

GIBRALTAR INVESTMENTS (NO. 7) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

Company Registered Number: 04540026



Gibraltar Investments (No. 7) Limited

Directors and advisors

Directors

W Tame
P Rogers

Company Secretary

Babcock Corporate Secretaries Limited

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

Strategic report

The directors present their Strategic report of the Company for the year ended 31 March 2014.

Principal activities

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.

Results

The loss for the year of £4,082,283 (2013: £387,560,090) has been transferred to reserves.

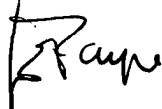
Key performance indicators

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

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 64-71.

By order of the Board 29 September 2014:



For and on behalf of
Babcock Corporate Secretaries Limited

Gibraltar Investments (No. 7) Limited

Directors' report

The directors present their Directors' report and the audited financial statements of the Company for the year ended 31 March 2014.

Future direction of the company

There are no plans to alter significantly the business of the Company.

Dividends

No dividends were paid during the year (2013: £nil). The board does not recommend a dividend for the financial year (2013: £nil)

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 year to 31 March 2014, 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.

Babcock International Group PLC also provides protections for directors of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by Companies Act 2006) for the benefit of directors of Babcock International Group PLC, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities came into force in 2013 and remain in force.

Directors of the Company

The directors who held office during the year and up to the point of signing the financial statements were as follows:

W Tame
P Rogers

Gibraltar Investments (No. 7) Limited

Directors' report (continued)

Statement of directors' responsibilities

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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;
- 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.

Reappointment 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 29 September 2014:



For and on behalf of
Babcock Corporate Secretaries Limited

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Gibraltar Investments (No. 7) Limited, comprise:

- the Balance Sheet as at 31 March 2014;
- the Profit and loss account for the year then ended;
- the Reconciliation of Movement in Shareholders' Funds and reserves for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.



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

29 September 2014

Gibraltar Investments (No. 7) Limited

Profit and loss account For the year ended 31 March 2014

	Note	2014 £	2013 £
Administrative expenses		(4,082,283)	24,861,508
Administrative expenses – exceptional item	3	-	(429,581,654)
Operating loss		(4,082,283)	(404,720,146)
Income from shares in group undertakings		-	-
Interest receivable and similar income	2	-	22,224,056
Interest payable and similar charges	2	-	-
Loss on ordinary activities before taxation	3	(4,082,283)	(382,496,090)
Tax on loss ordinary activities	5	-	(5,064,000)
Loss for the financial year	10	(4,082,283)	(387,560,090)

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

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.

All results derive from continuing operations.

The accompanying notes form an integral part of these financial statements.

Gibraltar Investments (No. 7) Limited

Company registration number: 04540026

Balance sheet as at 31 March 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Shares in group undertakings	6	100,000	100,000
CURRENT ASSETS			
Debtors falling due within one year	7	48,946,556	53,028,839
Debtors falling due after more than one year	7	-	-
		48,946,556	53,028,839
Creditors: amounts falling due within one year	8	(5,173,648)	(5,173,648)
NET CURRENT ASSETS		43,772,908	47,855,191
TOTAL ASSETS LESS CURRENT LIABILITIES		43,872,908	47,955,191
NET ASSETS		43,872,908	47,955,191
CAPITAL AND RESERVES			
Called up share capital	9	611,195	611,195
Share premium account	10	-	-
Profit and loss account	10	43,261,713	47,343,996
TOTAL SHAREHOLDERS' FUNDS	10	43,872,908	47,955,191

The financial statements on pages 8 to 15 were approved by the board of directors and signed on its behalf by:


P Rogers
Director

29 September 2014

Gibraltar Investments (No. 7) Limited

Notes to the financial statements

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently, throughout the period.

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 Subsidiary undertakings

Investments in subsidiary undertakings 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 years 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.

Group financial statements

The Company has taken advantage of Section 400 of the Companies Act 2006 and has not presented Group financial statements as it is a wholly owned subsidiary of Babcock International Group PLC which prepares consolidated financial statements which are publically available.

Gibraltar Investments (No. 7) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

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 or losses on translation are included in the profit and loss account.

2. Interest (payable)/receivable and similar (charges)/income

	2014	2013
	£	£
Interest payable and similar charges:		
Bank interest	-	-
Loan interest payable to group undertakings	-	-
	<hr/>	<hr/>
	-	-
Interest receivable and similar income:	-	-
Loan interest receivable from group undertaking	-	22,224,056
	<hr/>	<hr/>
	-	22,224,056
Net interest receivable and similar income	<hr/>	<hr/>
	-	22,224,056

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after crediting/(charging):

	2014	2013
	£	£
Foreign exchange gain	4,082,283	24,862,483
Legal and professional fees	-	(975)
Other exceptional item	-	(429,581,654)

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

In the prior year, on 27 March 2013 the \$650,000,000 debtor loan was waived resulting in the exceptional item above.

4. Staff costs and directors remuneration

There were no (2013: none) staff employed during the financial year and none (2013: none) of the directors received remuneration in respect of their services to the Company.

Gibraltar Investments (No. 7) Limited

Notes to the financial statements (continued)

5. Tax on loss on ordinary activities

	2014 £	2013 £
Current tax		
UK Corporation tax on profits of the year	-	-
Adjustment in respect of prior years	-	-
Group relief for consideration	-	5,064,000
Total current tax charge for the year	-	5,064,000
Deferred tax:		
Deferred tax charge for the year	-	-
Adjustments in respect of prior years:		
Other	-	-
ACT irrecoverable written off	-	-
Impact of change in UK tax rate	-	-
Total tax charge on loss on ordinary activities	-	5,064,000

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below.

	2014 £	2013 £
Loss on ordinary activities before taxation	(4,082,283)	(382,496,090)
Tax on loss on ordinary activities at standard UK corporation tax rate of 23% (2013: 24%)	(938,925)	(91,799,062)
Effects of:		
Timing differences	-	-
Expenses not deductible for tax purposes	-	103,099,712
Non Taxable Income	-	(5,465,350)
Adjustments in respect of prior years	-	-
Group relief for nil consideration	938,925	(771,300)
Current tax charged for the year	-	5,064,000

Factors affecting current and future tax charges

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 23% to 21% from 1 April 2014 is included in the Finance Act 2013. Further changes to the UK corporation tax system were announced in the March 2013 Budget Statement. These included further reductions to the main corporation rate from 21% to 20% by 1 April 2015. These further changes have been substantively enacted at the balance sheet date and, therefore the impact is included in these financial statements. As a result of the above all deferred tax balances are restated at 20% at the balance sheet date.

Gibraltar Investments (No. 7) Limited

Notes to the financial statements (continued)

6. Fixed assets – Shares in group undertakings

	2014 £	2013 £
Cost and net book value	100,000	100,000

The investment in group companies of £100,000 relates to the investment in its wholly owned subsidiary, Babcock International Guarantee Company, an investment holding company incorporated in England and Wales.

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

7. Debtors

	2014 £	2013 £
Due within one year:		
Amounts owed by group undertakings	48,946,556	53,028,839
	48,946,556	53,028,839

Included in amounts owed by group undertakings are the following:

£48,946,556 (2013: £53,028,839) is non interest bearing and repayable on demand.

8. Creditors: amounts falling due within one year

	2014 £	2013 £
Bank loans and overdrafts	9,648	9,648
Amounts owed to group undertakings	5,164,000	5,164,000
	5,173,648	5,173,648

Included in amounts owed to group undertakings is a loan of £100,000 (2013: £100,000) bearing no interest and repayable on demand.

The remaining £5,064,000 (2013: £5,064,000) is non interest bearing and repayable on demand.

Gibraltar Investments (No. 7) Limited

Notes to the financial statements (continued)

9. Called up share capital

	2014 £	2013 £
Authorised:		
50,000,000 (2013: 50,000,000) ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
Allotted, called up and fully paid:		
1,000 (2013: 1,000) ordinary shares of £1 each	1,000	1,000
1,000,000 (2013: 1,000,000) ordinary B shares of \$1 each	<u>610,165</u>	<u>610,165</u>
Allotted, called up and partly paid:		
30,000,000 (2013: 30,000,000) ordinary shares of £1 each (0.0001p paid per share)	<u>30</u>	<u>30</u>

10. Reconciliation of movements in shareholders' funds and reserves

	Called up share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
At 1 April 2013	611,195	-	47,343,996	47,955,191
Loss for the year	-	-	(4,082,283)	(4,082,283)
Capital Reduction	-	-	-	-
At 31 March 2014	<u>611,195</u>	<u>-</u>	<u>43,261,713</u>	<u>43,872,908</u>
At 1 April 2012	611,195	202,911,639	231,992,447	435,515,281
Loss for the year	-	-	(387,560,090)	(387,560,090)
Capital Reduction	-	(202,911,639)	202,911,639	-
Dividends Paid	-	-	-	-
At 31 March 2013	<u>611,195</u>	<u>-</u>	<u>47,343,996</u>	<u>47,955,191</u>

11. Related party disclosures

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.

12. Contingent liabilities

The Company at the year end had guaranteed or had joint and several liability for drawn. Babcock International Group PLC bank facilities of £nil (2013: £nil) provided to certain group companies.

Gibraltar Investments (No. 7) Limited

Notes to the financial statements (continued)

13. Parent undertakings

The Company's immediate parent undertaking is Babcock Overseas Investments 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