

Babcock Environmental Services Limited

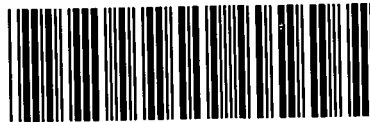
Annual report

For the year ended 31 March 2014

Company registration number:

6122711

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COMPANIES HOUSE

The directors present the audited financial statements of the Company, for the year ended 31 March 2014. This report is prepared in accordance with special provisions relating to small companies within part 15 of the Companies Act 2006.

Principal activities

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

Business review

The results for the Company show a loss on ordinary activities before taxation of £391,549 (2013: Profit of £8,175,458).

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:

G D Leeming
F Martinelli
K R Thomas

Directors' liabilities

Under their respective Articles of Association, the directors of the Company are, and were during the year to 31 March 2014, 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.

Dividends

The directors do not recommend the payment of a dividend (2013: £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.

Statement of directors' responsibilities in respect of the annual 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 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;
- 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.

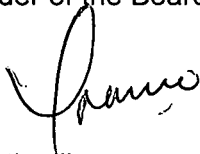
Auditors and the disclosure of information

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

Reappointment of auditors

Pursuant to Section 487 of Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the Board



F Martinelli
Director

16th June 2014

Independent auditors' report to the members of Babcock Environmental Services Limited
Report on the financial statements

OUR OPINION

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

WHAT WE HAVE AUDITED

The financial statements, which are prepared by Babcock Environmental Services Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Independent auditors' report to the members of Babcock Environmental Services 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.

Other matters on which we are required to report by exception

**ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS
RECEIVED**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

ENTITLEMENT TO EXEMPTIONS

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS


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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS (CONTINUED)

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.


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

16 June 2014

Profit and loss account
For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Administrative income			
– other		211	-
– exceptional items	6	985	9,245
Operating profit		1,196	9,245
Interest payable and similar charges	2	(1,588)	(1,913)
Interest receivable and similar income	3	-	843
(Loss)/ profit on ordinary activities before taxation	4	(392)	8,175
Tax on (loss)/ profit on ordinary activities	7	-	-
(Loss)/ profit for the financial year	12	(392)	8,175

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

All results derive from continuing operations.

	Notes	2014 £'000	2013 £'000
Current assets			
Debtors	8	40,339	40,461
		<u>40,339</u>	<u>40,461</u>
Creditors – amounts falling due within one year	9	(41,573)	(41,303)
Net current liabilities		<u>(1,234)</u>	<u>(842)</u>
Total assets less current liabilities		(1,234)	(842)
Creditors – amounts falling due after more than one year	10	(33,141)	(33,141)
Net liabilities		<u>(34,375)</u>	<u>(33,983)</u>
Capital and reserves			
Profit and loss account	12	(34,375)	(33,983)
Total shareholder's deficit	12	<u>(34,375)</u>	<u>(33,983)</u>

The financial statements on pages 5-12 were approved by the board of directors and signed on its behalf by:


F Martinelli
Director

16th June 2014

1. Accounting policies

Basis of preparation

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

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 13).

Taxation

The charge for taxation is based on the profit 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 which have arisen, but not reversed, by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax 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. 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.

2. Interest payable and similar charges

	2014	2013
	£'000	£'000
Bank interest	420	521
Loan interest payable to group undertakings	1,168	1,392
	1,588	1,913

3. Interest receivable and similar income

	2014	2013
	£'000	£'000
Loan interest receivable from group undertakings	-	843

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

Profit/loss on ordinary activities before taxation is stated after charging

	2014	2013
	£'000	£'000
Auditors' remuneration		
- audit fees	11	11
- other services	-	-

5. Directors' remuneration

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 (2013: £nil).

6. Exceptional items

	2014	2013
	£'000	£'000
Profit on sale of fixed asset investments	985	9,245
	985	9,245

On 1 April 2012 the Company sold its holding in Babcock Nuclear Limited to Babcock Services Group Limited for consideration of £40,000,000. The Company then sold its remaining investment, the holding in Babcock Environmental Engineering Ltd for consideration of £11,859,000. After costs of £2,614,000, this resulted in a profit on sale of £9,245,000. During 2013-14, provisions of £985,000 relating to the sale were released to the profit and loss account.

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

	2014	2013
	£'000	£'000
Current tax		
UK Corporation tax credit on (loss)/ profit for the year	-	-
Adjustment in respect of prior years	-	-
Current tax charge for the year	-	-
Deferred tax:		
Deferred tax charge	230	-
Adjustment in respect of prior years	(230)	-
	-	-

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 profit before tax is as follows:

	2014	2013
	£'000	£'000
(Loss)/ profit on ordinary activities before taxation	(392)	8,175
Tax on (loss)/ profit on ordinary activities at standard UK corporation tax rate of 23% (2013: 24%)	(90)	1,962
Effects of:		
Other timing differences	(230)	-
Income not taxable for tax purposes	(45)	(2,219)
Group relief for nil consideration	365	257
Current tax credit for the year	-	-

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 23% to 21% from 1 April 2014 is included in the Finance Act 2013. Further changes to the UK corporation tax system were announced in the March 2013 Budget Statement. These included further reductions to the main corporation rate from 21% to 20% by 1 April 2015. These further changes have been substantively enacted at the balance sheet date and, therefore the impact is included in these financial statements. As a result of the above all deferred tax balances are restated at 20% at the balance sheet date.

8. Debtors

	2014 £'000	2013 £'000
Due within one year:		
Amounts owed by group undertakings	40,339	40,339
Other debtors	-	122
	<u>40,339</u>	<u>40,461</u>

9. Creditors - amounts falling due within one year

	2014 £'000	2013 £'000
Bank overdraft	41,573	40,191
Amounts owed to group undertakings	-	34
Accruals and deferred income	-	1,078
	<u>41,573</u>	<u>41,303</u>

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

	2014 £'000	2013 £'000
Amounts owed to group undertakings	<u>33,141</u>	<u>33,141</u>

This loan is due for repayment on demand. 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 2014 is 2% (2013: 2%).

11. Called-up share capital

	2014 £	2013 £
Allotted, called up and fully paid		
1 (2013: 1) ordinary shares of £1 each	<u>1</u>	<u>1</u>

12. Reconciliation of movement in shareholders deficit and reserves

	Profit and loss account £'000	Total £'000
At 1 April 2013	(33,983)	(33,983)
Loss for the year	(392)	(392)
At 31 March 2014	<u>(34,375)</u>	<u>(34,375)</u>

13. Ultimate parent undertaking

The Company's immediate parent Company is Babcock Southern Holdings Limited a Company registered in England and Wales. The ultimate parent Company 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