

## **Dockyard firm's 'excellent' profits rise 11% to £148m**

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Devonport Dockyard operator Babcock International Group has recorded "excellent" growth in its annual results, with an 11 per cent rise in operating profits to £148.1 million.

The group said an £8.3 billion order book underpinned its positive outlook that has seen it begin the year with an operating margin of 8.7 per cent.

Revenue fell during the year ended 31 March, however, from just over £1.9bn in 2008/9 to £1,895.5m.

Babcock's marine and defence divisions saw underlying operating profits rise by 26 per cent and 13 per cent respectively. It said that its proposed acquisition of the VT Group put it on track to create one of the largest and most focused engineering support services companies in the UK.

Babcock said negotiations with the MoD on the Terms of Business Agreement (ToBA) — designed to support the efficiencies-driven Maritime Change Programme — confirmed the group as the MoD's key support partner in the maritime sector.

The ToBA covers the years between 2010 and 2025, during which Babcock's Marine division has committed to the progressive delivery of "guaranteed cost savings" to the MoD. The agreement extends Babcock's management roles at Devonport and on the Clyde.

Babcock noted the £300m Devonport refuelling and refit of HMS Triumph — the last of the seven Trafalgar class submarines to undergo a refit in Plymouth.

It said it has now finalised cost reduction and voluntary redundancy programme at the yard, which saw around 200 Devonport workers leave their jobs over the year. Additionally, new measures will see the Plymouth submarine refit programme move to a single stream operation.

Refuelling and refitting work on HMS Vigilant also continued at the Plymouth yard during the year, where it began its refuelling cycle at the end of March. The refit is scheduled to be completed in 2012.

Devonport's nuclear facilities are also undergoing a £150m project to upgrade the equipment used to remove spent fuel from submarines at the end of their operational lives. Babcock said the facilities are due in 2012.

Babcock is a key member of the Aircraft Carrier Alliance that is designing, building, assembling and supporting the two new Queen Elizabeth class aircraft carriers.

The first structural modules for HMS Queen Elizabeth arrived at Rosyth during the year, including the bow section from its Appledore facility.

Revenue within Babcock's marine division was said to have exceeded "all internal financial and operational targets", increasing by 7 per cent to £958.3m, with operating profits increasing 26 per cent to £112.9m.

Babcock said that the commercial marine market remained "flat" during the year.

October saw the group acquire the UK Atomic Energy Authority (UKAEA) for £50 million and – just before the year end – launch its bid to acquire the VT Group for £1.3bn.

Babcock chief executive Peter Rogers said: "Babcock has delivered another set of strong results. We consider the major markets in which we operate remain attractive with significant long-term growth prospects."

*(This article first appeared in the Western Morning News)*