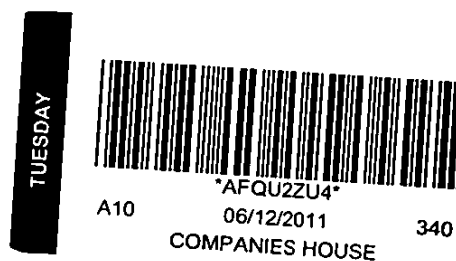


**Babcock Environmental Services
Limited** (formerly VT Environmental
Services Ltd)

Directors' report and financial
statements

Registered number 6122711

31 March 2011



Babcock Environmental Services Limited

Directors' report and financial statements

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Babcock Environmental Services Limited

Directors' report and financial statements

The directors' report and the business review

The directors present their annual report and the audited financial statements of Babcock Environmental Services Limited for the year ended 31 March 2011.

Principal activity

The principal activity of the company is to act as an intermediate holding company.

Business review

The results for the company show a loss before tax of £1,375,000 (2010 £1,718,000)

Directors

The directors who held office during the year were as follows

PJ Harrison	(resigned 9 July 2010)
GD Leeming	(appointed 2 September 2010)
F Martinelli	(appointed 9 July 2010)
KR Thomas	(appointed 2 September 2010)

Dividends

The directors do not recommend the payment of a dividend (2010 £nil)

Going concern

The financial statements have been prepared on the going concern basis as the company's ultimate parent undertaking has confirmed that it will provide such financial support and other support as is necessary to enable the company to meet its liabilities for the foreseeable future

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken, as a director, to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

During the year the company changed its auditor to PricewaterhouseCoopers LLP as a result of the change of ownership of the company's ultimate parent. The company has dispensed with the requirement for an Annual General Meeting and the need to appoint auditors annually

By order of the Board



V F A Teller
Secretary

28 November 2011

Babcock Environmental Services Limited
Directors' report and financial statements

Statement of directors' responsibilities in respect of the directors' report and financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BABCOCK ENVIRONMENTAL SERVICES LIMITED

We have audited the financial statements of Babcock Environmental Services 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 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 set out on page 2 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 annual report and financial statements 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, 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.

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.



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

30 November 2011

Babcock Environmental Services Limited
Directors' report and financial statements

Profit and loss account

for the year ended 31 March 2011

	<i>Notes</i>	2011 £000	2010 £000
Administrative expenses		<u>(11)</u>	<u>(191)</u>
Operating loss		(11)	(191)
Interest payable	4	<u>(1,364)</u>	<u>(1,527)</u>
Loss on ordinary activities before taxation	5	(1,375)	(1,718)
Tax on loss on ordinary activities	6	<u>-</u>	<u>338</u>
Loss for the financial year	12	(1,375)	(1,380)

The above results for the current year and the prior period, all relate to continuing activities

There are no recognised gains or losses other than the loss (2010 loss) for the year reported above
There is also no difference between the loss (2010 loss) on ordinary activities before taxation and the loss (2010 loss) for the financial year stated above, and their historical cost equivalents

Babcock Environmental Services Limited
Directors' report and financial statements

Balance sheet

at 31 March 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Investments	7	<u>41,136</u>	<u>41,136</u>
Current assets			
Debtors	8	<u>343</u>	<u>348</u>
Creditors amounts falling due within one year	9	<u>(3,320)</u>	<u>(1,950)</u>
Net current liabilities		<u>(2,977)</u>	<u>(1,602)</u>
Total assets less current liabilities		38,159	39,534
Creditors: amounts falling due after more than one year	10	<u>(45,000)</u>	<u>(45,000)</u>
Net liabilities		<u>(6,841)</u>	<u>(5,466)</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	<u>(6,841)</u>	<u>(5,466)</u>
Shareholders' deficit	13	<u>(6,841)</u>	<u>(5,466)</u>

These financial statements were approved by the board of directors on
and were signed on its behalf by

28 NOVEMBER

2011



G D Leeming
Director

Babcock Environmental Services Limited

Directors' report and financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with UK generally accepted accounting principles using the historical cost accounting convention

The company is exempt by virtue of s400(1) of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

The financial statements have been prepared on the going concern basis as the company's ultimate parent undertaking has confirmed that it will provide such financial support and other support as is necessary to enable the company to meet its liabilities for the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

Under Financial Reporting Standard 1 (1996 Revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

In addition, advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Babcock International Group PLC or other group undertakings, as the consolidated financial statements of Babcock International Group PLC in which the company is included are publicly available (see note 16).

Valuation of investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred taxation assets are recognised only to the extent that in the opinion of the directors, there is a reasonable probability that the asset will crystallise in the foreseeable future.

Babcock Environmental Services Limited
Directors' report and financial statements

Notes *(continued)*

2 Staff costs

The average number of persons employed by the company (including directors) during the year was as follows

	Number of employees	
	2011	2010
Management	-	1
Administration	-	-
	<u>-</u>	<u>1</u>

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	-	83
Social security costs	-	12
Other pension costs	-	24
	<u>-</u>	<u>119</u>

3 Remuneration of directors

None of the directors received remuneration for their services to the company as the services provided to the company are incidental to their wider role in the group (2010 £nil)

4 Interest payable

	2011 £000	2010 £000
Interest on bank borrowings	35	39
Interest payable to group undertakings	<u>1,329</u>	<u>1,488</u>
	<u>1,364</u>	<u>1,527</u>

Babcock Environmental Services Limited
Directors' report and financial statements

Notes *(continued)*

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2011	2010
	£000	£000
Auditors' remuneration - audit fees	<u>11</u>	<u>11</u>

6 Taxation

	2011	2010
	£000	£000
<i>Current tax</i>		
Current tax credit on loss for the year	-	(481)
Adjustment in respect of prior years	<u>-</u>	<u>143</u>
Tax credit on loss on ordinary activities	<u>-</u>	<u>(338)</u>

Factors affecting the tax charge for the current year

The current tax credit for the year is lower (2010 lower) to the standard rate of corporation tax in the UK of 28% (2010 28%)

	2011	2010
	£000	£000
Loss on ordinary activities before tax	<u>(1,375)</u>	<u>(1,718)</u>
Loss on ordinary activities multiplied by standard rate in UK of 28% (2010 28%)	(385)	(481)
<i>Effects of</i>		
Losses surrendered for Group relief	385	-
Adjustment to tax charge in respect of prior years	<u>-</u>	<u>143</u>
Current tax credit for the year	<u>-</u>	<u>(338)</u>

Babcock Environmental Services Limited
Directors' report and financial statements

Notes *(continued)*

7 Investments

	2011	2010
	£000	£000
Cost		
Investment in subsidiary undertakings	<u>41,136</u>	<u>41,136</u>

The company has the following interests in subsidiary undertakings

Company	Shareholding	Principal activity
Babcock Nuclear Ltd	100%	Technical and engineering consultancy to UK and foreign nuclear industries
Babcock Environmental Engineering Ltd	100%	Manage waste recycling facilities

Both the investment companies are incorporated in Great Britain

8 Debtors

	2011	2010
	£000	£000
Amounts owed by group undertakings	<u>343</u>	<u>348</u>

9 Creditors: amounts falling due within one year

	2011	2010
	£000	£000
Bank overdraft	3,306	1,935
Accruals & deferred income	14	14
Amounts owed to group undertakings	<u>-</u>	<u>1</u>
	<u>3,320</u>	<u>1,950</u>

Babcock Environmental Services Limited
Directors' report and financial statements

Notes *(continued)*

10 Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Amounts owed to group undertakings	<u>45,000</u>	<u>45,000</u>

This loan is due for repayment on 17 January 2013. Interest on the outstanding balance is calculated daily based on 6 month LIBOR plus a variable margin depending on the amount of the facility drawn down and at 31 March 2011 is 2% (2010 2%)

11 Called up share capital

	2011 £	2010 £
Allotted, called up and fully paid		
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

12 Reserves

	Profit and loss account £000
At beginning of year	(5,466)
Loss for the year	(1,375)
At end of year	<u>(6,841)</u>

13 Reconciliation of movements in shareholders' deficit

	2011 £000	2010 £000
Loss on ordinary activities after taxation	<u>(1,375)</u>	<u>(1,380)</u>
Net increase in shareholders' deficit	(1,375)	(1,380)
Opening shareholders' deficit	<u>(5,466)</u>	<u>(4,086)</u>
Closing shareholders' deficit	<u>(6,841)</u>	<u>(5,466)</u>

Babcock Environmental Services Limited

Directors' report and financial statements

Notes *(continued)*

14 Pension arrangements

The company is a member of the Shipbuilding Industry Pension Scheme providing benefits based on final pensionable pay. The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 March 2010 and was updated for accounting purposes to 2011 by a qualified independent actuary. The pension charge in respect of the defined benefit scheme for the year was £nil (2010 £24,000). Contributions totalling £nil (2010 £nil) were payable to the fund at the year end.

The net pension liability on the group wide pension scheme at 31 March 2011 was £11,500,000 (2010 £64,765,000). This represents the liability to Babcock International Group PLC as a whole and does not represent a liability to the company.

15 Contingent Liability

The company at the period end had joint and several liability for drawn bank overdraft facilities of other group companies for the value of £4.5million (2010 £nil).

16 Ultimate parent company

The company is a subsidiary undertaking of Babcock Southern Holdings Ltd (formerly VT Group plc), a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company is Babcock International Group PLC, a company incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the company are reported is that headed by Babcock International Group PLC. The consolidated financial statements are available to the public at that company's registered office of 33 Wigmore Street, London, W1U 1QX. No other financial statements include the results of the company.