10th May 2007

BABCOCK INTERNATIONAL GROUP PLC

2006/7 PRELIMINARY RESULTS

Babcock International Group PLC, the Support Services company, announces its preliminary results for the year ended 31 March 2007. These results are prepared under International Financial Reporting Standards and include the Alstec acquisition for eleven months.

Statutory	**March 2007**	March 2006	% Change
Revenue	**£988.3m**	£836.7m	+18
Operating profit	**£62.8m**	£46.6m	+35
Profit before tax	**£57.0m**	£41.3m	+38
Continuing earnings per share	**21.49p**	16.06p	+34
Dividend proposal – full year	**8.05p**	6.00p	+34
Net debt	**£73.7m**	£38.2m	

The following additional numbers show the “underlying” results before amortisation of acquired intangibles £6.1m (2006: £3.1m) and operating exceptional gains of £0.6m (2006: loss £0.2m), and before the related tax effects of credit £1.6m (2006: £1.0m). We believe that these adjusted results provide a better comparison of underlying performance.

Underlying	**March 2007**	March 2006	% Change
Operating profit	**£68.3m**	£49.9m	+37
Profit before tax	**£62.5m**	£44.6m	+40
Continuing earnings per share	**23.35p**	17.18p	+36

Business highlights:

- Record results: fifth successive year of double digit growth. Revenue up 18%, underlying PBT up 40%
- Further operating margin increase to 6.9% (2005/06: 6.0%)
- Operating cash flow above target at 96% conversion of EBIT
- Strong financial position. Net debt at £73.7m after £52.5m of acquisitions in year
- Further major contract wins underpin continuing growth;

  National Grid – alliance contract, SLAM II, EDF Energy Solutions Networks contract, Network Rail Type C signalling framework contracts
- Current order book at £2.4bn
- Strengthened position in civil nuclear support market – recommended offer for INS
- Agreement on the acquisition of Devonport Management Limited, a strategic step in marine, announced today
- Dividend raised to 8.05p up 34%

Commenting, Peter Rogers Chief Executive, said:

"Our financial results were pleasing with continued double-digit sales growth, underlying profit before tax up by 40% and underlying earnings per share increasing by 36%. This is the fifth successive year of double-digit growth.

This has been another good year for Babcock with continuing growth in core businesses and the successful integration of Alstec and Powerlines, each of which has performed better than our planning assumptions. The potential addition of INS to our nuclear portfolio will further strengthen our position in the nuclear and nuclear decommissioning areas.

We believe the combined strength of Babcock and DML will yield significant strategic and financial benefits to the Ministry of Defence in line with the objectives set out in the Defence Industrial Strategy, whilst creating significant value for Babcock's shareholders.

The outlook for Babcock remains positive with our markets remaining good and our ability to deliver to customers requirements will continue to ensure that we benefit from the strength of these markets."

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Chairman's Statement

The year ending March 2007 continued the excellent progress of recent years with profit before tax, before amortisation of acquired intangibles and exceptional items, increased by 40% following the 25% increase in the previous year. The directors are recommending a final dividend of 5.65p per share giving a total dividend for the year of 8.05p per share, an increase of 34% on the previous year; this increase reflects the increased earnings, our confidence for Babcock's future prospects and our previously declared policy on dividend cover.

The share price continued to improve during the year and reached 400p at the end of March 2007. At close of business yesterday it stood at 477.5p per share. 400p per share represents an out-performance over 5 years of 285% compared to the FTSE all share index (excluding investment trusts). £100 invested in Babcock on the 31st of March 2002 would have been worth £427 on the 31st March 2007, compared to £151 had it been invested in that index.

We have reached agreement with the shareholders of Devonport Management Limited ("DML") to acquire the entire share capital of DML. The deal, which is subject to Babcock shareholders' approval, is expected to be earnings enhancing in the first full financial year. Details of the deal are contained in today's RNS announcement.

The Board believes that a combination of DML, HMNB Clyde, which we currently manage, and Rosyth Royal Dockyard can achieve significant cost savings and represents progress towards the consolidation of the naval industry as proposed in the Ministry of Defence's Defence Industrial Strategy.

The Board is confident however, that in addition to the DML bid, there is considerable scope for further earnings enhancement as a result of organic growth, and our forward order book is £2.4bn.

Our strong track record in acquiring and integrating businesses has been maintained, and Alstec, which was acquired in May 2006, contributed handsomely to Babcock's profits.

The Alstec acquisition and our offer for International Nuclear Solutions plc increases our presence in the field of nuclear support services and offers the basis for further growth within an expanding nuclear market.

Babcock's financial position is strong with net debt at the 31st March 2007 of £74m and an overall pension surplus.

The Board is confident of Babcock's prospects and is convinced that the Group is well placed to continue to develop and grow. As a consequence, the underlying value of Babcock to its shareholders should continue to increase.

Gordon Campbell
Chairman
10 May, 2007

Babcock International Group plc

2006/7 Preliminary Results

Operational Review

Unless otherwise indicated, the terms 'operating margin', 'margins', 'operating profit' and 'earnings' below refer to the said items before charges for exceptional items and amortisation of acquired intangibles.

Our financial results were pleasing with continued double-digit sales growth, profit before tax up by 40% and earnings per share increasing by 36%. This is the fifth successive year of double-digit growth.

This has been another good year for Babcock with continuing growth in core businesses and the successful integration of Alstec and Powerlines, each of which has performed better than our planning assumptions. The potential addition of INS to our nuclear portfolio will further strengthen our position in the nuclear and nuclear decommissioning areas.

Significant contract wins include SLAM II, the alliance contract with National Grid, the supply contract with EDF Energy Solutions, track capacity enhancement in Trent Valley and the Integrated Operational Support Contract for Hawk. Africa had another record year.

Our position on the Future Aircraft Carriers has been consolidated during the year and agreement has been reached on the future Naval refit programme which will continue to provide refit work at Rosyth.

The acquisition of DML will result in Babcock being the sole supplier of refit and maintenance to the nuclear submarine fleet and the major supplier of warship refit capability to the Royal Navy. In addition the substantial nuclear resource which forms part of the DML business will further strengthen our offering in the nuclear field. Co-operation with the Ministry of Defence and industry will result in a more efficient use of resource which will deliver benefits to all parties.

Each of the businesses we now operate is highly rated in its respective market and is therefore well placed to take a substantial share of the growth opportunities available to it.

Defence Services: turnover £340.6 million (2005/06: £271.7 million) – operating profit £29.9 million (2005/06: £21.8 million)

Defence Services has had an excellent year. New contracts were signed for the second tranche of Single Living Accommodation Modernisation (or "SLAM") – a scheme central to the Ministry of Defence to improve recruitment and retention of service personnel. Additionally Babcock secured its position in future support of the current fleet of Hawk jet trainer aircraft through the commencement of an Integrated Operational Support ("IOS") contract led by BAE Systems. As a consequence of the IOS arrangements, Babcock is engaged in negotiations with BAE Systems as to the in-service support solution for the successor Hawk 128 aircraft.

2006/07 saw the first full year in the operation of the Regional Prime East contract for Defence Estates after mobilisation. The contract is one of five in the United Kingdom where industry is responsible for maintaining existing infrastructure. Babcock is the only supplier to be engaged in two of the five regional prime contracts.

Defence Services includes the Airports division of Alstec acquired during the year.

Technical Services: turnover £178.4 million (2005/06: £130.5 million) – operating profit £16.1 million (2005/06: £9.0 million)

Technical Services had an outstanding 2006/07 with sales increasing by 37% and operating profit by 78%.

In the defence field the surface ship support alliance arrangements have matured, reaching an agreed position on the need to protect core skills at Rosyth in preparation for the future aircraft carrier ("CVF") programme. As a consequence Rosyth, uniquely amongst the UK surface ship refit yards, will be operating a twin stream of activity.

The Design & Technology team have been busy both in the further design of the aircraft carriers as well as, increasingly, a body of commercial projects in oil & gas – accounting for some 60% of revenues.

2006/07 was also the first full year of Alstec's operations in the civil nuclear support market. Babcock sees this as an important future market. In order to further enhance the company's presence in this market, Babcock made a recommended offer for the entire share capital of International Nuclear Solutions PLC subsequent to the year end. The Nuclear Decommissioning Agency have identified the entire UK requirement for support to be worth in excess of £2.0 billion per annum over a timeframe measured in decades.

Engineering and Plant Services: turnover £165.6 million (2005/06: £144.2 million) – operating profit £13.3 million (2005/06: £9.7 million)

Engineering & Plant continued its run of strong performance during the past year enjoying another record year of growth. Commodity prices and the award of 2010 soccer world cup to South Africa has stimulated investment in civil infrastructure. This investment is driving demand for high quality construction and resource extraction and movement equipment for which our Volvo franchise remains well placed.

Additionally, the South African government recognise fully the challenge of delivering electricity in sufficient quantities to where its needed. Our recently acquired Powerlines business has proven to be a timely decision with its order book already having quadrupled since purchase.

Networks: turnover £74.9 million (2005/06: £73.0 million) – operating profit £6.8 million (2005/06: £6.4 million)

Networks has had a transformational year which is expected to bring considerable benefits in the current financial year. The decision of National Grid to move towards two alliance contracts to manage the UK high voltage distribution infrastructure has seen Networks come together successfully with AMEC and Mott MacDonald Limited to win a five year, £100.0 million per annum contract to commence the urgent work of improving the UK distribution grid.

Beyond the alliance, Networks has won further business in its own right to support EDF Energy Solutions in the South East of England. This five year contract is worth circa. £50.0 million.

The Telecommunications business has focused on the opportunities related to the impending switch-over of the TV broadcast signal from analogue to digital as the expansion of the 3G mobile telecoms infrastructure remains slow.

Rail: turnover £228.8 million (2005/06: £217.3 million) – operating profit £9.3 million (2005/06: £8.8 million)

Rail has had commercial successes over the past year whilst starting a restructuring programme to position itself strongly for the future.

The business won two signalling framework contracts valued at up to £10.0 million each per annum and lasting five years. In addition the business secured a significant capacity enhancement project in Trent valley worth some £25.0 million for Network Rail.

Network Rail is currently intending to reduce its supplier base for elements of track renewals this summer from six key suppliers to four. The consolidation will not affect the high output activity performed by Babcock in conjunction with its partner Swietelsky and we remain confident that the Rail business is positioned to pursue higher value activities effectively.

The outlook for Babcock remains positive with our markets remaining good and our ability to deliver to customers requirements will continue to ensure that we benefit from the strength of these markets.

Preliminary Statement – Financial Review

Financial position

Group Income Statement
Group Revenue showed substantial growth over 2005/06, increasing by 18% to £988 million driven by a combination of new contract wins and growth from existing contracts (organic growth) and from businesses acquired during the year. Organic growth contributed an additional £50 million whilst Revenue accruing from the acquisition of Alstec and the ABB Powerlines businesses added an additional £102 million.

The Group operating margin, which improved to 6.9% from 6.0% in 2005/06, benefited from enhanced contract profitability in all business segments with the exception of Rail where margins were maintained at last year's level of 4.1%. Margin gains in Defence Services and Engineering and Plant arising from efficiency gains on existing contract operations were further enhanced by the Alstec and Powerlines acquisitions. Operating Profit improved by 37% to £68.3 million of which £9.5 million was attributable to acquisitions in the year.

There were a number of exceptional items in the year totalling £0.4 million (2005/06 £2.7 million) which comprised:

	£million
Restructuring costs in Rail	(2.0)
Pension gains	3.2
Bid Defence costs	(0.6)
Operation exceptionals	0.6
Legacy issues	(1.0)
Total exceptionals	(0.4)

Costs incurred in respect of Rail restructuring, fully provided for in the year, were part of a programme of cost reductions commenced during the year and which is expected to be completed during 2007/08. Further discussion of discontinued costs can be found in note 4. Pension gains arose from a pension liability management project in respect of both deferred and pensioner member liabilities and which is expected to show further gains in 2007/08. The financial position of the Group's pension schemes is discussed further below.

Finance costs net of finance income increased from £5.2 million to £6.2 million following the increase in bank debt taken on to finance the acquisition of Alstec and Powerlines. Further discussion of the Group's funding status is set out below.

The charge to income tax before tax on exceptional items and amortisation of intangibles was £12.6 million (2005/06: £9.2 million) and represented an effective rate of tax on profit before tax of 20% (2005/06: 21%). However, this includes a one-off gain relating to prior years of £1.0 million absent which the rate would be 22%. The Group benefits from lower tax rates in overseas jurisdictions allowing the application of an effective rate of tax on its profit before tax which is lower than the standard rate of UK corporation tax. The effective tax rate is calculated as the total charge to income tax as a proportion of the Group's profit before tax before exceptional items and amortisation of intangibles and is expected to be sustainable at its current level for the financial year to 31 March 2008.

Profit for the year from continuing operations was £49.9 million, up from £35.4 million in 2005/06 and representing a year on year increase of 41% and yielding an increase in basic earnings per share from continuing operations to 23.35 pence (2005/06; 17.18 pence). Diluted earnings per share was 22.66 pence against 16.78 pence in the previous year, an increase of 35%. Based upon the strong increase in earnings, the Board has recommended a total dividend for the year of 8.05 pence per share, up 34% on 2005/06, and at 2.9 times covered, is in line with the Group's stated policy of achieving a ratio of earnings to dividend (dividend cover) of between 2.5 and 3 times.

Liquidity

Bank and other borrowings, net of cash balances (net debt), totalled £73.7 million, up from £38.2 million at the end of 2005/06. During the year the Group acquired the shares of Alstec Group Limited and the business and assets of ABB Powerlines for total consideration of £52.0 million for which existing bank borrowing facilities were used. Gearing increased from 22% to 36% and the key ratio of earnings before interest, depreciation and amortisation as a multiple of net debt was 1.0 (2005/06;0.7) comfortably within the Group's internal guidelines.

At 31 March 2007, the Group had access to a three year revolving credit facility of £140.0 million and a similar eighteen month facility of £50.0 million, £91.0 million had been drawn on these two facilities. In addition, the Group had £17.5 million of overdraft facility.

Treasury policies

The group's treasury policies, which have been approved by the Board, cover all significant areas of treasury activity including foreign exchange, interest rates, liquidity and credit risk and it is the responsibility of the Treasury Committee, comprising the Group's Chief Executive, Finance Director and Financial Controller, to ensure that these policies are adhered to.

Historically the group has financed its operations and transactions through a combination of retained earnings, new equity and bank borrowings. It is the group's policy to ensure that it has sufficient financial resources to support the business and to leave a comfortable margin between those facilities and likely peak borrowings during the year.

Interest rate risk is managed by the use of a mixture of fixed and floating rate debt and interest rate swaps, which are regularly reviewed to ensure an appropriate mix is maintained.

The group's main exposures to foreign currency movements remain its businesses in South Africa where exposure to both translation and transaction rate movements exists. The group's policy is not to cover the exposure arising on translation of the South African business into the group's base currency, Sterling, by way of derivatives but to use, where possible, local borrowings to fund its operations. All material exposure arising from trading in currencies other than the business base currency is covered by the use of forward currency cover contracts. Treasury transactions are carried out with prime-rated counter-parties including any investment of cash or cash equivalents.

The group's income is mainly from government or government-backed institutions or blue-chip corporates. Where this is not the case, credit checks are performed and where necessary, security is requested and as such customer credit risk is considered to be low.

Pensions.

In common with many companies, the Group has a number of defined benefit pension schemes with long term commitments to pay pensions to past and present employees based on a pre-determined formula of length of service and pensionable pay. Using cash contributions from both the Group and employees, such pension schemes invest in a variety of financial instruments with the objective of providing sufficient financial resources to pay pensions as they fall due, over the long term. These financial instruments are valued at the balance sheet date by reference to their market value, for instance the quoted value of shares on a recognised stock exchange, and compared to the value of pension liabilities as assessed by the pension schemes' and Group's actuaries to derive a surplus or deficit of assets over liabilities. At 31 March 2007 the Group's combined pension schemes showed a net surplus of £53.1 million of assets over liabilities, on assets valued at £1.2 billion. The assessed value of liabilities is critically dependent on a number of assumptions. These include the estimated longevity of the scheme members, bond yield, the expected return on assets and future salary and pension increases. The 'fair value' approach thus used in accounting for pension schemes is a snapshot of values assessed at a particular point in time for what is essentially a long term structure and can yield volatile results, depending on market conditions, both for the balance sheet and income statement. In 2006/07 the amounts charged or credited to the income statement in respect of pensions were as follows:

	2007	2006
	£m	£m
Service cost	**15.0**	12.7
Expected return on plan assets	**(68.5)**	(59.6)
Interest on obligations	**51.6**	49.7
	(16.9)	(9.9)
Net (credit)/charge to operating profit before exceptionals	**(1.9)**	2.8

Group Cash Flow

The Group generated £60.2 million of cash from operations (2005/06: £54.1 million) on statutory operating profit of £62.8 million, representing a conversion rate of operating profit to cash of 96% (2005/06; 116%). We target a conversion rate over the medium term of 80% allowing for the inevitable 'lumpiness' of cash receipts and payments involved in large scale, long term contracts which can materially distort cash generation at any given point.

We acquired two businesses in the year (Alstec in the UK and Powerlines in South Africa) for a net consideration of £52.0 million as well as paying £0.5 million deferred consideration in respect of acquisitions from prior years. In addition, we acquired 24.5% of the equity in International Nuclear Solutions PLC (INS) for £9.6 million. Subsequent to the year end an offer was made to acquire the remaining issued share capital of INS, by way of a Scheme of Arrangement, which was subsequently recommended by the Board of INS. An EGM of the shareholders of INS to approve the Scheme will be held on 14 May 2007.

After accounting for these investments and inter alia, income tax of £7.7 million, net interest payments of £5.5 million, dividends totalling £14.0 million and capital expenditure of £7.0 million, the Group's net cash outflow in the year was £33.5 million.

BABCOCK INTERNATIONAL GROUP PLC
GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	**2007 Before acquired intangible amortisation and exceptional items (unaudited) £m**	**2007 Acquired intangible amortisation and exceptional items (unaudited) £m**	**2007 Total (unaudited) £m**	2006 Before acquired intangible amortisation and exceptional items (audited) £m	2006 Acquired intangible amortisation and exceptional items (audited) £m	2006 Total (audited) £m
Revenue		**988.3**	**-**	**988.3**	836.7	-.	836.7
Operating profit		**68.3**	**(5.5)**	**62.8**	49.9	(3.3)	46.6
Share of profit/(loss) from joint ventures (net of tax)		**0.4**	**-**	**0.4**	(0.1)	-	(0.1)
Operating profit including share of joint ventures		**69.0**	**(5.5)**	**63.5**	49.8	(3.3)	46.5
Joint venture share of interest		**(0.2)**	**-**	**(0.2)**	-	-	-
Joint venture share of tax		**(0.1)**	**-**	**(0.1)**	-	-	-
		68.7	**(5.5)**	**63.2**	49.8	(3.3)	46.5
Finance costs		**(9.8)**	**-**	**(9.8)**	(8.9)	-	(8.9)
Finance income		**3.6**	**-**	**3.6**	3.7	-	3.7
Profit before tax		**62.5**	**(5.5)**	**57.0**	44.6	(3.3)	41.3
Income tax expense	6	**(12.6)**	**1.6**	**(11.0)**	(9.2)	1.0	(8.2)
Profit for the year from continuing operations		**49.9**	**(3.9)**	**46.0**	35.4	(2.3)	33.1
Discontinued operations	4						
Loss for the year from discontinued operations		**-**	**(0.8)**	**(0.8)**	(0.6)	(2.6)	(3.2)
Profit for the year		**49.9**	**(4.7)**	**45.2**	34.8	(4.9)	29.9
Attributable to:							
Equity holders of the parent				**43.4**			29.7
Minority interest				**1.8**			0.2
				45.2			29.9
Earnings per share from continuing and discontinued operations	7						
- Basic				**21.10p**			14.49p
- Diluted				**20.48p**			14.15p
Earnings per share from continuing Operations	7						
- Basic				**21.49p**			16.06p
- Diluted				**20.85p**			15.68p

Dividends

Amounts recognised as distributions to equity holders in the year:

	2007 £m	2006 £m
Final dividend for the year ended 31 March 2006 of 4.25p (2005: 2.65p) per 60p share	**8.7**	5.4
Interim dividend for the year ended 31 March 2007 of 2.40p (2006: 1.75p) per 60p share	**4.9**	3.6
Dividends paid during the year	**13.6**	9.0
Proposed final dividend for the year ended 31 March 2007 of 5.65p (2006: 4.25p) per 60p share	**11.7**	8.7

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements. The dividend, subject to shareholder approval, will be paid on 6 August 2007 to shareholders registered on 6 July 2007.

BABCOCK INTERNATIONAL GROUP PLC
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	**2007 (unaudited) £m**	2006 (audited) £m
Cash flows from operating activities			
Cash generated from operations	9	**60.2**	54.1
Income tax paid		**(7.7)**	(5.8)
Interest paid		**(9.1)**	(8.9)
Interest received		**3.6**	3.8
Net cash flows from operating activities		**47.0**	43.2
Cash flows from investing activities			
Disposal of subsidiaries		**0.9**	2.5
Proceeds on disposal of property, plant and equipment		**0.7**	0.9
Dividend received from joint ventures		**0.1**	-
Purchase of other investments		**(9.7)**	-
Purchases of property, plant and equipment		**(5.5)**	(6.8)
Purchases of intangible assets		**(1.5)**	(2.7)
Acquisition of subsidiary net of cash acquired		**(52.5)**	(4.3)
Net cash flows from investing activities		**(67.5)**	(10.4)
Cash flows from financing activities			
Dividends paid		**(13.6)**	(9.0)
Finance lease principal payments		**(1.9)**	(3.6)
Bank loans raised/(repaid)		**35.0**	(22.5)
Dividends paid to minority interests		**(0.4)**	-
Net proceeds on issue of shares		**0.7**	0.9
Movement on own shares		**0.3**	-
Net cash flows from financing activities		**20.1**	(34.2)
Net increase in cash, cash equivalents and bank overdrafts		**(0.4)**	(1.4)
Cash, cash equivalents and bank overdrafts at beginning of year		**25.3**	26.4
Effects of exchange rate fluctuations		**(2.8)**	0.3
Cash, cash equivalents and bank overdrafts at end of year	11	**22.1**	25.3

BABCOCK INTERNATIONAL GROUP PLC
GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2007

	2007 (unaudited) £m	2006 (audited) £m
Profit for the year (including discontinued operations)	**45.2**	29.9
Currency translation differences	**(5.9)**	1.6
Fair value adjustment of interest rate swap	**0.4**	-
Net actuarial gains in respect of pensions	**8.7**	42.2
Tax on net actuarial gains in respect of pensions	**(2.6)**	(12.6)
Total recognised income and expense	**45.8**	61.1
Attributable to:		
Equity holders of the parent	**44.2**	60.8
Minority interest	**1.6**	0.3
	45.8	61.1

BABCOCK INTERNATIONAL GROUP PLC
NOTES
FOR THE YEAR ENDED 31 MARCH 2007

1. Accounting policies and basis of preparation

The financial information in this statement is prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations as adopted by the European Union. They have been prepared on the basis of the accounting policies set out in the Group's 2006 Annual Report and Accounts (that comply with IFRS and IAS) adopted by the Group and have been consistently applied throughout the year and the preceding year.

2. Segmental analysis

	2007 Group revenue (unaudited) £m	**2007 Operating profit before acquired intangible amortisation, exceptional items (unaudited) £m**	**2007 Acquired intangible amortisation and exceptional items (unaudited) £m**	**2007 Group operating profit (unaudited) £m**	2006 Group revenue (audited) £m	2006 Operating profit before acquired intangible amortisation, exceptional items (audited) £m	2006 Acquired intangible amortisation and exceptional items (audited) £m	2006 Group operating profit (audited) £m
Continuing operations								
Defence Services	**340.6**	**29.9**	**0.6**	**30.5**	271.7	21.8	-	21.8
Technical Services	**178.4**	**16.1**	**(1.5)**	**14.6**	130.5	9.0	(0.2)	8.8
Engineering and Plant Services	**165.6**	**13.3**	**-**	**13.3**	144.2	9.7	-	9.7
Networks	**74.9**	**6.8**	**(0.3)**	**6.5**	73.0	6.4	(0.7)	5.7
Rail	**228.8**	**9.3**	**(4.1)**	**5.2**	217.3	8.8	(2.4)	6.4
Unallocated	**-**	**(7.1)**	**(0.2)**	**(7.3)**	-	(5.8)	-	(5.8)
Total continuing operations	**988.3**	**68.3**	**(5.5)**	**62.8**	836.7	49.9	(3.3)	46.6
Discontinued operations (net of tax)	**-**	**-**	**(0.8)**	**(0.8)**	28.0	(0.6)	(2.6)	(3.2)
Group total	**988.3**	**68.3**	**(6.3)**	**62.0**	864.7	49.3	(5.9)	43.4

The tax credit related to discontinued operations was £nil within operating profit (2006: £0.4m) and £0.2m within exceptionals (2006: £0.7m).

The share of joint venture results not separately disclosed above are;

	Year ended 31 March 2007				Year ended 31 March 2006			
	Revenue (unaudited) £m	**Operating profit (unaudited) £m**	**Tax and interest (unaudited) £m**	**Net JV results (unaudited) £m**	Revenue (audited) £m	Operating profit (audited) £m	Tax and interest (audited) £m	Net JV results (audited) £m
Continuing operations								
Defence Services	**1.8**	**0.2**	**(0.1)**	**0.1**	1.3	0.1	-	0.1
Engineering and Plant Services	**1.5**	**0.2**	**-**	**0.2**	-	-	-	-
Networks	**1.4**	**0.2**	**-**	**0.2**	0.3	(0.1)	-	(0.1)
Rail	**0.4**	**0.1**	**(0.2)**	**(0.1)**	-	-	(0.1)	(0.1)
Total continuing operations	**5.1**	**0.7**	**(0.3)**	**0.4**	1.6	-	(0.1)	(0.1)

3. Operating exceptional items and acquired intangible amortisation

In 2007 there was a net gain of £0.6m in operating exceptional items. There was net £3.2m exceptional pension gain, after costs, as a result of a liability limitation exercise of which £2.1m is within the Defence Service segment, £0.4m within the Technical Services segment, £0.3m with the Networks segment and £0.4m unallocated. Offset against this are operating exceptional costs of £2.6m of which £2.0m is reorganisation costs in the Rail segment and £0.6m being bid defence costs arising out of a possible joint bid from BAE Systems plc and VT Group plc.

In 2007 acquired intangible amortisation was £6.1m (2006: £3.1m), with £0.6m (2006: £0.7m) relating to the Networks segment, £2.1m (2006: £2.4m) relating to the Rail segment, and with the Alstec Group Limited acquisition giving the following: £1.9m (2006: £nil) within the Technical Services segment and £1.5m (2006: £nil) within the Defence Services segment.

	2007 acquired intangible amortisation £m	**2007 exceptional items £m**	**2007 Total £m**	2006 acquired intangible amortisation £m	2006 exceptional items £m	2006 Total £m
Defence Services	**(1.5)**	**2.1**	**0.6**	-	-	-
Technical Services	**(1.9)**	**0.4**	**(1.5)**	-	-	-
Networks	**(0.6)**	**0.3**	**(0.3)**	(0.7)	-	(0.7)
Rail	**(2.1)**	**(2.0)**	**(4.1)**	(2.4)	(0.2)	(2.6)
Unallocated	**-**	**(0.2)**	**(0.2)**	-	-	-
	(6.1)	**0.6**	**(5.5)**	(3.1)	(0.2)	(3.3)

4. Discontinued operations

Eve Trakway Limited was sold on 4 April 2006 at its held for sale value of £5.8m after allowing for costs.

In 2007 there were exceptional costs relating to disposed of businesses of £1.0m less tax of £0.2m. In 2006 the exceptional costs relating to disposed of businesses was £1.5m plus an impairment of £1.8m to reflect a post year end disposal, offset by a tax credit of £0.7m

The group has a potential liability relating to the former Jackson Civil Engineering business disposed of by the Peterhouse Group prior its acquisition by Babcock, which may arise out of a contract for the design and construction of tunnelling works at the Tesco store at Gerrards Cross. The group, having considered legal advice, does not expect that any liability that the group may incur will prove to be material to the Group.

5. Acquisitions

On 9 May 2006 the group acquired Alstec Group Limited for net cash consideration before costs of £44.9m. Goodwill amounted to £35.4m after valuing the acquired intangibles at £14.6m.

On 1 June 2006 the group acquired certain assets and the high voltage power lines and mobile telecoms business divisions of ABB South Africa (Pty) Ltd for £5.8m.

The total revenue from acquisitions in the period was £101.8m and the related operating profit was £9.5m.

6. Income tax expense

The charge for taxation of £11.0m (2006: £8.2m) includes a charge of £5.0m (2006: £3.0m) in respect of overseas current and deferred taxes, and a charge of £6.0m (2006: £5.2m) in respect of UK current and deferred taxes. The effective rate of tax in respect of profits before acquired intangible amortisation, exceptional items, share of operating profit from joint ventures, discontinued operations and prior year releases of £1.0m, is 22.0% (2006: 20.6%). This is lower than the statutory rate of 30% (2006: 30%) due to the net effect of overseas rate differences and permanent differences (both overseas and UK).

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year excluding those held in the Babcock Employee Share Trust and the Peterhouse Employee Share Trust. The calculation of the basic and diluted EPS is based on the following data:

Number of shares

	2007 Number	2006 Number
Weighted average number of ordinary shares for the purpose of basic EPS	**205,715,620**	204,638,536
Effect of dilutive potential ordinary shares: share options	**6,228,491**	4,996,555
Weighted average number of ordinary shares for the purpose of diluted EPS	**211,944,111**	209,635,091

Earnings

	2007 Earnings £m	**2007 Basic per share pence**	**2007 Diluted per share pence**	2006 Earnings £m	2006 Basic per share pence	2006 Diluted per share pence
Continuing and discontinued operations						
Earnings from continuing and discontinued operations	**43.4**	**21.10**	**20.48**	29.7	14.49	14.15
Add back:						
Amortisation of acquired intangible assets, net of tax	**4.2**	**2.06**	**2.00**	2.2	1.06	1.04
Exceptional items, net of tax	**0.4**	**0.19**	**0.18**	2.7	1.32	1.29
Earnings before amortisation and exceptionals	**48.0**	**23.35**	**22.66**	34.6	16.87	16.48
Continuing operations						
Earnings from continuing operations	**44.2**	**21.49**	**20.85**	32.9	16.06	15.68
Add back:						
Amortisation of acquired intangible assets, net of tax	**4.2**	**2.06**	**2.00**	2.2	1.06	1.04
Exceptional items, net of tax	**(0.4)**	**(0.20)**	**(0.19)**	0.1	0.06	0.06
Earnings before discontinued operations, amortisation and exceptionals	**48.0**	**23.35**	**22.66**	35.2	17.18	16.78

8. Statement of changes in equity

	Share capital	**Share premium**	**Capital redemption**	**Retained earnings**	**Other reserves**	**Total**	**Minority interests**	**Year ended 31 March**
At 1 April 2005	125.0	69.3	30.6	(112.7)	0.1	112.3	0.1	112.4
Shares issued in the period	0.5	0.4	-	-	-	0.9	-	0.9
Total recognised income and expense	-	-	-	59.2	1.6	60.8	0.3	61.1
Dividends	-	-	-	(9.0)	-	(9.0)	-	(9.0)
Share based payments	-	-	-	1.1	-	1.1	-	1.1
Tax on share based payments	-	-	-	4.1	-	4.1	-	4.1
Net movement in equity	0.5	0.4	-	55.4	1.6	57.9	0.3	58.2
At 31 March 2006	125.5	69.7	30.6	(57.3)	1.7	170.2	0.4	170.6
At 1 April 2006	**125.5**	**69.7**	**30.6**	**(57.3)**	**1.7**	**170.2**	**0.4**	**170.6**
Shares issued in the period	0.3	0.4	-	-	-	0.7	-	0.7
Total recognised income and expense	-	-	-	49.7	(5.5)	44.2	1.6	45.8
Dividends	-	-	-	(13.6)	-	(13.6)	(0.4)	(14.0)
Share based payments	-	-	-	1.7	-	1.7	-	1.7
Tax on share based payments	-	-	-	2.1	-	2.1	-	2.1
Movement on ESOP	-	-	-	0.3	-	0.3	-	0.3
Net movement in equity	0.3	0.4	-	40.2	(5.5)	35.4	1.2	36.6
At 31 March 2007	**125.8**	**70.1**	**30.6**	**(17.1)**	**(3.8)**	**205.6**	**1.6**	**207.2**

Other reserves includes a translation reserve of £4.2m debit (2006: £1.7m) and a hedging reserve of £0.4m (2006: £nil)

9. Reconciliation of operating profit to cash generated from operations

	2007 (unaudited) £m	2006 (audited) £m
Cash flows from operating activities		
Operating profit	**62.8**	46.6
Loss from discontinued operations	**-**	(0.6)
Add back tax on discontinued operations	**-**	(0.4)
	62.8	45.6
Depreciation of property, plant and equipment	5.6	7.1
Amortisation and impairment of intangible assets	7.3	3.6
Equity share based payments	1.7	1.1
Impairment of investments	0.3	-
(Profit)/loss on disposal of property, plant and equipment	(0.2)	0.3
Operating cash flows before movement in working capital	**77.5**	57.7
(Increase)/decrease in inventories	(16.9)	1.5
(Increase)/decrease in receivables	(5.7)	52.8
Increase/(decrease) in payables	10.0	(49.2)
(Decrease)/increase in provisions	(4.7)	(8.7)
Cash generated from operations	**60.2**	54.1

10. Movement in net debt

	2007 (unaudited) £m	2006 (audited) £m
Increase/(decrease) in cash in the year	**(0.4)**	(1.4)
Cash flow from the (increase)/decrease in debt and lease financing	**(33.1)**	26.1
Change in net funds resulting from cash flows	**(33.5)**	24.7
Loans and finance leases (acquired)/disposed of with subsidiaries	**-**	0.1
New finance leases	**-**	(0.4)
Foreign currency translation differences	**(2.0)**	0.3
Movement in net debt in the year	**(35.5)**	24.7
Net debt at the beginning of the year	**(38.2)**	(62.9)
Net debt at the end of the year	**(73.7)**	(38.2)

11. Changes in net debt

	At 1 April 2006 (audited) £m	Cash flow (unaudited) £m	Acquisitions and disposals (unaudited) £m	New finance leases (unaudited) £m	Exchange movement (unaudited) £m	At 31 March 2007 (unaudited) £m
Cash and bank balances	109.0	(10.5)			(2.9)	**95.6**
Bank overdrafts	(83.7)	10.1			0.1	**(73.5)**
Cash, cash equivalents and bank overdrafts at end of year	25.3	(0.4)			(2.8)	**22.1**
Debt	(58.1)	(35.0)			0.4	**(92.7)**
Finance leases	(5.4)	1.9			0.4	**(3.1)**
	(63.5)	(33.1)			0.8	**(95.8)**
Total	(38.2)	(33.5)			(2.0)	**(73.7)**

12. Financial information

The financial information in this statement is not audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended). The financial statements for the year to March 2007 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them. Full accounts for Babcock International Group PLC for the year ended 31 March 2006, prepared under IFRS, have been delivered to the Register of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the UK Companies Act 1985. This preliminary statement was approved by the Board on 9th May 2007.

13. Distribution

Copies of this report will be available at the company's registered office: 2 Cavendish Square, London W1G 0PX. In addition, this report is available on the company's website: www.babcock.co.uk**.**