

GIBRALTAR INVESTMENTS (NO. 7) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012

Company Registered Number: 4540026



GIBRALTAR INVESTMENTS (NO.7) LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

W Tame
P Rogers

COMPANY SECRETARY

N Borrett (appointed 27 July 2012)
V Teller (resigned 27 July 2012)

REGISTERED OFFICE

33 Wigmore Street
London
W1U 1QX

INDEPENDENT AUDITORS

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

GIBRALTAR INVESTMENTS (NO.7) LIMITED

DIRECTORS' REPORT for the period ended 31 March 2012

The directors present their report and the audited financial statements of the company for the period 16 June 2011 to 31 March 2012

Principal activity

The principal activity of the company is to provide finance to other companies in the Babcock International Group PLC group ("the group"), as its profile is considered to be appropriate to such activity. There are no plans to alter significantly the business of the company.

Results and dividends

The profit for the period was £58,227,296 (June 2011 £12,619,538) and this will be transferred to reserves. The company paid a dividend of £1,099,729,780 (June 2011 nil).

On 12 July 2011, the Company carried out a capital reduction, whereby £1,260,875,047 of share premium was reduced.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Financial Risk Management

All treasury transactions are carried out only with prime rated counter-parties. Financial risk is managed in accordance with Group policies and procedures. For further information refer to Note 2 of the Babcock International Group PLC financial statements.

Qualifying third party indemnity provisions

Under their respective Articles of Association, the directors of the company are, and were during the period to 31 March 2012, entitled to be indemnified by the company against liabilities and costs incurred in connection with the execution of their duties or the exercise of the powers, to the extent permitted by the Companies Act 2006.

Principal risks and uncertainties

The management of the business is subject to a number of risks. Procedures are in place across the Group to identify, assess and mitigate major business risks. The management of risk is an integral part of our operational review process and is supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee. Further details can be found in the Babcock International Group PLC Financial Statements pages 40-43.

Directors

The members of the Board during the period and up to the point of signing the financial statements were

W Tame
P Rogers
F Martinelli (resigned 11 July 2011)

Political and charitable donations

In the year ended 31 March 2012 the company made charitable donations of £nil (2011 £nil)
There were no political contributions during the financial year (2011 £nil)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period Under the law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

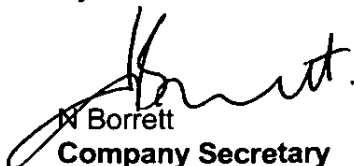
Auditors and the disclosure of information

So far as the directors are aware, there is no relevant audit information, being information required by the auditors in connection with the preparation of the auditors' report, of which the auditors are unaware Having made enquiries of fellow directors, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

Appointment of independent auditors

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

By order of the Board 19 December 2012


N Borrett
Company Secretary

Independent auditors' report to the members of Gibraltar Investments (No.7) Limited

We have audited the financial statements of Gibraltar Investments (No 7) Limited for the period ended 31 March 2012 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Gibraltar Investments (No.7) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

19 December 2012

GIBRALTAR INVESTMENTS (NO.7) LIMITED

**PROFIT AND LOSS ACCOUNT
for the period ended 31 March 2012
Company Registered Number: 4540026**

	Note	Period from 16 June 2011 to 31 March 2012 £	Period from 26 Sept 2010 to 15 June 2011 £
Administrative expenses	3	30,103,705	11,981,101
Operating profit		30,103,705	11,981,101
Income from shares in group undertakings		6,800,000	-
Interest receivable and similar income	2	21,323,602	691,350
Interest payable and similar charges	2	(11)	(52,913)
Profit on ordinary activities before taxation	3	58,227,296	12,619,538
Tax on profit on ordinary activities	4	-	-
Profit for the financial period		58,227,296	12,619,538

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

There is no difference between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents

All results derive from continuing operations

The accompanying notes form an integral part of these financial statements

GIBRALTAR INVESTMENTS (NO.7) LIMITED

**BALANCE SHEET
as at 31 March 2012**

Company Registration Number: 4540026

	Note	31 March 2012 £	15 June 2011 £
FIXED ASSETS			
Shares in group undertakings	5	100,000	100,000
CURRENT ASSETS			
Debtors falling due within one year	6	28,715,091	1,077,174,565
Debtors falling due after more than one year	6	406,809,363	399,852,362
		435,524,454	1,477,026,927
CREDITORS – amounts falling due within one year	7	(109,173)	(109,162)
NET CURRENT ASSETS		435,415,281	1,476,917,765
TOTAL ASSETS LESS CURRENT LIABILITIES		435,515,281	1,477,017,765
CAPITAL AND RESERVES			
Called up share capital	8	611,195	611,195
Share premium account	9	202,911,639	1,463,786,686
Profit and loss account	9	231,992,447	12,619,884
TOTAL SHAREHOLDERS' FUNDS		435,515,281	1,477,017,765

The financial statements on pages 6 to 13 were approved by the Board on 19 December 2012

The accompanying notes form an integral part of these financial statements


W Tame
Director

1 ACCOUNTING POLICIES

The principal accounting policies which have been applied consistently throughout the year are set out below

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards

Cash flow statement

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

Investments in Subsidiaries

Fixed asset investments are stated at cost less provision for impairment. Any impairment is recognised in the profit and loss account in the period in which it arises

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. The taxation liabilities of certain group companies may be reduced, wholly or in part, by surrender of losses by fellow group companies. The decision to charge group relief is made on a case by case basis

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Group financial statements

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

Foreign Currencies

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

2 INTEREST RECEIVABLE / (PAYABLE) AND SIMILAR INCOME / (CHARGES)

	Period from 16 June 2011 to 31 March 2012 £	Period from 26 Sept 2010 to 15 June 2011 £
Interest payable and similar charges		
Bank interest	(11)	-
Loan interest payable to group undertakings	-	(52,913)
	<u>(11)</u>	<u>(52,913)</u>
Interest receivable and similar income		
Loan interest receivable from group undertaking	21,323,602	691,350
	<u>21,323,602</u>	<u>691,350</u>
Net interest and similar income	<u>21,323,591</u>	<u>638,437</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION, STAFF COSTS AND DIRECTORS' REMUNERATION

There were no staff employed during the period (June 2011 none) and none of the directors (June 2011 none) received remuneration in respect of their services to the company during the period under review

The directors are remunerated by other group companies

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

Net exchange differences on foreign currency borrowings are £30,103,705 (June 2011 £11,981,101)

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no corporate tax charge for the period (June 2011 none) as the company will receive group relief from its fellow subsidiaries for nil consideration

The tax assessed for the period is lower (June 2011 lower) than the standard rate of corporation tax in the UK of 26% (June 2011 28%) The differences are explained below

	Period from 16 June 2011 to 31 March 2012 £	Period from 26 Sept 2010 to June 15 2011 £
Profit on ordinary activities before tax	58,227,296	12,619,538
Tax on profit on ordinary activities at standard UK corporation tax rate of 26% (June 2011 26%)	15,139,097	3,281,080
Effects of		
Timing differences	-	-
Intangible amortisation not deductible for tax purposes	-	-
Non Taxable Income	(9,594,963)	-
Prior period adjustments	-	-
Group relief for nil consideration	(5,544,134)	(3,281,080)
Non-taxable gains	-	-
Current tax charged for the period	-	-

A number of changes to the UK Corporation tax system were announced in the March 2012 Budget Statement Legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012 is included in the Finance Act 2012 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2013 These further changes had not been substantively enacted at the balance sheet date and, therefore the impact is not included in these financial statements

GIBRALTAR INVESTMENTS (NO.7) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 FIXED ASSET INVESTMENTS

	31 March 2012	15 June 2011
	£	£
Investments in group companies		
Cost and net book value	100,000	100,000

The investments in group companies of £100,000 relates to the investment in Babcock International Guarantee Company Limited, an investment holding company incorporated in England and Wales

The Directors consider the value of investments to be supported by their underlying assets During the period, Babcock International Guarantee Company Limited paid a dividend of £6,800,000 (June 2011 nil)

6 DEBTORS

	31 March 2012	15 June 2011
	£	£
Amount owed by other group undertakings	435,524,454	1,477,026,927

Included in amounts owed by group undertakings are the following

\$650,000,000 due after more than one year (June 2011 \$650,000,000) of which \$500,000,000 (June 2011 \$500,000,000) bears interest at a fixed rate of 5.64% The balance of \$150,000,000 bears interest at a fixed rate of 4.94%

The previous period includes \$1,750,000,000 that was repaid on 30 November 2011 bearing interest at 6 month US LIBOR plus four hundred basis points

The remaining £28,715,091 (June 2011 £648,975) is non interest bearing and repayable on demand

7 CREDITORS: amounts falling due within one year

	31 March 2012	15 June 2011
	£	£
Bank Overdraft	9,173	9,162
Amounts owed to group undertakings	100,000	100,000
	109,173	109,162

Included in amounts owed to group undertakings is a loan of £100,000 (June 2011 £100,000) bearing no interest and repayable on demand

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 CALLED UP SHARE CAPITAL

	31 March 2012 £	15 June 2011 £
Authorised:		
50,000,000 (June 2011 50,000,000) ordinary shares of £1 each	50,000,000	50,000,000
Allotted, called up and fully paid:		
1,000 (June 2011 1,000) ordinary shares of £1 each	1,000	1,000
1,000,000 (June 2011 1,000,000) ordinary B shares of \$1 each	610,165	610,165
Allotted, called up and partly paid:		
30,000,000 (June 2011 30,000,000) ordinary shares of £1 each (0 0001p paid per share)	30	30

9 RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 16 June 2011	611,195	1,463,786,686	12,619,884	1,477,017,765
Profit for the period	-	-	58,227,296	58,227,296
Capital Reduction	-	(1,260,875,047)	1,260,875,047	-
Dividends Paid	-	-	(1,099,729,780)	(1,099,729,780)
At 31 March 2012	611,195	202,911,639	231,992,447	435,515,281

On 12 July 2011 the company performed a capital reduction exercise whereby \$1,750,000,000 was transferred from the share premium account to the profit and loss account

10 RELATED PARTY TRANSACTIONS

The company, as a wholly owned subsidiary, has taken advantage of the exemption granted under Financial Reporting Standards 8 "Related Party Disclosures" from disclosing details of sales and purchases with other members of the group headed up by Babcock International Group PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 CONTINGENT LIABILITIES

The company at the period end had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of nil (June 2011 £nil) provided to certain group companies

12 ULTIMATE CONTROLLING PARTY

On 14 June 2011, Babcock Integrated Technology Limited sold the shares in the company to Babcock Holdings Limited. The company's immediate parent undertaking is Babcock Holdings Limited. The company's ultimate parent company and ultimate controlling party is Babcock International Group PLC, a company registered in England and Wales. The only group in which the results of the company are consolidated is that headed by Babcock International Group PLC.

Copies of the Babcock International Group PLC Financial Statements are available from the following address

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