S. MacNeillie & Son Limited

Annual report

For the year ended 31 March 2016

Company registration number:

00434529

S. MacNeillie & Son Limited

Directors and advisors

Current directors

J Davies
B Stancliffe
R Taylor
S White
I S Urquhart

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Strategic report for the year ended 31 March 2016

The directors present their Strategic report on the Company for the year ended 31 March 2016.

Principal activities

The Company provides specialist vehicle conversion services in the Emergency Services and Defence sectors.

Key performance indicators and business review

	2016	2015
	£000	£000
Turnover	**41,746**	34,152
Profit on ordinary activities before interest and exceptional	**6,784**	3,428

The Company's major customer areas performed in line with expectations.

Management continues to use all relevant financial information in operating The Company's core contracts, in reviewing its production and in controlling its cost base. Individual contracts have key performance indicators (KPIs) integrated into their terms and conditions.

In the last year the company has continued to maintain the high levels of quality and service to its existing and new customers and deliver a consistently high service to the customer throughout the year. The company's key customers continue to express a high level of satisfaction with this performance.

Principal risks and uncertainties

The principal risk of the company is external market factors. The company is dependent upon external party's vehicle replacement cycles and funding availability of difference government agencies. The Company monitors projected replacement programmes and continually reviews its pipeline of opportunities to ensure it is appropriately resourced and has contains the appropriate level of infrastructure.

Strategic report for the year ended 31 March 2016 *(continued)*

Future developments

The Company continues to pursue and develop opportunities within the sectors in which it operates and is confident that further revenue growth will be seen over the course of the coming one to two years.

On behalf of the board

B Stancliffe

Director

20 December 2016

Directors' report for the year ended 31 March 2016

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2016.

Results and dividends

The company's results for the year are set out in the income statement on page 10 showing a profit for the financial year after tax of £5,380,000 (2015: £3,035,000). At 31 March 2016 the company had net assets of £28,307,000 (2015: £22,927,000).

No dividend has been paid in the current year and no final dividend for the year ended 31 March 2016 has been provided by the directors (2015: £nil).

Future developments

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

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, liquidity risk and interest rate 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 departments. 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.

Directors' report for the year ended 31 March 2016 *(continued)*

Directors

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

J Davies	Appointed 1 December 2015
B Stancliffe	
I S Urquhart	
R Taylor	Appointed 1 July 2016
S White	Appointed 1 July 2016
N Misell	Resigned 1 July 2016
K R Thomas	Resigned 2 November 2015
G Leeming	Resigned 1 July 2016

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.

Directors' report for the year ended 31 March 2016 *(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.

Qualifying third party indemnity provisions

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

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.

On behalf of the board

B Stancliffe

Director

20 December 2016

Independent auditors' report to the members of S. MacNeillie & Son Limited

Report on the financial statements

Our opinion

In our opinion, S. MacNeillie & Son Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 March 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Independent auditors' report to the members of S. MacNeillie & Son 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 Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

Independent auditors' report to the members of S. MacNeillie & Son Limited (continued)

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 December 2016

Income statement
for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Revenue	4	**41,746**	34,152
Cost of sales		**(34,513)**	(28,456)
Gross profit		**7,233**	5,696
Administrative expenses		**(449)**	(2,268)
Operating profit	6	**6,784**	3,428
Income from shares in group undertakings		**-**	-
Profit on ordinary activities before interest and taxation		**6,784**	3,428
Finance income	5	**35**	87
Profit on ordinary activities before income tax		**6,819**	3,515
Income tax expense	10	**(1,439)**	(480)
Profit for the financial year		**5,380**	3,035

All of the above results derive from continuing operations.

Statement of comprehensive Income
for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Profit for the financial year		**5,380**	3,035
Other comprehensive income:			
Items that may be subsequently reclassified to income statement:			
Fair value adjustment of interest rate and foreign exchange hedges		-	-
Tax on fair value adjustment of interest rate and foreign exchange hedges		-	-
Items that will not be subsequently reclassified to income statement:			
Gain / (loss) on remeasurement of net defined benefit obligation		-	-
Tax on net defined benefit obligation		-	-
Total comprehensive income for the year		**5,380**	3,035

Statement of financial position - 00434529
as at 31 March 2016

	Note	2016 £000	2015 £000
Non-current assets			
Tangible assets	11	**2,883**	3,112
Investments		**-**	-
		2,883	3,112
Current assets			
Inventories	12	**4,221**	9,347
Trade and other receivables	13	**19,594**	25,479
Cash and cash equivalents		**10,640**	4,931
		34,455	39,757
Trade and other payables – amounts falling due within one year	14	**(9,031)**	(19,942)
Net current assets		**25,424**	19,815
Net assets		**28,307**	22,927
Equity			
Called up share capital	15	**-**	-
Retained earnings		**28,307**	22,927
Total shareholders' funds		**28,307**	22,927

The notes on pages 13 to 31 are an integral part of these financial statements.

The financial statements on pages 10 to 31 were approved by the board of directors and signed on its behalf by:

B Stancliffe
Director
20 December 2016

S. MacNeillie & Son Limited

Statement of changes in equity
for the year ended 31 March 2016

	Note	Called-up share capital £000	Retained Earnings £000	Total Shareholders' Funds £000
Balance at 1 April 2014		-	19,892	19,892
Profit for the financial year		-	3,035	3,035
Other comprehensive income / (loss)		-	-	-
Dividends paid	16	-	-	-
Balance at 31 March 2015		**-**	**22,927**	**22,927**
Profit for the financial year		-	**5,380**	**5,380**
Other comprehensive income / (loss)		-	-	-
Dividends paid	16	-	-	-
Balance at 31 March 2016		**-**	**28,307**	**28,307**

Notes to the financial statements

1 General information

S. MacNeillie & Son Limited is a private company which is incorporated and domiciled in the UK. The address of the registered Office is 33 Wigmore Street, London, W1U 1QX.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The Company has adopted FRS 101 in these financial statements. Details of the transition to FRS 101 are disclosed in note 21.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is a wholly owned subsidiary of Babcock Critical Services Limited and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
b) IFRS 7, 'Financial instruments: Disclosures'
c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
- paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
- paragraph 73(e) of IAS 16 Property, plant and equipment; and
- paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

e) The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), 10(f), 16, 38, 40, 111, and 134-136

f) IAS 7, 'Statement of cash flows'
g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'

2 Summary of significant accounting policies *(continued)*

h) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
i) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a 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.

Revenue

Revenue 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:

(a) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured and recovery of consideration is considered probable.

(b) Sale of services

Revenue from services rendered is recognised by reference to the stage of completion of the transaction. In a limited number of contracts where performance and revenue are measured annually the revenue and costs are similarly recognised over the course of the year.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Intangible assets

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

a) *Research and development*

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

b) *Computer software*

Computer software includes software licences acquired plus the costs incurred in bringing the software into use and is shown at cost less accumulated amortisation and is amortised over its expected useful lives of between three and five years.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of PPE over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Freehold property	2% to 8%
Leasehold property	Lease term
Plant and equipment	6.6% to 33.3%

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

PPE is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell or value in use.

Inventory and work in progress

Inventory is valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out method. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads.

Trade receivables

Trade receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the collection of the debt is no longer probable.

Share based payments

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

Taxation

(a) Current income tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

(b) Deferred income tax

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

2 Summary of significant accounting policies *(continued)*

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Pensions costs and other post-retirement benefits

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

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the local currency at the year end exchange rates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis. A provision is made where the operating leases are deemed to be onerous.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Provisions for liabilities

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

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Company incurring further costs.

Provisions for losses on contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write downs of work-in-progress for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly. A provision is made where the operating leases are deemed to be onerous.

A provision for deferred consideration on acquisitions is recognised when the Company has a realistic expectation of the expense based on the Purchase and Sale Agreement.

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

3 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Profit and Revenue Recognition

Profit and revenue recognition on contracts is a key judgement exercised by management on a contract by contract basis. In order to make such a judgement an estimate of contract outturn is made of all significant contracts. Management review and challenge estimates made.

Notes to the financial statements *(continued)*

4 Revenue

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

	2016 £000 Principal activity	2015 £000 Principal activity
By area of activity:		
Rendering of goods and services	**41,746**	34,152
	41,746	34,152

£41,442 (2015: £34,098k) of revenue in the year ending 31 March 2016 originated in the United Kingdom.

5 Finance income

	2016 £000	2015 £000
Finance income:		
Bank interest	**35**	87
	35	87

Notes to the financial statements *(continued)*

6 Operating profit

Operating profit is stated after charging:

	2016	2015
	£000	£000
(Profit) / loss on disposal of property, plant and equipment	**-**	-
Depreciation of tangible fixed assets	**360**	316
Amortisation of intangible asses	**-**	-
Impairment of intangible assets	**-**	-
Impairment of trade receivables	**-**	-
Inventory charged as an expense	**11,665**	7,531
Foreign exchange (gains) / losses	**-**	-
Audit fees payable to the Company's auditors	**23**	24

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. The group financial statements are required to comply with the statutory disclosure requirements.

Notes to the financial statements *(continued)*

7 Staff costs

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

	2016 Number	2015 Number
By activity:		
Production	**268**	249
Management and administration	**63**	51
	331	300

Their aggregate remuneration comprised:

	2016 £000	2015 £000
Wages and salaries	**9,655**	8,946
Social security costs	**903**	880
Other pension costs	**-**	505
	10,558	10,330

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These are recharged to those business entities.

8 Directors' remuneration

The emoluments of the directors, including pension contributions, paid by any company in respect of services provided to this Company were as follows:

	2016 £000	2015 £000
The remuneration of the directors which was paid by the Company was as follows:		
Emoluments (including benefits in-kind)	-	1,490
Defined contribution pension scheme	-	196
	-	1,686

Retirement benefits are accruing to no directors (2015: 5) under the defined contribution pension scheme.

Notes to the financial statements *(continued)*

8 Directors' remuneration *(continued)*

Except for zero (2015: 5) directors, all of the directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the directors in relation to other Babcock Group companies.

The above amounts for remuneration include the following in respect of the highest paid director:

	2016	2015
	£000	£000
Emoluments (excluding pension contributions)	-	358
Company pension contributions (in place of accrued benefit entitlement under the group's defined contribution scheme)	-	40

9 Share based payments

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

During the year the total charge relating to employee share-based payment plans was £0.0 million (2015: £0.0 million) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £0.0million (2015: £0.0million).

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

Notes to the financial statements *(continued)*

9 Share based payments *(continued)*

DBMP, PSPs, DBP and CSOP[1]

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – EPS/ROCE %	Fair value per option – TSR Pence	Fair value per option – EPS/ROCE Pence	Correlation %	Grant or modification date
2015 DBMP Matching	936,197	1,121.0	12.0%	4.0	40%	364.0	1,121.0	46%	11/6/15
2015 PSP	1,688,368	1,121.0	12.0%	4.0	30%	374.0	1,121.0	46%	11/6/15
2015 DBP	3,863	1,121.0	12.0%	4.0	100%	–	1,121.0	46%	11/6/15
2014 PSP	14,196	1,007.0	12.0%	3.5	40%	165.0	1,007.0	46%	29/1/15
2014 DBMP Matching	853,803	1,218.0	15.0%	4.0	40%	536.0	1,218.0	46%	12/6/14
2014 PSP	1,550,135	1,218.0	15.0%	4.0	40%	547.0	1,218.0	46%	12/6/14
2014 DBP	8,736	1,218.0	15.0%	4.0	100%	–	1,218.0	46%	12/6/14
2013 DBMP Matching[2]	1,014,364	1,155.0	16.0%	4.0	59%	549.9	1,018.4	46%	15/8/13
2013 PSP[2]	1,310,577	1,155.0	16.0%	4.0	39%	559.1	1,018.4	46%	15/8/13
2013 PSP Funding[2]	122,015	1,155.0	16.0%	4.0	39%	496.0	933.8	46%	15/8/13
2013 CSOP[2]	122,015	1,155.0	16.0%	4.0	39%	84.6	63.1	46%	15/8/13

Both the vesting period and the expected life of all DBMP, PSP and CSOP awards is three years, but for the DBP it is two years. The holders of all awards receive dividends, except for CSOP awards.

The DBMP Matching awards are split evenly between the performance criteria of TSR, EPS and ROCE, whilst the PSP and CSOP awards are split evenly between TSR and EPS. There are no performance conditions attached to the DBP.

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

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 58,036 matching shares (2015: 45,104 matching shares) at a cost of £0.6 million (2015: £0.6 million).

1. DBMP = 2012 Deferred Bonus Matching Plan, PSP = 2009 Performance Share Plan, DBP = 2012 Deferred Bonus Plan and CSOP = 2009 Company Share Option Plan.
2. These DBMP, PSP and CSOP have been restated to take account of the rights issue in May 2015.

Notes to the financial statements *(continued)*

10 Income tax

Tax expense included in income statement

	2016 £000	2015 £000
Current tax:		
UK Corporation tax on profits for the year	**1,494**	480
Adjustment in respect of prior year	**-**	-
Current tax charge for the year	**1,494**	480
Deferred tax:		
Origination and reversal of timing differences	**(9)**	-
Adjustment in respect of prior years	**(52)**	-
Impact of change in UK tax rate	**6**	-
Total deferred tax (credit)	**(55)**	-
Tax on profit on ordinary activities	**1,439**	480

Notes to the financial statements *(continued)*

10 Income tax *(continued)*

Tax expense / (income) included in other comprehensive income

Current tax		
Deferred tax:		
- Tax impact of actuarial gains/losses on pension liability	-	-
- Impact of change in tax rates	-	-
Tax expense / (income) included in other comprehensive income	-	-

Tax expense for the year is lower (2015: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2016 of 20% (2015: 21%). The differences are explained below:

	2016	2015
	£000	£000
Profit on ordinary activities before taxation	**6,819**	**3,515**
Profit on ordinary activities multiplied by standard UK corporation tax rate of 20% (2015: 21%)	**1,364**	**738**
Effects of:		
Expenses not deductible for tax	**124**	**12**
Adjustments in respect of prior years	**(55)**	**(306)**
Other timing differences	**6**	**36**
Tax charge for the year	**1,439**	**480**

In the 2015 Budget, it was announced that the UK corporation tax rate will reduce from 20% to 19% from April 2017. It was further announced in the 2016 Budget that it will be further reduced to 18% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 18% as this is the tax rate that will apply on reversal.

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Notes to the financial statements *(continued)*

11 Tangible assets

	Freehold and Long Leasehold Buildings £'000	Plant and equipment £'000	Total £000
Cost			
At 1 April 2015	3,720	1,241	4,961
Additions	-	136	136
Acquisitions	-	-	-
Disposals	-	(144)	(144)
At 31 March 2016	**3,720**	**1,233**	**4,953**
Accumulated depreciation			
At 1 April 2015	1,154	695	1,849
Charge for the year	93	197	290
Disposals	-	(69)	(69)
At 31 March 2016	**1,247**	**823**	**2,070**
Net book value			
At 31 March 2016	**2,473**	**410**	**2,883**
At 31 March 2015	2,566	546	3,112

Notes to the financial statements *(continued)*

12 Inventories

	2016 £000	2015 £000
Raw materials and Consumables	**1,487**	1,630
Work in Progress	**2,152**	3,487
Finished goods and goods for resale	**582**	4,230
	4,221	9,347

There is no significant difference between replacement costs of finished goods and goods for resale and their carrying amounts.

13 Trade and other receivables

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade receivables	**5,559**	8,845
Corporation tax	**-**	120
Deferred tax (note 19)	**55**	-
Amounts owed by group undertakings	**13,700**	16,004
Other receivables, prepayments and accrued income	**280**	510
	19,594	25,479

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

Trade receivables are stated after provision for impairment of £nil (2015 £nil)

Notes to the financial statements *(continued)*

14 Trade and other payables

	2016 **£000**	2015 £000
Amounts falling due within one year:		
Bank overdrafts	-	-
Trade creditors	**3,068**	5,024
Amounts owed to parent and group undertakings	**1,000**	-
Corporation tax	**1,494**	-
Other taxation and social security	**442**	1,273
Payments received on account	**2,164**	12,153
Other creditors	**247**	330
Accruals and deferred income	**616**	1,162
	9,031	19,942

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

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 17(a)).

15 Called up share capital

	2016 **£**	2015 £
Allotted and fully paid		
136 ordinary A shares of £1 each (2015: 136)	**136**	136
64 ordinary B shares of £1 each (2015: 64)	**64**	64
40 ordinary C shares of £1 each (2015: 40)	**40**	40
4 ordinary D shares of £1 each (2015: 4)	**4**	4
1 ordinary E shares of £1 each (2015: 1)	**1**	1
1 ordinary F shares of £1 each (2015: 1)	**1**	1
	246	246

16 Dividends

Dividends declared and paid were £nil (2015: £nil), this is equivalent to £nil per share (2015: £nil). There are no plans for a final dividend.

17 Guarantees and financial commitments

a) Contingent liabilities

At the year end the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2015: £nil) 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 million (2015: £15,000,000).

No securities have been provided by the Company in relation to these contingent liabilities. There is no current expectation that these contingent liabilities will crystallise.

18 Related party disclosures

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

19 Deferred taxation

The major components of the deferred tax liabilities and deferred tax assets are recorded as follows:

Deferred tax liabilities	**Accelerated capital allowances**
At 31 March 2015:	-
- Charged / (credited) to the income statement	**(55)**
- Charged / (credited) directly to other comprehensive income	-
At 31 March 2016:	**(55)**

20 Ultimate parent undertaking

The Company's immediate parent company is Babcock Critical Services Limited, a limited company registered in Scotland. 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

21 Transition to FRS 101

This is the first year that the Company has presented its results under FRS 101. The last financial statements under the UK GAAP were for the year ended 31st March 2015. The date of transition to FRS 101 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31st March 2014 and the total equity as at 1st April 2014 and 31st March 2015 between UK GAAP as previously reported and FRS 101.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1, 'First time adoption of International Financial Reporting Standards'.

In reviewing the requirements of IFRS there were found to be no material differences between the results and positions previously reported and those under IFRS. As such there are no reconciling items following the transition to FRS101, the profit for the financial year ended and total equity as at 31 March 2015 are consistent with the UK GAAP previously reported.