

Birchill Investment Co. Limited
Directors' report and financial statements

For the year ended 31 March 2013

Company registration number:
1201437

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Directors

W Tame
F Martinelli

Company Secretary

V Teller (Resigned 27 July 2012)
N Borrett (Appointed 27 July 2012 and resigned 25 February 2013)
Babcock Corporate Secretaries Limited (Appointed 25 February 2013)

Registered office

33 Wigmore Street
London
W1U 1QX
United Kingdom

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 that of an investment holding company. There are no plans to alter significantly the business of the Company.

Results and dividends

The result for the financial year was a loss of £2,251,963 (2012 profit £30,562,006) and this will be deducted from reserves. Dividends declared and paid in the current financial year were £nil (2012 £33,000,000). There are no plans for a final dividend.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators 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 risks. 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:

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 financial 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 the 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 no charitable donations (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

Independent 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/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

Reappointment of independent auditors

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 11 October 2013


F Martinelli
Director

Independent auditors' report to the members of Birchill Investment Co. Limited

We have audited the financial statements of Birchill Investment Co. 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 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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 Birchill Investment Co. 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 October 2013

Profit and loss account
For the year ended 31 March 2013

	Notes	2013 £	2012 (restated) £
Income from shares in group undertakings		-	33,000,000
Operating result / profit		-	33,000,000
Amounts written off investments	6	(1,946,000)	(2,080,000)
Interest payable and similar charges	2	(305,963)	(357,994)
(Loss) / profit on ordinary activities before taxation	3	(2,251,963)	30,562,006
Tax on (loss) / profit on ordinary activities	5	-	-
(Loss) / profit for the financial year	11	(2,251,963)	30,562,006

There is no difference between the (loss) / profit on ordinary activities before taxation and the (loss) / profit 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

Birchill Investment Company Limited

Company registration number: 1201437

Balance sheet as at 31 March 2013

	Notes	2013 £	2012 £
Fixed Assets			
Shares in group undertakings	6	16,474,000	18,420,000
Current assets			
Debtors	7	30,200,000	30,200,000
Creditors amounts falling due within one year	8	(26,954,657)	(26,648,694)
Net current assets		3,245,343	3,551,306
Total assets less current liabilities		19,719,343	21,971,306
Net assets		19,719,343	21,971,306
Capital and reserves			
Called up share capital	10	10	10
Profit and loss account	11	19,719,333	21,971,296
Total shareholders' funds	11	19,719,343	21,971,306

The financial statements on pages 7-13 were approved by the board of directors and signed on its behalf by



F Martinelli
Director

11 October 2013

1. Accounting policies

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

Basis of preparation

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

In 2012 the Company received and paid dividends of £33,000,000 which were not included in those financial statements. The comparatives for 2012 have been restated to reflect those dividends.

Investments in subsidiary undertakings

Fixed asset investments 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 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.

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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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 of Babcock International Group PLC which prepares consolidated financial statements which are publicly available.

Notes to the financial statements (continued)

1. Accounting policies (continued)*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

Dividends

Dividends payable that are unapproved at the year end are not recognised as a liability. Similarly dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

2. Interest payable and similar charges

	2013 £	2012 £
Interest payable and similar charges		
Bank interest	-	-
Loan interest payable to Group undertakings	(305,963)	(357,994)
	<u>(305,963)</u>	<u>(357,994)</u>

3. (Loss) / profit on ordinary activities before taxation

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

4 Staff costs and directors remuneration

There were no staff employed during the current or prior year and none (2012: none) of the directors received remuneration in respect of their services to the Company.

5. Tax on (loss) / profit on ordinary activities

	2013 £	2012 £
Current tax		
UK corporation tax on loss / profit for the financial year	-	-

The current tax assessed for the financial year is higher (2012: lower) than the standard rate of corporation tax in the UK of 24% (2012: 26%).

The differences are explained below:

	2013 £	2012 (restated) £
(Loss)/profit on ordinary activities before tax	(2,251,963)	30,562,006
(Loss)/profit on ordinary activities at standard rate of corporation tax of 24% (2012: 26%)	(540,471)	7,946,122
Expenses not deductible for tax purposes	467,040	540,800
Group relief for nil consideration	73,431	93,078
Income not subject to tax	-	(8,580,000)
Total current tax charge for the financial year	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

5. Tax on loss on ordinary activities (continued)

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 the impact is not included in these financial statements.

6 Fixed assets - shares in group undertakings

	Total £
Cost	
At 1 April 2012	20,500,000
Additions	-
Disposals	-
At 31 March 2013	<u>20,500,000</u>
Provision for impairment	
At 1 April 2012	(2,080,000)
Disposals	-
Impairment charges	<u>(1,946,000)</u>
At 31 March 2013	<u>(4,026,000)</u>
Net book value	
At 31 March 2013	<u>16,474,000</u>
At 31 March 2012	<u>18,420,000</u>

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

The Company's directly owned subsidiary undertaking, which is wholly owned, is

Company	Country of Registration	Principal Activity	Holding
Babcock International Limited	Great Britain	Investment holding	100%

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.

Notes to the financial statements (continued)

7. Debtors

	2013 £	2012 £
Amounts owed by Group undertakings	<u>30,200,000</u>	30,200,000

The £30,200,000 (2012 £30,200,000) owed by Group undertakings is non interest bearing and repayable on demand

8. Creditors: amounts falling due within one year

	2013 £	2012 £
Amounts owed to Group undertakings	<u>26,954,657</u>	26,648,694

Included in amounts owed to Group undertakings is a loan of £20,500,000 (2012 £20,500,000) repayable on demand and bears interest at UK LIBOR plus one hundred basis points. The remaining £6,454,657 (2012 £6,148,694) is non interest bearing

9. Deferred tax

	Recognised 2013 £	Recognised 2012 £	Full potential 2013 £	Full potential 2012 £
Capital tax losses	-	12,880	7,993,343	7,993,343

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

10. Called up share capital

	2013 £	2012 £
Authorised		
100 (2012 100) ordinary shares of £1 each	<u>100</u>	100
Allotted, issued and fully paid		
10 (2012 10) ordinary shares of £1 each	<u>10</u>	10

Notes to the financial statements (continued)

11. Dividends

	2013 £'000	2012 £'000
Dividend of £nil (2012 £3,3000,000) per £1 share	-	33,000

12. Reconciliation of movement in shareholders funds and reserves

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 April 2012	10	-	21,971,296	21,971,306
Loss for the year	-	-	(2,251,963)	(2,251,963)
At 31 March 2013	10	-	19,719,333	19,719,343
At 1 April 2011	10	-	24,409,290	24,409,300
Profit for the year	-	-	30,562,006	30,562,006
Dividends paid (restated)	-	-	(33,000,000)	(33,000,000)
At 31 March 2012 (restated)	10	-	21,971,296	21,971,306

13. 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

14. Parent undertaking

The Company's immediate parent company is Tyneham Investments 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