13 May 2008

Babcock International Group PLC
Preliminary Results for year ended 31 March 2008

Babcock delivers record results, with strong organic growth, and benefits from strategic acquisitions

Financial Highlights

Statutory	**March 2008**	**March 2007**	**+/- change**
Revenue	**£1,555.9m**	£988.3m	57%
Operating profit	**£110.2m**	£62.8m	75%
Profit before tax	**£84.6m**	£57.0m	48%
Basic earnings per share	**29.99p**	21.49p	40%
Dividend proposal – full year	**11.50p**	8.05p	43%
Net debt	**£322.2m**	£73.7m	

Underlying	**March 2008**	**March 2007**	**+/- change**
Operating profit	**£121.1m**	£68.3m	77%
Profit before tax	**£95.5m**	£62.5m	53%
Basic earnings per share	**33.40p**	23.35p	43%

Underlying results from continuing operations are shown before amortisation of acquired intangibles of £10.9 million (2007: £6.1 million), operating exceptional gains of £nil (2007: £0.6 million) and before the related tax effects of £3.3 million (2007: £1.6 million).

Operational Highlights

- Strong organic growth delivered
  - 16% increase in revenue, 20% increase in operating profit
- DML acquisition positions Babcock as the leading support provider to the Royal Navy
- Acquisitions of INS and Strachan & Henshaw further strengthen position as a leading technical support provider for the civil nuclear market
- Major contract wins underpin continuing growth
- Current order book of £3 billion with strong bidding pipeline
- Dividend increased by 43% to 11.50p

Commenting on the results, Peter Rogers, Chief Executive said
"This has been another extremely successful year for Babcock that demonstrates our commitment to delivering real value for our shareholders. We have achieved another year of strong organic growth while we have continued our successful track record of acquisitions significantly strengthening our position as the leading provider of support to the Royal Navy and creating a strong platform for growth in the civil nuclear market.

The markets in which we operate remain attractive with good long term growth prospects. We have established leading positions in all our markets and developed strong relationships with our customers. Our long term financial performance is underpinned by the strength of our current orderbook, major contracts to be awarded in the near future, opportunities being created by recent acquisitions and a healthy bid pipeline.

The outlook for the Group remains positive and we are confident that further progress will be made this year."

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The Chairman's Statement

The year ending 31 March 2008 built on the excellent progress of recent years with underlying profit before tax increasing by 53% (year on year) to £95.5million. This followed increases of 40% and 25% in the previous two years. The directors are recommending a final dividend of 8.20p per share giving a total dividend for the year of 11.50p per share an increase of 43% on the previous year. This increase reflects the growth in earnings per share of 40% on the previous year and confidence in Babcock's future prospects.

The share price continued to improve during the year and reached 571p at the end of March 2008. At the close of business yesterday it stood at 598.5p. This gave a market capitalisation of the Company of £1.4 billion – a substantial and consistent improvement from the low point of £87 million following 11 September 2001. This represents a massive return for investors. £100 invested in Babcock on 31 March 2003 would have been worth £721 on 31 March 2008 (assuming dividends were reinvested in further shares), a return of 621%. £100 invested on 31 March 2003 in the FTSE all share index (excluding investment trusts and assuming reinvestment of dividends in the index) would have had a notional worth on 31 March 2008 of £198, a return of 98%. This out-performance has been achieved by virtue of a consistent strategy yielding organic growth and including judicious acquisitions.

The acquisitions of Devonport Management Limited (DML) and International Nuclear Solutions (INS) were completed in the year and added £408 million to the Group's turnover and £38.8 million of operating profit (before amortisation of acquired intangibles). Both acquisitions added to our competence in the core areas of defence and the civil nuclear market. In April 2008, we increased our presence in these core areas further by the acquisition of Strachan & Henshaw at a cost of £65 million.

All other areas showed organic growth with the exception of Rail which was static, but, after a challenging first half, the operating profit in Rail recovered during the second half as a result of focused management attention.

Our strategy remains to expand our position in the technically based support services market, where we continue to see above average growth potential.

Despite the bulk of the acquisitions being financed by borrowings (19 million of new shares were issued to help fund the DML acquisition), our overall position remains comfortable with closing debt at £322 million and our coverage ratios well within our internal and external benchmarks. Our consistently high rate of conversion of operating profit into cash leaves the Board confident that this debt will be further reduced over the coming year.

We have matched the rate of growth in recent years by the development of our management expertise. We have invested heavily in both developing existing management and integrating the management of new acquisitions. We are aware of the need to continue this focus and I have confidence that the management team is fully up to the challenges of the future.

The Board is confident of Babcock's prospects and is convinced the Group is well placed to continue to develop and grow.

G A Campbell
13 May 2008

Operational Review

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

The 2007/08 financial year has been another year of strong growth for Babcock. Group revenue has increased by 57% to £1,555.9 million (2007: £988.3 million) and underlying earnings per share have increased by 43% to 33.40p (2007: 23.35p). This continues our track record of delivering long term sustainable growth for our shareholders.

The successful acquisition of DML ensured that we built on our position as the leading provider of support for the Royal Navy and the sole supplier of support and upkeep to the nuclear submarine fleet.

The acquisition of INS, which we have combined with the nuclear capabilities of both Alstec and our Marine division, creates a business with a strong position in the nuclear generation and nuclear decommissioning markets.

The recent acquisition of Strachan & Henshaw will further strengthen our position in the nuclear market and will also provide opportunities to extend our reach in submarine support to overseas markets.

In addition to the growth through acquisition we have achieved strong organic growth of 16% in revenue and 20% in operating profit through extending the scope of existing contracts and the winning of new contracts. Each of our divisions is well regarded in its respective market and each continues to see further growth opportunities.

The order book has remained broadly stable at £3 billion since September, despite delays in contract awards stemming from the late agreement of Ministry of Defence budgets. We expect this situation to improve over the next six months. Our bidding pipeline remains healthy with the number of opportunities available to the Group increasing.

Marine

	2007/08	2006/07	Change +/-
Revenue	**£633.2m**	£217.3m	191%
Operating profit	**£68.7m**	£22.3m	208%
Operating return on revenue	**10.8%**	10.3%	

Babcock Marine is the UK's leading naval support business and plays a unique role in supporting the Royal Navy and the Ministry of Defence. Our ownership of Rosyth and Devonport dockyards and our contracts to manage the Devonport and Clyde Naval Bases bring together three of the four UK waterfront naval support facilities under a single operating structure. Our business is structured around four key areas Submarines, Surface Ships, Naval Bases and Equipment Support.

The division has had a very successful year with a number of one-off factors contributing to the strong increase in operating return on revenue. These include margin pick-up at the end of the first term of the HM Naval Base Clyde contract and a satisfactory conclusion to contract negotiations within the DML yacht business.

In support of the broad Maritime Change Programme that flowed from the Defence Industrial Strategy we are involved in a number of important strategic initiatives aimed at embedding partnership models at the heart of the relationship between the MoD and its key industrial suppliers in the maritime sector.

We have made good progress since the acquisition of DML, realising the £4 million targeted synergies. Negotiations on the Terms of Business Agreement for naval support continue to progress constructively although we do not expect these to be completed until the second half of the calendar year.

Submarines **-** We have continued to provide support to the Royal Navy's nuclear submarine fleet carrying out major refuelling, refitting and maintenance projects at Devonport and Faslane. We are developing and extending the support infrastructure required for the Royal Navy's submarine fleet. During the year a £150 million design and build contract was placed by the MoD to provide nuclear defuelling capability at Devonport. At Faslane a new jetty is under construction for the new Astute Class submarines coming into service over the next year or so.

Surface Ships **-** We have had a successful year securing contracts for major maintenance packages for HMS Sutherland and for the Royal Navy's largest ship HMS Ocean. Work has also been secured on a range of other Royal Navy vessels for our facilities at Rosyth and Devonport.

In our Design & Technology business we saw strong growth in our commercial marine design activities, securing a number of important orders for the detailed design of specialist vessels.

We remain confident that the MoD will proceed with the CVF (Future Aircraft Carriers) project. These vessels, the largest ever built for the Royal Navy, will be assembled at our Rosyth facility where we are already undertaking a significant element of the vessel detailed design. Although we await the final contract for the manufacturing and assembly phase of this project, the civil engineering contract for the modifications to the dock area at Rosyth was signed in February and witnessed by the Secretary of State for Defence. The cost of these works, which is essential for the assembly of the new carriers, is being paid by the MoD.

Equipment Support **-** In addition to our waterfront and upkeep support activities we successfully provided a wide range of technical, operational and logistical support to all three of the Armed Services. Our successful Supply Chain Services business achieved significant growth in the year and is the largest provider of piece-part spares to the MoD. Our land systems business was awarded a contract to build 179 specialist utility vehicles for use in Afghanistan and in January 2008 we were awarded preferred bidder status to deliver Ground Support Equipment spares to the Royal Air Force.

Defence

	2007/08	2006/07	Change +/-
Revenue	**£302.1m**	£247.3m	22%
Operating profit	**£27.5m**	£20.4m	35%
Operating margin	**9.1%**	8.2%	

The division has performed well during the year continuing to deliver strong organic growth. Return on revenue has improved benefiting from end of contract outcomes. The three IOS (Integrated Operational Support) contracts for the support of the RAF's Hawk fast jet fleet, Adour engines and Hercules fleet are performing very well. These contracts aligned with the principles of the Defence Industrial Strategy have proved to be very successful and are being held up as market best practice in terms of service delivery and ensure our continued involvement in military support through to 2012. The multi activity contracts continue to deliver good returns and achieve high levels of customer satisfaction.

We are working towards the financial close of the Royal School of Military Engineering PPP which is expected in the summer of 2008. The delivery of training and support services is expected to be worth £1.3 billion over the 30 year project.

The Regional Prime contracts continue to perform well and our reputation for delivery has secured a number of additional projects and contracts. The Bristol and Bath Total Facilities Management contract became operational in December 2007 and we are now providing services to over 11,000 MoD employees across seven locations, including Abbeywood.

The Hackney Building Schools for the Future (BSF) project is expected to achieve financial close in May/June 2008 with construction work starting immediately. Our joint venture with Mouchel has targeted future bid opportunities from BSF Wave 4 funding where our project management and integrator business model fits with the aspirations of the awarding authority.

Babcock's airport operations continue to be dominated by support contracts for Heathrow although successful upgrade projects have been completed on the Gatwick North transfer facility, Stansted Hold Baggage Screening and Heathrow T4 improvements. Our design teams have also had an early involvement in the design approach to the new Heathrow East Terminal.

Rail

	2007/08	2006/07	Change +/-
Revenue	**£228.1m**	£228.8m	
Operating profit	**£0.5m**	£9.3m	
Operating margin	**0.2%**	4.1%	

After a disappointing performance in the first half, a significant restructuring of the business was implemented and actions were taken to address management weaknesses. As a result, the business returned to profit in the second half, delivering a small profit for the full year with a more robust and stable platform to move forward.

In September Babcock Rail was selected as one of the four main contractors to deliver track renewals for Network Rail in the UK making us the largest track renewals contractor in the UK. Additional track work worth around £30 million per annum has been won in Scotland and the North West of England.

The business successfully commissioned the Stirling Alloa Kincardine rail reinstatement which is due to open in May 2008. Worth around £30 million to Babcock Rail this is the largest transport investment project in Scotland's rail infrastructure in recent years. A number of other upgrade projects have been won across the country as our geographical target market expands.

The two signalling framework contracts are progressing well after a slow start to the year with a steady schedule of work now coming through and a robust forward order book. Other new opportunities include telecoms framework contracts to install customer information systems which are progressing well, with growth in this area anticipated in the coming year, and a framework contract for the design and installation of level crossings which is being pursued in partnership with GE Transportation Systems.

Nuclear

	2007/08	2006/07	Change +/-
Revenue	**£76.3m**	£54.4m	40%
Operating profit	**£5.7m**	£3.3m	73%
Operating return on revenue	**7.5%**	6.1%	

The creation of BNS Nuclear Services, bringing together the Alstec and INS businesses combined with expertise from the Babcock Marine division, gives us a significant market presence and strong capability. The civil nuclear capabilities of Strachan & Henshaw acquired in April 2008 will further strengthen the division as the demand for high quality nuclear engineering support continues to grow. We are in a strong position to meet the requirements of all the major UK civil nuclear customers and will be well positioned to respond to the increasing opportunities in the nuclear decommissioning, power generation and new build market areas.

We have successfully maintained our role as a strategic supplier to British Energy signing a five year £70 million contract to provide them with ongoing nuclear services support for their seven AGR power stations. This agreement has the option to extend for the lifetime of the power stations.

In the decommissioning area we successfully concluded major upgrades at Chapel Cross and Calder Hall to support the defuelling of the reactors. At Dounreay we continue to be involved in the site decommissioning programme.

At the AWE, Aldermaston, we have been able to build on our strong track record and increase our involvement.

Networks

	2007/08	2006/07	Change +/-
Revenue	**£98.5m**	£74.9m	32%
Operating profit	**£7.2m**	£6.8m	6%
Operating return on revenue	**7.3%**	9.1%	

The two major Transmission Alliance contracts have had successful first years. Whilst the switch from contract tendering to alliancing has reduced the division's operating return on revenue, the change has contributed to the increase in revenue and provides the division with far greater long term visibility. Electricity Alliance West (EAW), our Alliance with National Grid, Amec and Mott MacDonald, has delivered a year on year increase in volume with a significant improvement in safety performance and has now started year two of the five year programme of works covering Wales and the Western side of England.

Our Alliance with EDF Energy Networks covering East Anglia, London and South East England has also had a very successful first year delivering multiple refurbishment projects on the 132kV Transmission network. Year Two works are now under way with a further increase in volume anticipated.

Specialist Transmission design activities were at an all time high through the year. A sustained recruitment campaign which successfully doubled design capacity during the year continues. In addition, to alleviate the skilled resource problems being experienced across our sector, we have opened a design office in Bulgaria which functions as an integrated extension to the design office in the UK.

Within the Broadcast Sector, significant work is now underway as part of the Digital Switchover Programme. The division is playing a major role in the upgrade of broadcast structures and antenna systems throughout the UK.

During the year we secured our first contract in the Fixed Line Communications Networks Sector to install and commission Huawei equipment in BT Exchanges. BT's 21CN, next generation advanced communication network has been delayed, but is due to start during 2008/09 and will provide significant opportunities.

Engineering and Plant

	2007/08	2006/07	Change +/-
Revenue	**£217.7m**	£165.6m	31%
Operating profit	**£17.1m**	£13.3m	29%
Operating return on revenue	**7.9%**	8.0%	

The South African economy has remained relatively strong throughout the year. Infrastructure spending and global commodity prices continue to drive increased demand across our business and we have been well positioned to take advantage of these conditions to generate record results.

Whilst the value of the Rand weakened temporarily during the year it had stabilised by the year end and the impact on year end results was minimal.

The Equipment business supplying Volvo construction equipment delivered a record year with sales of over 1,000 machines, 25% higher than last year. Our parts and service business grew by over 35% and we expect this part of the business to grow considerably as the machine park increases in size and age. Exports into other African countries, including Zambia and the Democratic Republic of Congo have been strong buoyed by healthy markets in minerals and metals.

In the power generation business growth has come from the return to service contract for the Grootvlei Power Station as well as from support to Eskom for the general outage and maintenance requirements on in-service stations. The planned construction of new power stations will offer further new opportunities for the Engineering business which will provide support during the design and build process.

The Powerlines business is in its second year of ownership and is delivering significant organic growth. We have successfully completed projects in South Africa, Namibia and Botswana during the year keeping the tower and fittings factories near capacity. The demand for electricity led to our decision during the year to extend our business into portable generators and our factory now produces a wide range of products.

Financial Review

Financial Summary
2007/08 was another successful financial year with operating return on revenue at 7.8% showing a considerable increase year on year (2007: 6.9%). The Group's return on invested capital at 11.3% (2007: 17.8%) remains substantially in excess of the Group's weighted average cost of capital despite only a part year contribution from DML. Taking into account the equity cash placing of 19 million shares for the purchase of DML, basic earnings per share increased by 43%. Net debt increased to £322.2 million but gearing and debt and interest multiples remained at comfortable levels.

Group Income Statement
The Group's results for the financial year were significantly enhanced by the acquisition of DML, which was completed in June 2007. During the course of the year the Group also completed the acquisition of

INS. Including these acquisitions, Group revenue increased by 57% to £1,556 million (2007: £988 million) with significant growth recorded in all divisions except Rail. Underlying operating profit increased by 77% to £121.1 million (2007: £68.3 million). The Group experienced strong growth in operating profit across all of its businesses with the exception of Rail, driven by strong markets and a number of notable contract wins.

Of the two major acquisitions, DML contributed £387.3 million to Group revenue and £38.1 million to operating profit, whilst INS generated £17.5 million in revenue with associated operating profit of £0.9 million. Excluding all acquisitions, Group revenue increased by 16% to £1,148 million and underlying operating profit increased by 20% to £82.3million.

The Group's operating return on revenue increased to 7.8% (2007: 6.9%) benefiting from an exceptionally strong margin performance in Marine and further progress in Defence. A number of one-off factors contributed to the performance of the Marine division including margin pick-up in the HM Naval Base Clyde (Faslane) contract as it reached the end of its first five year term and a satisfactory conclusion to contract negotiations within the DML yacht business. Similarly in Defence, underlying margins improved and were augmented by end-of-contract outturns. The poor performance in Rail, which ended the year at a breakeven position following first half operating losses of £2.7 million, had an adverse impact on the Group operating return on revenue. In the second half of the financial year, Rail showed clear signs of recovery as a result of decisive management action.

Following the significant increase in bank debt used to fund the acquisitions of DML and INS, net finance costs increased to £25.6 million, including amortisation of bank facility costs, from £6.2 million last year. Upward movements in bank interest rates also adversely affected the unhedged portion of the Group's borrowings. Nonetheless net finance costs remained comfortably covered by earnings before interest, tax, depreciation and amortisation (EBITDA) at 5.5 times (2007: 12.1 times). After net finance costs, profit before tax increased 53% to £95.5 million (2007: £62.5 million).

The Group benefits from tax rates in overseas jurisdictions that are lower than the standard rate of UK corporation tax. The Group's effective tax rate on underlying profit before tax was 19% (2007: 20% or 22% excluding a prior year gain of £1.0 million). The effective rate is calculated as the total charge to income tax as a percentage of the Group's profit before tax before exceptional items and amortisation. Based on the profile of earnings within the Group, we expect this rate to be sustainable at least for the 2008/09 financial year. As a result of the uncertainty created by draft Government legislation on the taxation of corporate profits, it is possible that the rate could rise to 23% thereafter.

Profit for the year from continuing operations at £77.3 million was up 55% on last year (£49.9 million) with a corresponding uplift in basic earnings per share to 33.40 pence (2007: 23.35 pence). Fully diluted earnings per share were 32.77 pence, up 45% from 22.66 pence on last year. Following a further year of strong growth in earnings, the Board has recommended a total dividend for the year of 11.50 pence per share, an increase of 43% on 2006/07, which is covered 2.9 times by underlying earnings.

Liquidity
During the year the Group made acquisitions for net cash consideration of £372.3 million. This comprised DML, which was acquired in June 2007 for a net cash consideration plus costs of £356.7 million, and INS where the balance of the business not acquired in 2006/07 was purchased for net cash consideration of £15.1 million and a payment to minority shareholders of £12.5 million. In conjunction with the purchase of DML, the Group made an equity cash placing of £89.1 million net of costs and raised a new committed five year revolving bank borrowing facility of £600 million. At 31 March 2008, the Group's net debt position was £322.2 million (31 March 2007: £73.7 million).

The Group gearing ratio was 89% and net debt to EBITDA was 2.3 times (2007: 1.0 times), comfortably within both internal and external benchmarks.

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. 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 and collars, 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 derived 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. As such customer credit risk is considered to be low.

Pensions

The acquisition of DML included the assets and liabilities of its defined benefit pension scheme, with an overall accounting surplus at the date of acquisition of £16.6 million. As at 31 March 2008, the total of assets and liabilities within Group defined benefit pension schemes including those of DML, were £2.0 billion and £1.8 billion respectively (2007: £1.2 billion and £1.15 billion).The overall accounting surplus at 31 March 2008 was £142.2 million (2007: £53.1 million).

The assumptions used in valuing the schemes are set out in the accounts. Valuations are sensitive to all of these assumptions but the judgements necessary in arriving at the discount rate to be applied in calculating fund liabilities make it particularly sensitive. The Group has historically based the rate on a recognised corporate bond index. We have applied the same principle at 31 March 2008 and in common with other defined benefit pension schemes in the corporate sector, the effect of higher yields resulting from current credit markets has reduced the net present value of pension liabilities relative to last year. Similarly, difficult credit markets have also had the effect of reducing asset values in the schemes. These variations from period to period are a consequence of the application of mark-to-market valuation on long term assets and liabilities and can affect both the balance sheet and profit and loss account significantly in any given period.

Pension schemes valuations are also sensitive to assumptions made as to the likely longevity profile of the schemes' members. We have carried out a full and detailed review of each scheme's specific longevity experience and have adopted assumptions which we believe to be appropriate based on this review. However, pressure from regulatory bodies is leading to calls for increased caution when making assumptions and a resultant increase in the valuation of liabilities. As a consequence the Group will be exploring a number of options to offset this trend.

In 2007/08 the amounts charged or credited to the income statement in respect of pensions were as follows:

	2008 £m	2007 £m
Service cost	**26.8**	15.0
Expected return on plan assets	**(115.1)**	(68.5)
Interest on obligations	**92.1**	51.6
	(23.0)	(16.9)
Net charge/(credit) (before exceptionals)	**3.8**	(1.9)

Group Cash Flow

In the year to 31 March 2008 the Group generated cash from operations of £119.2 million (2007: £60.2 million) representing 108% of operating profit (2007: 96%). We believe consistent cash generation over time is a true indicator of the underlying health of a business and tight control over fixed and working capital is a key feature of the Group. Our medium term cash conversion rate (cash from operations as a percentage of operating profit) target is 80%; we have consistently exceeded this target over the past 5 years.

Excluding the effects of fixed and working capital, the principal factors affecting cash flow in the year related in the main to the acquisition of DML and INS. In total, spend on acquisitions was £372.3 million and the purchase of minority interests in INS was £12.5 million. Net finance cash costs were appreciably higher during 2007/08 at £20.3 million (2007: £5.5 million) as a result of the acquisition activity during the period.

Tax and dividend payments in the year totalled £29.8 million (2007: £21.3 million).

Outlook

The markets in which we operate remain attractive with good long term growth prospects. We have established leading positions in all our markets and developed strong relationships with our customers. Our long term financial performance is underpinned by the strength of our current orderbook, major contracts to be awarded in the near future, opportunities being created by recent acquisitions and a healthy bid pipeline.

The outlook for the Group remains positive and the Board is confident that further progress will be made this year.

BABCOCK INTERNATIONAL GROUP PLC
GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	**2008 Before acquired intangible amortisation and exceptional items (unaudited) £m**	**2008 Acquired intangible amortisation and exceptional items (unaudited) £m**	**2008 Total (unaudited) £m**	2007 Before acquired intangible amortisation and exceptional items (audited) £m	2007 Acquired intangible amortisation and exceptional items (audited) £m	2007 Total (audited) £m
Revenue		**1,555.9**	**-**	**1,555.9**	988.3	-	988.3
Operating profit		**121.1**	**(10.9)**	**110.2**	68.3	(5.5)	62.8
Share of profit from joint ventures		**-**	**-**	**-**	0.4	-	0.4
Finance costs		**(32.0)**	**-**	**(32.0)**	(9.8)	-	(9.8)
Finance income		**6.4**	**-**	**6.4**	3.6	-	3.6
Profit before tax		**95.5**	**(10.9)**	**84.6**	62.5	(5.5)	57.0
Income tax expense	6	**(18.2)**	**3.3**	**(14.9)**	(12.6)	1.6	(11.0)
Profit for the year from continuing operations		**77.3**	**(7.6)**	**69.7**	49.9	(3.9)	46.0
Discontinued operations	4						
Loss for the year from discontinued operations		**-**	**-**	**-**	-	(0.8)	(0.8)
Profit for the year		**77.3**	**(7.6)**	**69.7**	49.9	(4.7)	45.2
Attributable to:							
Equity holders of the parent				**67.3**			43.4
Minority interest				**2.4**			1.8
				69.7			45.2
Earnings per share from continuing and discontinued operations	7						
- Basic				**29.99p**			21.10p
- Diluted				**29.43p**			20.48p
Earnings per share from continuing operations							
- Basic				**29.99p**			21.49p
- Diluted				**29.43p**			20.85p

Dividends
Amounts recognised as distributions to equity holders in the year:

	2008 £m	2007 £m
Final dividend for the year ended 31 March 2007 of 5.65p (2006: 4.25p) per 60p share	**12.8**	8.7
Interim dividend for the year ended 31 March 2008 of 3.30p (2007: 2.40p) per 60p share	**7.5**	4.9
Dividends paid during the year	**20.3**	13.6

Proposed final dividend for the year ended 31 March 2008 of 8.20p (2007: 5.65p) per 60p share

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 08 August 2008 to shareholders registered on 11 July 2008.

BABCOCK INTERNATIONAL GROUP PLC
GROUP BALANCE SHEET
AT 31 MARCH 2008

	Note	2008 (unaudited) £m	2007 (audited) £m
Assets			
Non-current assets			
Goodwill		**479.6**	198.2
Other intangible assets		**62.9**	23.0
Property, plant and equipment		**145.9**	28.2
Investment in joint ventures		**0.4**	0.9
Other investments		**-**	9.4
Retirement benefits		**142.6**	62.5
Trade and other receivables		**1.7**	2.5
Deferred tax		**3.0**	2.5
		836.1	327.2
Current assets			
Inventories		**76.7**	57.7
Trade and other receivables		**340.9**	167.2
Income tax recoverable		**2.3**	1.2
Other financial assets		**1.7**	0.5
Cash and cash equivalents	11	**199.6**	95.6
		621.2	322.2
Total assets		**1,457.3**	649.4
Equity and liabilities			
Equity attributable to equity holders of the parent	8		
Share capital		**137.6**	125.8
Share premium		**148.1**	70.1
Other reserves		**20.9**	26.8
Retained earnings		**50.6**	(17.1)
		357.2	205.6
Minority interest		**3.6**	1.6
Total equity		**360.8**	207.2
Non-current liabilities			
Bank and other borrowings	11	**377.5**	3.6
Trade and other payables		**15.3**	0.9
Deferred tax		**31.2**	2.5
Retirement liabilities		**0.4**	9.4
Provisions for other liabilities		**32.3**	7.6
		456.7	24.0
Current liabilities			
Bank and other borrowings	11	**144.3**	165.7
Trade and other payables		**466.7**	232.9
Income tax payable		**11.6**	5.9
Other financial liabilities		**4.2**	0.1
Provisions for other liabilities		**13.0**	13.6
		639.8	418.2
Total liabilities		**1,096.5**	442.2
Total equity and liabilities		**1,457.3**	649.4

BABCOCK INTERNATIONAL GROUP PLC
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 (unaudited) £m	2007 (audited) £m
Cash flows from operating activities			
Cash generated from operations	9	**119.2**	60.2
Income tax paid		**(9.5)**	(7.7)
Interest paid		**(26.7)**	(9.1)
Interest received		**6.4**	3.6
Net cash flows from operating activities		**89.4**	47.0
Cash flows from investing activities			
Disposal of subsidiaries and joint ventures		**0.3**	0.9
Proceeds on disposal of property, plant and equipment		**5.4**	0.7
Proceeds on disposal of intangible assets		**0.2**	-
Dividend received from joint ventures		**0.2**	0.1
Purchase of other investments		**-**	(9.7)
Purchases of property, plant and equipment		**(13.1)**	(5.5)
Purchases of intangible assets		**(1.1)**	(1.5)
Acquisition of minority interests		**(12.5)**	-
Acquisition of subsidiaries net of cash acquired		**(372.3)**	(52.5)
Net cash flows from investing activities		**(392.9)**	(67.5)
Cash flows from financing activities			
Dividends paid		**(20.3)**	(13.6)
Finance lease principal payments		**(0.5)**	(1.9)
Bank loans raised		**276.5**	35.0
Dividends paid to minority interests		**(1.1)**	(0.4)
Net proceeds on issue of shares		**89.8**	0.7
Movement on own shares		**(5.0)**	0.3
Net cash flows from financing activities		**339.4**	20.1
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**35.9**	(0.4)
Cash, cash equivalents and bank overdrafts at beginning of year		**22.1**	25.3
Effects of exchange rate fluctuations		**(1.5)**	(2.8)
Cash, cash equivalents and bank overdrafts at end of year	11	**56.5**	22.1

BABCOCK INTERNATIONAL GROUP PLC
GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2008

	2008 (unaudited) £m	2007 (audited) £m
Profit for the year (including discontinued operations)	**69.7**	45.2
Currency translation differences	**(3.2)**	(5.9)
Fair value adjustment of interest rate hedges	**(2.7)**	0.4
Net actuarial gains in respect of pensions	**43.0**	8.7
Tax on net actuarial gains in respect of pensions and interest rate hedges	**(9.7)**	(2.6)
Total recognised income and expense	**97.1**	45.8
Attributable to:		
Equity holders of the parent	**94.9**	44.2
Minority interest	**2.2**	1.6
	97.1	45.8

BABCOCK INTERNATIONAL GROUP PLC
NOTES
FOR THE YEAR ENDED 31 MARCH 2008

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 2007 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 except for the change in reporting segments referred to in Note 2 below.

2. Segmental analysis

Following the acquisition of Devonport Management Limited (DML) and the acquisition of a majority shareholding in International Nuclear Solutions plc (INS), we have realigned our marine and nuclear activities into new divisions to reflect the management structure. The Marine division encompasses the activities formerly reported under Technical Services along with Babcock Naval Services, previously reported under Defence. The Nuclear division encompasses Alstec nuclear, previously reported under Technical Services and INS.

	2008 Group revenue (unaudited) £m	**2008 Operating profit before acquired intangible amortisation, exceptional items (unaudited) £m**	**2008 Acquired intangible amortisation and exceptional items (unaudited) £m**	**2008 Group operating profit (unaudited) £m**	2007 Group revenue (audited) Restated £m	2007 Operating profit before acquired intangible amortisation, exceptional items (audited) Restated £m	2007 Acquired intangible amortisation and exceptional items (audited) Restated £m	2007 Group operating profit (audited) Restated £m
Continuing operations								
Marine	**633.2**	**68.7**	**(5.4)**	**63.3**	217.3	22.3	(0.1)	22.2
Defence	**302.1**	**27.5**	**(1.4)**	**26.1**	247.3	20.4	0.6	21.0
Rail	**228.1**	**0.5**	**(1.8)**	**(1.3)**	228.8	9.3	(4.1)	5.2
Nuclear	**76.3**	**5.7**	**(1.8)**	**3.9**	54.4	3.3	(1.4)	1.9
Networks	**98.5**	**7.2**	**(0.5)**	**6.7**	74.9	6.8	(0.3)	6.5
Engineering and Plant	**217.7**	**17.1**	**-**	**17.1**	165.6	13.3	-	13.3
Unallocated	**-**	**(5.6)**	**-**	**(5.6)**	-	(7.1)	(0.2)	(7.3)
Total continuing operations	**1,555.9**	**121.1**	**(10.9)**	**110.2**	988.3	68.3	(5.5)	62.8
Discontinued operations (net of tax)	**-**	**-**	**-**	**-**	-	-	(0.8)	(0.8)
Group total	**1,555.9**	**121.1**	**(10.9)**	**110.2**	988.3	68.3	(6.3)	62.0

The tax credit related to exceptionals was £nil within operating profit (2007: £0.2m).

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

	Year ended 31 March 2008				Year ended 31 March 2007			
	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	**0.6**	**0.1**	**-**	**0.1**	1.8	0.2	(0.1)	0.1
Rail	**0.7**	**0.3**	**(0.3)**	**-**	0.4	0.1	(0.2)	(0.1)
Networks	**-**	**-**	**-**	**-**	1.4	0.2	-	0.2
Engineering and Plant	**3.6**	**(0.1)**	**-**	**(0.1)**	1.5	0.2	-	0.2
Total continuing operations	**4.9**	**0.3**	**(0.3)**	**-**	5.1	0.7	(0.3)	0.4

3. Operating exceptional items and acquired intangible amortisation

In 2008 there were no operating exceptional items (2007: £0.6m).

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

In 2008 acquired intangible amortisation was £10.9m (2007: £6.1m). The acquisitions of DML resulted in acquired intangible amortisation of £5.0m and INS resulted in £0.9m of acquired intangible amortisation. DML is included in the Marine segment whilst INS is included in Nuclear.

	2008 acquired intangible amortisation	**2008 exceptional items**	**2008 Total**	2007 acquired intangible amortisation Restated	2007 exceptional items Restated	2007 Total Restated
	£m	**£m**	**£m**	£m	£m	£m
Marine	**(5.4)**	**-**	**(5.4)**	(0.5)	0.4	(0.1)
Defence	**(1.4)**	**-**	**(1.4)**	(1.5)	2.1	0.6
Rail	**(1.8)**	**-**	**(1.8)**	(2.1)	(2.0)	(4.1)
Nuclear	**(1.8)**	**-**	**(1.8)**	(1.4)	-	(1.4)
Networks	**(0.5)**	**-**	**(0.5)**	(0.6)	0.3	(0.3)
Unallocated	**-**	**-**	**-**	-	(0.2)	(0.2)
	(10.9)	**-**	**(10.9)**	(6.1)	0.6	(5.5)

4. Discontinued operations

In 2008 there were no exceptional costs relating to disposed of businesses. In 2007 there were exceptional costs relating to disposed of businesses of £1.0m less tax of £0.2m.

5. Acquisitions

On 28 June 2007 the group acquired 100% of the share capital of DML for a consideration of £355.5m, inclusive of costs. DML provides support for the Royal Navy submarines and warships and manages the facilities at the Devonport Naval Base.

On 9 July 2007 the group had acquired 50.9% of the share capital of INS. By 30 September 2007 the group had acquired 67.8% of the share capital for a consideration (before cash acquired) of £28.2m. INS provides nuclear engineering support.

Included in the total consideration paid is a final deferred consideration payment of £0.5m, paid on an acquisition made in a prior period which resulted in a reduction in goodwill.

Details of the assets acquired and the goodwill are as follows:

	DML £m	**INS £m**	**Other £m**	**Total £m**
Cost of Acquisition				
Purchase consideration	350.0	27.0	0.5	377.5
Direct costs	5.5	1.2	-	6.7
Total purchase consideration and costs	**355.5**	**28.2**	**0.5**	**384.2**
Fair value of assets acquired (see below)	98.2	3.9	0.7	102.8
Goodwill	**257.3**	**24.3**	**(0.2)**	**281.4**

5. Acquisitions (cont)

Net assets and liabilities arising from the acquisitions are as follows:

	DML		INS		Other		TOTAL	
	Book Value of assets acquired £m	Fair value acquired £m	Book value of assets acquired £m	Fair value acquired £m	Book value of assets acquired £m	Fair value acquired £m	Book value of assets acquired £m	Fair value acquired £m
Goodwill	18.6	-	-	-	-	-	18.6	-
Software	4.6	5.6	0.2	0.2	-	-	4.8	5.8
Acquired intangibles *	-	41.2	-	5.3	-	0.2	-	46.7
Property Plant and Equipment	147.0	125.0	1.0	1.0	-	-	148.0	126.0
Deferred tax	(9.3)	(17.1)	-	(1.4)	0.1	0.1	(9.2)	(18.4)
Retirement benefits	(28.4)	16.6	-	-	-	-	(28.4)	16.6
Cash, cash equivalents and bank overdrafts	(1.2)	(1.2)	3.4	3.4	-	-	2.2	2.2
Inventory	8.2	8.2	-	-	-	-	8.2	8.2
Current assets	98.1	97.1	5.8	5.8	1.7	1.7	105.6	104.6
Current and non current liabilities	(132.6)	(140.0)	(8.4)	(8.4)	(1.7)	(1.7)	(142.7)	(150.1)
Provisions	-	(30.2)	-	(0.1)	0.4	0.4	0.4	(29.9)
Bank and other borrowings	(7.0)	(7.0)	-	-	-	-	(7.0)	(7.0)
Minority interest	-	-	(0.7)	(1.9)	-	-	(0.7)	(1.9)
Net assets acquired	**98.0**	**98.2**	**1.3**	**3.9**	**0.5**	**0.7**	**99.8**	**102.8**

* Acquired intangibles are: customer relationships and order book.

Cash outflow to acquire businesses net of cash acquired:

	DML £m	INS £m	Other £m	Total £m
Total purchase consideration plus costs	355.5	28.2	0.5	384.2
Cash, cash equivalents and bank overdrafts	1.2	(3.4)	-	(2.2)
Cash paid in prior period	-	(9.7)	-	(9.7)
Cash outflow this period	**356.7**	**15.1**	**0.5**	**372.3**

The revenue and operating profit of acquired businesses since the date of acquisition as if they had been acquired on 1 April 2007 are:

	Since date of acquisition £m	For full period £m
Revenue		
DML	387.3	497.1
INS	17.5	24.3
Other	2.9	5.1
	407.7	**526.5**
Operating profit (before amortisation of acquired intangibles)		
DML	38.1	44.6
INS	0.9	1.4
Other	(0.2)	-
	38.8	**46.0**

6. Income tax expense

The charge for taxation of £14.9m (2007: £11.0 m) includes a charge of £6.1m (2007: £5.1m) in respect of overseas current and deferred taxes, and a charge of £8.8m (2007: £5.9m) 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 £nil, is 19.0% (2007: 22.0%). This is lower than the statutory rate of 30% (2007: 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

	2008 Number	2007 Number
Weighted average number of ordinary shares for the purpose of basic EPS	**224,459,855**	205,715,620
Effect of dilutive potential ordinary shares: share options	**4,264,409**	6,228,491
Weighted average number of ordinary shares for the purpose of diluted EPS	**228,724,264**	211,944,111

Earnings

	2008 Earnings £m	**2008 Basic per share pence**	**2008 Diluted per share pence**	2007 Earnings £m	2007 Basic per share pence	2007 Diluted per share pence
Continuing and discontinued operations						
Earnings from continuing and discontinued operations	**67.3**	**29.99**	**29.43**	43.4	21.10	20.48
Add back:						
Amortisation of acquired intangible assets, net of tax	**7.6**	**3.41**	**3.34**	4.2	2.06	2.00
Exceptional items, net of tax	**-**	**-**	**-**	0.4	0.19	0.18
Earnings before amortisation and exceptionals	**74.9**	**33.40**	**32.77**	48.0	23.35	22.66
Continuing operations						
Earnings from continuing operations	**67.3**	**29.99**	**29.43**	44.2	21.49	20.85
Add back:						
Amortisation of acquired intangible assets, net of tax	**7.6**	**3.41**	**3.34**	4.2	2.06	2.00
Exceptional items, net of tax	**-**	**-**	**-**	(0.4)	(0.20)	(0.19)
Earnings before discontinued operations, amortisation and exceptionals	**74.9**	**33.40**	**32.77**	48.0	23.35	22.66

8. Statement of changes in equity

	Share capital £m	**Share premium £m**	**Capital redemption £m**	**Retained earnings £m**	**Other reserves £m**	**Total £m**	**Minority Interests £m**	**Year ended 31 March £m**
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
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
Own shares and other	-	-	-	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
At 1 April 2007	**125.8**	**70.1**	**30.6**	**(17.1)**	**(3.8)**	**205.6**	**1.6**	**207.2**
Shares issued in the period	11.8	78.0	-	-	-	89.8	-	89.8
Recognised income and expense	-	-	-	100.8	(5.9)	94.9	2.2	97.1
Dividends	-	-	-	(20.3)	-	(20.3)	(1.1)	(21.4)
Share based payments	-	-	-	1.4	-	1.4		1.4
Tax on share based payments	-	-	-	2.3	-	2.3		2.3
INS Acquisition	-	-	-	-	-	-	1.9	1.9
Transactions with minorities	-	-	-	(11.5)	-	(11.5)	(1.0)	(12.5)
Own shares and other	-	-	-	(5.0)	-	(5.0)		(5.0)
Net movement in equity	11.8	78.0	-	67.7	(5.9)	151.6	2.0	153.6
At 31 March 2008	**137.6**	**148.1**	**30.6**	**50.6**	**(9.7)**	**357.2**	**3.6**	**360.8**

Other reserves includes a translation reserve of £7.4m debit (2007: £4.2m debit) and a hedging reserve of £2.3m debit (2007: £0.4m credit).

9. Reconciliation of operating profit to cash generated from operations

	2008 (unaudited) £m	2007 (audited) £m
Cash flows from operating activities		
Operating profit	**110.2**	62.8
Depreciation of property, plant and equipment	17.4	5.6
Amortisation and impairment of intangible assets	13.5	7.3
Equity share-based payments	1.4	1.7
Impairment of investments	(0.3)	0.3
Profit on disposal of property, plant and equipment	(2.5)	(0.2)
Operating cash flows before movement in working capital	**139.7**	77.5
Increase in inventories	(16.3)	(16.9)
Increase in receivables	(95.4)	(5.7)
Increase in payables	97.2	10.0
Decrease in provisions	(6.0)	(4.7)
Cash generated from operations	**119.2**	60.2

10. Movement in net debt

	2008 (unaudited) £m	2007 (audited) £m
Increase/(decrease) in cash in the year	**35.9**	(0.4)
Cash flow from the increase in debt and lease financing	**(276.0)**	(33.1)
Change in net funds resulting from cash flows	**(240.1)**	(33.5)
Loans and finance leases acquired with subsidiaries	**(7.0)**	-
Foreign currency translation differences	**(1.4)**	(2.0)
Movement in net debt in the year	**(248.5)**	(35.5)
Net debt at the beginning of the year	**(73.7)**	(38.2)
Net debt at the end of the year	**(322.2)**	(73.7)

11. Changes in net debt

	At 1 April 2007 (audited) £m	Cash flow (unaudited) £m	Acquisitions and disposals (unaudited) £m	New finance leases (unaudited) £m	Exchange movement (unaudited) £m	At 31 March 2008 (unaudited) £m
Cash and bank balances	95.6	101.2	4.4	-	(1.6)	**199.6**
Bank overdrafts	(73.5)	(67.5)	(2.2)	-	0.1	**(143.1)**
Cash, cash equivalents and bank overdrafts at end of year	22.1	33.7	2.2	-	(1.5)	**56.5**
Debt	(92.7)	(276.5)	(7.0)	-	0.1	**(376.1)**
Finance leases	(3.1)	0.5	-	-	-	**(2.6)**
	(95.8)	(276.0)	(7.0)	-	0.1	**(378.7)**
Total	(73.7)	(242.3)	(4.8)	-	(1.4)	**(322.2)**

12. Contingent liabilities

There is a potential liability in respect of the discontinued Jackson Civil Engineering business of the Peterhouse Group arising out of a contract with Tesco Stores for tunnelling at its Gerrards Cross site. The contract was made and the business disposed of to management before the Group acquired Peterhouse in 2004. There was a partial tunnel collapse during construction in 2005. Having considered legal advice the Board does not believe that this matter will result in a liability that would be material to the Group.

13. 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 2008 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 2007, prepared under IFRS, have been delivered to the Register of Companies. The auditors' report on those 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 12 May 2008.

14. 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**.**