

# **Babcock Overseas Investments Limited**

## **Directors' report and financial statements**

**For the period 1 April 2012 to 12 March 2013**

**Company registration number:**

**2669327**

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COMPANIES HOUSE

Directors and advisors

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**Directors**

W Tame  
F Martinelli  
P Rogers

**Company Secretary**

Babcock Corporate Secretaries Limited  
N Borrett  
V Teller

Appointed

25 February 2013  
27 July 2012

Resigned

25 February 2013  
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

The directors present their report and the audited financial statements of the Company, for the period 1 April 2012 to 12 March 2013

**Principal activities**

The principal activity of the Company continues to be that of an investment holding company. There are no plans to significantly alter the business of the Company.

**Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued support of the immediate parent company Babcock Holdings Limited. The directors have received confirmation that Babcock Holdings Limited intends to support the Company for at least one year after these financial statements are signed.

**Share capital**

On 31 January 2013 the Company issued 1,000 Ordinary £1 shares at a premium of £431,909 per share, resulting in additional shareholders' funds of £431,910,000.

**Results and dividends**

The loss for the financial period was £30,357,000 (2012 profit £11,501,000). Dividends declared and paid in the current financial period were £nil (2012 £nil). There are no plans for a final dividend.

**Key performance indicators (KPIs)**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators 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 50-55.

**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.

**Charitable and political donations**

In the period ended 12 March 2013 the Company made no charitable donations (2012 £nil). There were no political contributions during the financial period (2012 £nil).

**Qualifying third party indemnity provisions**

Under their respective Articles of Association, the directors of the Company are, and were during the financial period to 12 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.

**Directors of the Company**

The directors who held office during the period and up to the date of signing the financial statements were as follows

W Tame  
F Martinelli  
P Rogers

**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 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.

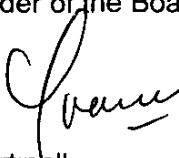
**Auditors and the disclosure of information**

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

  
F Martinelli  
**Director**

**Independent auditors' report to the members of Babcock Overseas Investments Limited**

We have audited the financial statements of Babcock Overseas Investments Limited for the period ended 12 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 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 12 March 2013 and of its loss 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 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 Babcock Overseas Investments 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

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**Babcock Overseas Investments Limited****Profit and loss account  
For the period ended 12 March 2013**

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	Notes	Period 1 April 2012 to 12 March 2013 £'000	Period 12 July 2011 to 31 March 2012 £'000
Administrative expenses	3	(33,855)	29,499
Operating (loss) / profit		(33,855)	29,499
Interest receivable and similar income	2	33,463	24,415
Amounts written off investments		-	-
Interest payable and similar charges	2	(29,965)	(42,413)
(Loss) / profit on ordinary activities before taxation	3	(30,357)	11,501
Tax on (loss) / profit on ordinary activities	5	-	-
(Loss) / profit for the financial period	12	(30,357)	11,501

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

There were no other recognised gains or 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



**Babcock Overseas Investments Limited****Company registration number:02669327**  
**Balance sheet as at 12 March 2013**

	Notes	12 March 2013 £'000	31 March 2012 £'000
<b>Fixed assets</b>			
Shares in group undertakings	6	2,037,276	1,605,366
<b>Current assets</b>			
Debtors amounts falling due within one year	7	303,980	243,844
Debtors amounts falling due after more than one year	7	72,749	40,959
Cash at bank and in hand		1,085	-
Creditors amounts falling due within one year	8	(556,526)	(462,284)
<b>Net current liabilities</b>		(178,712)	(177,481)
Total assets less current liabilities		1,858,564	1,427,885
Creditors amounts falling due after more than one year	9	(450,765)	(421,639)
<b>Net assets</b>		1,407,799	1,006,246
<b>Capital and reserves</b>			
Called up share capital	11	3,259	3,258
Share premium account	12	1,500,385	1,068,476
Profit and loss account	12	(95,845)	(65,488)
<b>Total shareholders' funds</b>	12	1,407,799	1,006,246

The financial statements on pages 8-18 were approved by the board of directors and signed on its behalf by



F Martinelli  
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 Company has net current liabilities at 12 March 2013. The directors of Babcock Holdings Limited have confirmed that they will continue to provide financial support for at least one year from the date of signing these financial statements, such that the Company continues to settle third party liabilities as they fall due accordingly, the financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 applicable accounting standards in the United Kingdom.

### *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, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted as at 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.

### *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 of Babcock International Group PLC, which prepares consolidated financial statements which are publicly available.

**1. Accounting policies (continued)**

*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 publicly available

*Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling on 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.

*Derivative financial instruments*

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at fair value. The Company designates certain of the derivative instruments to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, gains and losses are deferred in equity until such time as the firm commitment is recognised, at which point any deferred gain or loss is included in the assets' carrying amount. These gains and losses are then realised through the profit and loss account as the asset is sold.

Certain derivatives do not qualify or are not designated as hedging instruments and any movement in their fair values is recognised in the profit and loss account immediately.

## Notes to the financial statements (continued)

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

	Period 1 April 2012 to 12 March 2013 £'000	Period 12 July 2011 to 31 March 2012 £'000
Interest payable and similar charges		
Loan interest payable to group undertakings	(29,965)	(42,413)
	<u>(29,965)</u>	<u>(42,413)</u>
Interest receivable and similar income		
Loan interest receivable from group undertakings	1,411	17,320
Fair value changes of derivative financial instruments	32,052	7,095
	<u>33,463</u>	<u>24,415</u>
Net interest receivable/(payable) and similar income /(charges)	<u>3,498</u>	<u>(17,998)</u>

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

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

	Period 1 April 2012 to 12 March 2013 £'000	Period 12 July 2011 to 31 March 2012 £'000
Tax Compliance	3	2
Auditors' remuneration		
- audit fees	4	3
Foreign exchange loss/(gain)	33,848	(29,504)
	<u>33,855</u>	<u>(29,499)</u>

**4. Staff costs and directors remuneration**

There were no staff employed during the current or prior period and none (2012 none) of the directors received remuneration in respect of their services to the Company

## Notes to the financial statements (continued)

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

There is no current or deferred tax charge for the current or prior periods

The tax assessed for the period is higher (2012 lower) than the standard effective rate of corporation tax in the UK for the period ended 12 March 2013 of 24% (2012 26%) The differences are explained below

	<b>Period 1 April 2012 to 12 March 2013 £'000</b>	<b>Period 12 July 2011 to 31 March 2012 £'000</b>
(Loss)/profit on ordinary activities before tax	<b>(30,357)</b>	11,501
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 24% (2012 26%)	<b>(7,286)</b>	2,990
Effects of		
Timing differences	-	-
Intangible amortisation not deductible for tax purposes	-	-
Expenses not deductible for tax purposes	-	-
Income not subject to tax	-	(9,634)
Prior period adjustments	-	-
Group relief for nil consideration	<b>7,286</b>	6,644
Non-taxable gains	-	-
Current tax charged for the period	-	-

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

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

	Total £'000
<b>Cost</b>	
At 1 April 2012	1,642,863
Additions	431,910
<b>At 12 March 2013</b>	<b>2,074,773</b>
<b>Provision for impairment</b>	
At 1 April 2012	(37,497)
Charge for the period	-
<b>At 12 March 2013</b>	<b>(37,497)</b>
<b>Net book value</b>	
<b>At 12 March 2013</b>	<b>2,037,276</b>
At 31 March 2012	1,605,366

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

On 31 January 2013 the Company acquired 100% of the share capital of Gibraltar Investments (No 7) Limited for a consideration of £431,910,000

The Company's directly owned subsidiary undertakings, all of which are wholly-owned, except as stated, are

<u>Company</u>	<u>Country of registration</u>	<u>Principal activities</u>
Babcock International Middle East Limited	England and Wales	Holding company
Babcock Southern Holdings Limited	England and Wales	Holding company
Babcock US Investments Limited	England and Wales	Holding company
Gibraltar Investments (No 7) Limited	England and Wales	Holding company
PHG Insurance Limited (99.99%)	England and Wales	Holding company

A full list of all subsidiary undertakings will be annexed to the ultimate parent company's next annual return filed with the Registrar of Companies

## Notes to the financial statements (continued)

## 7. Debtors

	12 March 2013 £'000	31 March 2012 £'000
Amounts owed by group undertakings	325,021	262,313
Derivative financial instruments	49,578	20,060
Other debtors (falling due after more than one year)	2,130	2,430
	<u>376,729</u>	<u>284,803</u>

Included in amounts owed by group undertakings are the following

£18,469,000 due after more than one year (2012 £18,469,000) The loan is interest bearing at six month UK LIBOR plus one hundred basis points

£2,572,000 due after more than one year (2012 £Nil) The debtor is non interest bearing

£59,784,000 (2012 £59,784,000) which is repayable on demand and bears interest at six month UK LIBOR plus one hundred basis points

£3,715,000 (2012 £3,709,000) which is repayable on demand and bears interest at UK LIBOR plus four hundred basis points

The remaining £240,481,000 (2012 £180,351,000) is non interest bearing and repayable on demand

Included in Derivative financial instruments

	12 March 2013		31 March 2012	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
At 12 March 2013				
Cross-currency interest rate swaps	49,578	-	20,060	(2,534)
	<u>49,578</u>	<u>-</u>	<u>20,060</u>	<u>(2,534)</u>
Current portion	-	-	-	-
Non-current portion	<u>49,578</u>	<u>-</u>	<u>20,060</u>	<u>(2,534)</u>

These derivatives are fair valued based on discounted future cash flows (fair value hierarchy, level 2) with gains and losses passing through the profit and loss account as hedge accounting is not available Amounts recorded in the profit and loss account are shown below

	12 March 2013 £'000	31 March 2012 £'000
Gain in profit and loss	<u>32,052</u>	<u>7,095</u>

The notional principal amount of outstanding interest rate swap contracts at 12 March 2013 included interest rate swaps in relation to the US\$650 million US\$ to GBP cross currency

**7. Debtors (continued)**

The Company held the following interest rate derivatives at 12 March 2013

	Amount US\$'000	Amount at swapped rates £'000	Swap %	Maturity
Cross currency and interest rate swap	150,000	92,100	Fixed 4.94% US\$ to fixed 5.4% GBP	19/3/2018
Cross currency and interest rate swap	200,000	122,900	Fixed 5.64% US\$ to fixed 5.95% GBP	17/3/2021
Cross currency and interest rate swap	300,000	184,300	Fixed 5.64% US\$ to floating 3 month LIBOR +margin GBP	17/3/2021
Total cross currency and interest rate swaps	650,000	399,300		

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

	12 March 2013 £'000	31 March 2012 £'000
Bank overdrafts	454	4,201
Amounts owed to parent and group undertakings	555,923	457,934
Corporation tax	149	149
	<b>556,526</b>	<b>462,284</b>

Included in amounts owed to parent and group undertakings are the following

Loans of £74,000,000 (2012 £74,000,000) repayable on demand and bearing interest at a rate of six month UK LIBOR plus one hundred basis points

Loan of £163,863,000 (2012 £163,863,000) repayable on demand and bearing interest at a rate of six month UK LIBOR plus four hundred basis points

The remaining £318,060,000 (2012 £220,071,000) is non-interest bearing



## Notes to the financial statements (continued)

**9. Creditors: amounts falling due after more than one year**

	<b>12 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Amounts owed to parent and group undertakings	<b>448,702</b>	416,751
Derivative financial instruments (note 7)	-	2,534
Other creditors	<b>2,063</b>	2,354
	<b>450,765</b>	<b>421,639</b>

Included in amounts owed to parent and group undertakings are the following

A loan of \$150,000,000 (2012 \$150,000,000) is interest bearing at a rate of 4.94% repayable in 2018

A loan of \$500,000,000 (2012 \$500,000,000) is interest bearing at a rate of 5.64% repayable in 2021

**10. Deferred Tax**

The major components of the deferred tax asset and the potential asset are as follows

	<b>Recognised 12 March 2013 £'000</b>	<b>Recognised 31 March 2012 £'000</b>	<b>Full Potential 12 March 2013 £'000</b>	<b>Full Potential 31 March 2012 £'000</b>
Tax losses (revenue)	-	-	-	-
Capital tax losses	-	-	<b>(810)</b>	(846)
	-	-	<b>(810)</b>	<b>(846)</b>

The Company has not recognised any deferred tax on revenue and capital losses in the current period and prior period as the Company does not anticipate any profits in the foreseeable future

**11. Called up share capital**

	<b>12 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
<b>Allotted, issued and fully paid</b>		
3,259,578 (2012 3,258,578) ordinary shares of £1 each	<b>3,259</b>	3,258

On 31 January 2013 the Company issued 1,000 Ordinary £1 shares at a premium of £431,909 per share, resulting in additional shareholders' funds of £431,910,000

**12. Reconciliation of movements in Shareholders' funds and reserves**

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2012	3,258	1,068,476	(65,488)	1,006,246
Loss for the period	-	-	(30,357)	(30,357)
Ordinary shares issued	1	431,909	-	431,910
<b>At 12 March 2013</b>	<b>3,259</b>	<b>1,500,385</b>	<b>(95,845)</b>	<b>1,407,799</b>
At 12 July 2011	3,258	4,000	(76,989)	(69,731)
Profit for the period	-	-	11,501	11,501
Ordinary shares issued	-	1,064,476	-	1,064,476
At 31 March 2012	3,258	1,068,476	(65,488)	1,006,246

**13. 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 (2012 £nil) provided to certain group companies

**14. 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, whose financial statements are publically available

**15. Parent undertakings**

The Company's immediate parent company is Babcock Holdings Limited, a company registered in England and Wales. 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 Babcock International Group PLC financial statements are available from the following address

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