

Babcock2 Limited
Annual Report
For the year ended 31 March 2018
Company registration number:
02999029



Babcock2 Limited

Directors and advisors

Current directors

I Urquhart
F Martinelli
N Borrett

Company secretary

Babcock Corporate Secretaries Limited
J Wood

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

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

Strategic report for the year ended 31 March 2018

The directors present their Strategic report on the Company for the year ended 31 March 2018.

Principal activities

The principal activities of the Company continue to be that of an investment holding Company.

Review of the business

	2018 £000	2017 £000
Profit/(loss) for the financial year	167,773	21,468

During the financial year the Company received £167,798,000 (2017: £21,494,000) in dividends from subsidiary undertakings.

Principal risks and uncertainties


The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 68 to 79 of the Annual Report of Babcock International Group PLC, which does not form part of this report.

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board



I Urquhart
Director

16 August 2018

Directors' report for the year ended 31 March 2018

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

Dividends

Dividends declared and paid during the financial year was £167,798,000 (2017: £21,494,000). There are no plans for a final dividend.

Future developments

There are no plans to alter significantly the business of the Company.

Financial risk management

All treasury transactions are carried out only with prime rated counter-parties. Financial risk is managed in accordance with Group policies and procedures which are discussed on pages 26 to 29 and Note 2 of the Annual Report of Babcock International Group PLC, which does not form part of this report.

Directors

The directors who held office during the year and up to the date of signing the annual report were as follows:

I Urquhart
F Martinelli
N Borrett

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report for the year ended 31 March 2018 *(continued)*

Statement of directors' responsibilities in respect of the financial statements *(continued)*

financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information 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.

Qualifying third party indemnity provisions

Babcock International Group PLC provides protections for directors of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by Companies Act 2006) for the benefit of members of Babcock International Group PLC, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities came into force in 2012 and remain in force.


Statement of disclosure of information to auditors

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information 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

PricewaterhouseCoopers LLP were reappointed as auditors at the Annual General Meeting.

On behalf of the Board


I Urquhart
Director

16 August 2018

Independent auditors' report to the members of Babcock2 Limited
Report on the audit of the financial statements**Opinion**

In our opinion, Babcock2 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 March 2018; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Babcock2 Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Babcock2 Limited (continued)

Report on the audit of the financial statements (continued)

Use of this report

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.

Other required reporting

Companies act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Stuart Macdougall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 August 2018

Babcock2 Limited

Income statement

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Administrative expenses		-	(2)
Operating loss	4	-	(2)
Income from shares in group undertakings		167,798	21,494
Profit on ordinary activities before interest and taxation		167,798	21,492
Finance income	5	-	1
Finance costs	5	(25)	(25)
Profit before taxation		167,773	21,468
Income tax expense	6	-	-
Profit for the financial year		167,773	21,468

All of the above results derive from continuing operations.

Statement of comprehensive income

for the year ended 31 March 2018

	2018 £000	2017 £000
Profit for the financial year	167,773	21,468
Total comprehensive income for the year	167,773	21,468

Babcock2 Limited

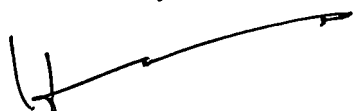
Balance sheet

as at 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets			
Investments	7	<u>588,389</u>	588,389
Current assets			
Trade and other receivables – amounts falling due within one year	8	<u>38,502</u>	38,502
Cash and cash equivalents		<u>731</u>	1,070
		39,233	39,572
Current liabilities			
Trade and other payables – amounts falling due within one year	9	<u>(25)</u>	(339)
Net current assets		39,208	39,233
Total assets less current liabilities		627,597	627,622
Trade and other payables – amounts falling due after more than one year	9	<u>(500)</u>	(500)
Net assets		627,097	627,122
Equity			
Called up share capital	10	<u>6,000</u>	6,000
Share premium account		<u>75,455</u>	75,455
Retained earnings		<u>545,642</u>	545,667
Total shareholders' funds		627,097	627,122

The notes on pages 11 to 23 are an integral part of these financial statements.

The financial statements on pages 8 to 23 were approved by the Board of directors and signed on its behalf by:



I Urquhart
Director

16 August 2018

Statement of changes in equity
for the year ended 31 March 2018

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 April 2016	6,000	75,455	545,693	627,148
Profit for the financial year	-	-	21,468	21,468
Dividends paid	-	-	(21,494)	(21,494)
Balance at 31 March 2017	6,000	75,455	545,667	627,122
Profit for the financial year	-	-	167,773	167,773
Dividends paid	-	-	(167,798)	(167,798)
Balance at 31 March 2018	6,000	75,455	545,642	627,097

Notes to the financial statements**1 General information**

Babcock2 Limited is a private company which is incorporated and domiciled in the UK. The address of the registered office is 33 Wigmore Street, London W1U 1QX.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is a wholly-owned subsidiary of Babcock Southern Holdings Limited and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
- b) IFRS 7, 'Financial instruments: Disclosures'
- c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
 - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
 - paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- e) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- f) IAS 7, 'Statement of cash flows'
- g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- h) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- i) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Notes to the financial statements *(continued)***2 Summary of significant accounting policies** *(continued)***Basis of preparation** *(continued)*

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.

Investments

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

Trade receivables

Trade receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the collection of the debt is no longer probable.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognised at fair value, which is usually original invoice amount and are subsequently held at amortised cost using the EIR method (although, in practice, the discount is often immaterial). If payment is due within one year or less payables are classified as current liabilities. If not, they are presented as non-current liabilities.

Taxation**(a) Current income tax**

Current 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.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Provisions for liabilities

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

Notes to the financial statements (continued)**3 Critical accounting estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 Operating loss

The fee payable to the parent auditors and its associates in respect of the audit of the Company's financial statements was £2,051 (2017: £2,000) and was borne by Babcock International Limited (2017: the Company). The company has no employees (2017: nil)

5 Finance income and costs

	2018	2017
	£000	£000
Finance income:		
Bank interest	-	1
Finance costs:		
Loan interest payable to group undertakings	(25)	(25)

6 Income tax expense

Tax expense for the year is lower (2017: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	2018	2017
	£000	£000
Profit before taxation	167,773	21,468
Profit before taxation multiplied by standard UK corporation tax rate of 19% (2017: 20%)	31,877	4,294
Effects of:		
Income not subject to UK Taxation	(31,877)	(4,299)
Group relief for nil consideration		5
Total tax charge for the year	-	-

In the UK 2015 Budget it was announced that the UK corporation tax rate will reduce to 19% for April 2017. It was announced in the 2016 UK Budget that it will be further reduced to 18% from April 2020. It was subsequently announced in 2017 UK Budget that it will be reduced to 17% from April 2020. As a result of this change, UK deferred tax balances have been remeasured at 17% as this is the tax rate that will apply on reversal.

Notes to the financial statements (continued)**7 Investments**

	2018	2017
	£000	£000
Shares in group undertakings		
Cost		
At 1 April 2017 to 31 March 2018 and 1 April 2016 to 31 March 2017	710,761	710,761
Provision for impairment		
At 1 April 2017 to 31 March 2018 and 1 April 2016 to 31 March 2017	(122,372)	(122,372)
Net book value		
At 31 March 2018 and 31 March 2017	588,389	588,389

During the financial year the Company received £167,798,000 from Vosper Thornycroft (UK) Limited (2017: Vosper Thornycroft (UK) Limited £21,494,000) in dividends. The directors believe that the carrying value of the investments is supported by their underlying net assets.

A full list of all subsidiary undertakings is disclosed in note 14.

8 Trade and other receivables

	2018	2017
	£000	£000
Amounts falling due within one year:		
Amounts due by group undertakings	38,502	38,502

All amounts due by group undertakings are unsecured, interest free and repayable on demand.

9 Trade and other payables

	2018	2017
	£000	£000
Amounts falling due within one year:		
Amounts due to parent and group undertakings	23	337
Audit accrual	2	2
	25	339

All amounts due to group undertakings are interest free and repayable on demand.

Amounts falling due after more than one year:

Amounts due to parent and group undertakings – 5% unsecured loan stock	500	500
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The 5% unsecured loan stock totalling £500,000 (2017: £500,000) excluding interest is repayable to Babcock International Limited only upon bankruptcy, winding up or liquidation of the Company.

Notes to the financial statements (continued)**10 Called up share capital**

	2018	2017
	£000	£000
Allotted, called up and fully paid		
6,000,145 Ordinary shares of £1 each (2017: 6,000,145)	6,000	6,000

11 Dividends

Dividends declared and paid during the financial year were £167,798,000 (2017: £21,494,000). There are no plans for a final dividend.

12 Contingent liabilities

At the year-end date the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2017: £nil) provided to certain Group companies. In addition, the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2017: £nil).

13 Related party disclosures

The Company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available.

The Company, as a wholly owned subsidiary, has taken advantage of the exemption, granted under Financial Reporting Standard 8, Related Party Disclosures, from disclosing details of sales and purchases with other members of the group headed up by Babcock International Group PLC.

14 Related undertakings

All related undertakings are as follows:

Name	Address	Interest	Immediate %	Ultimate %
Armstrong Technology Associates Limited XXX	33, Wigmore Street, London, W1U 1QX, United Kingdom	50,000 ORDINARY shares	100.0000%	100.0000%
Babcock Defence Systems Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	10,000 ORDINARY shares	100.0000%	100.0000%
Chepstow Insurance Limited	St Martin's House, Le Bordage, St Peter Port, GY1 4AU	600,000 Ordinary shares	100.0000%	100.0000%
Vosper Thornycroft (UK) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	7,100,000 Ordinary 20p shares	30.3528%	30.3528%
Babcock Brisco Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.0000%	30.3528%

Notes to the financial statements (continued)
14 Related undertakings (continued)

Babcock Corporate Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	181,369,248 Ordinary shares	100.0000%	30.3528%
Babcock Finance Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	30.3528%
Babcock Critical Assets Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	93.0000%	28.2281%
Babcock Airports Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	28.2281%
Babcock B.V.	Bezuidenhoutseweg 1, 2594AB, 's-Gravenhage, Netherlands	18,000 Ordinary shares	100.0000%	28.2281%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	0.7300%	2.6500%
Babcock Critical Services Limited	C/O DWF LLP , 110 Queen Street , Glasgow , Scotland, G1 3HD, United Kingdom	Holding Company > Subsidiary Company	100.0000%	28.2281%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	1.0700%	2.6500%
Babcock Vehicle Engineering Limited	33, Wigmore Street, London, England, W1U 1QX, United Kingdom	92 Ordinary-A shares, 108 Ordinary-B shares, 40 Ordinary-C shares, 4 Ordinary-D shares, 1 Ordinary-E shares, 1 Ordinary-F shares	100.0000%	28.2281%
Chart Services Limited	C/O DWF LLP , 110 Queen Street , Glasgow , Scotland, G1 3HD, United Kingdom	6,345,292 Ordinary shares	100.0000%	28.2281%

Notes to the financial statements (continued)
14 Related undertakings (continued)

Chart Distribution Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	0.0500%	28.2275%
Chart Storage & Transportation Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,108,935 Ordinary shares	99.9977%	28.2275%
Babcock Investments (Number Eight) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	0.0000%	0.0000%
Chart Distribution Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,999 Ordinary shares	99.9500%	28.2275%
Chart Storage & Transportation Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	25 Ordinary shares	0.0023%	28.2275%
Transfleet Distribution Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	20,000 Ordinary shares	100.0000%	28.2281%
Municipal Vehicle Hire Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	100 Ordinary shares	100.0000%	28.2281%
Transfleet Truck Rentals Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.0000%	28.2281%
Babcock Defence & Security Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	99.1100%	30.0827%
Airwork Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	30.0827%
Airwork Technical Services & Partners LLC	PO Box 248 (located at Muaskar Al Murtafa'a (MAM) Garrison), Muscat, 100, Sultanate of Oman	127,500 Ordinary shares	51.0000%	15.3422%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	0.0300%	2.6500%
Babcock Aerospace Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	30.0827%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	1.4400%	2.6500%

Notes to the financial statements (continued)**14 Related undertakings (continued)**

Babcock Defence and Security Investments Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	30.0827%
ALC (Superholdco) Limited	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ, United Kingdom	5,000 Ordinary shares	50.0000%	15.0413%
ALC (FMC) Limited	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ, United Kingdom	1 Ordinary shares	100.0000%	15.0413%
ALC (Holdco) Limited	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ, United Kingdom	10,000 Ordinary shares	100.0000%	15.0413%
ALC (SPC) Limited	The Sherard Building, Edmund Halley Road, Oxford, Oxfordshire, OX4 4DQ, United Kingdom	10,000 Ordinary shares	100.0000%	15.0413%
Ascent Flight Training (Holdings) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	814,000 Ordinary shares	50.0000%	15.0413%
Advanced Jet Training Holdings Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	68,000 Ordinary shares	100.0000%	15.0413%
Advanced Jet Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	68,000 Ordinary shares	100.0000%	15.0413%
Ascent Flight Training (Management) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,500,000 Ordinary shares	100.0000%	15.0413%
Ascent Flight Training (Services) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	30,000 Ordinary shares	100.0000%	15.0413%
Fixed Wing Training Holdings Limited	c/o Babcock International Group PLC, 33 Wigmore Street, London, W1U 1QX, United Kingdom	30,000 Ordinary shares	100.0000%	15.0413%
Fixed Wing Training Limited	c/o Babcock International Group PLC, 33 Wigmore Street, London, W1U 1QX, United Kingdom	30,000 Ordinary shares	100.0000%	15.0413%

Notes to the financial statements (continued)**14 Related undertakings (continued)**

Rear Crew Training Holdings Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,000 Ordinary shares	100.0000%	15.0413%
Rear Crew Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,000 Ordinary shares	100.0000%	15.0413%
Rotary Wing Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1,000 Ordinary shares	100.0000%	15.0413%
Holdfast Training Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	740 Ordinary shares	74.0000%	22.2612%
Babcock Fire Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	30.0827%
Babcock Flagship Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	30.0827%
Flagship Fire Fighting Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	100 ORDINARY shares	100.0000%	30.0827%
Babcock Land Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	30.0827%
Babcock DSG Ltd	33, Wigmore Street, London, W1U 1QX, United Kingdom	100 Ordinary shares	100.0000%	30.0827%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	1.1000%	2.6500%
Babcock Support Services Limited	C/O DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD, United Kingdom	Holding Company > Subsidiary Company	100.0000%	30.0827%
Active Management Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary-A shares	100.0000%	30.0827%
Air Power International Limited	C/O DWF LLP, 110 Queen Street, Glasgow, Scotland, G1 3HD, United Kingdom	93,840 ORDINARY shares	100.0000%	30.0827%
Babcock Dyncorp Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	560 Ordinary-A shares	56.0000%	16.8463%

Notes to the financial statements (continued)**14 Related undertakings (continued)**

Babcock HSPS Trustees Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.0000%	30.0827%
Babcock Integration LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	4.5500%	2.6500%
Babcock IP Management (Number One) Limited	33, Wigmore Street, London, England, W1U 1QX, United Kingdom	10,002 Ordinary shares	99.9500%	2.6487%
Babcock IP Management (Number Two) Limited	33, Wigmore Street, London, England, W1U 1QX, United Kingdom	10,001 Ordinary shares	100.0000%	2.6500%
Babcock Partners No 2010 Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.0000%	30.0827%
Babcock Support Services s.r.l.	Via Foro Buonaparte, 70 20121, Milano, Italy	10,000 Ordinary shares	100.0000%	30.0827%
BMPT Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	12 ORDINARY shares	100.0000%	30.0827%
Debut Services (Contracts) Limited	142 Northolt Road, Harrow, Middlesex, HA2 0EE, United Kingdom	1 Ordinary shares	9.0909%	2.7348%
Debut Services (South West) Limited	c/o Bovis Lend Lease Limited, 20 Triton Street, Regent's Place, London, England, NW1 3BF	500 Ordinary shares	50.0000%	15.0413%
Debut Services Limited	c/o Bovis Lend Lease Limited, 20 Triton Street, Regent's Place, London, England, NW1 3BF	150 Ordinary shares	15.0000%	4.5124%
Devonport Management Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.0000%	30.0827%
Hiberna FM Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.0000%	30.0827%
Peterhouse GmbH	Berliner Platz 12, 41061, Moenchengladbach, Germany	25,600 Ordinary shares	100.0000%	30.0827%

Notes to the financial statements (continued)
14 Related undertakings (continued)

Babcock Support Services GmbH	Berliner Platz 12, 41061, Moenchengladbach, Germany	25,000 Ordinary shares	100.0000%	30.0827%
Babcock Engineering Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2,500,000 Ordinary shares	100.0000%	30.3528%
Babcock Fire Services (SW) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	50,000 Ordinary shares	100.0000%	30.3528%
Babcock Infrastructure Holdings LLP	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	93.0000%	28.2281%
Babcock Civil Infrastructure Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	28.2281%
Babcock International Support Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	26,250,000 Ordinary shares	100.0000%	30.3528%
Babcock Education and Skills Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.0000%	30.3528%
Babcock Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	0.0000%	0.0000%
Babcock Careers Guidance Limited	33 Wigmore Street, London, W1U 1QX	1,050 Ordinary shares	100.0000%	0.0000%
Babcock Assessments Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	166,000 Ordinary shares	100.0000%	0.0000%
Capital Careers Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	8,825 Ordinary shares	88.2500%	0.0000%
Babcock Skills Development and Training Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	111 Ordinary shares	100.0000%	0.0000%
HCTC Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	17,621,361 Ordinary shares	100.0000%	0.0000%
KML (UK) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	Holding Company > Subsidiary Company	100.0000%	0.0000%
Touchstone Learning & Skills Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.0000%	0.0000%

Notes to the financial statements (continued)
14 Related undertakings (continued)

National Training Institute LLC	PO Box 267, MadinatQaboos, Sultanate of Oman, 115, Oman	350,000 Ordinary shares	70.0000%	0.0000%
Skills2Learn Ltd	33, Wigmore Street, London, W1U 1QX, United Kingdom	100 Ordinary shares	100.0000%	0.0000%
Babcock Engineering Assessments Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	43,100 A ORDINARY shares, 43,100 B ORDINARY shares, 16,300 C ORDINARY shares	100.0000%	30.3528%
Babcock Lifeskills Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	10,000 Ordinary shares	100.0000%	30.3528%
Surrey Careers Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	23,328 ORDINARY shares	94.1063%	28.5639%
Babcock Project Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	25,000 Ordinary-A shares, 25,000 Ordinary-B shares	100.0000%	30.3528%
Babcock Southern Careers Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	15,020 Ordinary-A shares, 3,980 Ordinary-B shares, 1,000 Ordinary-C shares	100.0000%	30.3528%
Babcock Technical Services Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 ORDINARY shares	100.0000%	30.3528%
Vosper ManTech Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	30,000 Ordinary-A shares, 20,000 Ordinary-B shares	100.0000%	30.3528%
Westminster Education Consultants Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	10,000 Ordinary shares	100.0000%	30.3528%

Notes to the financial statements (continued)**14 Related undertakings (continued)**

Babcock Investments (Fire Services) Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.0000%	30.3528%
Babcock Leaseco Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.0000%	30.3528%
Babcock Malta Limited	44 Esplanade, St Helier, Jersey, JE4 9WG, Jersey	141 Ordinary shares	100.0000%	30.3528%
Babcock Marine Products Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.0000%	30.3528%
Form Land Support Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	1 Ordinary shares	100.0000%	30.3528%
Babcock Partner No 6 Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	45,309,880 Ordinary shares	100.0000%	30.3528%
Babcock Partner No 7 Limited	33, Wigmore Street, London, W1U 1QX, United Kingdom	500,000 Ordinary shares	100.0000%	30.3528%
Babcock Trustees Limited XXX	33, Wigmore Street, London, W1U 1QX, United Kingdom	2 Ordinary shares	100.0000%	30.3528%

15 Immediate and ultimate parent undertakings

The Company's immediate parent Company is Babcock Southern Holdings Limited, a company incorporated in England and Wales. The Company's ultimate parent Company and ultimate controlling party 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