Babcock Communications Limited

STRATEGIC REPORT, DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

Company Registered Number:
03196204

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COMPANIES HOUSE

Directors

A N Dungate
G D Leeming
K R Thomas
F Martinelli
J McGrath (resigned 06/12/2014)
A S Lewis (resigned 03/02/2015)
R H Taylor
I S Urquhart
K J Garvey (appointed 14/10/2014)
D I Olney (appointed 03/02/2015)

Secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands, United Kingdom

The directors present their Strategic Report of the Company, for the financial year ended 31 March 2015.

Company Strategy

The Company offers engineering support services for all aspects of the global communications market including the delivery of turnkey engineering solutions at a system level, the management and upgrade of existing communications infrastructure and the broadcast of analogue radio. The business also provides long-term management and through-life support of communication systems.

The Company's strategy is to expand within these primary business areas, as well as into the transmission of content for digital radio services and video output.

Company Business Model

The Company aims to create value for its customers by managing the through life delivery of content by utilising its expert engineering teams, scheduling and frequency teams and network of infrastructure and content distribution partners around the world. The Company seeks to add further value by becoming customers' strategic partner in the long term, in order to fully understand their needs and implement solutions to deliver long term efficiencies.

Operational and Financial Review

The Company's results for the year are set out in the profit and loss account on page 10 showing an Operating Profit for the financial year of £7.8 million (2014: £7.8 million).

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

At 31 March 2015, the Company had net assets of £84.6 million (2014: £78.5 million).

Key performance indicators

	2015	2014
	£000	£000
Turnover	**55,004**	49,697
Operating Profit	**7,800**	7,822

Turnover has increased by £5.3 million; this mainly due to more BBC projects and increased revenue within Intec.

Future Developments

The future outlook for the Company is good and whilst the markets in which we operate continue to change and be challenging, long term prospects look attractive. The strong positions we hold in these markets and the long-term relationships we have developed with our key customers have underpinned our performance in the year. Although we expect continued commercial challenge, the Company is well placed to maximise the significant opportunities with existing and new customers.

Acquisition of WRNB Limited

In February 2015, the Company acquired WRNB Limited, a company specialising in radio and television broadcast solutions, for an up-front consideration of £4m and deferred consideration of £7.5m.

Key Performance Indicators

The Company uses Key Performance Indicators (KPIs) measured on a periodic basis to monitor the performance of contracts and ensure operational delivery to our customer base. The primary KPIs relate to the availability of assets to deliver the contracted service levels. KPIs are reviewed at several levels within the Company (as described below) in order to ensure performance delivery and mitigate risk.

Principal Risk 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 Company's key risks relate to successful delivery of projects and services in a timely fashion and to a technically proficient standard. As such the Company employs a robust risk register process by contract to ensure that all key risks are identified, evaluated and ultimately managed as successfully as possible. Key risks are regularly reviewed by senior management and an appropriate KPI system is used to enable prompt identification of issues.

Financial risks are discussed further below. The other key business risks and uncertainties affecting the Company are considered to relate to the political and regulatory environment and the ability to recruit and retain quality staff.

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include the effects of changes to credit risk, liquidity risk, interest rate risk, foreign exchange rate risk and price risk. The Company has in place a risk management programme that seeks to limit the 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 are managed by the group finance department. Babcock International Group has a policy and procedures manual that sets out guidelines to allow it to manage financial risks and this is applied by the Company.

Approved by the Board and signed on its behalf

KJ Garvey
Director
22 July 2015

The directors present the audited financial statements of the Company, for the year ended 31st March 2015.

Future Developments

The future developments of the Company are discussed in the Strategic 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.

Employment of Disabled Persons

The policy of the Company is to give full consideration to disabled applicants for employment, having regard 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, with appropriate training being given if necessary.

Employee Involvement

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

Employee Information

	TOTAL
Operations and Administration	**328**
Senior Management	**26**
TOTAL	**354**

Two of the Company's directors are employed by the Company. One director left, and was replaced, during the year.

Environment

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

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

As a major energy consumer the Company is constantly striving to minimise its energy utilisation thus contributing to reducing greenhouse gas emissions. The Company is constantly investing in new energy efficient equipment and retiring older technology. This strategy benefits both the environment and the Company bottom line.

Qualifying Third Party Indemnity Provisions

Under their respective Articles of Association, the directors of the Company are, and were during the year to 31 March 2015, entitled to be indemnified by the Company against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 2006.

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.

Research and Development

The Company commits resources to research and development where necessary for the evolution and growth of its business.

Liquidity Risk

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

Interest Rate Cash Flow Risk

The Company has interest bearing assets in the form of cash balances, interest on which is 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 Currency Exchange Rate Risk

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange contracts.

Price Risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operation, the cost of managing exposure to commodity price risk exceeds potential benefit. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Directors

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

A N Dungate
G D Leeming
K R Thomas
F Martinelli
J McGrath (resigned 06/12/2014)
A S Lewis (resigned 03/02/2015)
R H Taylor
I S Urquhart
K J Garvey (appointed 14/10/2014)
D I Olney (appointed 03/02/2015)

Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements

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

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

In preparing those 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 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.

Auditors and the Disclosure of Information

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) 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.

Independent Auditors

A resolution proposing to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

K J Garvey
Director
22 July 2015

Independent auditors' report to the members of Babcock Communications Limited

Report on the financial statements

Our opinion

In our opinion, Babcock Communications 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 2015 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

Babcock Communications Limited's financial statements comprise:

- the balance sheet as at 31 March 2015;
- 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 the preparation of the financial statements 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.

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.

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 7, 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.

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.

Phil Harrold (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
23 July 2015

Profit and Loss Account
For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	**55,004**	49,697
Cost of sales		**(42,012)**	(37,218)
Gross profit		**12,992**	12,479
Administrative expenses		**(5,073)**	(4,538)
Operating profit (before goodwill amortisation)		**7,919**	7,941
Amortisation of goodwill	9	**(119)**	(119)
Operating profit – continuing activities		**7,800**	7,822
Exceptional items	5	**-**	1,644
Profit on ordinary activities before interest		**7,800**	9,466
Interest receivable and similar income	3	**34**	23
Interest payable and similar charges	3	**-**	(89)
Profit on ordinary activities before taxation		**7,834**	9,400
Tax on (profit) / loss on ordinary activities	8	**(1,765)**	(1,588)
Profit for the financial year after taxation	20	**6,069**	7,812

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

Babcock Communications Limited

Balance Sheet as at 31 March 2015

Company Registered Number: 03196204

	Notes	**2015 £'000**	2014 £'000
Fixed assets			
Intangible assets – goodwill	9	**182**	301
Tangible assets	10	**5,974**	5,560
Investments in subsidiary undertakings	11	**11,763**	260
		17,919	6,121
Current assets			
Stocks	12	**4,325**	6,290
Debtors	13	**111,156**	104,419
Cash at bank and in hand		**9,394**	9,664
		124,875	120,373
Creditors – amounts due within one year	14	**(39,358)**	(37,270)
Net current assets		**85,517**	83,103
Total assets less current liabilities		**103,436**	89,222
Creditors – amounts due after more than one year	15	**(10,100)**	(10,100)
Provisions for liabilities	16	**(8,744)**	(601)
Net assets		**84,592**	78,523
Capital and reserves			
Called-up share capital	18	**1,000**	1,000
Share premium account	19	**9,204**	9,204
Profit and loss account	19	**74,388**	68,319
Total shareholders' funds	20	**84,592**	78,523

The financial statements on pages 10-27 were approved by the Board of Directors and signed on its behalf by:

K J Garvey
Director
22 July 2015

1 Accounting policies

a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been consistently applied are summarised below, together with an explanation of where changes have been made to previous policies in the year.

b) Change in accounting policy

The Company adopted the accounting policies of Babcock International Group plc in 2011. As a result of this the Company now accounts for long term contract under SSAP 9 Stocks and Long Term Contracts.

c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Tangible fixed assets are reviewed for impairment where indicators for impairment exist. Where an impairment loss has been identified, it is recorded within accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use.

Depreciation is provided on a straight line basis to write off the cost of all tangible fixed assets, other than freehold land over their estimated useful lives or contract period if shorter, to their estimated residual value as follows:

Plant and machinery	4 to 25 years
Freehold buildings	10 to 25 years
Freehold land	Nil
Motor vehicles	5 years
Fixtures and fittings	10 years
Computer equipment	4 to 5 years
Leasehold property	Over the term of the lease

Depreciation will commence on assets in the course of construction once they have been brought into use.

1 Accounting policies (continued)

d) Intangible assets

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

(i) Intellectual property rights and know how

The premium paid on the intellectual property rights licence from Babcock International Limited is being amortised over the life of the agreement of 7 years.

Purchased know how is amortised over twenty years.

(ii) Goodwill

Intangible fixed assets are stated at cost after amortisation. Purchased goodwill, (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired), arising in respect of acquisitions, is capitalised. Purchased goodwill is amortised to nil over its estimated useful life. It is reviewed for impairment at each and every financial year end and if events or changes in circumstances indicate that the carrying value may not be recoverable.

(iii) Acquired Intangibles

Intangible assets, which are capable of being recognised separately and measured reliably on acquisition of a business, are capitalised at fair value on acquisition. These intangibles consist of contracts acquired. Where these assets have a finite life, they are amortised over the period which they are expected to generate benefits, but generally not exceeding ten years

(iv) Computer Software

Computer software costs are amortised over their expected useful lives of between three and five years.

e) Investments in joint ventures and subsidiaries

Fixed assets investments are stated at cost less provision for impairment in value.

f) Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. In the case of raw materials and consumables, cost comprises the purchase cost. In the case of work in progress, cost comprises direct materials and labour and a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

g) Long-term contracts

Long term contract balances, which are included in debtors as amounts recoverable on long-term contracts, are valued at the net sales value of the work done less amounts received as progress payments on account.

Any progress payments received in excess of the net sales value of work done are included in creditors as payments received on account of long term contracts.

1 Accounting policies (continued)

h) Turnover

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 measured as a proportion of expected total contract costs. Turnover from services provided on a short-term or one-off basis is recognised when the service is complete. The provision of services over a long-term period are treated as construction contracts, and the turnover recognised as set out below.

Construction contracts and long term service contracts

Turnover from construction contracts and long-term service contracts, is recognised by reference to the stage of completion of the contract. The stage of completion is determined by the costs incurred on the contract to date or labour hours if appropriate, to the extent that such costs represent progress made on the project. A prudent level of profit attributable to the contract activity is recognised if the final outcome of such contracts can be reliably assessed. An expected loss on a contract is recognised immediately in the income statement. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. Payments on account, to the extent they are not matched with turnover or offset against work in progress balances in stock, are shown as deferred income within creditors.

i) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted as at the balance sheet date. The taxation liabilities of certain group companies may be reduced, wholly or in part, by surrender of losses by fellow group companies. The decision to charge group relief is made on a case by case basis.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1 Accounting policies (continued)

j) Taxation (continued)

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax 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 enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

k) 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 period.

The Company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profit represents the contributions payable to the scheme in respect of the accounting period.

l) 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.

m) 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. Overseas branches are accounted for using the temporal method as set out in SSAP 20 Foreign Currency Transactions.

n) Leases

Assets acquired under finance leases are capitalised and the outstanding capital element of instalments is included in creditors. The interest element is charged against profits so as to produce a constant periodic rate of charge on the outstanding obligations. Depreciation is calculated to write off the assets over their expected useful lives or over the lease terms where these are shorter.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis.

1 Accounting policies (continued)

o) Group financial statements

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by the Companies Act 2006 because it is a wholly owned subsidiary of Babcock International Group PLC which prepares consolidated financial statements which are publicly available.

p) Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard 1 (revised 1996) to dispense with the requirement to prepare a cash flow statement in its financial statements, as a consolidated cash flow statement is included in the financial statements of the ultimate parent company.

2 Analysis of Turnover

	2015	2014
	£'000	£'000
By geographical area:		
United Kingdom	**50,242**	45,624
Rest of Europe	**2,319**	1,260
North America	**909**	1,029
Rest of World	**1,534**	1,784
Total	**55,004**	49,697

The Company has one class of business being its principle activity.

3 Interest receivable/(payable) and similar income/(charges)

	2015 £'000	2014 £'000
Interest payable and similar charges:		
Fair value interest	-	(89)
	-	(89)
Interest receivable and similar income:		
Bank interest	-	19
Loan interest receivable from group undertaking	34	4
	34	23
	34	(66)

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2015 £'000	2014 £'000
Depreciation – owned fixed assets (note 10)	804	1,155
Goodwill amortisation (note 9)	119	119
Auditors' remuneration		
- audit fees	47	42
Operating lease rentals		
- land and buildings	567	567
- Plant and machinery	21	19
Staff costs (note 6)	14,344	14,124
Royalty payable (note 11)	874	799
(Profit) on sale of operation (note 5)	-	(1,644)
Exchange loss	70	181

No other fees are paid to PricewaterhouseCoopers LLP, or its associates, in respect of this company, other than the statutory audit of the Company. Fees for other services are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC.

5 Exceptional items

Included in the profit and loss account for 2014 was an exceptional profit on sale of operations of £1.6 million. At the beginning of the financial year Babcock International Group performed a review of the structure of the group and as a result operations in the Company were sold to other Babcock International Group companies.

6 Staff costs

The average monthly number of employees (including directors) was:

	2015 Number	2014 Number
Operations	**328**	283
Management and administration	**26**	71
	354	354

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	**12,160**	11,983
Social security costs	**797**	815
Share based payments	**-**	-
Other pensions costs (see note 23)	**1,387**	1,326
	14,344	14,124

7 Directors' remuneration

Three directors (2014: none) were paid by the Company during the year. Payments to the directors totalled £477k. The highest paid director received £246k, and total director pension payments accrued in the year were £44k.

All other directors of the Company are subject to service agreements with and remunerated by other Group companies. It is not possible to make an accurate apportionment of their emoluments relating to the services provided to the Company.

8 Tax on profit on ordinary activities

	2015 £'000	2014 £'000
Current tax		
UK Corporation tax on profits of the year	**1,516**	1,708
Consortium relief for consideration	**-**	-
Overseas tax	**59**	40
Current tax charge for the year	**1,575**	1,748
Deferred tax charge for the year	**199**	152
Adjustment in respect of prior years	**-**	(603)
Impact of change in UK tax rate	**(9)**	291
Tax on profit on ordinary activities	**1,765**	1,588

The adjustment in respect of prior year relates mainly to consortium relief for consideration. The difference between the total current year tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows. The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%).

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	**7,834**	9,400
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 21% (2014: 23%)	**1,645**	2,162
Effects of:		
Difference between capital allowances and depreciation	**-**	-
Timing differences	**(199)**	(152)
Income/Expenses not deductible for tax purposes	**70**	(302)
Group relief (claimed)/surrendered for nil consideration	**-**	-
Overseas Tax	**59**	40
Rate benefit from consortium relief	**-**	-
Goodwill amortisation	**-**	-
	1,575	1,748

8 Tax on profit on ordinary activities (continued)

Factors affecting future tax charge
A number of changes to the UK Corporation tax system were announced in the March 2013 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 2013. Further reductions to the main rate are proposed to reduce the rate to 20% by 1 April 2015. These further changes had been substantively enacted at the balance sheet date and, therefore the impact is included in these financial statements.

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 2014	2,314
Additions	-
At 31 March 2015	**2,314**
Amortisation	
At 1 April 2014	2,013
Charge for the year	119
At 31 March 2015	**2,132**
Net book value	
At 31 March 2015	**182**
At 31 March 2014	**301**

10 Tangible fixed assets

	Short leasehold land and buildings £'000	Freehold land and buildings £'000	Vehicles, plant and machinery £'000	Fixtures and fittings and computer equipment £'000	Total £'000
Cost					
At 1 April 2014	679	7,150	24,691	4,184	36,704
Additions	-	-	1,218	-	1,218
At 31 March 2015	**679**	**7,150**	**25,909**	**4,184**	**37,922**
Accumulated Depreciation					
At 1 April 2014	104	2,291	24,565	4,184	31,144
Charge for the year	15	197	592	-	804
At 31 March 2015	**119**	**2,488**	**25,157**	**4,184**	**31,948**
Net book value					
At 31 March 2015	**560**	**4,662**	**752**	**-**	**5,974**
At 31 March 2014	575	4,859	126	-	5,560

Included under freehold land and buildings is land of £2,750,000 *(2014:* £2,750,000*)* which is not depreciated.

11 Fixed assets – Investments in subsidiary undertakings

WRNB Limited, a radio and television broadcast solutions specialist, was purchased in February 2015 for a consideration of £4m. Further payments of £7.5m are payable in later years depending on the performance of the Company.

	Total
Cost	**£'000**
At 1 April 2014	260
Additions	11,503
At 31 March 2015	**11,763**
Provision for impairment	
At 1 April 2014	-
Additions	-
At 31 March 2015	-
Net book value	
At 31 March 2015	**11,763**
At 31 March 2014	260

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

The Company's subsidiary undertakings, all of which are wholly-owned except as stated, are:

Company	Country of Registration	Principal Activities
WRNB Limited	United Kingdom	Radio and television broadcast solutions
Babcock Communications Cyprus Limited	Cyprus	Operation & maintenance of radio broadcast facilities
Babcock Communications & Partners LLC (70%)	Sultanate of Oman	Operation & maintenance of radio broadcast facilities
VT Communications GmbH	Germany	Operation & maintenance of radio broadcast facilities

Babcock Communications Limited owns 70% of the shares in Babcock Merlin Communications & Partners LLC, but is entitled to 99% of the trading result of the Company.

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 knowhow 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 turnover. The charge for the year is £874,000 (2014: £799,000).

12 Stocks

	2015 £'000	2014 £'000
Finished goods and goods for resale	**4,325**	6,290
	4,325	6,290

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

13 Debtors

	2015 £'000	2014 £'000
Due within one year:		
Trade debtors	**1,915**	1,933
Amounts recoverable on contracts	**1,001**	1,279
Amounts owed by group undertakings	**101,241**	95,808
Prepayments and accrued income	**5,251**	3,461
UK corporation tax recoverable	**-**	-
Deferred tax (note 17)	**1,748**	1,938
	111,156	104,419

Amounts owed by Group undertakings are unsecured, interest bearing and repayable on demand.

14 Creditors - amounts due within one year

	2015 £'000	2014 £'000
Trade creditors	**1,721**	1,161
Amounts owed to group undertakings	**3,658**	7,384
Corporation tax	**4,657**	3,139
Other creditors	**1,596**	872
Other taxes and social security	**215**	234
Accruals and deferred income	**27,511**	24,480
	39,358	37,270

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 Creditors - amounts due after more than one year

	2015 £'000	2014 £'000
Amounts owed to group undertakings	**10,100**	10,100

The amount shown of £10,100,000 (2014: £10,100,000) is interest free and the parent Company has indicated that repayment of this amount will not be made within 12 months from the approval of these financial statements.

16 Provisions for liabilities

	Dilap-idation provisions £'000	Pension liability £'000	Purchase of WRNB Ltd £'000	Deferred tax £'000	Total £'000
At 1 April 2014	601	-	-	-	601
Charged to the profit and loss account	643	-	-	-	643
Deferred consideration	-	-	7,500	-	7,500
Transferred on sale of contracts	-	-	-	-	-
Utilised during the year	-	-	-	-	-
At 31 March 2015	**1,244**	**-**	**7,500**	**-**	**8,744**

Dilapidation provision

Dilapidation provision is in relation to various properties leased by the Company. These provisions are expected to be utilised over the next twenty years.

17 Deferred taxation

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

	2015 Provided £'000	2014 Provided £'000	2015 Full potential £'000	2014 Full potential £'000
Accelerated capital allowances	**1,140**	1,328	**1,140**	1,328
Capital tax losses	**-**	-	**-**	-
Other short term timing differences	**608**	610	**608**	610
	1,748	1,938	**1,748**	1,938

The movement on the deferred tax asset is as follows:

	£'000
At 31 March 2014 as previously reported	1,938
Current year credit	(199)
Disposal	-
Adjustment in respect of prior years	-
Impact of change in UK tax rate	9
At 31 March 2015	**1,748**

18 Called-up share capital

	2015 £'000	2014 £'000
Authorised		
1,000,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, issued and fully paid		
1,000,000 ordinary shares of £1 each	**1,000**	1,000

19 Reconciliation of movement in shareholders funds and reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2014	9,204	68,319	77,523
Profit for the financial year	-	6,069	6,069
At 31 March 2015	**9,204**	**74,388**	**83,592**

20 Reconciliation of movement in shareholders funds

	2015 £'000	2014 £'000
Profit/(loss) for the financial year	**6,069**	7,812
	-	-
Capital contribution relating to share based payments	-	-
Net increase/(decrease) in shareholders' funds	**6,069**	7,812
Opening shareholders' funds	**78,523**	70,711
Closing shareholders' funds	**84,592**	78,523

21 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 (2014: £620,800,000) 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 (2014: £Nil).

b) Operating lease commitments	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Annual commitments under non-cancellable operating leases expiring as:				
- within one year	**6**	-	-	-
- between two and five years	**561**	**21**	567	19
- after five years	-	-	-	-
	567	**21**	567	19

22 Related party disclosures

The Company, as a wholly owned subsidiary, has taken advantage of the exemption, granted under Financial Reporting Standard 8, Related Party Disclosures, from disclosing details of sales and purchases with other members of the group headed up by Babcock International Group PLC.

23 Pension commitments

The Company is a member of a multi-employer defined benefit pension scheme. The scheme is accounted for on a defined contribution basis as the Company is unable to identify its share of the underlying assets and liabilities. The charge for the year is described in Note 6. No amounts were unpaid at the end of the year

24 Ultimate parent undertaking

The Company's immediate parent company is Merlin Communications Group Limited, a company registered in England and Wales. The Company's ultimate parent company 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