

Babcock Porchester Limited

Directors' report and financial statements

For the year ended 31 March 2014

Company registration number:

03592083

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COMPANIES HOUSE

Babcock Porchester Limited

Directors and advisors

Directors

F Martinelli

W Tame

Company Secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street

London

W1U 1QX

United Kingdom

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

Babcock Porchester Limited

Strategic report

The directors present their Strategic report of the Company, for the year ended 31 March 2014.

Principal activities

The principal activity of the Company is that of an investment holding company.

Results

The loss for the financial year was £127,000 (2013: loss £318,000) which has been taken to reserves.

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The management of the business is subject to a number of risks. Procedures are in place across the Group to identify, assess and mitigate major business risks. The management of risk is an integral part of our operational review process and is supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee. Further details can be found in the Babcock International Group PLC financial statements pages 64 -71.

On behalf of the Board on 28 November 2014:



F Martinelli
Director

Babcock Porchester Limited

Directors' report

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

Future direction of the company

There are no plans to alter significantly the business of the Company.

Dividends

Dividends declared and paid in the current financial year were £nil (2013: £nil). There are no plans for a final dividend.

Going Concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued support of the immediate parent company, Vosper Thornycroft (UK) Limited. The directors have received confirmation that Vosper Thornycroft (UK) Limited intend to support the Company for at least one year after these financial statements are signed.

Financial risk management

All treasury transactions are carried out only with prime rated counter-parties. Financial risk is managed in accordance with Group policies and procedures. For further information refer to note 2 of the Babcock International Group PLC financial statements.

Directors of the Company

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

F Martinelli

W Tame

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 2014, 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 protection 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 2013 and remain in force.

Babcock Porchester Limited

Independent auditors' report to the members of Babcock Porchester Limited (continued)

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors and the disclosure of information

So far as the directors are aware, there is no relevant audit information, being information required by the auditors in connection with the preparation of the auditors' report, of which the auditors are unaware. Having made enquiries of fellow directors, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Reappointment of Independent Auditors

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

On behalf of the Board on 28 November 2014:



F Martinelli
Director

Babcock Porchester Limited

Independent auditors' report to the members of Babcock Porchester Limited (continued)

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 loss 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 Babcock Porchester Limited, comprise:

- the Balance Sheet as at 31 March 2014;
- the Profit and loss account for the year then ended;
- the Reconciliation of Movement in Shareholders' Funds and reserves 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 Financial Statements 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.

Babcock Porchester Limited**Independent auditors' report to the members of Babcock Porchester 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.



John Baker (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

28 November 2014

Babcock Porchester Limited**Profit and loss account****For the year ended 31 March 2014**

	Notes	2014 £'000	2013 £'000
Administrative expenses		181	3
Amounts written off investment		(15)	-
Operating profit		166	3
Interest payable and similar charges	2	(217)	(309)
Loss on ordinary activities before taxation	3	(51)	(306)
Tax on loss on ordinary activities	5	(76)	(12)
Loss for the financial year	13	(127)	(318)

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

There were no other recognised gains and losses aside from those shown in the Profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

All results derive from continuing operations.

The accompanying notes form an integral part of these financial statements.

Babcock Porchester Limited**Company registration number: 03592083****Balance sheet as at 31 March 2014**

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	6	-	15
		-	15
Current assets			
Debtors	7	520	618
		520	618
Creditors: amounts falling due within one year	8	(6,978)	(6,764)
Net current liabilities		(6,458)	(6,146)
Total assets less current liabilities		(6,458)	(6,131)
Creditors: amounts falling due after more than one year	9	(6,768)	(6,768)
Provisions for liabilities	10	(993)	(1,193)
Net liabilities		(14,219)	(14,092)
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	(14,219)	(14,092)
Total shareholders' deficit	13	(14,219)	(14,092)

The financial statements on pages 8-16 were approved by the board of directors and signed on its behalf by:



F Martinelli
Director

28 November 2014

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

The Company has net liabilities as at 31 March 2014. The directors of Vosper Thornycroft (UK) Limited have confirmed that it is their current intent to continue to provide financial support to the Company for at least one year from the date of signing these financial statements, on the strength of this assurance, the financial statements have been prepared on the basis that the Company is a going concern.

Investments in subsidiary undertakings

Fixed assets investments are stated at cost less provision for impairment in value. Any impairment is recognised in the profit and loss account in the period in which it arises.

Taxation

Current tax, including UK corporation tax and foreign 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. 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 tax 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.

Deferred tax is measured at the average tax rates that are expected to apply in the years 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.

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.

Babcock Porchester Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Group financial statements

The Company has taken advantage of Section 400 of the Companies Act 2006 and has not prepared group financial statements as it is a wholly owned subsidiary undertaking of Babcock International Group PLC which prepares consolidated financial statements which are publicly available.

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, which are publicly available.

Provisions

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, if it is probable that an outflow of economic benefits are determined by discounting the expected future cash flows at an appropriate discount rate.

2. Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable and similar charges:		
Bank interest	(7)	(48)
Loan interest payable to group undertakings	(210)	(261)
Interest payable and similar charges	<u>(217)</u>	<u>(309)</u>

3. Loss on ordinary activities before taxation

Auditors' remuneration in respect of all audit services is borne by Babcock International Group PLC.

4. Staff costs and directors' remuneration

There were no staff employed during the current or prior year and none (2013: none) of the directors received remuneration in respect of their service to the Company.

Babcock Porchester Limited**Notes to the financial statements (continued)****5. Tax on loss on ordinary activities**

	2014 £'000	2013 £'000
Current tax		
UK Corporation tax on losses of the year	-	-
Adjustment in respect of prior years	-	-
Group relief for consideration	-	-
Current tax charge for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	46	-
Adjustment in respect of prior years:	-	-
ACT irrecoverable written off	-	-
Impact of change in UK tax rate	30	12
Tax (credit)/charge	76	12

The tax assessed for the year is higher (2013: higher) 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
Loss on ordinary activities before tax	(51)	(306)
Tax on loss on ordinary activities at standard UK corporation tax rate of 23% (2013: 24%)	(12)	(73)
Effects of:		
Timing differences	(46)	-
Intangible amortisation not deductible for tax purposes	-	-
Expenses not deductible for tax purposes	4	-
Adjustment in respect of prior years	-	-
Group relief for nil consideration	54	73
Non-taxable gains	-	-
Current tax charged for the year	-	-

Factors affecting current and future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2014 Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2014 is included in the Finance Act 2014. Further reductions to the main rate are proposed to reduce the rate to 21% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore the impact is not included in these financial statements. As a result of the above all deferred tax balances are restated at 20% at the balance sheet date.

Babcock Porchester Limited

Notes to the financial statements (continued)

6. Fixed asset – share in group undertakings

	Total £'000
Cost	
At 1 April 2013	15
At 31 March 2014	15
Provision for impairment	
At 1 April 2013	-
Additions	(15)
At 31 March 2014	(15)
Net book value	
At 31 March 2014	-
At 31 March 2013	15

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

The Company owned 9,585 ordinary shares (16%) in Beaulieu Marine Development Limited a company incorporated in England and Wales, with the principal activity of manufacturing other transport equipment.

During the financial year the Company wrote off its investment in Beaulieu Marine Development Limited.

A full list of all subsidiary undertakings will be annexed to the ultimate parent company's next annual return filed with the Registrar of Companies.

7. Debtors

	2014 £'000	2013 £'000
Due within one year:		
Trade debtors	21	21
Amounts owed by group undertakings	228	250
Other debtors	73	73
Deferred tax (note 11)	198	274
	520	618

The amount owed by group undertakings is repayable on demand and is non interest bearing.

Babcock Porchester Limited**Notes to the financial statements (continued)****8. Creditors: amounts falling due within one year**

	2014 £'000	2013 £'000
Bank loans and overdrafts	3,255	3,247
Payments received on account	12	14
Amounts owed to group undertakings	3,707	3,499
Finance lease	-	-
Other creditors	4	4
Accruals and deferred income	-	-
Taxation and social security	-	-
UK corporation tax payable	-	-
VAT	-	-
	6,978	6,764

An amount of £2,654,624 (2013: £2,656,010) is owed to group undertakings and is repayable on demand and is non-interest bearing.

Included in amounts owed to group undertakings is accrued interest on loan payable of £1,052,611 at 31 March 2014 (2013: £842,621).

9. Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	6,768	6,768

A loan of £6,768,442 (2013: £6,768,442) is interest bearing at a rate of six month UK LIBOR as at the start of the year, plus two hundred and fifty basis points, repayable after more than one year.

10. Provisions for liabilities

	Reorganisa- tion provision £'000	Dilapida- tions provision £'000	Pension liability £'000	Contract provision £'000	Deferred tax £'000	Total £'000
At 1 April 2013	-	-	-	1,193	-	1,193
Charged to the profit and loss account	-	-	-	-	-	-
Released during the year	-	-	-	(200)	-	(200)
Utilised during the year	-	-	-	-	-	-
At 31 March 2014	-	-	-	993	-	993

Contract provisions are based on the assessment of future costs and claims expected against warranties arising from completed contracts. Provisions are based on an assessment of future claims with reference to past experience.

Babcock Porchester Limited**Notes to the financial statements (continued)****11. Deferred taxation**

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

	2014 Recorded £'000	2013 Recorded £'000
Accelerated capital allowances	-	-
Other short term timing differences	<u>198</u>	<u>274</u>
	<u>198</u>	<u>274</u>

The movement on the deferred tax asset is as follows:

	£'000
At 31 March 2013 as previously reported	274
Current year credit	(46)
Impact of change in UK tax rate	<u>(30)</u>
At 31 March 2014	<u>198</u>

12. Called up share capital

	2014 £	2013 £
Allotted, issued and fully paid		
1 (2013:1) ordinary share of £1 each	<u>1</u>	<u>1</u>

13. Reconciliation of movement in shareholders' deficit and reserves

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2013	-	(14,092)	(14,092)
Loss for the year	-	(127)	(127)
Dividends paid	-	-	-
At 31 March 2014	<u>-</u>	<u>(14,219)</u>	<u>(14,219)</u>
At 1 April 2012	-	(13,774)	(13,774)
Loss for the year	-	(318)	(318)
Dividends paid	-	-	-
At 31 March 2013	<u>-</u>	<u>(14,092)</u>	<u>(14,092)</u>

Babcock Porchester Limited

Notes to the financial statements (continued)

14. Guarantees and financial commitments

Contingent liabilities

The Company at the year end had no joint and several liabilities for drawn bank overdraft facilities of other group companies (2013: £nil).

15. Related party disclosures

As a wholly owned subsidiary undertaking of Babcock International Group PLC, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Babcock International Group PLC, whose financial statements are publicly available. There are no other related party transactions requiring disclosure.

16. Parent undertakings

The Company's immediate parent company is Vosper Thornycroft (UK) Limited, a company registered in England and Wales. The Company's ultimate parent company and ultimate 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