(Registered No. 6717269)

BABCOCK INTEGRATED TECHNOLOGY LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2011

CONTENTS **Page**

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The directors report that the company has made a profit for the financial year of £3,885k (2009/10 profit £3,717k) No dividend was paid to Babcock International Group PLC

On 1 April 2009, the trade and assets of Strachan & Henshaw Limited were acquired by Babcock Integrated Technology Limited for a consideration of £44m

On 1 April 2009, the trade and assets of the Defence business of BNS Nuclear Services Limited were acquired by Babcock Integrated Technology Limited for a consideration of £13 2m

As part of Babcock International Group's restructuring plans, Babcock Integrated Technology Limited secured financing of £31 million during the year from its parent company in order to provide it with funding to acquire a group company, CSMG Inc, in the year 2011/12

PRINCIPAL ACTIVITY

The principal activity of the company is the design, supply, manufacture, installation and management of specialist mechanical handling equipment projects and systems engineering, principally within the defence industry

REVIEW OF BUSINESS

The key projects on which the business was engaged during the year were in submarine support, both in the UK and Canada the design and manufacture of a submarine weapons handling system for the Spanish Government, manufacture of a weapons handling system for the Astute class submarine, and continued activity of various systems for the Queen Elizabeth Aircraft Carriers

The re-fit of two Vanguard submarines (Windsor and Victoria) continued according to programme and budget The Company provides services from its location in the UK and also has staff based in the Canadian dockyards offering specialist expertise in areas of engineering and waterfront support There have been a number of customer induced ammendments to scope that have extended the contract into 2011/12 Work has also commenced on the re-fit of the third in class submarine (Chicoutimi)

Work is still progressing on the Astute class submarine programme Installation and setting to work is progessing of the weapons handling system on boat sets 2 and 3 Astute boat 4 manufacturing activity is nearing completion We have received full order cover in 2010/11 to manufacture the system on Boat set 5 and late in 2010/11 we were given authority to progress procurement of the long lead system items on Asute boat 6

The design of the equipment for a new class of Spanish submarine met a number of challenging schedule milestones in the year The project continues to progress, the manufacturing phase saw a significant increase in activity in 2010/11, with major hardware deliverable milestones being met It is anticipated that this phase of the project will generate significant activities in 2011/12, with further milestones being targeted for boat sets 1 and 2

2010/11 saw progress on the contract to design a weapons handling system for the Korean navy's Jangbogo submarine This demonstrates our potential to operate in the Asian market Significant further work packages are expected to be won on this programme in 2011/12

Significant progress is being achieved on the new MoD aircraft carrier contract, at both of the Company's sites Deliveries continue to be made in support of the required in yard date

In terms of Aerospace contracts, the decoy dispenser unit contract continues to provide a steady stream of manufactured output A third tranche of units is expected to be placed in 2011/12

The company key financial and other performance indicators during the year were as follows

	12 Months to 31 March 2011 £000
Turnover	61,087
Total operating profit before exceptionals	5,694
Profit after tax	3,885
Shareholders Funds	38,602
Current assets as % of current liabilities	121%
Average number of employees	453
Debtor Days	56

The registered number for this company is 6717269

DONATIONS

The Company made no political contributions during the year Donations to UK charities amounted to £3,600 (2009/10 £3,660)

EMPLOYMENT POLICIES

The Company's employment policies and, in particular, those relating to the employment of disabled persons, are set out in detail in the directors' report of Babcock International Group PLC, the ultimate parent company

RESEARCH & DEVELOPMENT

The research and development activities of the Company continue to be directed principally towards the development of new techniques and processes, and improving the performance and cost effectiveness of existing techniques and processes

POLICY ON PAYMENT OF CREDITORS

The Company agrees the length of payment terms with each of its suppliers Payment dates are then established according to the agreed date of delivery of goods or provision of services and receipt of correct invoice The average payment period for the Company at the year end was 49 days

DIRECTORS

The names of those who were directors of the company during the year were
Messrs
F Martinelli
J Hall
M W Hardy

PRINCIPAL RISKS AND UNCERTAINTIES

The Company and its customers operate around the world including several within Australia, Canada and Western Europe While benefiting from the opportunities in these regions, the Company and its customers are exposed to the political and business risks associated with international operations, such as sudden changes in regulation, expropriation of assets, imposition of trade barriers, limits on the export of currency and volatility of prices, taxes and currencies The principal risk and uncertainty facing the company is the availability of Government funding to support existing and future defence activities both in the UK and internationally

CUSTOMER RELATIONSHIPS AND SUPPLY CHAIN

The Company benefits from close commercial relationships with a number of key customers and suppliers The loss of any of these key customers or suppliers, or a significant worsening in commercial terms, could impact on the Company's results The Company devotes significant resources to supporting these relationships to ensure they continue to operate satisfactorily

The Company subcontracts certain elements of the manufacturing process through supply chains external to the Company Any failure of the supply chain would represent a risk to the Company's ability to meet customer requirements and achieve its financial goals The Company has a business continuity programme in place to mitigate such a risk The Company strategy is to simplify the external supply chain and forge deeper strategic relationships with fewer but stronger suppliers

HEALTH & SAFETY

The Company operates in a number of demanding environments Safe working practices are extremely important to protect everyone on the Company's sites The Company has developed quality and safety processes which are regularly audited by independent professional bodies and customers The Company operates long established working practices and controls to minimise damage and injury

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments, other than derivatives, comprise of bank overdraft facilities, short-term debt, loans, cash and short-term deposits The main purpose of these financial instruments is to manage the Company's funding and liquidity requirements The Company has other financial instruments such as trade receivables and trade payables which arise directly from its operations The principal financial risks to which the Company is exposed are those relating to foreign currency, commodity price, credit, liquidity and interest rate These risks are managed in accordance with Board approved policies

FOREIGN CURRENCY RISK

The Company buys and sells goods and services in currencies other than its functional currency As a result, the Company's non sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates The Company seeks to minimise its transaction exposure by maintaining a policy that forward foreign currency contracts are used to eliminate exposures on material committed transactions It is Company policy not to engage in any speculative transaction of any kind

COMMODITY PRICE RISK

The Company's exposure to raw material price risk is generally diminished by restricting bid validity to periods within those quoted by suppliers and by material price escalation clauses

CREDIT RISK

The Company's credit risk is primarily attributable to its trade receivables and amounts due under construction contracts The Company is exposed to risk over a large number of countries and customers and there is no significant concentration of risk Where appropriate, the Company endeavours to minimise risk by the use of trade finance instruments such as letters of credit Credit worthiness checks are also undertaken before entering into contracts with new customers and credit limits are set as appropriate The amounts presented in the balance sheet are net of allowance for doubtful receivables An allowance for impairment is made where there is an identifiable loss-making event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows

LIQUIDITY RISK

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans

INTEREST RATE RISK

The Company's borrowings consist of an overdraft balance facility and inter group loans, both at variable rates of interest Based on current levels of net debt, interest rate risk is not considered to be material

DIRECTORS' REPORT (continued)

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 year 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,

- 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

INFORMATION TO AUDITORS

The directors who held office at the date of approval of this director's 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

By order of the Board

M W Hardy
Director

Ashton House
PO Box 103
Ashton Vale Road
Bristol BS99 7TJ

14 June 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BABCOCK INTEGRATED TECHNOLOGY LIMITED

We have audited the financial statements of Babcock Integrated Technolgy Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies 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 Statement of Directors' Responsibilities set out 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 Director's 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 profit 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

Duncan Stratford

Duncan Stratford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
14 June 2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Note	12 months 2010/11 £000	12 months 2009/10 as restated £000
TURNOVER	2	61,087	62,856
COST OF SALES		(52,894)	(56,064)
GROSS PROFIT		8,193	6,792
Distribution Costs		(986)	(1,073)
Administration Costs		(1,513)	(903)
OPERATING PROFIT	3	5,694	4,816
Interest payable	4	(1,122)	(980)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,572	3,836
Tax on profit on ordinary activities	5	(687)	(119)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,885	3,717

All of the above profits arise from continuing operations

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

Certain costs have been restated in the 2010 comparative figures in order to achieve consistent presentation with the disclosure made in 2011 accounts Administrative costs of £4,557k have been reclassified as cost of sales, the directors consider that this better reflects their nature as direct costs

BALANCE SHEET AS AT 31 MARCH 2011

	Note	2010/11 £000	2009/10 £000
INTANGIBLE ASSETS			
Goodwill	7	16,129	17,025
		16,129	17,025
FIXED ASSETS			
Tangible assets	8	4,593	5,671
Investments	9	2	1
		4,595	5,672
CURRENT ASSETS			
Stock	10	1,299	1,968
Debtors	11	103,767	58,077
Cash at bank and in hand		9,084	6,422
		114,150	66,467
CREDITORS: amounts falling due within one year	12	(94,290)	(82,957)
NET CURRENT ASSETS/(LIABILITIES)		19,860	(16,490)
TOTAL ASSETS LESS CURRENT LIABILITIES		40,584	6,207
PROVISIONS FOR LIABILITIES	13	(1,982)	(2,490)
NET ASSETS		38,602	3,717
CAPITAL AND RESERVES			
Called-up share capital	15	40	-
Shares to be issued	16	31,000	-
Profit and loss reserve	18	7,562	3,717
TOTAL SHAREHOLDERS' FUNDS		38,602	3,717

The notes on pages 8 to 17 form part of these accounts

These financial statements were approved by the board of directors on 14 June 2011
The registered number for this company is 6717269

J Hall)
)
) Directors
)
M W Hardy)

1 ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements are prepared on a going concern basis under the historical cost convention, as modified to include the revaluation of certain land and buildings, and in accordance with the companies Act 2006 and applicable accounting standards in the United Kingdom

(b) TANGIBLE FIXED ASSETS

Freehold land and buildings and other tangible assets are stated at cost

Except for land, the net cost or valuation of tangible assets is depreciated over the estimated useful life by equal annual instalments as follows

	2010/11	**2009/10**
Freehold buildings	2% to 10%	2% to 10%
Plant and machinery	6 6% to 10%	6 6% to 10%
Fixtures, fittings, tools and equipment	10% to 33 3%	10% to 33 3%

(c) INTANGIBLE FIXED ASSETS

Intangible assets are stated at cost

The net cost or valuation of intangible assets is amortised over the estimated useful life by equal annual instalments using a policy of 20 years

(d) STOCKS

Stocks are stated at the lower of cost and net realisable value Net realisable value is based on estimated selling price less anticipated costs to disposal

(e) LONG TERM CONTRACTS

A long term contract is defined as the supply of a single substantial entity where the supply extends into different accounting years Turnover recorded on long term contracts is the value of work done and this is calculated to be cost together with a proportion of profit appropriate to the stage of completion of each contract Cost comprises direct materials and direct labour plus attributable production overheads based on a normal level of activity Provision is made for all foreseeable losses Claims for progress payments are deducted from amounts recoverable on long term contracts, or to the extent they exceed this value, are disclosed as payments received on account

(f) RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is written off in the year in which it is incurred

(g) **DEFERRED TAX**

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, joint ventures and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

(h) **FOREIGN CURRENCIES**

Assets and liabilities in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date except where amounts are covered by forward foreign exchange contracts Differences on exchange are dealt with through the Profit and Loss Account as they arise

(i) **RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemptions, conferred in FRS 8, from disclosing transactions with related parties that are part of Babcock International Group PLC

(j) **CASH FLOW STATEMENT**

The Company has taken advantage of the exemption, conferred in FRS 1 (revised), from presenting their own Cash Flow Statement

(k) **CONSOLIDATION**

In accordance with S 400 of the Companies Act 2006 the Company is exempt from the obligation to prepare and deliver group accounts as it is a wholly owned subsidiary of Babcock International Group PLC, registered in England, which produce group accounts Accordingly the accounts present information about the Company and not the group

(l) **MAINTENANCE WARRANTIES**

A provision is recognised for expected warranty claims on completed contracts This is then released in equal instalments over the estimated warranty period and is substituted by actual expenditure incurred

(l) **PENSION COSTS**

The Company operates a defined contribution scheme for employees The pension costs charged against profits represent the amount of the contributions payable to employees' personal pension plans in respect of the accounting year

(m) **OPERATING LEASES**

Operating lease rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

2 TURNOVER

Turnover represents the amount invoiced to third parties in respect of goods sold and services provided, excluding value added tax and trade discounts In the case of long term work in progress, it represents the value of work done during the year

Geographical split	**12 months 2010/11 £000**	**12 months 2009/10 £000**
UK	38,658	41,949
Europe	14,234	11,586
USA & Canada	6,157	7,973
Rest of World	2,038	1,348
	61,087	62,856

3 OPERATING PROFIT

	12 months 2010/11 £000	**12 months 2009/10 £000**
Operating Profit is stated after charging		
Depreciation	370	971
Amortisation	896	896
Services provided by the Company's auditor		
- Fee's payable for the audit	22	36
Research and development	429	234
Operating lease rentals		
- plant and machinery	11	98
- other assets	132	267

During the year, no fees were paid to the Company's auditors in respect of non-audit services

Administrative and distribution costs are included within cost of sales as the majority are fully recoverable under contractual terms with the Company's principal customers

		12 months 2010/11 £000	12 months 2009/10 £000
4	**INTEREST PAYABLE**		
	Interest due to Babcock Group undertakings	(1,122)	(980)
		(1,122)	(980)

		12 months 2010/11 £000	12 months 2009/10 £000
5	**TAXATION**		
(a)	Tax on profit on ordinary activities The tax charge is comprised of the following		
	Current tax		
	UK corporation tax	-	-
	Group relief for consideration	-	-
	UK corporation tax over provided in previous years	-	-
	Total current tax (note 5(b))	-	-
	Deferred tax		
	Deferred tax charge	112	52
	Adjustments in respect of deferred tax for prior year	623	67
	Impact of change in UK tax rate	(48)	-
	Tax on profit on ordinary activities	687	119

(b) Factors affecting current tax charge

The tax assessed on profit on ordinary activities for the year is lower than the standard rate of Corporation Tax in the UK of 28% (2009/10 28%)

	12 months 2010/11 £000	12 months 2009/10 £000
The differences are reconciled below -		
Profit before tax	4,572	3,836
Standard rate	28%	28%
Profit at standard rate	1,280	1,074
Group relief (claimed)/surrendered for nil consideration	(918)	(1,036)
Expenses (deductable)/not deductable for tax purposes	(250)	14
Timing Differences	(112)	(52)
Total Current tax (note 5(a))	-	-

		12 months 2010/11 £000	12 months 2009/10 £000
(c)	Balance Sheet - deferred tax		
	Included in Note 12	(631)	56
	Advanced capital allowances	(705)	(46)
	Other short term timing differences	74	102
	Pension asset	-	-
		(631)	56
	Balance as at 31 March 2010	56	-
	Transfer of Asset from Group Company	-	175
	Current year (charge)	(112)	(52)
	Adjustment in respect of prior year	(623)	(67)
	Effect of change in UK tax rate	48	
	Closing balance at 31 March 2011	(631)	56

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

6 DIRECTORS AND EMPLOYEES

	12 months 2010/11 Number	12 months 2009/10 Number
The monthly average number of employees during the year was as follows		
Direct Employees	372	372
Indirect Employees	81	79
	453	451

Staff costs	12 months 2010/11 £000	12 months 2009/10 £000
Wages and salaries	15,869	15,715
Social security costs	1,605	1,603
Pension costs		
UK staff multi employer defined benefit costs	391	418
Defined contribution costs	870	839
Total pension costs	1,261	1,257
	18,735	18,575

Directors Emoluments.	12 months 2010/11 £000	12 months 2009/10 £000
Directors' remuneration		
Aggregate emoluments	280	553
Aggregate Company contributions to		
(i) Money Purchase Pension Schemes	41	40
Aggregate payments in respect of long term incentive schemes	-	-
	No	**No**
Number of directors to whom retirement benefits are accruing under		
(i) Money Purchase Pension Schemes	2	2
Number of directors exercising Share Options in the year	n/a	n/a

	12 months 2010/11 £000	12 months 2009/10 £000
Highest paid director		
Emoluments	142	281
Company contributions to Money Purchase Pensions Schemes	15	15
Total accrued pension at end of year	-	-
Share Options exercised during the year	n/a	n/a

7 INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost / Valuation	
At 31 March 2010	17,921
At 31 March 2011	17,921
Aggregate Amortisation	
At 31 March 2010	896
Charge for year	896
At 31 March 2011	1,792
Net Book Value	
At 31 March 2011	16,129
At 31 March 2010	17,025

Goodwill above arose on the acquisition of the trade and assets of Strachan and Henshaw Limited, and the Defence business of BNS Nuclear Services Limited on 1 April 2009

8 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings, Tools and Equipment £000	Total £000
Cost / Valuation				
At 31 March 2010	3,008	910	2,503	6,421
Additions	-	401	152	553
Disposals	-	(183)	(1,297)	(1,480)
At 31 March 2011	3,008	1,128	1,358	5,494
Aggregate Depreciation				
At 31 March 2010	80	137	533	750
Charge for year	80	203	87	370
Disposals	-	(183)	(36)	(219)
At 31 March 2011	160	157	584	901
Net Book Value				
At 31 March 2011	2,848	971	774	4,593
At 31 March 2010	2,928	773	1,970	5,671

9 FIXED ASSET INVESTMENTS

Cost	**£000**
Balance as at 31 March 2010	1
Additions	1
Balance as at 31 March 2011	2

Group accounts are not submitted as Babcock Integrated Technology Limited is a wholly owned subsidiary of Babcock International Group PLC, which is registered in England.

Particulars of subsidiary companies at 31 March 2011 are as follows

Name of Company	Country of Incorporation	Area of Operation	Holdings	Proportion Held
Strachan & Henshaw Canada	Canada	Canada	Ordinary Shares	100%
Gibraltar Investment (No 7) Limited	UK	UK	Ordinary Shares	100%

On 15 September 2010, proprietary know-how, not capitalised in the accounts of the company in accordance with FRS 10, was transferred to Babcock LLP in exchange for an interest in that partnership This was in order to facilitate the integration of the Babcock and VT groups The partnership interest has been recognised at a cost of £nil given that the know-how was not recognised in the accounts of the company prior to the transfer

10 STOCKS

		2010/11 £000	2009/10 £000
Work in progress	- Gross	1,282	1,942
	- Provision	-	-
	- Net	1,282	1,942
Raw materials	- Gross	207	454
	- Provision	(190)	(428)
	- Net	17	26
		1,299	1,968

11 DEBTORS

	2010/11 £000	2009/10 £000
Amounts recoverable on contracts	3,427	3,944
Trade debtors	5,205	4,206
Amounts owed by Group undertakings	94,213	49,133
Other debtors	281	110
Deferred tax asset (note 5)	-	56
Corporation Tax (note 5)	303	213
Prepayments and accrued income	338	415
	103,767	58,077

Included within Amounts owed by group undertakings are the following Group Loans

	2010/11 £000	Interest Terms	Repayment Terms
Loan to Babcock Support Services Investments Limited	33,000	LIBOR +4%	Short Term
Loan to Babcock Marine Holdings UK Limited	31,000	Non interest bearing	Short Term
Loan to Babcock UK Holdings Limited	7,000	Non interest bearing	Short Term
Loan to Babcock Holidngs Ltd	6,150	Non interest bearing	Short Term
Loan to BNS Nuclear Services Limited	12,749	Non interest bearing	Repayable on demand

12 CREDITORS. Amounts falling due within one year

	2010/11 £000	2009/10 £000
Payments received on account	16,213	11,551
Trade creditors	3,271	4,323
Amounts owed to Group undertakings	69,383	62,660
Deferred tax liability (note 5)	631	-
Other taxes and social security costs	297	473
Other creditors	2,387	1,308
Accruals and deferred income	2,108	2,642
	94 290	82,957

Included within Amounts owed to group undertakings are the following Group Loans

	2010/11 £000	Interest Terms	Repayment Terms
Loan from Babcock Nuclear Services Limited	8,893	Non interest bearing	Repayable on demand
Loan from Babcock Malta	11,000	LIBOR +4%	Short Term
Loan from Babcock Holidngs Ltd	1,920	Non interest bearing	Short Term
Loan from Babcock Support Services Investments Limited	45,038	LIBOR +4%	Short Term
Loan from Gibraltar Investment (No 7) Limited	1	Non interest bearing	Short Term

13 PROVISIONS FOR LIABILITIES

	Provision for Maintenance Warranties £000	Contract Loss £000	Total £000
At 31 March 2010	913	1,577	2,490
Charged to the profit and loss account	861	-	861
Utilised	(4)	(195)	(199)
Released	(676)	(494)	(1,170)
At 31 March 2011	1,094	888	1,982

Descriptions of these provisions are included in notes 1(e) and (l) of the accounting policies The majority of costs are expected to be incurred within one year of the balance sheet date

14 LEASING COMMITMENTS

As at 31 March 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2010/11 Land & buildings £000	Other £000	2009/10 Land & buildings £000	Other £000
Operating leases which expire				
within one year	-	23	-	3
within one to two years	-	16	-	22
within three to five years	24	16	-	14
five years and above	71	-	95	-
	95	55	95	39

15 SHARE CAPITAL

	2010/11 £000	2009/10 £000
Authorised share capital		
1000 Ordinary shares of £1 each	40	1
Allotted, called-up and fully paid		
1 Ordinary shares of £1 each	40	-

During the year 39,999 ordinary shares were issued by way of bonus issue

16 SHARES TO BE ISSUED

	2010/11 £000	2009/10 £000
Shares to be issued	31,000	-

On 26th November 2010 the company entered into a forward subscription agreement whereby Babcock Marine UK Holdings Limited agreed to subscribe for shares and share premium in the total of £31 million as an when required

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010/11 £000	2009/10 £000
Profit for the financial year	3,885	3,717
Net movements in shareholders' funds	3,885	3,717
Closing shareholders' funds	3,885	3,717

18 RESERVES

	Profit & Loss Reserve £000
At 31 March 2010	3,717
Profit for the year	3,885
Shares	(40)
At 31 March 2011	7,562

19 CONTINGENT LIABILITIES

The Company at the year end had guaranteed or had joint several liability for drawn Babcock International Group PLC bank facilities of £782 5million provided to certain group companies

The Company had other contingent liabilities in the normal course of business, including counter indemnities for performance bonds

20 ULTIMATE PARENT COMPANY

The directors consider that Babcock International Group PLC (registered in England) is the Company's ultimate and immediate parent company and controlling party This is the only parent undertaking for which group accounts are drawn up and of which the Company is a member The address from which copies of these accounts are available to the public is Babcock International Group PLC, 33 Wigmore Street, London, W1U 1QX

21 PENSION ARRANGEMENTS

The Company participates in the Babcock International Group Pension Scheme For the former members of the Alstec pension scheme, the scheme comprises

- a defined benefit scheme for eligible members of the former Alstec group, which commenced in April 2001,
- a money purchase scheme for eligible members of the former Alstec group which was introduced for new members in October 2001

An independent actuary prepares the valuations of the Scheme at least every three years and, in accordance with his recommendations, the Group makes contributions to the Scheme The cost of the defined benefit scheme, including the amortisation of any experience surplus or deficit, is charged to the profit and loss account on a systematic basis over the expected remaining working lives of the employees The amounts charged to the profit and loss account in respect of the money purchase scheme represent contributions payable in respect of the accounting year

The pension cost for the Scheme was £505 000 (2009/10 £508,000) At the year end contributions amounting to Nil (2009/10 £Nil) were payable to the Scheme

The Company is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", will account for the Scheme under this accounting standard as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account under FRS 17 will represent the contributions payable to the scheme in respect of the accounting year