

FBM Babcock Marine Holdings (UK) Limited

**Financial statements for the year ended 31 March 2006
together with directors' and auditors' reports**

Registered number: 2530482

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COMPANIES HOUSE

FBM Babcock Marine Holdings (UK) Limited

Directors and advisers

Directors

A J Marsh
I S Urquhart (appointed 12 May 2005)

Joint secretaries

S A R Billiald
J D T Greig

Registered office

2 Cavendish Square
London
W1G 0PX

Auditors

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

Bankers

The Royal Bank of Scotland plc
Dunfermline Branch
52-54 East Port
Dunfermline
KY12 7HB

FBM Babcock Marine Holdings (UK) Limited

Directors' report for the year ended 31 March 2006

Financial statements

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 March 2006.

Principal activity

The principal activity of the company is a holding company for a shipbuilding, design, repairs and marine engineering group.

Review of business and future developments

The ultimate parent company, Babcock International Group PLC has confirmed that it will provide financial support as is necessary to the company and the directors have accordingly prepared the financial statements on the basis that the company is a going concern.

Results and dividends

The audited financial statements for the year ended 31 March 2006 are set out on pages 7 to 13.

The profit for the year, after taxation, amounted to £Nil (2005: loss of £142,000). The directors do not recommend the payment of a dividend (2005: £nil). Accordingly the profit for the year of £Nil (2005: loss £142,000) has been transferred to reserves.

Directors and their interests

The directors of the company who served during the year were:

A J Marsh

B Morse (resigned 12 May 2005)

I S Urquhart (appointed 12 May 2005)

None of the directors had any beneficial interest in the company's shares.

The interests of A Marsh, B Morse and I S Urquhart, who are also directors of fellow group undertakings, are shown in the financial statements of Babcock Engineering Services Limited, Rosyth Royal Dockyard Limited and Marine Engineering and Fabrications Limited respectively.

FBM Babcock Marine Holdings (UK) Limited

Directors' report for the year ended 31 March 2006 (continued)

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the result of the company for that year. 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 disclosure of information to auditors

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 that information.

The company has elected pursuant to s386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually.

By order of the board



I S Urquhart
Director

15 January 2007

FBM Babcock Marine Holdings (UK) Limited

Independent auditors' report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FBM BABCOCK MARINE HOLDINGS (UK) LIMITED

We have audited the financial statements of FBM Babcock Marine Holdings (UK) Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

FBM Babcock Marine Holdings (UK) Limited

Independent auditors' report (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

15 January 2007

FBM Babcock Marine Holdings (UK) Limited

Profit and loss account For the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Operating expenses	2	-	(142)
Profit/ (Loss) on ordinary activities before and after taxation being retained profit/(loss) for the year	3, 9	-	(142)

All of the company's activities relate to continuing operations.

There are no material differences between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

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

There are no recognised gains or losses in either year other than the profit/(loss) for the year.

FBM Babcock Marine Holdings (UK) Limited

Balance sheet As at 31 March 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	5	20	20
Creditors: amounts falling due within one year			
	6	(932)	(932)
Net current liabilities		(932)	(932)
Total assets less current liabilities		(912)	(912)
Net liabilities		(912)	(912)
Capital and reserves			
Called up share capital	7	2,935	2,935
Share premium account	8	49	49
Profit and loss account	8	(3,896)	(3,896)
Equity shareholders' deficit		(912)	(912)

The financial statements on pages 7 to 13 were approved by the board of directors on 15 January 2007 and were signed on its behalf by:



I S Urquhart
Director

The accompanying notes are an integral part of this balance sheet.

FBM Babcock Marine Holdings (UK) Limited

Notes to the financial statements (continued) For the year ended 31 March 2006

1. Accounting Policies

The financial statements have been prepared in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom. A summary of the principal accounting policies is set out below. The company has adopted FRS 15 'Retirement benefits', FRS 21 'Events after the balance sheet date', FRS 25 'Financial Instruments':disclosure and presentation' and FRS 28 'Corresponding amounts' in these financial statements. The adoption of these standards represents a change in accounting policy. However there was no impact in 2006 or 2005 following these changes in accounting policy and accordingly no restatement of comparatives was required.

a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

The directors have prepared the financial statements on the basis that the company is a going concern. Babcock International Group PLC has undertaken to give financial support to the company for a period of not less than twelve months from the date of approval of the financial statements.

The company has take advantage of the exemption from preparing consolidated accounts afforded by section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Babcock International Group plc which prepares consolidated accounts which are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 (Revised), "Cash Flow Statements", to present a cash flow statement.

b) Investments

Investments in subsidiaries, associates and joint ventures are stated at cost less provision for impairment. In considering the carrying value of the investments the underlying trading performance of the entity is taken into consideration.

c) Foreign currencies

Income and expenditure is recognised in the profit and loss account at the exchange rate ruling at the transaction date unless the transaction is subject to contract rates. Monetary assets and liabilities in overseas currencies are translated into sterling at the rates ruling at the balance sheet date or if appropriate, at the forward contract rate. All other foreign exchange differences are taken to the profit and loss account in the period in which they arise. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions.

FBM Babcock Marine Holdings (UK) Limited

Notes to the financial statements (continued) For the year ended 31 March 2006

d) Taxation

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates enacted by the balance sheet date.

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 period different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2 Operating expenses

	2006 £'000	2005 £'000
Amounts written off investment	-	148
Unrealised foreign exchange gain of translation of investments	-	(6)
	-	142

3 Profit for the year

The company carried out one class of business, being that of a holding company for a shipbuilding, design, repairs and marine engineering group.

The company had no employees during either year other than the directors. Directors' remuneration was borne by other group companies. None of the directors received any remuneration in respect of their services as a director of the company.

Audit fees are borne by other group companies and are not recharged.

FBM Babcock Marine Holdings (UK) Limited

Notes to the financial statements (continued) For the year ended 31 March 2006

4 Taxation

The corporation tax charge for the period is £nil (2005: £nil).

The differences between the total current tax and the amount calculated by applying the rate of UK corporation tax to the profit/loss before tax is as follows:

	2006 £'000	2005 £'000
Profit/ (Loss) on ordinary activities before tax	-	(142)
Corporation tax at the standard rate of 30%	-	(43)
Expenses not deductible for tax purposes	-	43
	-	-

The company does not have any provided or unprovided deferred tax at 31 March 2006 (2005: £nil).

5 Investments in subsidiaries and associates

	Subsidiaries £'000	Associates £'000	Total £'000
Cost			
At 1 April 2005 and at 31 March 2006	3,231	250	3,481
Accumulated impairment			
At 1 April 2005 and at 31 March 2006	3,211	250	3,461
Net book value			
At 31 March 2006	20	-	20
At 31 March 2005	20	-	20

FBM Babcock Marine Holdings (UK) Limited

Notes to the financial statements (continued) For the year ended 31 March 2006

5 Investments in subsidiaries and associates (continued)

Interests in group undertakings

Name of subsidiary undertaking	Country of incorporation and operation	Activity	Description of shares held	Proportion of nominal value of issued shares held by company
<i>Subsidiaries</i>				%
FBM Babcock Marine Limited	UK	Shipbuilding	Ordinary £1 shares	100
FBM Support Services Limited	UK	Dormant	Ordinary £1 shares	100
FBM Marine International (UK) Limited	UK	Dormant	Ordinary £1 shares	100
<i>Associated undertakings</i>				
FBV Designs Limited	UK	Dormant	Ordinary £1 shares	50

6 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to subsidiary undertakings	928	928
Amounts owed to related undertakings	4	4
	932	932

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

7 Called up share capital

	2006 £'000	2005 £'000
<i>Authorised</i>		
Ordinary shares of £1 each (5,000,000) shares	5,000	5,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each (2,935,244) shares	2,935	2,935

FBM Babcock Marine Holdings (UK) Limited

Notes to the financial statements (continued) For the year ended 31 March 2006

8 Share premium account and reserves

	Share Premium £'000	Profit and loss account £'000
At 1 April 2005 and at 31 March 2006	49	(3,896)

9 Reconciliation of movement in equity shareholders' deficit

	2006 £'000	2005 £'000
Opening equity shareholders' deficit	(912)	(770)
Profit/(Loss) for the financial year	-	(142)
Closing equity shareholders' deficit	(912)	(912)

10 Related party transactions

The company, as a wholly owned subsidiary, has taken advantage of the exemption granted under Financial Reporting Standard 8, 'Related parties', by not disclosing details of sales and purchases with other members of the group headed up by Babcock International Group PLC.

11 Ultimate parent undertaking

The company's immediate parent company is Babcock Support Services Limited, a company registered in Scotland. The company's 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
2 Cavendish Square
London
W1G 0PX