

# **Babcock Support Services (Investments) Limited**

## **Directors' report and financial statements**

**For the year ended 31 March 2013**

**Company registration number:**

**04393168**



**Directors**

P L Rogers  
W Tame

**Company Secretary**

	<u>Appointed</u>	<u>Resigned</u>
Babcock Corporate Secretaries Limited	25 February 2013	
V Teller		27 July 2012
N Borrett	27 July 2012	25 February 2013

**Registered office**

33 Wigmore Street  
London  
W1U 1QX

**Independent Auditors**

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

The directors present their report and the audited financial statements of the Company, for the year ended 31 March 2013

**Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued support of Babcock Management Limited. The directors have received confirmation that Babcock Management Limited intends to support the Company for at least one year after these financial statements are signed.

**Principal activities**

The principal activity of the Company is to undertake treasury activities for the Babcock group including cash pooling and managing surplus cash for the Support Services sub-group. In addition, the Company also acts as an investment holding company.

**Results and dividends**

The profit for the financial year is £21,325,000 (2012: loss of £16,900,000) which will be transferred to reserves. Dividends declared and paid were £224,048,000 (£21,950 per share) (2012: £nil).

On the 25 March 2013, the Company carried out a capital reduction, whereby £400,000,000 of share premium was reduced.

**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.

**Principal risks and uncertainties**

The management of the business is subject to a number of risks. Procedures are in place across the Group to identify, assess and mitigate major business risk. The management of risk is an integral part of our operational review process and is supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee. Further details can be found in the Babcock International Group PLC financial statements pages 50-55.

**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. For further information refer to Note 2 of the Babcock International Group PLC financial statements.

**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 2013, entitled to be indemnified by the Company against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 2006.

Babcock International Group PLC also 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 directors 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.

**Charitable and political donations**

In the year ended 31 March 2013 the Company made charitable donations of £nil (2012 £nil)  
There were no political contributions during the financial year (2012 £nil)

**Directors of the Company**

The directors who held office during the year and up to the date of signing the financial statements were as follows

P L Rogers  
W Tame

**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 period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

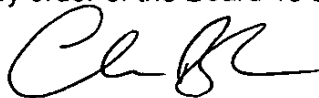
**Auditors and the disclosure of information**

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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

**Reappointment of independent auditors**

A resolution proposing to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board 19 December 2013



For and on behalf of  
Babcock Corporate Secretaries Limited

**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 year ended 31 March 2013 which comprise the Profit and loss account, the Balance sheet and the Notes to the financial statements. 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 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 Directors' 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 2013 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.

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

**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



James Parker (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

19 December 2013

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**Babcock Support Services (Investments) Limited****Profit and loss account  
For the year ended 31 March 2013**

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	Notes	2013 £'000	2012 £'000
Administrative expenses		60	(8)
Operating profit/(loss)		60	(8)
Interest receivable and similar income	2	3,282	3,299
Amounts written off investments	6	40,002	-
Interest payable and similar charges	2	(22,019)	(19,962)
Profit/(loss) on ordinary activities before taxation	3	21,325	(16,671)
Tax on profit/(loss) on ordinary activities	5	(115)	(229)
Profit/loss for the financial year	12	21,210	(16,900)

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

There were no other recognised gains or losses aside from those shown in the Profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

All results derive from continuing operations

The accompanying notes form an integral part of these financial statements

**Babcock Support Services (Investments) Limited**

Company registration number: 04393168

Balance sheet as at 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Shares in group undertakings	6	<u>587,000</u>	771,046
<b>Current assets</b>			
Debtors	7	<u>399,232</u>	329,497
Cash at bank and in hand		<u>5,734</u>	7,357
		<u>404,966</u>	336,854
Creditors – amounts falling due within one year	8	<u>(511,389)</u>	(424,485)
<b>Net current liabilities</b>		<u>(106,423)</u>	(87,631)
<b>Total assets less current liabilities</b>		<b>480,577</b>	683,415
Creditors – amounts falling due after more than one year	9	<u>(165,000)</u>	(165,000)
<b>Net assets</b>		<u><b>315,577</b></u>	518,415
<b>Capital and reserves</b>			
Called-up share capital	11	<b>11,937</b>	11,937
Share premium account	12	<b>206,990</b>	606,990
Profit and loss account	12	<u><b>96,650</b></u>	(100,512)
<b>Total shareholders' funds</b>	12	<u><b>315,577</b></u>	518,415

The financial statements on pages 7-16 were approved by the board of directors and signed on its behalf by

  
W Tame  
Director  
19 December 2013



## **1. Accounting policies**

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

### *Basis of preparation*

The Company has net current liabilities at 31 March 2013. The directors of Babcock Management Limited have confirmed that they will continue to provide financial support for at least one year from the date of signing these financial statements, such that the Company continues to settle third party liabilities as they fall due accordingly, the financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 applicable accounting standards in the United Kingdom.

### *Investments in subsidiary undertakings*

Investments in subsidiary undertakings are stated at cost less provision for impairment. Any impairment is recognised in the profit and loss account in the period in which it arises.

### *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.

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.

### *Foreign Currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Profit and loss account.

**1. Accounting policies (continued)***Group financial statements*

The Company has taken advantage of Section 400 of the Companies Act 2006 and has not presented Group financial statements as it is a wholly owned subsidiary of Babcock International Group PLC which prepares consolidated financial statements which are publicly available

*Cash flow statement*

The Company has taken advantage of the exemption in Financial Reporting Standard 1 (revised 1996) to dispense with the requirement to prepare a cash flow statement in its financial statements, as a consolidated cash flow statement is included in the financial statements of the ultimate parent company, which are publically available

**2. Interest (payable)/receivable and similar (charges)/income**

	2013 £'000	2012 £'000
Interest payable and similar charges		
Bank interest	(86)	(25)
Loan interest payable to group undertakings	(21,933)	(18,758)
Accretion of finance charges	-	(1,179)
	<u>(22,019)</u>	<u>(19,962)</u>
Interest receivable and similar income		
Bank interest	102	6
Loan interest receivable from group undertakings	3,180	3,293
	<u>3,282</u>	<u>3,299</u>
Net interest	<u>(18,737)</u>	<u>(16,663)</u>

**3. Profit/(loss) on ordinary activities before taxation**

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

	2013 £'000	2012 £'000
Foreign exchange gain	(67)	-
Legal and professional fees	7	8
	<u>(60)</u>	<u>8</u>

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

**4. Staff costs and directors' remuneration**

There were no (2012 none) staff employed during the financial year and none (2012 none) of the directors received remuneration in respect of their services to the Company

**5. Tax on profit/(loss) on ordinary activities**

	2013 £'000	2012 £'000
Current tax		
UK Corporation tax on loss for the year	-	-
Adjustment in respect of prior years	-	-
Group relief for consideration	-	-
Current tax charge for the year	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustment in respect of prior years	-	-
Impact of change in UK tax rate	115	229
Tax charge	115	229

The tax assessed for the year is lower (2012 higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2013 of 24% (2012 26%) The differences are explained below

	2013 £'000	2012 £'000
Profit/(loss) on ordinary activities before tax	21,325	(16,671)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 24% (2012 26%)	5,118	(4,334)
Effects of		
Timing differences	-	-
(Income)/Expenses not deductible for tax purposes	(9,600)	2,132
Adjustments in respect of prior years	-	-
Group relief for nil consideration	4,482	2,202
Non-taxable gains	-	-
Current tax charged for the year	-	-

*Factors affecting current and future tax charges*

A number of changes to the UK Corporation tax system were announced in the March 2013 Budget Statement Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2013 Further reductions to the main rate are proposed to reduce the rate to 21% by 1 April 2014 These further changes had not been substantively enacted at the balance sheet date and, therefore, the impact is not included in these financial statements

**6. Fixed assets – Shares in group undertakings**

	Total £'000
<b>Cost</b>	
At 1 April 2012	811,048
Disposals	(224,048)
<b>At 31 March 2013</b>	<b>587,000</b>
<b>Provision for impairment</b>	
At 1 April 2012	(40,002)
Reversal of previous impairment	40,002
<b>At 31 March 2013</b>	<b>-</b>
<b>Net book value</b>	
<b>At 31 March 2013</b>	<b>587,000</b>
At 31 March 2012	771,046

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

On 25<sup>th</sup> March 2013 Babcock Support Services (Investments) Limited sold Babcock 2 Limited at cost for £224,048,000

The reversal of the impairment provision relates to the investment in Scimco Limited

The Company's principal subsidiary undertakings, all of which are wholly-owned, are

<u>Company</u>	<u>Country of Registration</u>	<u>Principal Activities</u>
UKAEA Limited	Great Britain	Business support services
Babcock Services Group Limited	Great Britain	Business support services
Babcock Networks Limited	Great Britain	Power and Telecommunications
Babcock 2010 Limited	Great Britain	Business support services
Babcock Malta Limited	Jersey	Investment holding
Scimco Limited	Great Britain	Investment holding

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.

A list of all subsidiary undertakings will be annexed to the ultimate parent company's next annual return filed with the Registrar of Companies.

**7 Debtors**

	2013 £'000	2012 £'000
Due within one year		
Amounts owed by group undertakings	396,597	326,747
Deferred tax (note 10)	2,635	2,750
	<b>399,232</b>	<b>329,497</b>

Included in amounts owed by group undertakings are the following

Loans of £63,721,000 (2012 £63,721,000) bearing interest at six month UK LIBOR plus 400 basis points

The remaining £332,876,000 (2012 £263,026,000) is non-interest bearing and repayable on demand

**8. Creditors – amounts falling due within one year**

	2013 £'000	2012 £'000
Bank loans and overdrafts	12	16,041
Amounts owed to group undertakings	511,284	408,351
UK corporation tax payable	93	93
	<b>511,389</b>	<b>424,485</b>

Included in amounts owed to group undertakings are the following

A loan of £4,000,000 (2012 £4,000,000) is repayable on demand and bearing an interest rate of six month UK LIBOR plus one hundred basis points

Loans of £291,388,000 (2012 £192,723,000) bearing interest at six month UK LIBOR plus 400 basis points

Loans of £25,500,000 (2012 £16,500,000) bearing interest at 10 basis point (0.1%)

The remaining £190,396,000 (2012 £195,128,000), is non-interest bearing

**9. Creditors - amounts falling due after more than one year**

	2013 £'000	2012 £'000
Amounts owed to group undertakings	<b>165,000</b>	<b>165,000</b>

This debt matures in between two and five years £100,000,000 debt bearing interest at six month UK LIBOR plus 400 basis points (2012 £100,000,000) and £25,000,000 at six month UK LIBOR plus 400 basis points (2012 £25,000,000)

A Eurobond of £40,000,000 (2012 £40,000,000) issued on 8 October 2008 and redeemable on 31 October 2013 bears an interest rate of six month UK LIBOR plus four hundred basis points

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**Babcock Support Services (Investments) Limited****Notes to the financial statements (continued)**

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**10 Deferred taxation**

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

	<b>2013 Provided £'000</b>	<b>2012 Provided £'000</b>	<b>2013 Full potential £'000</b>	<b>2012 Full potential £'000</b>
Revenue tax losses	2,635	2,750	2,635	3,121
Other short term timing differences		-		-
	<b>2,635</b>	<b>2,750</b>	<b>2,635</b>	<b>3,121</b>

The movement on the deferred tax asset is as follows

	<b>£'000</b>
At 31 March 2012 as previously reported	2,750
Current year movement	-
Acquired intangibles	-
Adjustment in respect of prior years	(115)
Impact of change in UK tax rate	
<b>At 31 March 2013</b>	<b>2,635</b>

**11. Called-up share capital**

	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Allotted, issued and fully paid</b>		
10,207 (2012 10,207) ordinary shares of £1 each	10	10
Convertible debt	<b>11,927</b>	<b>11,927</b>
	<b>11,937</b>	<b>11,937</b>

**12. Reconciliation of movement in shareholders' funds and reserves**

	Called up share capital £'000	Share premium account £'000	Capital Reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2012	11,937	606,990	-	(100,512)	<b>518,415</b>
Profit for the year	-	-	-	21,210	<b>21,210</b>
Dividends Paid	-	-	-	(224,048)	<b>(224,048)</b>
Capital Reduction	-	(400,000)	-	400,000	-
<b>At 31 March 2013</b>	<b>11,937</b>	<b>206,990</b>	<b>-</b>	<b>96,650</b>	<b>315,577</b>
At 1 April 2011	11,934	256,993	-	(83,612)	185,315
Loss for the year	-	-	-	(16,900)	(16,900)
Convertible debt	-	349,997	-	-	349,997
Share issue	3	-	-	-	3
<b>At 31 March 2012</b>	<b>11,937</b>	<b>606,990</b>	<b>-</b>	<b>(100,512)</b>	<b>518,415</b>

On the 25 March 2013, the Company carried out a capital reduction, whereby £400,000,000 of share premium was reduced

**13. Contingent liabilities**

The Company at the year end had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of nil (2012 £nil) provided to certain group companies

**14. Related party disclosures**

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

**15. Post balance sheet events**

On 9 July 2013 the Company acquired Babcock Education and Training Holdings LLP for £223,515,000

On 9 July 2013 the Company acquired the trading of Merlin Communications Group Limited for £155,000,000

On 27 June 2013 the Company sold Babcock Malta Limited for £187,000,000

On 9 July 2013 the Company increased its shareholder equity by issuing 100 ordinary shares of £1 each at a premium of £371,149,900 resulting in additional funds of £371,150,000

**16. Parent undertakings**

The Company's immediate parent company is Babcock Management Limited, a company registered 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