

Babcock International Limited
Directors' report and financial statements

For the year ended 31 March 2013

Company registration number:
00065805

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COMPANIES HOUSE

Directors

P L Rogers
W Tame
F Martinelli

Company Secretary

	<u>Appointed</u>	<u>Resigned</u>
Babcock Corporate Secretaries Limited	25 February 2013	
V Teller		27 July 2012
N Borrett	27 July 2012	25 February 2013

Registered office

33 Wigmore Street
London
W1U 1QX

Independent Auditors

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

The directors present their report and the audited financial statements of the Company, for the year ended 31 March 2013

Principal activities

The principal activity of the Company is to hold the Babcock name, which is licensed out to Babcock Integration LLP which in turn sub licences out to Babcock group companies as appropriate. It also provides finance to other group companies and incurs certain costs as agent for Babcock Holdings Limited, which are recharged to Babcock Holdings Limited. There are no plans to alter significantly the business of the Company.

Results and dividends

The loss for the financial year was £1,984,000 (2012 loss £1,638,000) and has been deducted from reserves. The directors do not propose a dividend (2012 £33,000,000).

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The management of the business is subject to a number of risks. Procedures are in place across the Group to identify, assess and mitigate major business risk. The management of risk is an integral part of our operational review process and is supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee. Further details can be found in the Babcock International Group PLC financial statements pages 50-55.

Financial risk management

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

Directors of the Company

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

P L Rogers
W Tame
F Martinelli

Qualifying third party indemnity provisions

Under their respective Articles of Association, the directors of the Company are, and were during the year to 31 March 2013, entitled to be indemnified by the Company against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 2006.

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

Charitable and political donations

In the year ended 31 March 2013 the Company made charitable donations of £nil (2012 £nil)
There were no political contributions during the financial year (2012 £nil)

Statement of directors' responsibilities

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

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Auditors and the disclosure of information

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

Reappointment of independent auditors

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

By order of the Board 11 December 2013



F Martinelli
Director

Independent auditors' report to the members of Babcock International Limited

We have audited the financial statements of Babcock International Limited for the year ended 31 March 2013 which comprise the Profit and loss account, the Balance sheet and the Notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities on page 3 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). 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

11 December 2013

Babcock International Limited
Profit and loss account
For the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Administrative expenses		<u>(632)</u>	<u>(309)</u>
Operating loss		(632)	(309)
Interest receivable and similar income	2	181	351
Interest payable and similar charges	2	<u>(1,533)</u>	<u>(1,719)</u>
Loss on ordinary activities before taxation	3	(1,984)	(1,677)
Tax on loss on ordinary activities	5	<u>5</u>	<u>39</u>
Loss for the financial year	13	<u>(1,979)</u>	<u>(1,638)</u>

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

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

All results derive from continuing operations

The accompanying notes form an integral part of these financial statements

Babcock International Limited
Company registration number: 65805
Balance sheet as at 31 March 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	6	1,009	2,229
Shares in group undertakings	7	20,838	20,838
		<u>21,847</u>	<u>23,067</u>
Current assets			
Debtors	8	294,582	259,880
Cash at bank and in hand		-	928
		<u>294,582</u>	<u>260,808</u>
Creditors amounts falling due within one year	9	<u>(273,515)</u>	<u>(238,982)</u>
Net current assets		<u>21,067</u>	<u>21,826</u>
Total assets less current liabilities		<u>42,914</u>	<u>44,893</u>
Creditors amounts falling due after more than one year	10	<u>(26,439)</u>	<u>(26,439)</u>
Net assets		<u>16,475</u>	<u>18,454</u>
Capital and reserves			
Called up share capital	12	10,500	10,500
Share premium account	13	4,633	4,633
Profit and loss account	13	1,342	3,321
Total shareholders' funds	13	<u>16,475</u>	<u>18,454</u>

The financial statements on pages 6-16 were approved by the board of directors and signed on its behalf by


F Martinelli
Director
11 December 2013

1. Accounting policies

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

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use.

Depreciation is provided on a straight line basis to write off the cost of all tangible fixed assets over their estimated useful lives or contract period if shorter, to their estimated residual value. The estimated useful lives of the assets are reassessed periodically.

Short term leasehold property is depreciated over the term of the lease ending in December 2019.

Fixtures and fittings	10% to 33 3%
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Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for impairment. Any impairment is recognised in the profit and loss account in the period in which it arises.

Taxation

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

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1. Accounting policies (continued)

Intellectual Property Licence Premiums

Where a licence is granted to group companies any premium received is released to the profit and loss account evenly over the period of the licence

Included in deferred income are premiums received in respect of Intellectual Property Rights. The premiums received on the Intellectual Property Rights Licenses granted by the Company are being released to the profit and loss account in line with this policy

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Group financial statements

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

Cash flow statement

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

Agency agreement effective 1 April 2003

The Company acts as an agent for Babcock Holdings Limited in the management and stewardship of its investments. Where it acts as an agent the employee and administration costs are not reflected within these financial statements but are shown in the financial statements of Babcock Holdings Limited

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

	2013 £'000	2012 £'000
Interest payable and similar charges		
Bank interest	-	(11)
Loan interest payable to group undertakings	(1,533)	(1,708)
	<u>(1,533)</u>	<u>(1,719)</u>
Interest receivable and similar income		
Bank interest	-	-
Loan interest receivable from group undertaking	181	351
	<u>181</u>	<u>351</u>
Net interest and similar charges	<u>(1,352)</u>	<u>(1,368)</u>

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2013 £'000	2012 £'000
Depreciation – owned fixed assets (note 6)	<u>293</u>	<u>437</u>

Costs are incurred in carrying out services for Babcock Holdings Limited as an agent. These costs are reimbursed by Babcock Holdings Limited and are not borne in these financial statements. Auditors' remuneration in respect of audit services is borne by Babcock International Group PLC in the current and prior year.

4. Staff costs and directors' remuneration

All directors and staff costs in the current year and prior year have been reimbursed by Babcock Holdings Limited and are disclosed in those financial statements.

5. Tax on loss on ordinary activities

	2013 £'000	2012 £'000
Current tax		
UK Corporation tax on loss for the year	-	-
Adjustment in respect of prior years	-	-
Group relief for consideration	-	-
Current tax charge for the year	-	-
Deferred tax		
Origination and reversal of timing differences	(9)	3
Adjustment in respect of prior years	-	(50)
ACT irrecoverable written off	-	-
Impact of change in UK tax rate	4	8
Tax credit	(5)	(39)

The tax assessed for the year is higher (2012 higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2013 of 24% (2012 26%) The differences are explained below

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	(1,984)	(1,677)
Tax on loss on ordinary activities at standard UK corporation tax rate of 24% (2012 26%)	(476)	(436)
Effects of		
Timing differences	9	(3)
Expenses not deductible for tax purposes	30	33
Adjustments in respect of prior years	-	-
Group relief for nil consideration	437	406
Non-taxable gains	-	-
Current tax charged for the year	-	-

Factors affecting current and future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2013 Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2013. Further reductions to the main rate are proposed to reduce the rate to 21% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Notes to the financial statements (continued)

6. Tangible fixed assets

	Short leasehold land and buildings £'000	Furniture, fittings and equipment £'000	Total £'000
Cost			
At 1 April 2012	1,699	3,027	4,726
Additions	-	-	-
Disposals	(354)	(661)	(1,015)
At 31 March 2013	1,345	2,366	3,711
Accumulated depreciation			
At 1 April 2012	373	2,124	2,497
Charge for the year	127	166	293
Disposals	-	(88)	(88)
At 31 March 2013	500	2,202	2,702
Net book value			
At 31 March 2013	845	164	1,009
At 31 March 2012	1,326	903	2,229

The Company had no capital commitments as at 31 March 2013 (2012 £nil)

The Company recharges the depreciation of its computer costs to a fellow subsidiary

7. Fixed assets – Shares in group undertakings

	Total £'000
Cost	
At 1 April 2012	21,454
Additions	-
At 31 March 2013	21,454
Provision for impairment	
At 1 April 2012	(616)
Additions	-
At 31 March 2013	(616)
Net book value	
At 31 March 2013	20,838
At 31 March 2012	20,838

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

7 Fixed assets investments (continued)

The Company's directly owned subsidiary undertakings, all of which are wholly-owned, are

<u>Company</u>	<u>Country of Registration</u>	<u>Principal Activities</u>
Babcock Nominees Limited	United Kingdom	Dormant
The Stirling Boiler Company	United Kingdom	Dormant
Hiberna Contract Services Limited	United Kingdom	Dormant
Babcock Contractors Limited	United Kingdom	Dormant
Babcock Woodall-Duckham (Overseas) Limited	United Kingdom	Dormant
Babcock-Moxey Limited	United Kingdom	Dormant
BMH (2002) Limited	United Kingdom	Dormant
Hiberna Limited	United Kingdom	Dormant
St Helen's Securities Limited	United Kingdom	Dormant

On 15 September 2010, the use of the Babcock name was sublicensed to Babcock Integration LLP in exchange for an interest in that partnership. This was in order to facilitate the integration of the Babcock and VT groups. The Babcock name was not capitalised in the financial statements of the Company in accordance with FRS10 "Goodwill and Intangible Assets".

The partnership interest has been recognised at a cost of £nil given that the use of the Babcock name was not recognised in the financial statements of the Company prior to the sublicense to the LLP.

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

8. Debtors

	2013	2012
	£'000	£'000
Trade debtors	609	-
Amounts owed by group undertakings	292,566	258,099
Other debtors	137	699
UK corporation tax recoverable	-	-
VAT	264	66
Deferred tax (note 11)	98	93
Prepayments and accrued income	908	923
	294,582	259,880

Included in amounts owed by group undertakings is £10,305,000 (2012 £10,305,000) due after more than one year, of which £10,000,000 (2012 £10,000,000) bears an interest rate of UK LIBOR plus 100 basis points, the balance is interest free. The remaining £282,261,000 (2012 £247,794,000) is interest free and repayable on demand.

Notes to the financial statements (continued)

9. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank overdrafts	71,649	34,425
Trade creditors	1,442	1,001
Amounts owed to group undertakings	186,997	190,763
Other creditors	-	-
Other taxation and social security	-	273
UK corporation tax payable	-	-
VAT	-	-
Accruals and deferred income	13,427	12,520
	273,515	238,982

Included in amounts owed to group undertakings are loans of £2,053,000 (2012 £82,453,000) bearing interest at UK LIBOR plus 100 basis points. A loan of £1,317,000 (US\$2,000,000) (2012 £1,252,000) bearing interest at US LIBOR plus 100 basis points. The remaining £183,627,000 (2012 £107,058,000) is interest free.

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

	2013 £'000	2012 £'000
Amounts owed to group undertakings	26,439	26,439

These debts are repayable between two and five years. £7,970,000 (2012 £7,970,000) is non-interest bearing. The debt of £18,469,000 (2012 £18,469,000) bears an interest rate of UK LIBOR plus 100 basis points.

11. Deferred taxation

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

	2013 Provided £'000	2012 Provided £'000	2013 Full potential £'000	2012 Full potential £'000
Accelerated capital allowances	(98)	(93)	(98)	(93)
Tax losses (revenue)	-	-	-	-
Capital losses	-	-	(438)	(457)
	(98)	(93)	(536)	(550)

The movement on the deferred tax asset is as follows

	Total £'000
At 31 March 2012	(93)
Current year movement	(9)
Acquired intangibles	-
Adjustment in respect of prior years	-
Impact of change in UK tax rate	4
At 31 March 2013	(98)

12. Called up share capital

	2013 £'000	2012 £'000
Allotted, called up and fully paid		
100,000,000 (2012 100,000,000) ordinary shares of £0 10 each	10,000	10,000
5,000,000 (2012 5,000,000) preference shares of £0 10 each	500	500
	10,500	10,500

13. Reconciliation of movement in shareholders funds and reserves

	Called up share capital £'000	Share premium account £'000	Capital Reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2012	10,500	4,633	-	3,321	18,454
Loss for the year	-	-	-	(1,979)	(1,979)
Dividends paid	-	-	-	-	-
At 31 March 2013	10,500	4,633	-	1,342	16,475
At 1 April 2011	10,500	4,633	-	37,959	53,092
Loss for the year	-	-	-	(1,638)	(1,638)
Dividends paid	-	-	-	(33,000)	(33,000)
At 31 March 2012	10,500	4,633	-	3,321	18,454

14. Guarantees and financial commitments*Contingent liabilities*

The Company at the year end had guaranteed or had joint and several liabilities for drawn Babcock International Group PLC bank facilities of £nil (2012 £nil) provided to certain group companies

15. Related party disclosures

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

16. Parent undertakings

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

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

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