Cavendish Nuclear Limited

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2015

Company Registered Number
3975999

Directors

A N Dungate
R A Hardy
G D Leeming
F Martinelli
P L Rogers
I S Urquhart

Joint Company Secretaries

Babcock Corporate Secretaries Limited

Registered Office

33 Wigmore Street
London
W1U 1QX

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

The directors present their strategic report on the Company for the year ended 31 March 2015.

The business review below reviews the Company's activities and likely future developments.

Principal activities

Provision of a broad spectrum of engineering and support services to the nuclear industry.

Strategic review

The Company is the largest UK nuclear specialist service company operating at all levels built though acquisition and strong organic growth. These services encompass initial study, design, management and support to outages, plant operation, decommissioning, power station support and involvement in the UK's new nuclear plant build programmes.

During the year, we have continued to strengthen our market position and have remained focused on site operations, maintenance, decommissioning and new build.

On 31 March 2014 the Nuclear Decommissioning Authority (NDA) named Cavendish Fluor Partnership (CFP) – a joint venture with Fluor – as the preferred bidder for the contract to decommission and clean up the 12 Magnox and Research sites. Allowing for changes to the bid scope, the total contract value is expected to be around £4.2 billion over 13.5 years. Following a transition period, the contract was awarded on 1 September 2014. This contract continues to demonstrate our capability as a trusted partner of the NDA to carry out complex decommissioning work across its estate.

At Dounreay, the Cavendish Dounreay Partnership – in which the Company is also the lead partner – has made good progress on the programme with key milestones being achieved on schedule. Additional programme scope is also being introduced in response to a change in the national strategy for the consolidation of nuclear materials and as a result the site closure plan will be extended to 2029. Dounreay continues to challenge itself against a declared objective to be recognised as the pre-eminent reference site for decommissioning in Europe.

At Sellafield, in partnership with Balfour Beatty we are constructing a major new decommissioning support facility. Phase 3 of the Silo Maintenance Facility contract was awarded in June 2014, with construction being performed over a three year period. We have also continued to increase activity on the Design Services Alliance Framework and successfully rebid the Environmental Laboratories contract which covers a ten year period.

In January 2015, a 16 year Lifetime Enterprise Agreement was signed with EDF and means that we will continue to provide fuel route and other technical services to EDF's seven advanced gas-cooled reactor stations and its pressurised water reactor at Sizewell for the remainder of their operating lives.

We continue to pursue opportunities in the UK nuclear new build sector. A bid for delivery of the Balance of Nuclear Island work at Hinkley Point C was submitted and we await the outcome. In the meantime, we are continuing to work with EDF to understand and define the scope of work to be delivered under this contract.

Strategic review (continued)

We delivered a number of projects for Hitachi-GE Nuclear Energy, in respect of the development of its strategy for the construction of an advanced boiling water reactor for its Horizon programme. We are continuing to explore options for a long-term involvement in the project as a delivery partner.

The potential market for the Company over the next few years is expected to continue to grow with more power stations moving to decommissioning, power stations extending their useful lives, and the commencement of the new build program in support of the United Kingdom's power generation requirements.

Operational and financial review

Turnover for the year was £215.0m (2014 - £205.3m) on which a profit before taxation of £10.1m was earned (2014 - £5.8m).

Turnover has increased by 5% largely due to growth in the nuclear decommissioning sector and work in support of the future UK nuclear new build programme.

Profit on ordinary activities before goodwill amortisation was £10.3m (2014 - £7.1m). The increased profit is due to lower pension costs and administrative expenses.

Looking forward, the business is well positioned in all of its markets and has a strong sales pipeline and order book.

Principal risks and management controls

Operational risks include environmental, health and safety, and IT/power failures. Environmental and social effects are always considered. Documented procedures and risk assessments manage health and safety risks. Disaster recovery procedures exist which would be implemented in the event of power and IT outages.

Key risks are:

a) *Reliance on large contracts with a small number of large clients*

Risk mitigation and control process:

- i) The business is responsive and innovative to ensure meeting customer needs
- ii) The business has extensive dialogue with customers to ensure we have a clear understanding of their changing requirements and priorities
- iii) Projects are reviewed and monitored on a frequent basis to ensure we are delivering to customer agreed targets

Principal risks and management controls (continued)

b) Operations that carry significant health and safety and environment risks

Risk mitigation and control process:

i) Health, safety and environmental performance is an absolute priority for the business and receives continuous attention and oversight at all levels in the business
ii) Health, safety and environmental professionals are employed across the business and there is a specific governance process in place

All staff are rigorously and continually educated and trained to minimise risk of mistakes and accidents

c) Dependency on attracting, developing and retaining skilled staff

Risk mitigation and control process:

i) A dedicated team is in place to focus on attracting and developing talent into the business
ii) Apprentice and graduate recruitment programmes are run annually
iii) The business has a succession plan in place for all key staff and roles

On behalf of the Board

R A Hardy

Director

27/11/2015

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2015.

Future developments

The company has a strong order book and over the next financial year is forecasting to secure additional projects in decommissioning and on the new build programme that will grow both revenue and operating margins.

Dividends

Dividends declared and paid in the current year were £18,000,000 (2014 - £8,000,000).

Safety policy

The Company recognises the promotion of health and safety at work as an important objective. It is Company policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of the employees of the Company.

Employment of disabled persons

The policy of the Company is to give full consideration to disabled applicants for employment, having regards to their particular aptitudes and abilities, and they share in the opportunities for training, career development and promotion. If an employee becomes disabled, our objective is the continued provision of suitable employment either in the same or an alternative position, appropriate training being given if necessary.

Employee involvement

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

Environment

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

Qualifying third party indemnity provisions

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

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 which are discussed on pages 44 to 46, and in note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Research and development

The research and development activities of the Company continue to be directed principally towards the development of new techniques and processes, and improving the performance and cost effectiveness of existing techniques and processes.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements unless otherwise noted were as follows:

K M Douglas (resigned 2 June 2015)
A N Dungate
R A Hardy
D J Lawton (appointed 17 December 2014, resigned 7 September 2015)
G D Leeming
F Martinelli
P L Rogers
W Tame (resigned 17 December 2014)
K R Thomas (resigned 2 November 2015)
I S Urquhart (appointed 17 December 2014)

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;
- 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.

Statement of disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

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

R A Hardy

Director

33 Wigmore Street
London W1U 1QX

27/11/2016

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Cavendish Nuclear Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Cavendish Nuclear Limited's financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Profit and Loss account and the Statement of Total Recognised Gains and Losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

What an audit of financial statements involves (continued)

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Phil Harrold (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands 27/11/2015

Profit and Loss Account
For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	**214,966**	205,345
Cost of sales		**(182,527)**	(175,548)
Gross profit		**32,439**	29,797
Administrative expenses		**(22,134)**	(22,710)
Profit on ordinary activities before goodwill amortisation		**10,305**	7,087
Amortisation of goodwill	10	**(5,938)**	(5,939)
Operating profit before exceptional items		**4,367**	1,148
Income from other fixed asset investments	5	**4,575**	3,700
Profit on ordinary activities before interest and taxation		**8,942**	4,848
Interest payable and similar charges	3	**(101)**	(129)
Other finance income	4	**1,117**	839
Interest receivable and similar income	3	**166**	219
Profit on ordinary activities before taxation	5	**10,124**	5,777
Tax on profit on ordinary activities	8	**(1,494)**	(379)
Profit for the financial year	19	**8,630**	5,398

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

All amounts relate to continuing operations.

The notes on pages 14 to 30 are an integral part of these financial statements.

Balance Sheet as at 31 March 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	10	**80,471**	86,409
Tangible assets	11	**7,666**	4,493
Investments	12	**2,000**	2,000
		90,137	92,902
Current assets			
Stocks	13	**1,711**	3,344
Debtors	14	**90,114**	102,471
Cash at bank and in hand		**29,520**	18,929
		121,345	124,744
Creditors – amounts falling due within one year	15	**(146,838)**	(141,304)
Net current liabilities		**(25,493)**	(16,560)
Total assets less current liabilities		**64,644**	76,342
Provisions for liabilities	16	**(5,550)**	(6,416)
Net assets excluding pension scheme asset		**59,094**	69,926
Pension scheme asset	22	**9,357**	11,676
Net assets including pension scheme asset		**68,451**	81,602
Capital and reserves			
Called-up share capital	18	**50**	50
Share premium account	19	**50,000**	50,000
Profit and loss account	19	**18,401**	31,552
Total shareholders' funds	19	**68,451**	81,602

The notes on pages 14 to 30 are an integral part of these financial statements.

The financial statements on pages 11 to 30 were approved by the Board of directors and signed on its behalf by:

R A Hardy
Director
27/11/2015

Statement of Total Recognised Gains and Losses

	Notes	**2015 £000**	2014 £000
Profit for the financial year	19	**8,630**	5,398
Dividends paid	9	**(18,000)**	(8,000)
Actuarial and experience (losses) / gains recognised in the pension scheme	22	**(4,786)**	2,801
Deferred tax arising on (losses) / gains in the pension scheme	17	**1,005**	(644)
Movement on Fair Value hedge fund		**–**	10
Total recognised losses in the financial year		**(13,151)**	(435)

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The following accounting policies have been consistently applied to matters that are considered material to the financial statements.

b) Tangible fixed assets and depreciation

Tangible fixed assets are shown at historic purchase cost net of accumulated depreciation and provision for permanent diminution in value.

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

Freehold land and buildings	2% per annum
Plant and machinery	10% to 20% per annum
Short leasehold land and buildings	Over the period of the lease
Office equipment	20% per annum
Motor Vehicles	25% per annum

c) Intangible assets - Goodwill

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

When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets the difference is treated as purchased goodwill and is capitalised and amortised through the profit and loss account over its estimated economic life of 20 years. Provision is made for any impairment.

d) Investments in joint ventures and subsidiaries

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

e) Financial instruments

The company uses forward currency contracts to reduce foreign exchange exposure on any significant assets, liabilities or transactions. The company does not engage in speculative treasury arrangements, and all of its activities are designed to support underlying business activities. All treasury activities are carried out under policies agreed by the parent company.

f) Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. In the case of work in progress, and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

1 Accounting policies (continued)

g) Long-term contracts

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

h) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

i) Turnover

Turnover, other than that relating to long-term contracts, comprises the value of amounts invoiced (excluding trade discounts, value added tax and other similar taxes) for goods and services provided in the normal course of business.

j) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted 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 taxation, which arises from differences in the timing of the recognition of items in the financial statements and by the tax authorities, has been calculated using the liability method.

k) Pensions costs and other post-retirement benefits

Defined contribution pension schemes

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

1 Accounting policies (continued)

k) Pensions costs and other post-retirement benefits (continued)

Defined benefit pension schemes

The Company also employs members of the Babcock International Group PLC pension scheme and the Rosyth Royal Dockyard Ltd pension scheme, providing benefits based on final pensionable pay. These schemes are treated as multi-employer defined benefit pension schemes for these financial statements. The schemes will be accounted for on a defined contribution basis as the Company is unable to identify its share of the underlying assets and liabilities. The fund of the schemes is administered by Trustees and is held separately from the group. Independent qualified actuaries complete valuations periodically and, in accordance with their recommendations, annual contributions from employees and employer are paid to the scheme so as to secure the benefits set out in the rules. The cost of these contributions is charged in the Babcock International Group PLC financial statements against profits on a systematic basis over the service lives of the employees. There is no material difference between the FRS17: "Retirement Benefits" and IAS19: "Employee Benefits" valuation. Refer to the Babcock International Group PLC financial statements note 26 for further details.

Electricity Supply Pension Scheme

The company also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.
Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

l) Foreign currencies

Transactions denominated in foreign currencies are recorded in local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the period end (or, where appropriate, at the rate of exchange in a related forward exchange contract).

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

m) Leases

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

n) Group Financial statements

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

1 Accounting policies (continued)

o) Cash flow statement

The Company has taken advantage of the provision of Financial Reporting Standard (FRS) 1 (revised 1996) "Cash Flow Statements" not to prepare a cash flow statement on the basis that consolidated financial statements of Babcock International Group PLC, in which the results of Cavendish Nuclear Limited are included, are publicly available. Copies of these financial statements are available from the Company Secretary at Babcock International Group PLC, 33 Wigmore Street, London W1U 1QX.

p) Research and development

Expenditure on research and development is written off in the period in which it is incurred.

2. Turnover

Turnover is entirely attributable to the activities described in the Directors' Report.

Geographical analysis of turnover by destination is as follows:

	2015 £'000	2014 £'000
United Kingdom	**214,966**	204,839
Europe	**–**	109
Rest of the world	**–**	397
	214,966	205,345

In the opinion of the Directors, the classes of business in which the Company operates do not differ substantially from each other. No segmental analysis is therefore provided

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

	2015 £'000	2014 £'000
Interest payable and similar charges:		
Other charges	**(101)**	(129)
	(101)	(129)
Interest receivable and similar income:		
Bank interest	**4**	59
Loan interest receivable from group undertaking	**162**	160
	166	219

4. Other finance income

	2015 £'000	2014 £'000
Expected return on pension scheme assets (see note 22)	**2,597**	2,274
Interest on pension scheme liabilities (see note 22)	**(1,480)**	(1,435)
	1,117	839

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/ (crediting):

	2015 £'000	2014 £'000
Depreciation – owned fixed assets (note 11)	**840**	683
Goodwill amortisation (note 10)	**5,938**	5,939
Auditors' remuneration		
- audit fees	**66**	51
- taxation fees	**73**	95
Operating lease rentals		
- land and buildings	**2,344**	2,537
- plant and machinery	**855**	485
Staff costs (note 6)	**82,791**	79,271
Dividends received from Joint Ventures	**4,575**	3,700
Profit on disposal of fixed assets	**(33)**	(8)

6. Staff costs

The Company employs personnel directly. Particulars of these employees (including directors) are as shown below.

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

	2015 Number	2014 Number
Production	**1,056**	1,086
Administration	**276**	241
	1,332	1,327

6 Staff costs (continued)

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	**64,504**	59,774
Social security costs	**6,648**	5,871
Other pension costs	**11,639**	13,626
	82,791	79,271

7. Directors' remuneration

The remuneration of the Directors which was paid by the Company was as follows:

	2015 £'000	2014 £'000
Emoluments (including benefits in-kind)	**589**	558

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

	2015 £'000	2014 £'000
Emoluments (excluding pension and pension contributions)	**418**	289
Accrued benefit entitlement under the group's defined benefit scheme	**16**	84

During the year 8 Directors (2014 - 8) exercised options over shares of Babcock International Group PLC.

During the year 10 Directors (2014 - 8) were awarded shares under the Babcock International PLC PSP and CSOP schemes.

Retirement benefits are accruing to 4 Directors (2014 - 5) under defined benefit schemes.

The remuneration of A N Dungate, G D Leeming, F Martinelli, P L Rogers, W Tame, K R Thomas and I S Urquhart was incurred by Babcock Holdings Limited. No part of their remuneration could be attributed to the services in respect of Cavendish Nuclear Limited.

8. Tax on profit on ordinary activities

a) Analysis of charge in the year

	2015 £'000	2014 £'000
Current tax:		
Current tax charge for the year	**778**	–
Deferred tax:		
Origination and reversal of timing differences	**643**	949
Adjustment in respect of prior years	**56**	(281)
Impact of change in UK tax rate	**17**	(289)
Tax charge	**1,494**	379

The adjustment in respect of prior years relates mainly to consortium relief for consideration.

b) Factors affecting current tax charge

The difference between the total current year tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	**10,124**	5,777
Tax on profit on ordinary activities at standard UK corporation tax rate of 21% (2014 - 23%)	**2,126**	1,329
Effects of:		
Timing differences	**(643)**	(949)
Expenses not deductible / (income not taxable) for tax purposes	**(705)**	(496)
Group relief for nil consideration	–	116
	778	–

9. Dividends paid

	2015 £'000	2014 £'000
Ordinary £1,200,000.00 per £1 share (2014 - £533,333.33 per £1 share)	**18,000**	8,000

10. Intangible assets

	Purchased goodwill £'000
Cost	
At 1 April 2014 and 31 March 2015	118,774
Accumulated amortisation	
At 1 April 2014	32,365
Charge for the year	5,938
At 31 March 2015	**38,303**
Net book value	
At 31 March 2015	**80,471**
At 31 March 2014	86,409

11. Tangible assets

	Freehold land and buildings £'000	Short Leasehold land and buildings £'000	Vehicles, plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 April 2014	1,779	1,861	1,244	4,062	8,946
Reclassification	–	–	109	(19)	90
Additions	–	3,330	49	725	4,104
Disposals	–	–	(59)	(1,077)	(1,136)
At 31 March 2015	**1,779**	**5,191**	**1,343**	**3,691**	**12,004**
Accumulated depreciation					
At 1 April 2014	103	413	565	3,372	4,453
Reclassification	–	(43)	76	57	90
Charge for the year	52	308	141	339	840
Disposals	–	–	(53)	(992)	(1,045)
At 31 March 2015	**155**	**678**	**729**	**2,776**	**4,338**
Net book value					
At 31 March 2015	**1,624**	**4,513**	**614**	**915**	**7,666**
At 31 March 2014	1,676	1,448	679	690	4,493

12. Investments

Cost and Net Book Value	Shares in Group undertakings £'000
At 1 April 2014 and 31 March 2015	2,000

The Company's subsidiary undertakings are as follows. Cavendish Fluor Partnership Limited was incorporated on 7 April 2014 with issued share capital of £100.

Company	Country of incorporation	Principal activities	Ownership
Direct Holdings			
British Nuclear Services Limited	UK	Dormant	100%
BIL Solutions Limited	UK	Non trading	100%
Cavendish Boccard Nuclear Limited	UK	Business support service activities	51%
Cavendish Dounreay Partnership Limited	UK	Parent Body Organisation	50%
Cavendish Fluor Partnership Limited	UK	Parent Body Organisation	65%
Cavendish Nuclear Manufacturing Limited	UK	Manufacturing	100%
Indirect Holdings			
Dounreay Site Restoration Limited	UK	Site Licence Company	50%
Magnox Limited	UK	Site Licence Company	65%
Research Sites Restoration Limited	UK	Site Licence Company	65%

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

13. Stocks

	2015 £'000	2014 £'000
Long term contract balances	532	2,116
Finished goods and goods for resale	1,179	1,228
	1,711	3,344

14. Debtors

	2015	2014
	£'000	£'000
Due within one year:		
Trade debtors	**17,490**	20,351
Amounts recoverable on contracts	**19,140**	21,007
Amounts owed by group undertakings	**47,628**	56,959
Other debtors	**1,463**	640
Prepayments and accrued income	**1,007**	936
UK corporation tax recoverable	**195**	973
Deferred tax (note 17)	**701**	991
	87,624	101,857
Amounts falling due after more than one year:		
Other debtors	**2,490**	614
	90,114	102,471

Amounts owed by Group undertakings include short term loans repayable on demand of £47,628,000, of which £37,628,000 are non-interest bearing with the remainder at an interest rate of 1.6%.

15. Creditors – amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	**12,273**	10,647
Payments received on account	**3,184**	5,420
Amounts owed to group undertakings	**95,168**	92,992
Other creditors	**12,495**	9,857
Other taxation and social security	**5,957**	3,736
Accruals and deferred income	**17,761**	18,652
	146,838	141,304

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 20).

15. Creditors – amounts falling due within one year (continued)

Loan from	2015 £'000
Babcock Services Group Limited	9,475
UKAEA Limited	40,000
Babcock Management Limited	32
Cavendish Nuclear (Overseas) Limited	3,533
INS Innovation Limited	40,000
Babcock Rail Limited	915
Babcock Holdings Limited	1,213
Total	**95,168**

All loans are non-interest bearing and are repayable on demand.

16. Provisions for liabilities

	Reorganisation £'000	Continuing Annual Payments £'000	Onerous Leases £'000	Dilapidations £'000	Contract/ Warranties £'000	Total £'000
At 1 April 2014	1,067	2,485	255	1,526	1,083	6,416
Charged to the profit and loss account	–	73	–	160	764	997
Released during the year	(177)	(66)	–	(1)	(423)	(667)
Utilised during the year	(539)	(304)	(192)	(73)	(88)	(1,196)
At 31 March 2015	**351**	**2,188**	**63**	**1,612**	**1,336**	**5,550**

Reorganisation provision

The reorganisation provision relates to redundancy costs in relation to a number of leavers, and costs associated with systems and business integration.

Continuing Annual Payments provision

On being made redundant, certain staff are entitled to receive their annual pension immediately and the amounts payable include a contribution from the Company. The continuing annual payments provision comprises the Company's contribution to the annual pensions payable.

Contract/ Warranties provision

The contract/ warranties provision includes amounts provided in respect of contractual warranty periods of completed contracts, and provisions for costs on existing contracts.

17. Deferred taxation

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

	2015 Provided £'000	2014 Provided £'000
Accelerated capital allowances	**174**	207
Deferred tax liability on pension surplus	**(2,340)**	(2,919)
Other short term timing differences	**527**	784
	(1,639)	(1,928)
Deferred tax liability on pension surplus	**2,340**	2,919
	701	991

There are no unprovided tax balances

The movement on the deferred tax asset is as follows:

	£'000
At 31 March 2014	(1,928)
Current year movement	(643)
Adjustment in respect of prior years	(56)
Impact of change in UK tax rate	(17)
Pension asset movement in statement of total recognised gains and losses	1,005
	(1,639)
Deferred tax liability on pension asset	**2,340**
At 31 March 2015	**701**

18. Called-up share capital

	2015 £	2014 £
Authorised		
Ordinary shares of £1 each	**20**	20
Preference shares of £1 each	**50,000**	50,000
	50,020	50,020
Allotted, and fully paid		
15 (2014 - 15) Ordinary shares of £1 each	15	15
50,000 (2014 - 50,000) preference shares of £1 each	50,000	50,000
	50,015	50,015

19. Reconciliation of movements in shareholders' funds and reserves

	Called up Share capital £'000	Share Premium account £'000	Profit and Loss account £'000	Total £'000
At 1 April 2014	50	50,000	31,552	81,602
Profit for the financial year	–	–	8,630	8,630
Dividends paid	–	–	(18,000)	(18,000)
Actuarial loss recognised in pension scheme	–	–	(4,786)	(4,786)
Deferred tax arising on loss in the pension scheme	–	–	1,005	1,005
At 31 March 2015	**50**	**50,000**	**18,401**	**68,451**

20. Guarantees and financial commitments

a) Contingent liabilities

At the year end the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2014 - £620.8 million) provided to certain group companies. In addition, the Company at the year end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £15.0 million (2014 - £nil).

b) Operating lease commitments	**2015 Land and buildings £'000**	**2015 Other £'000**	2014 Land and buildings £'000	2014 Other £'000
Annual commitments under non-cancellable operating leases expiring as:				
– within one year	**112**	**68**	124	46
– between two and five years	**1,711**	**684**	824	626
– after five years	**860**	–	1,660	–
	2,683	**752**	2,608	672

(c) Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2014 - £1,720,750).

21. Related party disclosures

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

22. Pension commitments

The Company had both defined benefit and defined contribution plans. In a defined benefit pension scheme, the scheme is funded through payments to trustee-administered funds, determined by periodic actuarial calculations. A defined benefit plan is a pension that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity.

The Company employs members of the Babcock International Group PLC pension scheme and the Rosyth Royal Dockyard Ltd pension scheme, which are treated as multi-employer defined benefit pension schemes for these financial statements. The schemes will be accounted for on a defined contribution basis as the Company is unable to identify its share of the underlying assets and liabilities. The fund of the schemes is administered by Trustees and is held separately from the group. Independent qualified actuaries complete valuations periodically and, in accordance with their recommendations, annual contributions from employees and employer are paid to the scheme so as to secure the benefits set out in the rules. The cost of these contributions is charged in the Babcock International Group PLC financial statements against profits on a systematic basis over the service lives of the employees. There is no material difference between the FRS17: "Retirement Benefits" and IAS19: "Employee Benefits" valuation. Refer to the Babcock International Group PLC financial statements note 26 for further details.

Certain employees were members of the Electricity Supply Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

The latest full actuarial valuation was carried out at 31 March 2013 and was updated for FRS 17 purposes to 31 March 2015 by a qualified independent actuary.

The principal actuarial assumptions used by the actuary were as follows:	**2015** **% p.a.**	2014 % p.a.
Discount rate	**3.40**	4.50
Expected rate of return on plan assets	**4.07**	4.19
Future salary increases	**2.20**	2.40
Rate of increase in pensions	**3.04**	3.40

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 89.0 years

Future retiree upon reaching 65: 90.8 years

22 Pension commitments (continued)

The assets in the scheme and expected rates of return were:

	Long-term rate of return expected 31 March 2015 %	**Value at 31 March 2015 £000**	Long-term rate of return expected 31 March 2014 %	Value at 31 March 2014 £000
Equities	**8.40**	**10,806**	8.40	13,730
Corporate bonds	**3.40**	**6,339**	4.50	5,247
Government bonds	**2.21**	**22,940**	3.38	17,725
Cash	**7.70**	**16,723**	7.70	10,744
Total market value of assets		**56,808**		47,446
Present value of scheme liabilities		**(45,111)**		(32,851)
Surplus in scheme		**11,697**		14,595
Related deferred tax liability		**(2,340)**		(2,919)
Net pension surplus		**9,357**		11,676

Reconciliation of present value of scheme liabilities:

	2015 £000	2014 £000
At beginning of year	**32,851**	32,083
Service cost	**884**	825
Interest cost (note 4)	**1,480**	1,435
Actuarial losses / (gains)	**5,801**	(713)
Experience loss	**5,735**	19
Contributions by members	**5**	4
Benefits paid	**(1,645)**	(802)
At end of year	**45,111**	32,851

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used is set out below:

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 11.08% / 12.45%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 7.35% / 7.25%
Rate of increase in salaries	Increase/decrease by 0.25%	Increase/decrease by 3.27% / 3.08%
Mortality	Increase/decrease by 1/2 year	Increase/decrease by 1.35% / 1.23%

22 Pension commitments (continued)

Reconciliation of fair value of scheme assets:

	2015 £000	2014 £000
At beginning of year	**47,446**	42,212
Expected return on plan assets	**2,597**	2,274
Actuarial gains	**6,750**	2,107
Contributions by employer	**1,655**	1,651
Contributions by members	**5**	4
Benefits paid	**(1,645)**	(802)
At end of year	**56,808**	47,446

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. The actual return on scheme assets in the year was £9,347,000 (2014 - £4,381,000).

Analysis of amount charged to profit or loss is as follows:	2015 £000	2014 £000
Current service cost	**884**	**825**
Expected return on pension scheme assets	**(2,597)**	**(2,274)**
Interest on pension scheme liabilities	**1,480**	**1,435**
	(233)	**(14)**

The current service cost and gain on curtailments are recognised in the following line items in the profit and loss account:

	2015 £000	2014 £000
Administrative expenses	**884**	825

The (losses) / gains recognised in the statement of total recognised gains and losses were:

	2015 £000	2014 £000
Actuarial gains on plan assets	**6,750**	2,107
Actuarial (losses) / gains on plan liabilities	**(5,801)**	713
Experience loss on plan liabilities	**(5,735)**	(19)
	(4,786)	2,801

The cumulative amount of actuarial gains recognised in the statement of total recognised gains and losses is £2,257,000 (2014 - £7,043,000).

22 Pension commitments (continued)

Deficit payments of £380,000 per annum continue for the next 2 years. Further to this, as the scheme is closed to new entrants, the current service cost will increase as members approach retirement. The company expects to contribute approximately £1,679,000 to the Electricity Supply Pension Scheme in the next financial year.

23. Immediate and ultimate parent undertaking and controlling parties

The Company's immediate parent Company is Babcock Services Group Limited, a Company registered in England and Wales. The Company's ultimate parent Company is Babcock International Group PLC, a Company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC financial statements are available from the following address:

The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London W1U 1QX