Babcock IP Management (Number One) Limited

Annual report

For the Nine Months ended 31 March 2016

Company registration number:

09634332

SATURDAY
A5LK4D2H
A18
10/12/2016
#174
COMPANIES HOUSE

Directors and advisors

Current directors
I Urquhart (appointed 11 June 2015)
F Martinelli (appointed 11 June 2015)
I Jewell (appointed 11 June 2015)
N Borrett (appointed 11 June 2015)

Company secretary
Babcock Corporate Secretaries Limited

Registered office
33 Wigmore Street
London
W1U 1QX

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

Strategic report for the Nine Months ended 31 March 2016

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

Principal activities

Babcock IP Management (Number One) Limited was incorporated on 11 June 2015, starting to trade on 2 July 2015.

The principal activity of the company is a Group IP Management company within the Group headed by Babcock International Group PLC.

Review of the business

	Nine Months 2016 £000
Revenue	**16,337**
Profit for the financial period	**16,150**

Principal risks and uncertainties

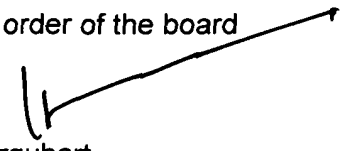
The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

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.

Key performance indicators

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Babcock IP Management (Number One) Limited, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 28 to 34 and 32 to 34 of the annual report of Babcock International Group PLC, which does not form part of this report.

By order of the board



I Urquhart

Director

6 December 2016

Directors' report for the Nine Months ended 31 March 2016

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

Future developments

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

Directors

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

I Urquhart (appointed 11 June 2015)
F Martinelli (appointed 11 June 2015)
P Rogers (appointed 11 June 2015 and resigned on 31 August 2016)
I Jewell (appointed 11 June 2015)
J Borrett (appointed 11 June 2015)

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.

Research and development

The Company commits resources to research and development to the extent management considers reasonable for the evolution and development of the business.

Environment

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

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 period. 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.

Qualifying third party indemnity provisions

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

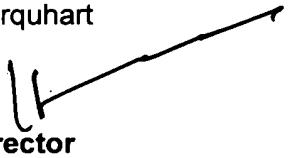
Directors' report for the Nine Months ended 31 March 2016 (continued)

Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

By order of the board

I Urquhart



Director

6 December 2016

Independent auditors' report to the members of Babcock IP Management (Number One) Limited

Report on the financial statements

Our opinion

In our opinion, Babcock IP Management (Number One) 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 Balance Sheet as at 31 March 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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, 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

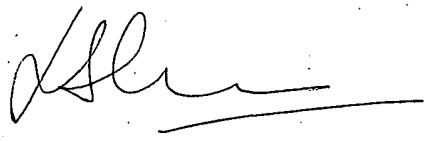
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6th December 2016

Income statement

for the nine months ended 31 March 2016

	Note	9 months 2016 £000
Revenue	4	**16,337**
Other operating expenses	6	**(541)**
Administration expenses		**(882)**
Operating profit		**14,914**
Profit on ordinary activities before income tax		**14,914**
Income tax credit	5	**1,236**
Profit for the period		**16,150**

All of the above results derive from continuing operations.

Statement of comprehensive Income

for the nine months ended 31 March 2016

	Note	9 months 2016 £000
Total comprehensive income for the period		**16,150**

Balance sheet

as at 31 March 2016

	Note	2016 £000
Non-current assets		
Intangible assets	6	**6,669**
Deferred tax asset	9	**1,236**
		7,905
Current assets		
Trade and other receivables	7	**16,337**
Cash and cash equivalents		**-**
Trade and other payables – amounts falling due within one year	8	**(882)**
Net current assets		**15,455**
Net assets		**23,360**
Equity		
Called up share capital		**-**
Share premium		**7,210**
Other reserves		**-**
Retained earnings		**16,150**
Total shareholders' funds		**23,360**

The notes on pages 11 to 17 are an integral part of these financial statements.

The financial statements on pages 9-17 were approved by the board of directors and signed on its behalf by:

I Urquhart
Director

6 December 2016

Statement of changes in equity

for the nine months ended 31 March 2016

	Note	Called-up share capital £000	Share premium £000	Retained earnings £000	Total £000
		-	-	-	-
Balance at 11 June 2015					
Profit for the period		-	-	**16,150**	**16,150**
Share premium		-	**7,210**	-	**7,210**
Balance at 31 March 2016		-	**7,210**	**16,150**	**23,360**

Notes to the financial statements

1 General information

Babcock IP Management (Number One) Limited is a private company which is incorporated and domiciled in the UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. The Company has adopted FRS 101 in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measure at fair value through profit and loss in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

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

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

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

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

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

Notes to the financial statements

Summary of significant accounting policies *(continued)*

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

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. The intangible assets are amortised on a straight line basis over a period of 10 years.

Research and development

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

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.

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.

Notes to the financial statements

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 period. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

4 Revenue

	2016 £000
Revenue:	
Group royalty revenue	**16,337**
	16,337

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

Notes to the financial statements

5 Income tax

Tax expense included in income statement

	2016 £000
Current tax:	
UK Corporation tax on profits for the period	-
Adjustment in respect of prior period	-
Current tax charge for the period	-
Deferred tax:	
Origination and reversal of timing differences	1,236
Deferred tax credit for the period	1,236
Total tax credit for the period	1,236

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

	2016 £000
Profit on ordinary activities before taxation	**14,914**
Profit on ordinary activities multiplied by standard UK corporation tax rate of 20%	**2,983**
Effects of:	
Expenses not deductible for tax purposes	**108**
Group relief for nil consideration	**(3,091)**
Deferred tax asset recognised on patent box benefit	**1,236**
Total tax credit for the period	**1,236**

Notes to the financial statements

6 Intangible assets

	Intellectual property £000
Cost	
At 2 July 2015	-
Additions	7,210
At 31 March 2016	**7,210**
Accumulated amortisation and impairment	
At 2 July 2015	-
Amortisation	541
At 31 March 2016	**541**
Net book value	
At 31 March 2016	**6,669**
At 2 July 2015	-

Intangible assets amortisation is recorded in other operating expenses in the income statement.

7 Trade and other receivables

	2016 £000
Amounts falling due within one year:	
Group royalty revenue	**16,337**

8 Trade and other payables

	2016 £000
Amounts falling due within one year:	
Amounts owed to parent and group undertakings	**882**

Notes to the financial statements

9 Deferred taxation

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

Deferred tax assets	Accelerated capital allowances	Other	Total
At 31 March 2015:			
- Credited to the income statement	-	1,236	**1,236**
- Credited to other comprehensive income	-	-	-
At 31 March 2016:	**-**	**1,236**	**1,236**

10 Share capital

	2016 £000
Allotted and fully paid	
1,007 ordinary shares of £0.01 each	-

11 Dividends

Dividends declared and paid were nil (2015: nil).

12 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.

13 Ultimate parent undertaking

The Company's immediate parent company is Babcock Integration LLP 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