

**GIBRALTAR INVESTMENTS (NO. 7) LIMITED**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE PERIOD ENDED 15 JUNE 2011**

**Company Registered Number: 4540026**

**TUESDAY**



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**07/08/2012**

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**COMPANIES HOUSE**

**DIRECTORS**

W Tame  
P Rogers

**COMPANY SECRETARY**

N Borrett

**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 15 June 2011

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The directors present their Annual Report and the audited financial statements of the company for the period ended 15 June 2011

The report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

#### **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.

#### **Share capital**

On 14 June 2011 the company issued 1,000,000 Class B ordinary \$1.00 shares at a premium of \$2,398.80 per share resulting in additional shareholder funds of £1,464,396,851.54

#### **Results and dividends**

The profit for the period was £12,619,538 (2010: £4). The directors do not propose a final dividend (2010: nil).

#### **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.

#### **Qualifying third party indemnity provisions**

Under their respective Articles of Association, the directors of the company are, and were during the period to 15 June 2011, 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.

#### **Post balance sheet event**

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

#### **Directors**

The Directors who held office during the period and up to the point of signing the financial statements were:

W Tame

P Rogers

F Martinelli (resigned 11 July 2011)

**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 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.

**Statement of disclosure of information to auditors**

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 enquires 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 auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board 02 August 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 15 June 2011 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 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 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 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 15 June 2011 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 requirements of the Companies Act 2006

**Opinion on other matters 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 by the company, 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, or
- the directors were not entitled to take advantage of the Small Companies' exemption in preparing the Directors' Report.



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

02 August 2012

**GIBRALTAR INVESTMENTS (NO.7) LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**for the period ended 15 June 2011**  
**Company Registered Number: 4540026**

	Note	Period from 26 Sept 2010 to 15 June 2011 £	Year to 25 Sept 2010 £
Administrative Expenses	3	11,981,101	-
Interest payable and similar charges	2	(52,913)	-
Interest receivable and similar income	2	691,350	4
<b>Profit on ordinary activities before taxation</b>	3	<b>12,619,538</b>	<b>4</b>
Tax on profit on ordinary activities	4	-	-
<b>Profit for the financial period / year</b>		<b>12,619,538</b>	<b>4</b>

During the period, and prior year, there were no recognised gains and losses other than those dealt with in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

The accompanying notes form an integral part of these financial statements

There are no material differences between profit on ordinary activities before tax and the retained profit for the period, and prior year, stated above and their historical cost equivalent

All results derive from continuing operations

**GIBRALTAR INVESTMENTS (NO.7) LIMITED**

**BALANCE SHEET  
as at 15 June 2011**

	Note	Period from 26 Sept 2010 to 15 June 2011 £	Year to 25 Sept 2010 £
<b>FIXED ASSETS</b>			
Investments in subsidiary undertakings	5	100,000	100,000
<b>CURRENT ASSETS</b>			
Debtors due within one year	6	1,077,174,565	1,376
Debtors due after more than one year	6	399,852,362	-
		<b>1,477,026,927</b>	<b>1,376</b>
<b>CREDITORS – amounts falling due within one year</b>	<b>7</b>	<b>(109,162)</b>	<b>(100,000)</b>
		<b>1,476,917,765</b>	<b>(98,624)</b>
<b>NET CURRENT ASSETS / (LIABILITES)</b>		<b>1,476,917,765</b>	<b>(98,624)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,477,017,765</b>	<b>1,376</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	611,195	1,030
Share premium account	9	1,463,786,686	-
Profit and loss account	9	12,619,884	346
<b>Total shareholders' funds</b>		<b>1,477,017,765</b>	<b>1,376</b>

The financial statements on pages 6 to 13 were approved by the Board on 02 August 2012

W Tame  
Director

The accompanying notes form an integral part of this balance sheet



## 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 accounts of the ultimate parent company.

### **Investments in subsidiary undertakings**

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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

**GIBRALTAR INVESTMENTS (NO.7) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1 ACCOUNTING POLICIES (continued)**

**Taxation (continued)**

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate

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 the exemption from preparing consolidated financial statements afforded by the Companies Act 2006 because it is a wholly owned subsidiary 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)**

	Period from 26 Sept 2010 to 15 June 2011 £	Year to 25 Sept 2010 £
Interest payable		
Loan interest payable to group undertakings	(52,913)	-
	(52,913)	-
Interest receivable		
Bank interest	-	4
Loan interest receivable from group undertaking	691,350	-
	691,350	4
Net interest income	638,437	4

**GIBRALTAR INVESTMENTS (NO.7) LIMITED**

**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 and none of the directors 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 £11,981,101 (2010 nil)

**4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

There is no corporate tax charge for the period as the company will receive group relief from its fellow subsidiaries for nil consideration

	2011	2010
	£	£
Profit on ordinary activities before tax	<b>12,619,538</b>	4
Tax on profit on ordinary activities at standard UK corporation tax rate of 26% (2010 28%)	<b>3,281,080</b>	-
Effects of		
Timing differences	-	-
Intangible amortisation not deductible for tax purposes	-	-
Expenses not deductible for tax purposes	-	-
Prior year adjustments	-	-
Group relief for nil consideration	<b>(3,281,080)</b>	-
Non-taxable gains	-	-
Current tax charged for the year	-	-

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**

	Period from 26 Sept 2010 to 15 Jun 2011 £	Year to 25 Sept 2010 £
<hr/>		
<b>Investments in group companies</b>		
<b>Cost and net book value at 15 June 2011</b>	<b>100,000</b>	<b>100,000</b>

The investments in group companies of £100,000 relates to the investment in Babcock International Guarantee Company Limited

Directors consider the value of investments to be supported by their underlying assets

**6 DEBTORS**

	Period from 26 Sept 2010 to 15 Jun 2011 £	Year to 25 Sept 2010 2010 £
<hr/>		
Amount owed by other group undertakings	1,477,026,927	1,376

Included in amounts owed by group undertakings are the following

\$650,000,000 due after more than one year (2011 nil) 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%

\$1,750,000,000 bears interest at 6 month US LIBOR plus four hundred basis points and is repayable on 30 November 2011. The remaining £648,975 (2011 £1,376) is non interest bearing and repayable on demand

**7 CREDITORS: amounts falling due within one year**

	Period from 26 Sept 2010 to 15 Jun 2011 £	Year to 25 Sept 2010 £
<hr/>		
Bank Overdraft	9,162	-
Amounts owed to group undertakings	100,000	100,000
	<hr/> <b>109,162</b>	<hr/> <b>100,000</b>

Included in amounts owed to group undertakings is a loan of £100,000 (2010 £100,000) bearing no interest and repayable on demand

**GIBRALTAR INVESTMENTS (NO.7) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8 CALLED UP SHARE CAPITAL**

	Period from 26 Sept 2010 to 15 Jun 2011 £	Year to 25 Sept 2010 £
<b>Authorised:</b>		
50,000,000 (2010 50,000,000) ordinary shares of £1 each	<b>50,000,000</b>	50,000,000
<b>Allotted, called up and fully paid:</b>		
1,000 (2010 1,000) ordinary shares of £1 each	<b>1,000</b>	1,000
1,000,000 ordinary B shares of \$1 each	<b>610,165</b>	-
<b>Allotted, called up and partly paid:</b>		
30,000,000 (2010 30,000,000) ordinary shares of £1 each (0 0001p paid per share)	<b>30</b>	30

On 14 June 2011 the company issued 1,000,000 Class B ordinary \$1 00 shares at a premium of \$2,398 80 per share resulting in additional shareholder funds of £1,464,396,851 54

**9 RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 26 Sept 2010	1,030	-	346	1,376
Profit for the financial period	-	-	12,619,538	12,619,538
Ordinary shares issued	610,165	1,463,786,686	-	1,464,396,851
Dividends paid	-	-	-	-
<b>At 15 June 2011</b>	<b>611,195</b>	<b>1,463,786,686</b>	<b>12,619,884</b>	<b>1,477,017,765</b>

**10 POST BALANCE SHEET EVENT**

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

**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 (2011 £nil) provided to certain group companies

**12 RELATED PARTY TRANSACTIONS**

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

**13 ULTIMATE CONTROLLING PARTY**

On 7 September 2010, Babcock Management Limited sold the shares in the company to Babcock Integrated Technology Limited. The company's immediate parent undertaking is Babcock Integrated Technology Limited. The company's ultimate parent company and 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