
Airwork Limited

Annual Report
For the year ended 31 March 2014

Company Registered Number:
00322249



Airwork Limited**Annual report****Directors and advisors****Directors**

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

Annual report

Strategic report for the year ended 31 March 2014

The directors present their strategic report on the Company for the year ended 31 March 2014.

Principal activities

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

Review of the business

	2014	2013
	£000	£000
Turnover	6,799	6,262
Operating profit/(loss) for the financial year	345	(116)

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 and Partners LLC, in connection with the Royal Air Force of Oman contract. The increase in turnover since the previous year is primarily due to a higher volume of sales of aircraft parts to established customers in the Middle East, particularly the Kuwait Air Force and the Royal Air Force of Oman. As anticipated in the prior year, the Company has now returned to profitability.

During the year the Company issued a Group loan of £14,000,000 to Babcock International Support Services Limited. This is reported within amounts owed from Group undertakings and accrues nil interest.

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 in the Middle East.

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 the political and regulatory environment. 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 64 to 71 of the annual report of Babcock International Group PLC, which does not form part of this report.

Airwork Limited**Annual report****Strategic report** *(continued)***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 38 to 41 of the Group's report, which does not form part of this report.

Financial risk management

Information on the Financial Risk Management of the Company can be found in the Directors' report.

By order of the board



R Taylor

Director

30th September 2014

Airwork Limited

Annual report

Directors' report for the year ended 31 March 2014

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2014.

Future developments

Information on the future developments of the Company can be found in the strategic report.

Results and dividends

The Company's results for the year are set out in the profit and loss account on page 10 showing a profit for the financial year after tax of £625,000 (2013: £300,000). At 31 March 2014, the Company had net current assets of £14,832,000 (2013: £14,207,000). A review of the Company's business during the year, together with information on the Company's risks and uncertainties are provided in the strategic report.

No dividends were paid or proposed during the current or comparative year.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk and liquidity risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

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's finance department. The department has a policy and procedures manual that sets out specific 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. The Company has no exposure to equity securities price risks as it holds no listed equity investments.

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 on-going 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.

Airwork Limited**Annual report****Directors' report** *(continued)***Financial risk management** *(continued)**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.

Directors

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

F Martinelli (resigned 28/10/2013)

J Davies

K Cornfield

R Stoate

R Taylor

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

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.

Airwork Limited

Annual report

Directors' report *(continued)*

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.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the firm 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 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.

Airwork Limited

Annual report

Directors' report *(continued)*

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.

By order of the board

A handwritten signature in black ink, appearing to read 'R Taylor', with a horizontal line extending to the right.

R Taylor

Director

30th September 2014

Independent auditors' report to the members of Airwork Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Airwork Limited, comprise:

- the Balance sheet as at 31 March 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Airwork Limited

Annual report

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



Michael Coffin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

30 September 2014

Profit and loss account

for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Turnover	2	6,799	6,262
Cost of sales		<u>(6,239)</u>	<u>(5,823)</u>
Gross profit		560	439
Administrative expenses		(215)	(555)
Operating profit/(loss)		345	(116)
Income from shares in Group undertakings	3	244	343
Interest receivable and similar income		6	31
Interest payable and similar charges		<u>-</u>	<u>(1)</u>
Profit on ordinary activities before taxation	4	595	257
Tax on profit on ordinary activities	7	<u>30</u>	<u>43</u>
Profit for the financial year	15	625	300

There is no difference between the profit (2013: *profit*) on ordinary activities before taxation and the retained profit (2013: *profit*) for the year stated above and their historical cost equivalents.

There are no recognised gains or losses other than the profit (2013: *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

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Balance sheet

as at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	8	<u>230</u>	230
		<u>230</u>	<u>230</u>
Current assets			
Stocks	9	31	96
Debtors – amounts falling due within one year	10	15,468	1,217
amounts falling due after more than one year	10	152	352
Cash at bank and in hand		<u>1,135</u>	14,404
		<u>16,786</u>	16,069
Creditors – amounts falling due within one year	11	<u>(1,954)</u>	(1,862)
Net current assets		<u>14,832</u>	14,207
Total assets less current liabilities		15,062	14,437
Provisions for liabilities	12	<u>(958)</u>	(958)
Net assets		<u>14,104</u>	<u>13,479</u>
Capital and reserves			
Called-up share capital	14	20	20
Profit and loss account	15	<u>14,084</u>	13,459
Total shareholders' funds	15	<u>14,104</u>	<u>13,479</u>

The financial statements on pages 10 to 22 were approved by the board of directors on 30th September 2014 and signed on its behalf by:



R Taylor
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 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.

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 for liabilities

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.

Contract provisions are based on the assessment of future costs and claims with reference to past experience, and are recognised immediately in the profit and loss account and a provision made in the balance sheet to be unwound when the contract expires.

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

	2014	2013
	£000	£000
Dividend from Airwork Technical Services and Partners LLC	244	343

4. Profit on ordinary activities before taxation

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

	2014	2013
	£000	£000
Staff costs (note 5)	4,710	4,786
Exchange loss/(gains) on foreign currencies	83	(91)

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.

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:

	2014 Number	2013 Number
Operational and technical	147	150
Management and administration	26	26
	173	176

Their aggregate remuneration comprised:

	2014 £000	2013 £000
Wages and salaries	4,650	4,716
Social security costs	6	12
Other pension costs (note 18)	54	58
	4,710	4,786

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 (2013: £nil).

Notes to the financial statements *(continued)*

7. Tax on profit on ordinary activities

	2014 £000	2013 £000
Current tax		
Overseas tax	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(40)	(42)
Adjustment in respect of prior years	(11)	(6)
Impact of change in UK tax rate	21	5
Total deferred tax	(30)	(43)
Tax credit on profit on ordinary activities	(30)	(43)

The tax assessed for the year is lower (2013: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2014 of 23% (2013: 24%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	595	257
Tax on profit on ordinary activities at standard UK corporation tax rate of 23% (2013: 24%)	137	62
Effects of:		
Other timing differences	40	42
Overseas tax	-	-
Group relief claimed for nil consideration	(121)	(22)
Non-taxable income	(56)	(82)
Current tax charge for the year	-	-

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

8. Investments

	Total £000
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
Total	230

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 £25,000 (2013: £17,000).

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)***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 (2013: £21,000).

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

9. Stocks

	2014 £000	2013 £000
Finished goods and goods for resale	31	96
	31	96

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

10. Debtors

	2014 £000	2013 £000
Amounts falling due within one year:		
Trade debtors	609	338
Amounts owed by Group undertakings	14,000	-
Amounts owed by related parties	362	422
Other debtors	210	209
Deferred tax (note 13)	142	112
Other taxation	134	134
Prepayments and accrued income	11	2
	15,468	1,217
Amounts falling due after more than one year:		
Other debtors	152	352
	152	352

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

Notes to the financial statements *(continued)*

11. Creditors - amounts falling due within one year:

	2014 £000	2013 £000
Trade creditors	256	48
Amounts owed to Group undertakings	526	376
Amounts owed to related undertakings	55	61
UK corporation tax payable	549	590
Other taxation and social security	4	4
Other creditors	17	15
Accruals and deferred income	547	768
	1,954	1,862

Amounts owed to Group undertakings are unsecured and repayable on demand. They accrue nil interest.

12. Provisions for liabilities

	Redundancy provision £000	Contract provision £000	Total £000
At 1 April 2013	952	6	958
Charged during the year	-	-	-
At 31 March 2014	952	6	958

Redundancy

During a previous 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.

Notes to the financial statements *(continued)***13. Deferred taxation**

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

	2014 £000	2013 £000
Accelerated capital allowances	22	20
Other short term timing differences	120	92
Total deferred tax	142	112

The movement on the deferred tax asset is as follows:

	£000
At 1 April 2013	112
Current year credit	40
Adjustment in respect of prior years	11
Impact of change in UK tax rate	(21)
At 31 March 2014	142

14. Called-up share capital

	2014 £000	2013 £000
Allotted and fully paid		
20,000 (2013: 20,000) ordinary shares of £1 each	20	20

15. Reconciliation of movements in shareholders' funds and reserves

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 April 2013	20	13,459	13,479
Profit for the financial year	-	625	625
At 31 March 2014	20	14,084	14,104

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

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

At the year end the Company had guaranteed or had joint and several liabilities for drawn Babcock International Group PLC bank facilities of £620.8 million (2013: £658.6 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 (2013: £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 2014 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 2014	5,115	362	-
At 31 March 2013	5,100	422	-
Airwork Advanced Group Co WLL			
At 31 March 2014	-	-	55
At 31 March 2013	-	-	61

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.

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 2014 by a qualified independent actuary. The pension charge for the year was £51,000 (2013: £53,000). At 31 March 2014, contributions amounting to £4,000 (2013: £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 2014 was £48,300,000 (2013: £13,174,000). 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 £3,000 (2013: £5,000). At 31 March 2014, contributions amounting to £nil (2013: £nil) were payable to the funds and are included in creditors.

19. Ultimate parent undertaking

The immediate parent undertaking is Babcock Defence & Security Holdings LLP

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