

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2010

Company registered number: 4393168

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BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

P L Rogers
W Tame

COMPANY SECRETARY

V Teller

REGISTERED OFFICE

33 Wigmore Street
London
W1U 1QX

INDEPENDENT AUDITORS

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

DIRECTORS REPORT
for the year ended 31 March 2010

The directors present their annual report and the audited financial statements and auditors' report of the company for the year ended 31 March 2010

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

Principal Activity

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

Loss for the year is £5,692,000 (2009 £12,581,000) which will be transferred from reserves. The directors do not propose a dividend (2009 £nil).

Share capital

During the year the company issued 1,500 £1 ordinary shares to its direct parent Babcock Holdings Limited at a premium of £99,999 resulting in £150,000,000 additional shareholder funds.

Key performance indicators (KPI's)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's 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 2010, 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 2010 the company made no charitable donations (2009 £nil). There were no political contributions during the year (2009 £nil).

Directors

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

P L Rogers
W Tame

**DIRECTORS REPORT (continued)
for the year ended 31 March 2010**

Statement of directors' responsibilities

The directors are responsible for preparing their annual 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 elected to prepare 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.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.


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

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 19 October 2010 and signed by order of the board by


V Teller
Company Secretary

Independent auditors' report to the members of Babcock Support Services (Investments) Limited

We have audited the financial statements of Babcock Support Services (Investments) Limited for the year ended 31 March 2010 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

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 2010 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 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.

Independent auditors' report to the members of Babcock Support Services (Investments) 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

Neil Grimes

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

20 October 2010

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2010****Company Registered Number : 4393168**

	Note	2010 £000	2009 £000
Administrative expenses		(4)	(3)
Operating loss	2	(4)	(3)
Income from fixed asset investments	6	2,413	1,798
Impairment of fixed asset investments		(952)	-
Profit on ordinary activities before interest and tax		1,457	1,795
Interest payable and similar charges	4	(7,149)	(13,645)
Loss on ordinary activities before tax		(5,692)	(11,850)
Tax on loss on ordinary activities	5	-	(731)
Loss on ordinary activities after taxation		(5,692)	(12,581)
Loss for the financial year	12	(5,692)	(12,581)

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

All of the above results derive from continuing activities

There are no other recognised gains or losses other than those shown in the profit and loss account

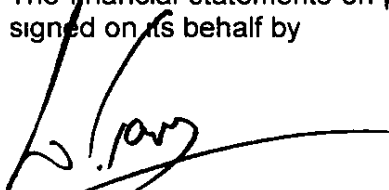
The accompanying notes form an integral part of this profit and loss account

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

**BALANCE SHEET
as at 31 March 2010**

	Note	2010 £000	2009 £000
FIXED ASSETS			
Investments	6	411,048	412,000
CURRENT ASSETS			
Debtors	7	2,239	2,239
CREDITORS. amounts due within one year	8	(64,251)	(59,511)
Net current liabilities		(62,012)	(57,272)
Total assets less current liabilities		349,036	354,728
CREDITORS: amounts due after more than one year	9	(165,000)	(315,000)
NET ASSETS		184,036	39,728
CAPITAL AND RESERVES			
Called up share capital	10	7	5
Share premium	11	206,993	56,995
Profit and loss account	11	(22,964)	(17,272)
Total shareholders' funds	12	184,036	39,728

The financial statements on pages 6 to 14 were approved by the Board on 19 October 2010 and signed on its behalf by



W Tame
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 year and the preceding year.

Basis of Accounting

The company has net current liabilities at 31 March 2010. The directors of Babcock International Group PLC have confirmed they will continue to provide financial support to the company for at least one year from the date of signing these financial statements, such that the company can continue to settle third party liabilities as they fall due. Accordingly, the financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

Cash flow statement

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

Fixed asset investments

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

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year end exchange rates. Any exchange differences arising are dealt with in the profit and loss account.

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.

1 ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Group Financial Statements

The company has taken advantage of the Companies Act 2006 and has not prepared group financial statements. The company is a wholly owned subsidiary undertaking of another company incorporated in England and Wales, which prepares consolidated financial statements that are publicly available.

2 OPERATING LOSS

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

3 STAFF COSTS

No remuneration was paid to any director in respect of their services to the company (2009 none). The Directors are paid by other group companies. There were no employees during the year (2009 none).

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£000	£000
Interest paid on bank overdraft	186	1,561
Group interest payable	6,963	12,084
	7,149	13,645

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

5 TAX ON LOSS ON ORDINARY ACTIVITIES

	2010	2009
	£000	£000
UK corporation tax charge at 28% (2009 28%)	-	-
Total current tax	-	-
Deferred tax		
Current year	-	-
Prior year	-	731
Total tax on loss on ordinary activities	-	731

Prior year adjustment pertains to short-term timing differences arising from interest on deep discount notes which are now being claimed on an accruals basis rather than paid basis

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 loss before tax is as follows

	2010	2009
	£000	£000
Loss on ordinary activities before tax	(5,692)	(11,850)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	(1,594)	(3,318)
Effects of		
Expenses non deductible for tax purposes	267	-
Group relief surrendered for nil consideration	2,003	3,821
Non-taxable income from subsidiaries	(676)	(503)
Total current tax charge	-	-

6 INVESTMENTS

	£000
Investments in group companies	
Cost and net book value at 1 April 2009	412,000
Provision for impairment	(952)
Net book value at 31 March 2010	411,048
Net book value at 31 March 2009	412,000

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

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010****6 INVESTMENTS (continued)**

During the year the company received dividends of £2,413,000 from a subsidiary undertaking

On 31 March 2010 the company made a provision for impairment against its investment in Chepstow Insurance Limited

7 DEBTORS	2010 £000	2009 £000
Amounts owed by parent and fellow subsidiary undertakings (non-interest bearing)	2,239	2,239
	2,239	2,239

8 CREDITORS: amounts falling due within one year	2010 £000	2009 £000
Bank overdraft	775	11,546
Amounts owed to fellow subsidiary undertakings	63,476	47,965
	64,251	59,511

Included in amounts owed to fellow subsidiary undertakings are the following

Loan of £38,250,000 (2009 £38,250,000) repayable on demand and bearing an interest rate of six month UK LIBOR plus one hundred basis points

The remaining £25,226,000 (2009 £9,715,000), is non-interest bearing

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010**

9 CREDITORS: amounts falling due after more than one year

	2010	2009
	£000	£000
Amounts owed to fellow subsidiary undertakings	165,000	315,000

This debt matures in between two and five years. The £125,000,000 (2009 £125,000,000) debt bears an interest rate of UK LIBOR six month rate plus one hundred basis points.

A Eurobond of £40,000,000 issued on 8 October 2008 and redeemable on 31 October 2013 bears an interest rate of UK LIBOR six month rate plus four hundred basis points.

The remaining £nil (2009 £150,000,000) is interest free.

10 CALLED UP SHARE CAPITAL

	2010	2009
	£000	£000
Authorised:		
10,000 (2009 10,000) Ordinary shares of £1	10	10
Allotted and fully paid:		
6,537 (2009 5,037) Ordinary shares of £1	7	5

During the year the company issued 1,500 £1 ordinary shares to its direct parent Babcock Holdings Limited at a premium of £99,999 resulting in £150,000,000 additional shareholder funds.

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010****11 RESERVES**

	Share Premium Account £000	Profit & Loss Account £000
At 1 April 2009	56,995	(17,272)
Loss for the financial year	149,998	(5,692)
At 31 March 2010	206,993	(22,964)

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £000	2009 £000
Opening shareholders' funds	39,728	52,309
Loss for the financial year	(5,692)	(12,581)
Share issue	150,000	-
Closing shareholders' funds	184,036	39,728

13 CONTINGENT LIABILITIES

The company at the year end had joint and several liability for drawn bank overdraft facilities of other group companies for the value of £2,300,000 (2009 £3,800,000)

14 RELATED PARTY TRANSACTIONS

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

15 PRINCIPAL SUBSIDIARY UNDERTAKINGS

Defence Services

Babcock Naval Services Limited
Air Power International Limited
Babcock Support Services Limited
Debut Services (SW) Limited
Acetech Personnel Limited
Babcock Dyncorp Limited (60%)

Others

Babcock2 Limited
Babcock Malta Limited

All undertakings are wholly owned unless otherwise stated

Except as otherwise stated, all shares held comprise ordinary share capital

All undertakings are incorporated, registered and operated in Great Britain unless otherwise stated. Undertakings located overseas operate principally in the country of incorporation

16 ULTIMATE CONTROLLING PARTY

The company's immediate parent company is Babcock Holdings Limited and the ultimate controlling party is Babcock International Group PLC. Both companies are 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 accounts are available from the following address

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