

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2009

Registered number: 4393168

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BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

P L Rogers
W Tame

COMPANY SECRETARY

V Teller

REGISTERED OFFICE

33 Wigmore Street
London
W1U 1QX

INDEPENDENT AUDITORS

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

DIRECTORS REPORT

for the year ended 31 March 2009

The directors present their annual report and the audited financial statements and auditors' report of the company for the year ended 31 March 2009.

The directors' report has been prepared in accordance with the special provision of part VII of the Companies Act 1985 relating to small companies.

Principal Activity

The principal activity of the company is that of an investment holding company. There are no plans to alter significantly the business of the company.

Results and dividends

Loss for the year is £12,581,000 (2008: £10,545,000) which will be transferred from reserves. The directors do not propose a dividend (2008: £nil).

Key performance indicators (KPI's)

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

Qualifying third party indemnity provisions

Under their respective Articles of Association, the directors of the company are, and were during the year to 31 March 2009, entitled to be indemnified by the company against liabilities and costs incurred in connection with the execution of their duties or the exercise of the powers, to the extent permitted by the Companies Act 1985.

Charitable and political donations

In the year ended 31 March 2009 the company made no charitable donations (2008: £nil). There were no political contributions during the year (2008: £nil),

Directors

The directors who served during the period and up to the date of signing the financial statements were:

P L Rogers
W Tame

Statement of directors' responsibilities

The directors are responsible for preparing their annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 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 the disclosure of information

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

So far as the directors are aware, there is no relevant audit information, being information required by the auditors in connection with the preparation of the auditors' report, of which the auditors are unaware. Having made enquiries of fellow directors, each director has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the Board on 3 September 2009 and signed by order of the board by:



W Tame
Director

Independent auditors' report to the members of Babcock Support Services (Investments) Limited

We have audited the financial statements of Babcock Support Services (Investments) Limited for the period ended 31 March 2009 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors and Advisors page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

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.

Independent auditors' report to the members of Babcock Support Services (Investments) Limited (continued)

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 2009 and of its loss 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
London

3 September 2009

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2009**

	Note	2009 £000	2008 £000
Administrative expenses		(3)	(3)
Operating loss	2	(3)	(3)
Income from fixed asset investments	6	1,798	1,300
Profit on ordinary activities before interest and tax		1,795	1,297
Interest payable	4	(13,645)	(12,573)
Loss on ordinary activities before tax		(11,850)	(11,276)
Taxation	5	(731)	731
Loss on ordinary activities after taxation		(12,581)	(10,545)
Loss for the year	12	(12,581)	(10,545)

There are no material differences between loss on ordinary activities before tax and the loss retained loss for the year stated above and their historical cost equivalent.

All of the above results derive from continuing activities.

There are no other recognised gains or losses other than those shown in the profit and loss account.

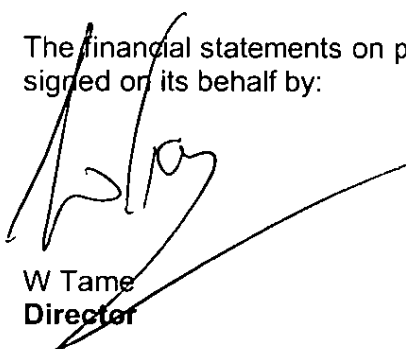
The accompanying notes form an integral part of this profit and loss account.

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

BALANCE SHEET as at 31 March 2009

	Note	2009 £000	2008 £000
FIXED ASSETS			
Investments	6	412,000	262,000
CURRENT ASSETS			
Debtors	7	2,239	2,970
CREDITORS: amounts due within one year	8	(59,511)	(112,661)
Net current liabilities		(57,272)	(109,691)
Total assets less current liabilities		354,728	152,309
CREDITORS: amounts due after more than one year	9	(315,000)	(100,000)
NET ASSETS		39,728	52,309
CAPITAL AND RESERVES			
Called up share capital	11	5	5
Share premium	12	56,995	56,995
Profit and loss account	12	(17,272)	(4,691)
Shareholders' funds	13	39,728	52,309

The financial statements on pages 6 to 14 were approved by the Board on 3 September 2009 and signed on its behalf by:



W Tame
Director

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

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of Accounting

The company has net current liabilities at 31 March 2009. The directors of Babcock International Group PLC have confirmed they will continue to provide financial support to the company for at least one year from the date of signing these financial statements, such that the company can continue to settle third party liabilities as they fall due. Accordingly, the financial statements have been prepared on a going concern basis and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

Cash flow statement

A cash flow statement has not been prepared as the company has taken advantage of the exemption under FRS1(revised 1996) available to wholly owned subsidiaries of a company whose consolidated financial statements include a consolidated cash flow statement.

Fixed asset investments

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

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year end exchange rates. Any exchange differences arising are dealt with in the profit and loss account.

Taxation

Current tax, including UK corporation 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. The taxation liabilities of certain group companies may be reduced, wholly or in part, by the surrender of losses by fellow group companies. The decision to charge group relief is made on a case by case basis.

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 periods 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.

1 ACCOUNTING POLICIES (continued)**Taxation (continued)**

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

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.

Group Financial Statements

The company has taken advantage of Section 228 of the Companies Act 1985 and has not prepared group financial statements. The company is a wholly owned subsidiary undertaking of another company incorporated in England and Wales, which prepares consolidated financial statements that are publicly available.

2 OPERATING LOSS

Auditors' remuneration in respect of audit services is borne by Babcock International Group PLC.

3 STAFF COSTS

No remuneration was paid to any director in respect of their services to the company (2008: none). The Directors are paid by other group companies. There were no employees during the year (2008: none).

4 INTEREST PAYABLE

	2009 £000	2008 £000
Interest paid on bank overdraft	(1,561)	(583)
Group interest payable	(12,084)	(11,990)
	(13,645)	(12,573)

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2009

5 TAX ON LOSS ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'000
UK corporation tax charge at 28% (2008: 30%):	-	-
Total current tax charge	-	-
Deferred tax:		
Current year	-	(731)
Prior year	731	-
Total tax charge/(credit) on profit on ordinary activities	731	(731)

Prior year adjustment pertains to short-term timing differences arising from interest on deep discount notes which are now being claimed on an accruals basis rather than paid basis.

The difference between the total current year tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	(11,850)	(11,276)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2008: 30%)	(3,318)	(3,383)
Effects of:		
Timing differences	-	783
Group relief surrendered for nil consideration	3,821	2,990
Non-taxable income from subsidiaries	(503)	(390)
Total current tax	-	-

6 FIXED ASSET INVESTMENTS

	£000
Investments in group companies	
Cost and net book value at 1 April 2008	262,000
Additions	150,000
Cost and net book value at 31 March 2009	412,000

The directors believe that the carrying value of the investments is supported by their underlying net assets.

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2009

6 FIXED ASSET INVESTMENTS (continued)

On 6 August 2008 the company increased its investment in Babcock Malta Limited by £150,000,000.

During the year the company received dividends of £1,798,000 from a subsidiary undertaking.

7 DEBTORS	2009 £000	2008 £000
Amounts owed by parent and fellow subsidiary undertakings (non-interest bearing)	2,239	2,239
Deferred tax (note 10)	-	731
	2,239	2,970

8 CREDITORS: amounts falling due within one year

	2009 £000	2008 £000
Bank overdraft	11,546	28,937
Amounts owed to fellow subsidiary undertakings	47,965	83,724
	59,511	112,661

The bank overdraft is unsecured and bears interest at UK LIBOR plus one hundred basis points. A deep discount note of £40,000,000 was redeemed on 8 October 2008.

Included in amounts owed to fellow subsidiary undertakings are the following:

Loans of £38,250,000 repayable on demand and bearing an interest rate of six month UK LIBOR plus one hundred basis points (2008: £38,250,000).

The remaining £9,715,000, which is non-interest bearing.

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2009

9 CREDITORS: amounts falling due after more than one year

	2009	2008
	£000	£000
Amounts owed to fellow subsidiary undertakings	315,000	100,000

This debt matures in between two and five years. The £125,000,000 (2008: £100,000,000) debt bears an interest rate of UK LIBOR six month rate plus one hundred basis points.

A Eurobond of £40,000,000 issued on 8 October 2008 and redeemable on 31 October 2013 bears an interest rate of UK LIBOR six month rate plus one hundred basis points.

The remaining £150,000,000 (2008: £nil) is interest free.

10 DEFERRED TAX

The major components of the deferred tax asset and the potential assets are as follows:

	Recognised		Potential	
	2009	2008	2009	2008
	£000	£000	£000	£000
Other short-term timing differences	-	(731)	-	(731)

The movement on the deferred tax asset is as follows:-

	2009
	£000
Balance at the start of the period	(731)
Current period charge	731

Balance at end of the period	-
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11 CALLED UP SHARE CAPITAL

	2009	2008
	£000	£000
Authorised:		
10,000 Ordinary shares of £1	10	10
Allotted and fully paid:		
5,037 (2008: 5,037) Ordinary shares of £1	5	5

BABCOCK SUPPORT SERVICES (INVESTMENTS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 March 2009**12 RESERVES**

	Share Premium Account £000	Profit & Loss Account £000
At 1 April 2008	56,995	(4,691)
Retained loss for the period	-	(12,581)
At 31 March 2009	56,995	(17,272)

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £000	2008 £000
Opening shareholders' funds	52,309	25,854
Loss for the year	(12,581)	(10,545)
Share issue	-	37,000
Closing shareholders' funds	39,728	52,309

14 CONTINGENT LIABILITIES

The company at the year end had joint and several liability for drawn bank overdraft facilities of other group companies for the value of £3,800,000 (2008: £nil).

15 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted to 90% subsidiaries, by FRS Related Party Disclosures, not to disclose transactions with group undertakings.

16 PRINCIPAL SUBSIDIARY UNDERTAKINGS

Defence Services

Babcock Naval Services Limited
Air Power International Limited
Babcock Support Services Limited
Debut Services (SW) Limited
Acetech Personnel Limited
Babcock Dyncorp Limited (60%)

Others

Babcock2 Limited
Babcock Engineering Services Limited
Babcock Malta Limited

All undertakings are wholly owned unless otherwise stated.

Except as otherwise stated, all shares held comprise ordinary share capital.

All undertakings are incorporated, registered and operated in Great Britain unless otherwise stated. Undertakings located overseas operate principally in the country of incorporation.

17 ULTIMATE CONTROLLING PARTY

The company's immediate parent company is Babcock Holdings Limited and the ultimate controlling party is Babcock International Group PLC. Both companies are 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 the Babcock International Group PLC accounts are available from the following address:

Company Secretary
Babcock International Group PLC
33 Wigmore Street
London
W1U 1QX