

Babcock Fire Services (SW) Limited

Annual report

For the year ended 31 March 2016

Company registration number:

04380305

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COMPANIES HOUSE

Babcock Fire Services (SW) Limited

Directors and advisors

Current directors

R H Taylor
F Martinelli

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

Babcock Fire Services (SW) Limited

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 principal activities of the Company are the design, construction and maintenance of Fire Fighting Units for use in the provision of fire-fighting training by the South Wales Fire & Rescue Service.

Review of the business

	2016 £000	2015 £000
Revenue	1,305	848
Profit / (Loss) for the financial year	197	(236)

Over the course of the year, the Company's business activities continued to perform in line with expectations.

Principal risks and uncertainties

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

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 64 to 74 of the annual report of Babcock International Group PLC, which does not form part of this report.

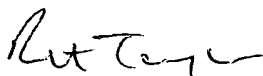
Future developments

The future outlook for the company is good and is expected to continue in line with the financial model agreed at the contract inception.

Key performance indicators

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Support Services, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 28 to 35 and 46 to 49 of the Group's report, which does not form part of this report.

By order of the board



R H Taylor
Director

{ } December 2016

Babcock Fire Services (SW) Limited

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.

Dividends

No dividends were paid in the year (2015: £nil). No final dividend for the year ended 31 March 2016 has been proposed 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 initial price is set out within the contract terms and is subject to inflation using the retail price index. 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 has access to longer term funding from its ultimate parent undertaking if required.

Interest rate risk

The company has interest bearing assets in the form of cash balances, interest on which is at a variable rate. The return on the financial asset derived from applying IFRIC12 was set at contract inception and is fixed through the concession. Intercompany borrowings are at a fixed rate. The company also has an interest rate swap to manage the interest rate risk on external borrowings, which are at a variable rate.

Babcock Fire Services (SW) Limited

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

Directors of the company

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

G D Leeming (Resigned 1 July 2016)

F Martinelli

R H Taylor (Appointed 1 July 2016)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). 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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of the disclosure exemptions, if any, of FRS 101 used in the preparation of these 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.

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.

Babcock Fire Services (SW) Limited

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

On behalf of the board



R H Taylor

Director

13 December 2016

Babcock Fire Services (SW) Limited

Independent auditors' report to the members of Babcock Fire Services (SW) Limited

Report on the financial statements

Our opinion

In our opinion, Babcock Fire Training (SW) 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 the 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 judgments, 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

Babcock Fire Services (SW) Limited

Independent auditors' report to the members of Babcock Fire Services (SW) Limited *(continued)*

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities on page 4 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 and Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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.

Babcock Fire Services (SW) Limited

Independent auditors' report to the members of Babcock Fire Services (SW) Limited

(continued)

Responsibilities for the financial statements and the audit *(continued)*

What an audit of financial statements involves (continued)

We primarily focus our work in these areas by assessing the directors' judgments against available evidence, forming our own judgments, 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.



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

13 December 2016

Babcock Fire Services (SW) Limited**Income statement and Statement of comprehensive income**
for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Revenue	4	1,305	848
Cost of sales		<u>(1,326)</u>	<u>(814)</u>
(Loss) / Profit on ordinary activities before interest and taxation		(21)	34
Finance income	5	494	485
Finance costs	5	(318)	(328)
Other finance income/ (costs)		<u>12</u>	<u>(460)</u>
Profit / (Loss) on ordinary activities before income taxation		167	(269)
Income tax credit on ordinary activities	7	<u>30</u>	<u>33</u>
Profit / (Loss) for the financial year and Total comprehensive income for the year		<u>197</u>	<u>(236)</u>

All of the above results derive from continuing operations.

Babcock Fire Services (SW) Limited

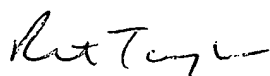
Statement of financial position

as at 31 March 2016

	Note	2016 £000	2015 £000
Non-current assets			
Financial asset		6,949	6,846
		<u>6,949</u>	<u>6,846</u>
Current assets			
Trade and other receivables	8	234	483
Cash and cash equivalents	9	2,149	1,923
		<u>2,383</u>	<u>2,406</u>
Trade and other payables – amounts falling due within one year	10	(1,135)	(1,050)
Net current assets		<u>1,248</u>	<u>1,356</u>
Total assets less current liabilities		<u>8,197</u>	<u>8,202</u>
Trade and other payables – amounts falling due after more than one year	10	(6,142)	(6,314)
Provision for liabilities	11	(464)	(494)
Net assets		<u>1,591</u>	<u>1,394</u>
Equity			
Called up share capital		50	50
Retained earnings		<u>1,541</u>	<u>1,344</u>
Total shareholders' funds		<u>1,591</u>	<u>1,394</u>

The notes on pages 12 to 23 are an integral part of these financial statements.

The financial statements on pages 9 to 23 were approved by the board of directors and signed on its behalf by:



R H Taylor

Director

13 December 2016

Registered number 04380305

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Babcock Fire Services (SW) Limited**Statement of changes in equity**
for the year ended 31 March 2016

	Called- up Share Capital £000	Retained earnings £000	Total £000
Balance at 1 April 2014	50	1,580	1,630
Loss for the year	-	(236)	(236)
Balance at 31 March 2015	50	1,344	1,394
Profit for the year	-	197	197
Balance at 31 March 2016	50	1,541	1,591

Babcock Fire Services (SW) Limited

Notes to the financial statements

1 General information

Babcock Fire Services (SW) Limited is a private company limited by shares 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 15.

Basis of preparation

The financial statements have been prepared in accordance with Companies Act 2006 and Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Company has early adopted the following amendments to FRS 101 (effective for periods beginning on or after 1 January 2016) in these financial statements:

- Presentation of IAS format financial statements
- Exemption from the presentation of a third party balance sheet (being the opening balance sheet for the Company at the date of application of FRS 101, meaning in this instance 1 April 2014)

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 and presentational 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 subsidiary of Babcock Project Investments Limited and of its ultimate parent, Babcock International Group PLC.

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

- a) IFRS 7, 'Financial instruments: Disclosures'
- b) 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)
- c) 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)
- d) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136

Babcock Fire Services (SW) Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

- e) IAS 7, 'Statement of cash flows'
- f) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- g) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- h) 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.

Service concession arrangements

IFRIC 12 'Service concession arrangements' addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. For all arrangements falling within the scope of the Interpretation (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator recognises:

- a financial asset – where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or
- an intangible asset – where the operator's future cash flows are not specified (e.g. where they will vary according to usage of the infrastructure asset); or
- both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

The company accounts for the single contract as a service concession under IFRIC 12. As a consequence of this interpretation the company recognises investment income in respect of the financial asset on an effective interest basis and amortisation of any intangible asset arising. The assets of the fire training facility will, at the option of the Fire Authority, be transferred to that Authority at the end of the contract, subject to the agreement of compensating sums, where applicable, in accordance with the terms of that underlying contract. No intangible assets have been recognised in the company.

The company entered into a 25 year arrangement in 2006 with South Wales Fire & Rescue Service (Fire Authority) for the construction and maintenance of a Fire Training Facility at Cardiff Gate, Cardiff in addition to the provision of training services. The training services and facilities management delivery is entirely sub-contracted to fellow Babcock entity.

Babcock Fire Services (SW) Limited

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Service concession arrangements *(continued)*

The Fire Authority will obtain legal title of the facility on completion of the contract for consideration of £1, although there remains the option of extending the contract for an additional 10 years. The Fire Authority retain control throughout the duration over access and rights to use the facility within the terms of the contract.

The price of facilities and training is controlled through a training point mechanism. The Fire Authority will purchase training points to use at a defined minimum level per quarter and may purchase additional training points. The value of the training points is controlled by indexation formula based on inputs from the Office of National Statistics (ONS). There is no re-pricing built into the contract.

In applying IFRIC 12, Babcock recognised separately the revenue on operational cost and training and financial income on the contract. Financial income is calculated as the effective interest rate on the value of the financial asset from the initial construction of the facilities and revenue as the mark-up on facility costs.

Financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and amounts owned by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Babcock Fire Services (SW) Limited

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Financial Instruments *(continued)*

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Derivatives

The company uses interest rate swaps to fix any variable interest rates on its long term borrowings. Amounts payable or receivable in respect of interest rate swaps are recognised in the income statement on an accruals basis over the life of the instrument.

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.

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.

Babcock Fire Services (SW) Limited

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

Taxation (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.

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.

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.

There are a number of assumptions made in the IFRIC12 calculations which are used to derive the accounting in the company. The return on the financial asset was set at the contract inception date based upon the market conditions at that time and will not change through the concession life. Other assumptions including the discount rate, growth rate and operating margin represent the directors' best estimate and are set with reference to the projected costs to complete the contract. The directors ensure this projection is updated each year and changes are reflected in the IFRIC12 calculations in response to this estimate.

The service concession arrangement has been shown as a full financial asset due to the variable income element not being relevant to the contract.

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.

4 Revenue

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

	2016 £000	2015 £000
	Principal activity	Principal activity
By area of activity:		
Rendering of services	1,305	848
	1,305	848

All the revenue in the year ending 31 March 2016 originated in the United Kingdom.

Babcock Fire Services (SW) Limited

Notes to the financial statements *(continued)*

5 Finance income and costs

	2016 £000	2015 £000
Finance income:		
Bank interest	10	8
Service concession investment income	484	477
	<u>494</u>	<u>485</u>
Finance costs:		
Bank loan interest	(286)	(295)
Loan interest payable to group undertakings	(32)	(33)
	<u>(318)</u>	<u>(328)</u>

6 Operating Profit/(Loss)

Operating loss is stated after charging / (crediting):

	2016 £000	2015 £000
Audit fees payable to the Company's auditors	2	5

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 accounts are required to comply with the statutory disclosure requirements.

No emoluments were made by the company to the directors in either year as they are all remunerated by other entities within the Babcock International Group. It is not possible to make an accurate apportionment of their emoluments relating to the services provided to the company.

There were no employees in either year.

Babcock Fire Services (SW) Limited**Notes to the financial statements (continued)****7 Income tax**

	2016	2015
	£000	£000
Tax expense included in income statement		

Current tax:

UK Corporation tax on profits for the year	-	-
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Current tax charge for the year	-	-
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Deferred tax:

Deferred tax charge / (credit)	10	(34)
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Adjustment in respect of prior years	(4)	-
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Impact of change in UK tax rate	(36)	1
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Total deferred tax credit (note 12)	(30)	(33)
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Tax credit on profit on ordinary activities	(30)	(33)
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Tax expense for the year is lower (2015: credit is 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 / (Loss) on ordinary activities before taxation	167	(269)
Profit on ordinary activities multiplied by standard UK corporation tax rate of 20% (2015: 21%)	33	(56)
Effects of:		
Expenses not deductible for tax purposes	(13)	80
Derivative tax asset movement (note 12)	(18)	(18)
Group relief (claimed)/surrendered for nil consideration	8	(39)
Adjustments in respect of deferred tax for prior years	(4)	-
Impact of change in UK tax rate	(36)	1
Tax credit for the year	(30)	(33)

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. Subsequent to the year end, plans to reduce the rate further were announced but as these are yet to be substantively enacted at the balance sheet date, deferred tax balances have not been re-measured.

Babcock Fire Services (SW) Limited

Notes to the financial statements *(continued)*

8 Trade and other receivables

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade receivables	-	13
Prepayments and accrued income	231	451
Taxation and VAT Payable	3	19
Amounts owed by group undertakings	-	-
	234	483

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

9 Cash and cash equivalents

Within the cash balance, £340,000 (2015: £340,000) is held in favour of the financiers, pursuant to the financing agreements and withdrawals may only be made subject to any consent required from the financiers.

10 Trade and other payables

	2016 £000	2015 £000
Bank loans and overdrafts (secured)	171	224
Amounts owed to parent and group undertakings	406	531
UK corporation tax payable	13	13
Derivative financial liabilities	45	57
Accruals and deferred income	500	225
	1,135	1,050

The amounts owed to group undertakings represent a trading balance of £19,000 (2015: £124,000) and an intercompany loan totalling £387,000 (2015: £407,000). This loan is repayable on demand, is unsecured and carries interest at a fixed rate of 8%.

	2016 £000	2015 £000
Amounts falling due after more than one year:		
Bank loans and overdrafts (secured)	4,855	5,027
Derivative financial liabilities	1,287	1,287
	6,142	6,314

Babcock Fire Services (SW) Limited

Notes to the financial statements (continued)

10 Trade and other payables (continued)

The bank loan is secured by Barclays Bank plc via a fixed and floating charge over the shares and assets of Babcock Fire Services (SW) Limited. The loan is also guaranteed in full by Vosper Thornycroft (UK) Limited. The bank loan is repayable by six-monthly capital and interest instalments, bearing interest at a variable rate of Libor plus 0.75%. The company has in place a swap agreement, which fixes the variable rate to 4.745%. At the year end, the fair value of the swap was a liability of £1,332,000 (2015: £1344,000) which has been split between current and non-current based on the maturity of the loan.

	2016 £000	2015 £000
Age analysis of bank loans		
In one year or less	171	224
In more than one year but not more than two years	190	171
In more than two years but not more than five years	866	671
In more than five years	3,799	4,185
	5,026	5,251

11 Provisions for liabilities

	2016 £000	2015 £000
Deferred tax (note 12)	464	494
	464	494

12 Deferred taxation

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

	Accelerated capital allowances £000	Derivative deferred tax asset £000	Total £000
Deferred tax assets and liabilities			
At 1 April 2014:	350	177	527
- Current year credit	(16)	(18)	(34)
- Impact of change in UK tax rate	1	-	1
At 31 March 2015:	335	159	494
- Current year charge / (credit)	28	(18)	10
- Prior year adjustment	(4)	-	(4)
- Impact of change in UK tax rate	(36)	-	(36)
At 31 March 2016:	323	141	464

Babcock Fire Services (SW) Limited

Notes to the financial statements *(continued)*

13 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. There were no other transactions or balances which require disclosure.

14 Ultimate parent undertaking

The Company's immediate parent company is Babcock Project Investments Limited, a limited liability partnership registered in England and Wales. 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

Babcock Fire Services (SW) Limited**Notes to the financial statements (continued)****15 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 31 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 31 March 2014 and the total equity as at 1 April 2014 and 31 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'.

Profit / (Loss) for the financial year		2015 £000
UK GAAP - As previously reported		438
Derivative financial instrument – valuation change	A (460)	
Service concession - Contract Income Removed	B (1,055)	
Service concession - Add Financial Asset Income	B 477	
Service concession - Remove Depreciation	B 382	
Service concession - Add Lifecycle spend	B (53)	
Total adjustment to profit before tax for the financial year	(709)	
Deferred tax impact of adjustments:		
- Deferred Tax on derivative (note 10)	18	
- Previously reported taxation credit	C 2	
- Taxation calculated (note 7)	15	
Total adjustment to tax expense	35	(674)
Total adjustment to profit for the financial year		
FRS 101		(236)

Babcock Fire Services (SW) Limited

Notes to the financial statements (continued)

15 Transition to FRS 101 (continued)

Equity Reconciliation

		31 March 2015 £000	31 March 2014 £000
UK GAAP – As previously reported		453	15
Service concession - Removal of Fixed assets	D	(4,419)	(4,748)
Service concession - Valuation of Financial asset	D	6,846	7,424
Service concession - Taxation adjustment	C	17	-
Fair value of derivative financial instrument	A	(1,344)	(884)
Deferred Tax asset (note 12)		(159)	(177)
FRS 101		1,394	1,630

(A) Derivative Financial instrument

Under previous UK Gaap, derivative financial instruments were disclosed in the financial statements with the fair value, but not accounted for. With the adoption of FRS 101, the fair value of the instruments are accounted for and changes are reflected in the profit and loss. The company holds interest rate fixes explained in note 10. The fair value at transition was £884,000 liability and £1,344,000 at 31 March 2015.

(B) Service concession

In applying IFRIC 12, the company recognised revenue based upon in year delivery of training points and depreciated the fixed assets to reflect their usage and lifecycle spend was capitalised. Under IFRIC12, financial income is calculated as the effective interest rate on the value of the financial asset from the initial construction of the facilities and revenue as the mark-up on facility costs. Lifecycle spend is expensed as incurred.

(C) Service concession - Taxation

There are transitional arrangements in place and elections have been made which minimises the tax impact arising from the change to IFRIC12.

(D) Service concession - Removal of Fixed assets

In applying IFRIC 12 'the fixed assets are removed from the statement of financial position and replaced with a combination of Intangible and Financial assets based on the income received through the contract. As the company has no variable income through the service concession only a financial asset is presented.

(E) Service concession - Valuation of Financial asset

A Financial asset has been classified and valued under IFRIC 12 principles to replace the fixed assets on the statement of financial position.

In addition to the transition adjustments identified above which affect profit for the financial year the following adjustments have arisen which have had no effect on net equity or income statement but which have affected the presentation of these items on the Statement of financial position.

- The documentation supporting the intercompany loan has been reviewed and on the basis of comparing the terms to the requirements of FRS 101, has been categorised as repayable on demand.