

**GIBRALTAR INVESTMENTS (NO. 7) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**Company Registered Number: 04540026**

SATURDAY



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21/12/2013  
COMPANIES HOUSE

**Directors**

W Tame  
P Rogers

**Company Secretary**

	<u>Appointed</u>	<u>Resigned</u>
Babcock Corporate Secretaries Limited	25 February 2013	
V Teller		27 July 2012
N Borrett	27 July 2012	25 February 2013

**Registered Office**

33 Wigmore Street  
London  
W1U 1QX

**Independent Auditors**

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

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2013

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

### **Results and dividends**

The loss for the year was £387,560,090 (2012 profit £58,227,296) and this will be transferred to reserves. The Company paid a dividend of £nil (2012 £1,099,729,780).

On 27 March 2013, the Company carried out a capital reduction, whereby £202,911,639 of share premium was reduced.

On 27 March 2013 the \$650,000,000 loan receivable was waived resulting in an exceptional item.

### **Key performance indicators (KPI's)**

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 year to 31 March 2013, 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 2012 and remain in force.

### **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 50-55.

### **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

**Charitable and political donations**

In the year ended 31 March 2013 the Company made charitable donations of £nil (2012 £nil)  
There were no political contributions during the financial year (2012 £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 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, 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.

**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 19 December 2013



For and on behalf of  
Babcock Corporate Secretaries Limited

**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 year ended 31 March 2013 which comprise the Profit and loss account, the Balance sheet and the Notes to the financial statements. 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 4 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 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 2013 and of its profit 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

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in 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)**

**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 2013

**Gibraltar Investments (No. 7) Limited**

**Profit and loss account  
For the year ended 31 March 2013**

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	Notes	2013 £	2012 £
Administrative expenses		24,861,508	30,103,705
Administrative expenses – exceptional item	3	<u>(429,581,654)</u>	-
Operating (loss)/profit		(404,720,146)	30,103,705
Income from shares in group undertakings		-	6,800,000
Interest receivable and similar income	2	22,224,056	21,323,602
Interest payable and similar charges	2	-	(11)
<b>(Loss)/profit on ordinary activities before taxation</b>	3	<u>(382,496,090)</u>	58,227,296
Tax on (loss)/profit on ordinary activities	5	<u>(5,064,000)</u>	-
<b>(Loss)/profit for the financial year</b>	10	<u>(387,560,090)</u>	58,227,296

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit 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 2013**

	Notes	2013 £	2012 £
<b>FIXED ASSETS</b>			
Shares in group undertakings	6	<b>100,000</b>	100,000
<b>CURRENT ASSETS</b>			
Debtors falling due within one year	7	<b>53,028,839</b>	28,715,091
Debtors falling due after more than one year	7	-	406,809,363
		<b>53,028,839</b>	435,524,454
Creditors amounts falling due within one year	8	<b>(5,173,648)</b>	(109,173)
<b>NET CURRENT ASSETS</b>		<b>47,855,191</b>	435,415,281
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>47,855,191</b>	435,515,281
<b>NET ASSETS</b>		<b>47,855,191</b>	435,515,281
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	<b>611,195</b>	611,195
Share premium account	10	-	202,911,639
Profit and loss account	10	<b>47,343,996</b>	231,992,447
<b>TOTAL SHAREHOLDERS' FUNDS</b>	10	<b>47,955,191</b>	435,515,281

The financial statements on pages 7 to 14 were approved by the board of directors and signed on its behalf by

W Tame  
**Director**  
 19 December 2013



## 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 publicly available.

**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**

	2013 £	2012 £
Interest payable and similar charges		
Bank interest	-	(11)
Loan interest payable to group undertakings	-	-
	-	(11)
Interest receivable and similar income		-
Loan interest receivable from group undertaking	22,224,056	21,323,602
	22,224,056	21,323,602
Net interest receivable and similar income	22,224,056	21,323,591

**3. (Loss)/profit on ordinary activities before taxation**

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

	2013 £	2012 £
Foreign exchange gain	24,862,483	30,103,705
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

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 (2012 none) staff employed during the financial year and none (2012 none) of the directors received remuneration in respect of their services to the Company

**5. Tax on (loss)/profit on ordinary activities**

	2013 £'000	2012 £'000
<b>Current tax</b>		
UK Corporation tax on profits of the year	-	-
Adjustment in respect of prior years	-	-
Group relief for consideration	<u>5,064,000</u>	-
Total current tax charge for the year	<b>5,064,000</b>	-
<b>Deferred tax:</b>		
Deferred tax charge for the year	-	-
Adjustment in respect of prior years		
Other	-	-
ACT irrecoverable written off	-	-
Impact of change in UK tax rate	-	-
Total tax charge on (loss)/profit on ordinary activities	<u><b>5,064,000</b></u>	-

The tax assessed for the year is higher (2012 lower) than the standard rate of corporation tax in the UK of 24% (2012 26%) The differences are explained below

	2013 £	2012 £
(Loss)/profit on ordinary activities before tax	<u>(382,496,090)</u>	58,227,296
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 24% (2012 26%)	<b>(91,799,062)</b>	15,139,097
Effects of		
Timing differences	-	-
Expenses not deductible for tax purposes	<b>103,099,712</b>	-
Non Taxable Income	<b>(5,465,350)</b>	(9,594,963)
Prior year adjustments	-	-
Group relief for nil consideration	<u>(771,300)</u>	(5,544,134)
Current tax charged for the year	<u><b>5,064,000</b></u>	-

*Factors affecting current and future tax charges*

A number of changes to the UK Corporation tax system were announced in the March 2013 Budget Statement Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2013 Further reductions to the main rate are proposed to reduce the rate to 21% by 1 April 2014 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)**

**6. Fixed assets – Shares in group undertakings**

	2013	2012
	£	£
<b>Cost and net book value</b>	<b>100,000</b>	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**

	2013	2012
	£	£
Due within one year		
Amounts owed by group undertakings	<b>53,028,839</b>	435,524,454
	<b>53,028,839</b>	435,524,454

Included in amounts owed by group undertakings are the following

The previous year included \$650,000,000 that was waived on 27 March 2013 of which \$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 remaining £53,028,839 (2012 £28,715,091) is non interest bearing and repayable on demand

**8. Creditors: amounts falling due within one year**

	2013	2012
	£	£
Bank loans and overdrafts	<b>9,648</b>	9,173
Amounts owed to group undertakings	<b>5,164,000</b>	100,000
	<b>5,173,648</b>	109,173

Included in amounts owed to group undertakings is a loan of £100,000 (2012 £100,000) bearing no interest and repayable on demand

The remaining £5,064,000 (2012 £nil) is non interest bearing and repayable on demand

**9. Called up share capital**

	2013 £	2012 £
<b>Authorised:</b>		
50,000,000 (2012 50,000,000) ordinary shares of £1 each	<u>50,000,000</u>	50,000,000
<b>Allotted, called up and fully paid:</b>		
1,000 (2012 1,000) ordinary shares of £1 each	1,000	1,000
1,000,000 (2012 1,000,000) ordinary B shares of \$1 each	<u>610,165</u>	<u>610,165</u>
<b>Allotted, called up and partly paid:</b>		
30,000,000 (2012 30,000,000) ordinary shares of £1 each (0 0001p paid per share)	<u>30</u>	<u>30</u>

**10. Reconciliation of movement in shareholders' funds and reserves**

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
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	-
<b>At 31 March 2013</b>	<u>611,195</u>	<u>-</u>	<u>47,343,996</u>	<u>47,955,191</u>
At 16 June 2011	611,195	1,463,786,686	12,619,884	1,477,017,765
Profit for the year	-	-	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)
<b>At 31 March 2012</b>	<u>611,195</u>	<u>202,911,639</u>	<u>231,992,447</u>	<u>435,515,281</u>

On 27 March 2013, the Company carried out a capital reduction, whereby £202,911,639 of share premium was reduced

**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 (2012 £nil) provided to certain group companies

**13. Parent undertakings**

On 31 January 2013, Babcock Holdings Limited sold the shares in the Company to Babcock Overseas Investments Limited. 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