors of the Company are, and were during the year to 31 March 2012, entitled to be indemnified by the Company against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 2006

Employment of disabled persons

The policy of the Company is to give full consideration to disabled applicants for employment, having regards to their particular aptitudes and abilities, and they share in the opportunities for training, career development and promotion If an employee becomes disabled, our objective is the continued provision of suitable employment either in the same or an alternative position, appropriate training being given if necessary

Employee involvement

It is the policy of the Company to communicate regularly with its employees in briefings and discussions, by written communications on specific topics and on more general issues through the bulletin 'The Big Picture' The Company routinely discusses issues affecting its employees directly

Safety Policy

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

Environment

The Company recognises its responsibility to minimise so far as reasonably possible the potential for adverse impacts from its operations We aim 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

Supplier payment policy

The Company is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions

The number of days' purchases outstanding for payment by the Company at the year end was 20 days *(2011 21 days)*

Directors' report *(continued)*

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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

Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar 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

By order of the Board

JR Davies
Director

10 October 2012

Independent auditors' report to the members of Airwork Limited

We have audited the financial statements of Airwork Limited for the year ended 31 March 2012 which comprise the Profit and loss account, the Balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Airwork Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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

Jennifer Candy

Jennifer Candy (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton, United Kingdom

10 October 2012

Profit and loss account

for the year ended 31 March 2012

	Notes	2012 £000	2011 £000
Turnover	2	**6,560**	7,425
Cost of sales		**(6,295)**	(6,406)
Gross profit		**265**	1,019
Operating expenses including reorganisation and restructuring costs		**(410)**	(268)
Operating (loss)/profit before reorganisation and restructuring costs		**(145)**	884
Reorganisation and restructuring costs	5	**-**	(133)
Operating (loss)/profit		**(145)**	751
Income from shares in group undertakings	3	**251**	199
Interest receivable and similar income	4	**30**	29
Profit on ordinary activities before taxation	5	**136**	979
Tax on profit on ordinary activities	8	**(7)**	(138)
Profit for the financial year	16	**129**	841

There is no difference between the profit *(2011 profit)* on ordinary activities before taxation and the retained profit *(2011 profit)* for the year stated above and their historical cost equivalents

There are no recognised gains or losses other than the profit *(2011 profit)* for the financial year reported above and therefore no separate statement of total recognised gains and losses has been presented

All results derive from continuing operations

Balance sheet
as at 31 March 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	9	**230**	230
		230	230
Current assets			
Stocks	10	**25**	-
Debtors – amounts due within one year	11	**1,113**	1,002
amounts due after one year	11	**552**	-
Cash at bank and in hand		**13,792**	13,347
		15,482	14,349
Creditors – amounts falling due within one year	12	**(1,575)**	(1,523)
Net current assets		**13,907**	12,826
Total assets less current liabilities		**14,137**	13,056
Provisions for liabilities	13	**(958)**	(6)
Net assets		**13,179**	13,050
Capital and reserves			
Called-up share capital	15	**20**	20
Profit and loss account	16	**13,159**	13,030
Total shareholders' funds	16	**13,179**	13,050

The financial statements on pages 8 to 20 were approved by the board of directors on 10 October 2012 and signed on its behalf by

JR Davies
Director
Airwork Limited

Notes to the financial statements

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently throughout the year

Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and UK generally accepted accounting principles The principal accounting policies are summarised below

The Company is exempt by virtue of s400(1) of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

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

The Company is a wholly-owned subsidiary of Babcock International Group PLC Consequently, the Company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Babcock International Group PLC or other group undertakings, and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment Impairment reviews are performed by the directors when there has been an indication of potential impairment

Stocks

Stocks are stated at the lower of cost, on a first in first out basis, and net realisable value Cost of stocks includes all expenditure incurred in acquiring the stocks and bringing them to their existing location and condition Provision is made, where necessary, for obsolete, slow-moving and defective stock

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Provisions

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

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

Turnover

Turnover represents the value of goods and services provided net of value added tax Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured The following specific recognition criteria must also be met before revenue is recognised

Sale of goods

Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured

Rendering of services

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax' Deferred taxation assets are recognised only to the extent that in the opinion of the directors, there is reasonable probability that the asset will crystallise in the foreseeable future Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been substantively enacted by the balance sheet date

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Pensions costs and other post retirement benefits

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year

The Company also operates several defined contribution pension schemes The assets of the schemes are held separately from those of the Company in independently administered funds The amount charged against profit represents the contributions payable to the schemes in respect of the accounting year

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Cash flow statement

The Company is a wholly-owned subsidiary of Babcock International Group PLC and is included in the consolidated financial statements of Babcock International Group PLC, which are publicly available Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996)

2. Turnover

Turnover and profits principally arise from activities in the Middle East

3. Income from shares in group undertakings

	2012	2011
	£000	£000
Dividend from Airwork Technical Services and Partners LLC	**251**	199

4. Interest receivable and similar income

	2012	2011
	£000	£000
Bank interest	**30**	29

Notes to the financial statements *(continued)*

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2012	2011
	£000	£000
Depreciation – owned fixed assets	-	25
Operating lease rentals		
- land and buildings	-	69
Staff costs (note 6)	**4,797**	4,896
Reorganisation costs	-	133
Exchange differences on foreign currencies	**28**	164

Fees payable for the statutory audit of the financial statements have been borne by the Company's fellow subsidiary Babcock Aerospace Limited

Fees paid to the Company's auditors PricewaterhouseCoopers LLP, and its associates, for services other than statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC

6. Staff costs

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

	2012	2011
	Number	Number
Operational and technical	**154**	165
Management and administration	**26**	24
	180	189

Their aggregate remuneration comprised

	2012	2011
	£000	£000
Wages and salaries	**4,734**	4,825
Social security costs	**15**	30
Defined benefit pension costs (note 19)	**48**	41
	4,797	4,896

7. Directors' remuneration

Both of the directors of the Company are remunerated by other Babcock Group companies It is not possible to make an accurate apportionment of directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by the directors has been made in the financial statements *(2011 £nil)*

Notes to the financial statements *(continued)*

8. Tax on profit on ordinary activities

	2012 £000	2011 £000
Current tax		
Overseas tax	21	167
Total current tax	21	167
Deferred tax:		
Origination and reversal of timing differences	(31)	18
Adjustment in respect of prior years	11	(51)
Impact of change in UK tax rate	6	4
Total deferred tax	(14)	(29)
Tax on profit on ordinary activities	7	138

The tax assessed for the year is lower *(2011 lower)* than the standard effective rate of corporation tax in the UK for the year ended 31 March 2012 of 26% *(2011 28%)* The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	136	979
Tax on profit on ordinary activities at standard UK corporation tax rate of 26% (2011 28%)	35	274
Effects of		
Other timing differences	31	13
Expenses not deductible for tax purposes	-	5
Overseas tax	21	167
Group relief claimed for nil consideration	(1)	(237)
Non-taxable income	(65)	(55)
Current tax charge for the year	21	167

Notes to the financial statements *(continued)*

8. Tax on profit on ordinary activities *(continued)*

Factors affecting current and future tax charges

The Finance Act 2011 was substantively enacted on 19 July 2011 and included legislation to reduce the main rate of corporation tax from 28% to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012 This was reduced further to 24% with effect from 1 April 2012 via a Parliamentary Resolution passed on 26 March 2012 Closing deferred tax balances are valued at 24% The March 2012 Budget Statement also announced an intention to continue to reduce the main rate of corporation tax by 1% to 23% by 1 April 2014 These changes had not been substantively enacted at the balance sheet date and therefore the impact is not included in these financial statements

9. Investments

Cost and net book amount	Total £000
Shares in group undertakings at beginning and end of year	212
Shares in associated undertakings at beginning and end of year	18
Total	**230**

On 15 September 2010, proprietary know-how, not capitalised in the financial statements of the Company in accordance with FRS 10, was transferred to Babcock Integration LLP in exchange for an interest in that partnership This was in order to facilitate the integration of the Babcock and VT groups The partnership interest has been recognised at a cost of £nil given that the know-how transferred was not recognised in the accounts of the Company prior to the transfer

The companies in which the Company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Airwork Technical Services and Partners LLC	Oman	Maintenance of aircraft	Ordinary – 51%
Participating interests			
Airwork Advanced Group Co WLL	Abu Dhabi	Dormant	Ordinary – 49%

Notes to the financial statements *(continued)*

Investments *(continued)*

Airwork Limited is an equal partner with Vinnell Corp in a joint venture Airwork Vinnell, which undertook certain military tasks for the USAF in Oman and Bahrain and whose principal place of business was Seeb Airport, Oman Its sole contract was terminated in July 2000

The aggregate investment in all associated undertakings and joint ventures under the equity method of valuation was £21,000 *(2011 £21,000)*

The directors believe that the carrying value of the investments is supported by their underlying net assets

10. Stocks

	2012 £000	2011 £000
Finished goods and goods for resale	**25**	-
	25	-

There is no material difference between the balance sheet value of stocks and their replacement cost

11. Debtors

	2012 £000	2011 £000
Amounts due within one year:		
Trade debtors	**258**	364
Amounts owed by group undertakings	**16**	-
Amounts owed by related parties	**290**	469
Other debtors	**214**	24
Deferred tax (note 14)	**69**	55
Other taxation	**115**	87
Prepayments and accrued income	**151**	3
	1,113	1,002

	2012 £000	2011 £000
Amounts due after one year:		
Other debtors	**552**	-
	552	-

Amounts owed by group undertakings are unsecured and repayable within one year They accrue nil interest The comparatives for "prepayments and accrued income" have been restated due to a reclassification with no impact on profit or loss or the overall totals

Notes to the financial statements *(continued)*

12. Creditors - amounts falling due within one year:

	2012 £000	2011 £000
Trade creditors	**62**	92
Amounts owed to group undertakings	**486**	378
Amounts owed to related undertakings	**58**	58
UK corporation tax payable	**282**	282
Other taxes and social security	**3**	5
Other creditors	**11**	17
Accruals and deferred income	**673**	691
	1,575	1,523

The Company at the year end had guaranteed and had joint and several liability for drawn Babcock International Group PLC bank facilities of £731 8 million *(2011 £782 5 million)* provided to certain Group companies

In addition, the Company at the year end had no joint liabilities for drawn bank overdraft facilities of other Group companies *(2011 £4 5 million)*

Amounts owed to group undertakings are unsecured and repayable on demand They accrue interest at a rate of LIBOR plus 1 5%, which is payable on a quarterly basis

13. Provisions for liabilities and charges

	Redundancy provision £000	Contract provision £000	Total £000
At 1 April 2011	-	6	6
Charged during the year	952	-	952
At 31 March 2012	**952**	**6**	**958**

During the year the Company recognised a provision in relation to its terminal liability on completion of the RAFO manpower contract A corresponding asset was also recognised within other debtors, of which £200,000 has been amortised during the year The remainder of this asset will continue to be amortised over the life of the contract

Contract provisions are based on the assessment of future costs and claims with reference to past experience

Notes to the financial statements *(continued)*

14. Deferred taxation

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

	2012 £000	2011 £000
Accelerated capital allowances	**26**	35
Other short term timing differences	**43**	20
Total deferred tax	**69**	55

The movement on the deferred tax asset is as follows

	£000
At 1 April 2011	55
Current year credit	31
Adjustment in respect of prior years	(11)
Impact of change in UK tax rate	(6)
At 31 March 2012	**69**

15. Called-up share capital

	2012 £000	2011 £000
Allotted, issued and fully paid		
20,000 (2011 20,000) ordinary shares of £1 each	**20**	20

16. Reconciliation of movement in shareholders funds and reserves

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 April 2011	20	13,030	13,050
Profit for the year	-	129	129
At 31 March 2012	**20**	**13,159**	**13,179**

Notes to the financial statements *(continued)*

17. Guarantees and financial commitments

a) Contingent liabilities

The Company at the year end had guaranteed and had joint and several liability for drawn Babcock International Group PLC bank facilities of £731 8 million *(2011 £782 5 million)* provided to certain group companies

In addition, the Company at the year end had no joint liabilities for drawn bank overdraft facilities of other Group companies *(2011 £4 5 million)*

b) Operating lease commitments

	2012 Land and buildings £000	2011 Land and buildings £000
Annual commitments under non-cancellable operating leases expiring		
- within one year	-	29
	-	29

18. Related party disclosures

During the year the Company has entered into transactions in the ordinary course of business with Airwork Technical Services and Partners LLC, an Omani-registered company in which the Company owns a 51% shareholding in the form of ordinary shares In addition, the Company continues to hold a balance with Airwork Advanced Group Co WLL, a dormant company registered in Abu Dhabi, in which the Company owns a 49% shareholding

Transactions entered into and trading balances outstanding at 31 March 2012 are as follows

Related party	**Sales to related party £000**	**Amounts owed by related party £000**	**Amounts owed to related party £000**
Airwork Technical Services and Partners LLC			
At 31 March 2012	**5,112**	**290**	-
At 31 March 2011	5,633	469	-
Airwork Advanced Group Co WLL			
At 31 March 2012	-	-	**58**
At 31 March 2011	-	-	58

All dealings with related parties are conducted on an arm's length basis

Notes to the financial statements *(continued)*

19. Pension commitments

The Company is a member of a larger group wide pension scheme providing benefits based on final pensionable pay The Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme

The latest full actuarial valuation was carried out at 31 March 2010 and was updated for accounting purposes to 2012 by a qualified independent actuary The pension charge for the year was £48,000 *(2011 £41,000)* In addition, there was a special pension deficit contribution of £27,000 *(2011 nil)* At 31 March 2012, contributions amounting to £4,000 *(2011 £4,000)* were payable to the fund and are included in creditors

The net pension liability on the group wide pension scheme at 31 March 2012 was £49,600,000 *(2011 £11,500,000)* This represents the liability to Babcock International Group PLC as a whole and does not represent a liability to the Company

Mergers

During the year ended 31 March 2012, the Group completed the merger of three of the schemes operated by VT Group plc into the Babcock International Group scheme

20. Ultimate parent undertaking

The Company's immediate parent company is Babcock International Support Services 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