

**BABCOCK (UK) HOLDINGS LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2011**

**Registered number 6083294**



**BABCOCK (UK) HOLDINGS LIMITED**

**DIRECTORS AND ADVISORS**

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**DIRECTORS**

W Tame  
F Martinelli  
P Rogers

**COMPANY SECRETARY**

V Teller

**REGISTERED OFFICE**

33 Wigmore Street  
London  
W1U 1QX

**INDEPENDENT AUDITORS**

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

**DIRECTORS' REPORT  
for the year ended 31 March 2011**

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The directors present their annual report and audited financial statements of the company for the financial year ended 31 March 2011

The directors' report has been prepared in accordance with the special provision of the Companies Act 2006 relating to small companies

**Principal activity**

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

**Results and dividends**

The loss for the financial year was £3,073,000 (2010 £1,715,000). The directors paid a dividend of £35,000,000 (2010 £26,000,000). The loss of £38,073,000 (2010 £27,715,000) will be transferred from reserves.

**Key performance indicators (KPIs)**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators 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 2011, 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 2006.

**Directors**

The directors who served during the financial year and since the year end and up to the date of signing the financial statements were

W Tame  
F Martinelli  
P Rogers

**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 judgments 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 a 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.

**Independent 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 12 September 2011 and signed by order of the board by



V Teller  
Company secretary

**Independent auditors' report to the members of Babcock (UK) Holdings Limited**

We have audited the financial statements of Babcock (UK) Holdings Limited for the year ended 31 March 2011 which comprise the profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities statement set out on page 3, 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 inconsistencies we consider the implications for our audit report.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters 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.

**Independent auditors' report to the members of Babcock (UK) Holdings 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, or
- the directors were not entitled to prepare the financial statements in accordance with the smaller companies regime and take advantage of the small companies' exemption in preparing the directors' report

*Neil Grimes*

Neil Grimes (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
12 September 2011

**BABCOCK (UK) HOLDINGS LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 March 2011**  
**Registered number 6083294**

	Note	2011 £000	2010 £000
Interest payable and similar charges	4	(3,073)	(1,715)
<b>Loss on ordinary activities before taxation</b>		<b>(3,073)</b>	<b>(1,715)</b>
Tax on loss on ordinary activities	5	-	-
<b>Loss for the financial year</b>	10	<b>(3,073)</b>	<b>(1,715)</b>

During the year there were no recognised gains and losses other than those dealt with in the profit and loss account. All results derive from continuing activities.

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

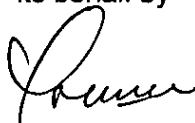
There are no material differences between the loss on ordinary activities before tax and the loss for the financial years stated above and their historical cost equivalent.

**BABCOCK (UK) HOLDINGS LIMITED**

**BALANCE SHEET  
as at 31 March 2011**

	Note	2011 £000	2010 £000
<b>FIXED ASSETS</b>			
Investments	6	782,000	650,000
		<b>782,000</b>	650,000
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		-	493
Debtors	7	122,000	122,000
		<b>122,000</b>	122,493
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	8	(352,548)	(357,968)
<b>NET CURRENT LIABILITIES</b>		<b>(230,548)</b>	(235,475)
<b>NET ASSETS</b>		<b>551,452</b>	414,525
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	50,000	50,000
Share premium account	10	175,000	-
Profit and loss account	10	326,452	364,525
<b>Total shareholder's funds</b>	10	<b>551,452</b>	414,525

The financial statements on pages 6 to 12 were approved by the Board on [date] 2011 and signed on its behalf by



F Martinelli  
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 period.

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. Babcock International Group PLC has undertaken to give such financial assistance as is necessary to the company for a period of not less than twelve months from the date of approval of these financial statements. On the strength of this assurance, the financial statements have been prepared on the basis that the company is a going concern.

### **Group financial statements**

The company has taken advantage of the Companies Act 2006 and has not prepared group financial statements as it is a wholly owned subsidiary undertaking of another company registered in England, which prepares consolidated financial statements that are publicly available.

### **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.

### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings are recorded as cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

### **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.

## **2 OPERATING PROFIT**

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

## **3 STAFF COSTS AND DIRECTORS' REMUNERATION**

There were no (2010: none) staff employed during the period and none (2010: none) of the directors received remuneration in respect of their services to the company during the period under review.

The directors are remunerated by other group companies.

**BABCOCK (UK) HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2011**

**4 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Group interest payable	<b>3,047</b>	1,700
Bank interest payable	<b>26</b>	15
	<b>3,073</b>	1,715

**5 TAX ON LOSS ON ORDINARY ACTIVITIES**

There is no corporation tax charge for the year as the taxable loss for the year will be surrendered to a fellow group company for nil consideration

There is no provided or unprovided deferred tax at the year end

**6 FIXED ASSET INVESTMENTS**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Cost and net book value</b>		
At 1 April	<b>650,000</b>	650,000
Additions	<b>132,000</b>	-
<b>Cost and net book value at 31 March</b>	<b>782,000</b>	650,000

The investment relates to 100% of the ordinary share capital of Babcock Holdings Limited, incorporated in the UK

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

On the 22 March 2011 the company increased it's investment in Babcock Holdings Limited for a total consideration of £20,000,000

On the 7 September 2010 the company increased it's investment in Babcock Holdings Limited for a total consideration of £112,000,000

**7 DEBTORS**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings	<b>122,000</b>	122,000

All of the amounts owed by fellow subsidiary undertakings are non interest bearing

**BABCOCK (UK) HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2011**

**8 CREDITORS: amounts falling due within one year**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Bank overdraft	<b>3,097</b>	-
Amounts owed to fellow subsidiary undertaking	<b>349,451</b>	357,968
	<b>352,548</b>	357,968

Included in amounts owed to fellow subsidiary undertaking are the following

£60,000,000 bearing interest at a rate of 6 months UK LIBOR plus 400 basis points (2010 £60,000,000)

£35,000,000 bearing interest at a rate of 1 month UK LIBOR plus 400 basis points (2010 £nil)

£20,000,000 bearing interest at a rate of 6 month UK LIBOR plus 162 basis points (2010 £nil)

£234,451,097 is non interest bearing and payable on demand (2010 £297,968,000)

**9 CALLED UP SHARE CAPITAL**

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Number</b>	<b>£'000</b>	<b>Number</b>	<b>£'000</b>
<b>Authorised:</b>				
Ordinary shares of £1	<b>100,000,000</b>	<b>100,000</b>	100,000,000	100,000
<b>Allotted and fully paid:</b>				
Ordinary shares of £1	<b>50,000,114</b>	<b>50,000</b>	50,000,000	50,000

**BABCOCK (UK) HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2011

**10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND RESERVES**

	Called up share capital £000	share premium account £000	Profit and loss account £000	Total £000
At 1 April 2010	50,000	-	364,525	414,525
Loss for the year	-	-	(3,073)	(3,073)
Proceeds from share issue	-	175,000	-	175,000
Dividends paid	-	-	(35,000)	(35,000)
<b>At 31 March 2011</b>	<b>50,000</b>	<b>175,000</b>	<b>326,452</b>	<b>551,452</b>

On 7 September 2010 the company issued 112 ordinary £1 shares at a premium of £999,999 per share to Babcock International Group PLC, resulting in £112,000,000 additional shareholders' funds

On the 24 March 2011 the company issued 2 ordinary £1 shares at a premium of £31,499,999 per share to Babcock International Group PLC resulting in £63,000,000 additional shareholders' funds

**11 RELATED PARTY TRANSACTIONS**

The company, as a wholly owned subsidiary, has taken advantage of the exemption granted under FRS8 Related Party Disclosures, from disclosing details of sales and purchases with other members of the group headed up by Babcock International Group PLC

**12 DIVIDENDS**

	2011 £000	2010 £000
Dividend of £0.6999 (2010 £0.52) per £1 share	35,000	26,000

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2011**

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**13 CONTINGENT LIABILITIES**

The company at the period end had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2010 £2,300,000) provided to certain group companies

**14 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company's immediate 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 the Babcock International Group PLC accounts are available from the following address

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