

**Airwork Limited**

**Directors' report and financial  
statements**

**For the year ended 31 March 2013**

**Company Registered Number:**  
**00322249**

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**Airwork Limited****Directors' report and financial statements****Directors and advisors****Directors**

F Martinelli  
J Davies  
K Cornfield  
R Stoate  
R Taylor

**Company secretary**

Babcock Corporate Secretaries Limited

**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

## **Airwork Limited**

### **Directors' report and financial statements**

#### **Directors' report**

The directors present their report and the audited financial statements of the Company, for the year ended 31 March 2013

#### **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**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Turnover	<b>6,262</b>	6,560
Operating loss	<b>(116)</b>	(145)

On 4 October 2012, Babcock Defence & Security Holdings LLP, a limited liability partnership registered in England and Wales, acquired the entire issued share capital of the Company from Babcock International Support Services Limited, previously the immediate parent undertaking of the Company.

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 turnover 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. As in the prior year, the company incurred an operating loss as a result of additional business development expenditure in the Middle East. It is anticipated that the company will return to profitability in the near future.

#### **Principal risks and uncertainties**

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

The key 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 50 to 55 of the annual report of 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 Defence & Security, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 20 to 25 of the Group's report, which does not form part of this report.

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**Airwork Limited****Directors' report and financial statements****Directors' report** *(continued)***Future developments**

The directors are confident about the future trading prospects of the Company in the light of its remaining order book position and new emerging 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. Each 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 both interest bearing assets and interest bearing liabilities. Interest bearing assets earn interest at a floating rate. 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.

*Foreign exchange risk*

The Company is exposed principally to fluctuations in the exchange rates between pound sterling and the Oman Rial. This risk is managed in conjunction with the Group treasury function.

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## **Airwork Limited**

### **Directors' report and financial statements**

#### **Directors' report *(continued)***

##### **Results and dividends**

The Company's profit for the financial year is £300,000 (2012 £129,000). The directors do not recommend the payment of a dividend (2012: *£nil*)

##### **Directors**

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

F Martinelli

J Davies

K Cornfield (appointed 02/10/2012)

R Stoate (appointed 02/10/2012)

R Taylor (appointed 02/10/2012)

##### **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, including financial and economic factors affecting the Group and on more general issues through the bulletin BabcockConnect

The Company routinely discusses issues affecting its employees directly to ensure that their views are taken into account when decisions are made that are likely to affect their interests

##### **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. 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

##### **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 13 days (2012: 20 days)

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## **Airwork Limited**

### **Directors' report and financial statements**

#### **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 year.

In preparing these financial statements, the directors are required to

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

##### **Directors' protection**

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

##### **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.

On behalf of the Board



**K Cornfield**  
*Director*

24 October 2013

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## **Airwork Limited**

### **Directors' report and financial statements**

#### **Independent auditors' report to the members of Airwork Limited**

We have audited the financial statements of Airwork Limited for the year ended 31 March 2013 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 2013 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.

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**Airwork Limited**

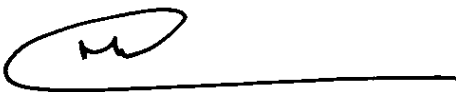
**Directors' report and financial statements**

**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.



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

25 October 2013

**Airwork Limited**  
**Directors' report and financial statements**

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

	Notes	2013 £000	2012 £000
<b>Turnover</b>	2	<b>6,262</b>	6,560
Cost of sales		<u>(5,823)</u>	<u>(6,295)</u>
<b>Gross profit</b>		<b>439</b>	265
Administrative expenses		(555)	(410)
<b>Operating (loss)</b>		<u>(116)</u>	<u>(145)</u>
Income from shares in Group undertakings	3	343	251
Interest receivable and similar income		31	30
Interest payable and similar charges		<u>(1)</u>	-
<b>Profit on ordinary activities before taxation</b>	4	<b>257</b>	136
Tax on profit on ordinary activities	7	<u>43</u>	<u>(7)</u>
<b>Profit for the financial year</b>	15	<b>300</b>	129

There is no difference between the profit (*2012 profit*) on ordinary activities before taxation and the retained profit (*2012 profit*) for the year stated above and their historical cost equivalents

There are no recognised gains or losses other than the profit (*2012 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

**Airwork Limited****Directors' report and financial statements****Balance sheet***as at 31 March 2013*

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Investments	8	230	230
		<u>230</u>	<u>230</u>
<b>Current assets</b>			
Stocks	9	96	25
Debtors – amounts falling due within one year	10	1,217	1,113
amounts falling due after more than one year	10	352	552
Cash at bank and in hand		14,404	13,792
		<u>16,069</u>	<u>15,482</u>
<b>Creditors – amounts falling due within one year</b>	11	<u>(1,862)</u>	<u>(1,575)</u>
<b>Net current assets</b>		<u>14,207</u>	<u>13,907</u>
<b>Total assets less current liabilities</b>		<u>14,437</u>	<u>14,137</u>
Provisions for liabilities	12	<u>(958)</u>	<u>(958)</u>
<b>Net assets</b>		<u>13,479</u>	<u>13,179</u>
<b>Capital and reserves</b>			
Called-up share capital	14	20	20
Profit and loss account	15	<u>13,459</u>	<u>13,159</u>
<b>Total shareholders' funds</b>	15	<u>13,479</u>	<u>13,179</u>

The financial statements on pages 8 to 20 were approved by the board of directors on 24 October 2013 and signed on its behalf by



**K Cornfield**  
*Director*  
Airwork Limited

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**Airwork Limited****Directors' report and financial statements****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 FRS 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. In addition the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

***Investments***

Fixed asset investments 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)***

***Turnover***

Turnover represents the value of services provided net of value added tax and trade discounts. 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.

***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.

***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.

## **Airwork Limited**

### **Directors' report and financial statements**

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

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

##### **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

##### **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

#### **2. Turnover**

Turnover is wholly attributable to the principal activities of the Company and is of Middle East origin and destination

#### **3. Income from shares in Group undertakings**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Dividend from Airwork Technical Services and Partners LLC	<b>343</b>	<b>251</b>

#### **4. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging/(crediting)

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Staff costs (note 5)	<b>4,786</b>	<b>4,797</b>
Exchange (gains)/loss on foreign currencies	<b>(91)</b>	<b>28</b>

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

## **Airwork Limited**

### **Directors' report and financial statements**

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

##### **5. Staff costs**

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

	<b>2013 Number</b>	<b>2012 Number</b>
Operational and technical	<b>150</b>	<b>154</b>
Management and administration	<b>26</b>	<b>26</b>
	<b>176</b>	<b>180</b>

Their aggregate remuneration comprised

	<b>2013 £000</b>	<b>2012 £000</b>
Wages and salaries	<b>4,716</b>	<b>4,734</b>
Social security costs	<b>12</b>	<b>15</b>
Other pension costs (note 18)	<b>58</b>	<b>48</b>
	<b>4,786</b>	<b>4,797</b>

##### **6. Directors' remuneration**

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 (2012 *£nil*)

**Airwork Limited****Directors' report and financial statements****Notes to the financial statements (continued)****7. Tax on profit on ordinary activities**

	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Current tax</b>		
Overseas tax	-	21
<b>Total current tax</b>	-	21
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(42)	(31)
Adjustment in respect of prior years	(6)	11
Impact of change in UK tax rate	5	6
<b>Total deferred tax</b>	(43)	(14)
<b>Tax (credit)/charge on profit on ordinary activities</b>	(43)	7

The tax assessed for the year is lower (2012 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2013 of 24% (2012. 26%) The differences are explained below

	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Profit on ordinary activities before taxation</b>	<b>257</b>	<b>136</b>
Tax on profit on ordinary activities at standard UK corporation tax rate of 24% (2012 26%)	62	35
Effects of		
Other timing differences	42	31
Overseas tax	-	21
Group relief claimed for nil consideration	(22)	(1)
Non-taxable income	(82)	(65)
<b>Current tax charge for the year</b>	-	21

## Airwork Limited

### Directors' report and financial statements

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

##### 7. Tax on profit on ordinary activities (continued)

###### *Factors affecting current and future tax charges*

A number of changes to the UK Corporation tax system were announced in the March 2012 Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2012. Further changes to the UK Corporation tax system were announced in the March 2013 Budget Statement. Further reductions to the main rate are proposed to reduce the rate to 20% by 1 April 2015. These further changes were substantively enacted on 17 July 2013 as part of the Finance Act 2013, however as these changes had not been substantively enacted at the balance sheet date the impact is not included in these financial statements.

##### 8. Investments

	<b>Total £000</b>
Cost and net book amount	
Shares in Group undertakings at beginning and end of year	212
Shares in associated undertakings at beginning and end of year	18
<b>Total</b>	<b>230</b>

On 15 September 2010, proprietary know-how, not capitalised in the financial statements of the Company in accordance with FRS 10 'Goodwill and Intangible Assets', 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 financial statements of the Company prior to the transfer. A royalty is payable at the rate of 1.5% of non-Group turnover. The charge for the year is £17,000 (2012: £22,000).

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

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

## Airwork Limited

### Directors' report and financial statements

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

##### 8. 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 (2012: £21,000).

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

##### 9. Stocks

	2013 £000	2012 £000
Finished goods and goods for resale	96	25
	<u>96</u>	<u>25</u>

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

##### 10. Debtors

	2013 £000	2012 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	338	258
Amounts owed by Group undertakings	-	16
Amounts owed by related parties	422	290
Other debtors	209	214
Deferred tax (note 13)	112	69
Other taxation	134	115
Prepayments and accrued income	2	151
	<u>1,217</u>	<u>1,113</u>
	2013 £000	2012 £000
<b>Amounts falling due after more than one year:</b>		
Other debtors	352	552
	<u>352</u>	<u>552</u>

Amounts owed by Group undertakings are unsecured and repayable within one year. They accrue nil interest

## Airwork Limited

### Directors' report and financial statements

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

##### 11. Creditors - amounts falling due within one year:

	2013 £000	2012 £000
Trade creditors	48	62
Amounts owed to Group undertakings	376	178
Amounts owed to related undertakings	61	58
UK corporation tax payable	590	590
Other taxation and social security	4	3
Other creditors	15	11
Accruals and deferred income	768	673
	<b>1,862</b>	<b>1,575</b>

Amounts owed to Group undertakings are unsecured and repayable on demand

##### 12. Provisions for liabilities

	Redundancy provision £000	Contract provision £000	Total £000
At 1 April 2012	952	6	958
Charged during the year	-	-	-
<b>At 31 March 2013</b>	<b>952</b>	<b>6</b>	<b>958</b>

##### Redundancy

During the prior 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 a further £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

Contract provisions are based on the assessment of future costs and claims with reference to past experience. It is expected to be utilised when the contract expires.

**Airwork Limited****Directors' report and financial statements****Notes to the financial statements (continued)****13. Deferred taxation**

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

	<b>2013 £000</b>	<b>2012 £000</b>
Accelerated capital allowances	<b>20</b>	26
Other short term timing differences	<b>92</b>	43
<b>Total deferred tax</b>	<b>112</b>	69

The movement on the deferred tax asset is as follows

	<b>£000</b>
At 1 April 2012	69
Current year credit	42
Adjustment in respect of prior years	6
Impact of change in UK tax rate	(5)
<b>At 31 March 2013</b>	<b>112</b>

**14. Called-up share capital**

	<b>2013 £000</b>	<b>2012 £000</b>
<b>Allotted and fully paid</b>		
20,000 (2012 20,000) ordinary shares of £1 each	<b>20</b>	20

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

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
At 1 April 2012	20	13,159	13,179
Profit for the financial year	-	300	300
<b>At 31 March 2013</b>	<b>20</b>	<b>13,459</b>	<b>13,479</b>

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

**Notes to the financial statements (continued)****16. Guarantees and financial commitments**

At the year end the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £658.6 million (2012: £731.8 million) provided to certain Group companies. In addition, the Company at the year end had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2012: £nil).

**17. 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 2013 are as follows:

	<b>Sales to related party £000</b>	<b>Amounts owed by related party £000</b>	<b>Amounts owed to related party £000</b>
<b>Related party</b>			
Airwork Technical Services and Partners LLC			
At 31 March 2013	<b>5,100</b>	<b>422</b>	-
At 31 March 2012	5,112	290	-
Airwork Advanced Group Co WLL			
At 31 March 2013	-	-	<b>61</b>
At 31 March 2012	-	-	58

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

There were no purchases from related parties during the course of the year.

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**Airwork Limited****Directors' report and financial statements****Notes to the financial statements *(continued)*****18. 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 2013 by a qualified independent actuary. The pension charge for the year was £53,000 (2012 £48,000). At 31 March 2013, contributions amounting to £4,000 (2012 £4,000) were payable to the funds and are included in creditors.

The net pension liability on the Group wide pension scheme at 31 March 2013 was £13,174,000 (2012 £49,600,000). This represents the liability to Babcock International Group PLC as a whole and does not represent a liability to the Company.

The Company also operated several defined contribution pension schemes. The pension cost charge for the year includes contributions payable by the Company to these funds amounting to £5,000 (2012 £nil). At 31 March 2013, contributions amounting to £nil (2012 £nil) were payable to the funds and are included in creditors.

**19. Ultimate parent undertaking**

On 4 October 2012, Babcock Defence & Security Holdings LLP, a limited liability partnership registered in England and Wales, acquired the entire issued share capital of the Company from Babcock International Support Services Limited, previously the immediate parent undertaking of the Company.

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