

BIRCHILL INVESTMENT COMPANY LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2011

Registered Number: 1201437

TUESDAY



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26/07/2011
COMPANIES HOUSE

BIRCHILL INVESTMENT COMPANY LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

W Tame
F Martinelli

COMPANY SECRETARY

V Teller

REGISTERED OFFICE

33 Wigmore Street
London
W1U 1QX

INDEPENDENT AUDITORS

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

BIRCHILL INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT for the year ended 31 March 2011

The directors present their report and audited financial statements of Birchill Investment Company Limited ("the company") for the year ended 31 March 2011

The directors' report has been prepared in accordance with the special provision of the Companies Act 2006 relating to small companies. The provision has been taken under part 15 of the Companies Act 2006

Principal activity

The company did not trade during the year and did not receive any dividend income from its subsidiary (2010 £30,000,000). There are no plans to alter significantly the business of the company

Results and dividends

The loss for the financial year was £330,563 (2010 profit £29,559,928) which was deducted from (2010 added to) reserves. The directors do not propose a dividend (2010 £nil)

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

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 2011 entitled to be indemnified by the company against liabilities and costs incurred in connection with the execution of their duties or the exercise of the powers, to the extent permitted by the Companies Act 2006

Charitable and political donations

In the year ended 31 March 2011 the company made no charitable donations (2010 £nil). There were no political contributions during the financial year (2010 £nil)

Directors

The directors who served during the financial year and up to the date of signing the financial statements were

W Tame
F Martinelli

BIRCHILL INVESTMENT COMPANY LIMITED

**DIRECTORS' REPORT (continued)
for the year ended 31 March 2011**

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). The financial statements are required by law to 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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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


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

Independent auditors and the disclosure of information to auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

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/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the Board on 21 July 2011 and signed by order of the Board by



V Teller
Company secretary

Independent auditors' report to the members of Birchill Investment Company Limited

We have audited the financial statements of Birchill Investment Company Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standards for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Independent auditors' report to the members of Birchill Investment Company Limited
(continued)**

Opinion on other matters 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

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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report

Neil Grimes

Neil Grimes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

21 July 2011

BIRCHILL INVESTMENT COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2011
Registered number : 1201437

	Note	2011 £	2010 £
Administrative expenses		-	(37)
Operating loss		-	(37)
Income from shares in group undertakings		-	30,000,000
Profit on ordinary activities before interest and taxation		-	29,999,963
Interest payable - group interest payable		(330,563)	(440,035)
(Loss) / profit on ordinary activities before taxation		(330,563)	29,559,928
Tax on (loss) / profit on ordinary activities	4	-	-
(Loss) / profit for the financial year	10	(330,563)	29,559,928

During the financial years there were no recognised gains and losses other than those dealt with in the profit and loss account

All the above results derive from continuing activities

The accompanying notes form an integral part of this profit and loss account

There are no material differences between (loss) / profit on ordinary activities before tax and the (loss) / profit for the years stated above and their historical cost equivalent

BIRCHILL INVESTMENT COMPANY LIMITED

BALANCE SHEET as at 31 March 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Investments	5	20,500,000	20,500,000
CURRENT ASSETS			
Debtors	6	30,200,000	30,200,000
CREDITORS: amounts falling due within one year	7	(26,290,700)	(25,960,137)
Net current assets		3,909,300	4,239,863
Total assets less current liabilities		24,409,300	24,739,863
Net assets		24,409,300	24,739,863
CAPITAL AND RESERVES			
Called up share capital	9	10	10
Profit and loss account	10	24,409,290	24,739,853
Total shareholders' funds		24,409,300	24,739,863

The financial statements on pages 6 to 12 were approved by the Board on 21 July 2011 and signed on its behalf by



F Martinelli
Director

The accompanying notes form an integral part of this balance sheet

1 ACCOUNTING POLICIES

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

Basis of accounting

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

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 another company registered in England, which prepares consolidated financial statements that are publicly available.

Cash flow statement

A cash flow statement has not been prepared as the company has taken advantage of the exemption under FRS1 'Cash Flow Statements' (revised 1996) available to wholly owned subsidiaries of a company whose consolidated financial statements include a consolidated cash flow statement and are publicly available.

Fixed asset investments

Fixed asset investments are recorded at cost less provision for impairment.

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 the surrender of losses by fellow group companies. The decision to charge group relief is made on a case by case basis.

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

1 ACCOUNTING POLICIES (continued)

Taxation (continued)

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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate

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 substantively enacted by the balance sheet date

A number of changes to the UK Corporation tax system were announced in the March 2011 Budget Statement. The rate of corporation tax was reduced from 28% to 26% with effect from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% 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

2 OPERATING LOSS

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

3 DIRECTORS' REMUNERATION AND STAFF COSTS

No director received remuneration in respect of their services to the company during the financial year under review (2010: £nil). There were no staff employed in the year (2010: none)

BIRCHILL INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

4 TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2011	2010
	£	£
Current Tax:		
UK corporation tax on (loss) / profit for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax	-	-
	2011	2010
	£	£
(Loss) / profit on ordinary activities before tax	(330,563)	29,559,928
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in UK of 28% (2010 28%)	(92,558)	8,276,780
Effects of:		
Timing differences		
Group relief claimed for nil consideration	92,558	123,220
Adjustments in respect of prior periods		
Expenses not deductible for tax purposes	-	(8,400,000)
Total current tax charge for the year	-	-

The taxable losses (2010 gains) for the financial year will be surrendered to a fellow group company for nil (2010 nil) consideration

The company has no deferred tax liabilities. There is no provided or unprovided deferred tax at the year end (2010 £nil)

5 INVESTMENTS

	£
Cost and net book value at 1 April 2010 and 31 March 2011	20,500,000

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

During the year the company received dividends of £nil (2010 £30,000,000) from a subsidiary undertaking

The company owns the entire share capital of Babcock International Limited, a company registered in England and Wales

BIRCHILL INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2011

6 DEBTORS	2011	2010
	£	£
Amounts owed by group undertakings	30,200,000	30,200,000

The £30,200,000 (2010 £30,200,000) owed by group undertakings is non interest bearing

7 CREDITORS: amounts falling due within one year	2011	2010
	£	£
Amounts owed to group undertakings	26,290,700	25,960,137

Included in amounts owed to group undertakings is a loan of £20,500,000 (2010 £20,500,000) repayable on demand and bears interest at 6 month UK LIBOR plus one hundred basis points. The remaining £5,790,700 (2010 £5,460,137) is non interest bearing

8 DEFERRED TAX

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

	Recognised 2011 £	Recognised 2010 £	Full potential 2011 £	Full potential 2010 £
Capital tax losses	-	-	9,035,953	9,731,027

The company has not recognised any deferred tax on capital losses in the current year and prior year as there is no planned sale of capital assets in the foreseeable future

9 CALLED UP SHARE CAPITAL

	2011	2010
	£	£
Authorised		
100 (2010 100) ordinary shares of £1 each	100	100
Allotted and fully paid		
10 (2010 10) ordinary shares of £1 each	10	10

BIRCHILL INVESTMENT COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 March 2011**10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND RESERVES**

	Called up share capital	Profit and loss account	Total
At 1 April 2010	10	24,739,853	24,739,863
Loss for the year	-	(330,563)	(330,563)
At 31 March 2011	10	24,409,290	24,409,300

11 RELATED PARTY TRANSACTIONS

The company, as a wholly owned subsidiary of Babcock International Group PLC, whose financial statements are publicly available, 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

12 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's immediate parent company is Tyneham Investments Limited, a company registered in England and Wales. The ultimate controlling party is Babcock International Group PLC, a company incorporated in the United Kingdom and 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 the Babcock International Group PLC financial statements and are available to the public at the following address

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