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# **Babcock Group (US Investments) Limited**

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

**For the year ended 31 March 2015**

**Company registration number:**

**07445425**



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# **BABCOCK GROUP (US INVESTMENTS) LIMITED**

## **DIRECTORS AND ADVISOR**

### **Directors**

I Urquhart	(appointed 17 December 2014)
P L Rogers	
F Martinelli	
W Tame	(resigned 17 December 2014)

### **Company Secretary**

Babcock Corporate Secretaries Limited

### **Registered office**

33 Wigmore Street  
London  
W1U 1QX  
United Kingdom

### **Independent Auditors**

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

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## **BABCOCK GROUP (US INVESTMENTS) LIMITED**

### **STRATEGIC REPORT**

The directors present their Strategic report of the Company for the year ended 31 March 2015.

#### **Principal activities**

The principal activity of the Company is that of an investment holding company.

The Company's financial statements are presented in United States Dollars being the Company's presentational and functional currency.

#### **Results**

The loss for the financial year was \$6,963,000 (2014: \$1,104,000) and this will be deducted from reserves.

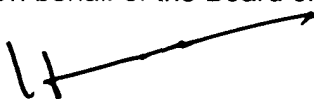
#### **Key performance indicators**

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 discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 60 to 69 of the annual report of Babcock International Group PLC, which does not form part of this report.

On behalf of the Board on 9 December 2015:

  
I Urquhart  
Director

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## **BABCOCK GROUP (US INVESTMENTS) LIMITED**

### **DIRECTORS' REPORT**

The directors present their Directors' report and the audited financial statements of the Company for the year ended 31 March 2015.

#### **Future direction of the company**

There are no plans to alter significantly 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 financial support of the immediate parent company Babcock US Investments (Number Two) LLC. The directors have received confirmation that Babcock US Investments Limited intends to support the Company for at least one year after these financial statements are signed.

#### **Dividends**

Dividends declared and paid in the current financial year were \$nil (2014: \$nil). There are no plans for a final dividend.

#### **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 which are discussed on pages 44 to 46 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

#### **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 2015, entitled to be indemnified by the Company against liabilities and costs incurred in connection with the execution of their duties or the exercise of their 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 2014 and remain in force.

#### **Directors of the Company**

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

I Urquhart	(appointed 17 December 2014)
P L Rogers	
F Martinelli	
W Tame	(resigned 17 December 2014)

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## **BABCOCK GROUP (US INVESTMENTS) 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; 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.

#### **The disclosure of information to the 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 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.

On behalf of the Board on 9 December 2015:



**I Urquhart**  
**Director**

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## **BABCOCK GROUP (US INVESTMENTS) LIMITED**

### **Independent auditors' report to the members of Babcock Group (US Investments) Limited**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Babcock Group (US Investments) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 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.

##### **What we have audited**

The financial statements comprise:

- the Balance sheet as at 31 March 2015;
- the Profit and loss account for the year then ended;
- 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 the preparation of the financial statements 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.

##### **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.

##### **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.

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## **BABCOCK GROUP (US INVESTMENTS) LIMITED**

### **Independent auditors' report to the members of Babcock Group (US Investments) Limited (continued)**

#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

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) ("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.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and 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.



John Baker (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
9 December 2015

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**BABCOCK GROUP (US INVESTMENTS) LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 March 2015**

	Notes	2015 \$'000	2014 \$'000
Administrative expenses		<u>9</u>	<u>(3)</u>
Operating profit / (loss)		<u>9</u>	<u>(3)</u>
Income from shares in group undertaking		-	50,134
Amounts written off investments	6	-	(41,766)
Interest payable and similar charges	2	<u>(6,972)</u>	<u>(9,469)</u>
Loss on ordinary activities before taxation	3	<u>(6,963)</u>	<u>(1,104)</u>
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
Loss for the financial year	10	<u>(6,963)</u>	<u>(1,104)</u>

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 of the above results derive from continuing operations.

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



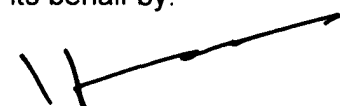
**BABCOCK GROUP (US INVESTMENTS) LIMITED**

Company registration number: 07445425

**BALANCE SHEET as at 31 March 2015**

	Notes	2015 \$'000	2014 \$'000
<b>FIXED ASSETS</b>			
Investments	6	-	-
Creditors: amounts falling due within one year	7	(20,560)	(13,597)
<b>NET CURRENT LIABILITIES</b>		(20,560)	(13,597)
<b>Total assets less current liabilities</b>		(20,560)	(13,597)
Creditors: amounts falling due after more than one year	8	(110,320)	(110,320)
<b>Net liabilities</b>		(130,880)	(123,917)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	2	2
Share premium account	10	37,180	37,180
Profit and loss account	10	(168,062)	(161,099)
<b>Total shareholders' deficit</b>	10	(130,880)	(123,917)

The financial statements on pages 7-13 were approved by the board of directors and signed on its behalf by:



I Urquhart  
Director

9 December 2015

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## **BABCOCK GROUP (US INVESTMENTS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. ACCOUNTING POLICIES**

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

##### **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. The Company has net liabilities as at 31 March 2015. The directors of Babcock US Investments Limited have confirmed that it is their current intent to continue to provide financial support to the Company for at least one year from the date of signing the financial statements. On the strength of this assurance, the financial statements have been prepared on the basis that the Company is a going concern.

##### **Investments in subsidiary undertakings**

Fixed assets investments are stated at cost less provision for impairment in value. 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 be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 years 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.

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**BABCOCK GROUP (US INVESTMENTS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****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 publically available.

**Group financial statements**

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

**2. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2015</b> <b>\$'000</b>	2014 \$'000
Interest payable and similar charges:		
Loan interest payable to group undertakings	<u>(6,972)</u>	<u>(9,469)</u>
Net interest charges	<u>(6,972)</u>	<u>(9,469)</u>

**3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

**4. STAFF COSTS AND DIRECTORS REMUNERATION**

There were no staff employed during the current or prior year and none (2014: none) of the directors received remuneration in respect of their services to the Company.

**BABCOCK GROUP (US INVESTMENTS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. TAX ON LOSS ON ORDINARY ACTIVITIES**

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Current tax		
UK Corporation tax on losses of the year	-	-
Adjustment in respect of prior years	-	-
Group relief consideration	-	-
Current tax charge for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustment in respect of prior years	-	-
ACT irrecoverable written off	-	-
Impact of change in UK tax rate	-	-
Tax charge	-	-

The tax assessed for the year is higher (2014: higher) than the standard effective rate of Corporation tax in the UK for the year ended 31 March 2015 of 21% (2014: 23%). The differences are explained below.

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Loss on ordinary activities before taxation	<b>(6,963)</b>	<b>(1,104)</b>
Tax on loss on ordinary activities at standard UK Corporation tax rate of 21% (2014: 23%)	<b>(1,462)</b>	<b>(254)</b>
Effects of:		
Timing differences	-	-
Expenses not deductible for tax purposes	-	(1,925)
Adjustments in respect of prior years	-	-
Group relief for nil consideration	<b>1,462</b>	<b>2,179</b>
Non-taxable income	-	-
Current tax charged for the year	-	-

*Factors affecting current and future tax charges*

On 2 July 2013, Finance Act 2013 was substantively enacted, reducing the main rate of UK Corporation tax from 23% to 21% with effect from 1 April 2014 and to 20% from 1 April 2015. Closing deferred tax values have therefore been valued at 20% (2014: 20%).

**BABCOCK GROUP (US INVESTMENTS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6. FIXED ASSETS – INVESTMENTS**

	Total \$'000
<b>Investments in group companies</b>	
Cost	
At 1 April 2014	189,181
Additions	-
<b>At 31 March 2015</b>	<b>189,181</b>
Provision for impairment	
At 1 April 2014	(189,181)
Impairment charge	-
<b>At 31 March 2015</b>	<b>(189,181)</b>
Net Book value	
<b>At 31 March 2015</b>	-
At 31 March 2014	-

The Company owns 80.4% of the share capital of its only directly held subsidiary Babcock International US Inc., which is incorporated in the United States of America and is an investment holding company. The investment is fully impaired.

No dividends were received for the year ended 31 March 2015 (2014: \$50,134,000).

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

A full list of related undertakings for the Company have been disclosed in Note 12.

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

	2015 \$'000	2014 \$'000
Amounts owed to fellow group undertakings	<u>20,560</u>	<u>13,597</u>
	<b>20,560</b>	<b>13,597</b>

The amount owed to fellow group undertakings is repayable on demand and is non-interest bearing.

**8. CREDITORS: amounts falling due after more than one year**

	2015 \$'000	2014 \$'000
Amounts owed to group undertakings	<u>110,320</u>	<u>110,320</u>

These unsecured loan notes are repayable after more than five years and bears interest at a fixed rate of 6.32%.

# BABCOCK GROUP (US INVESTMENTS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. CALLED UP SHARE CAPITAL

	2015 \$'000	2014 \$'000
<b>Allotted, called up and fully paid</b>		
2,000 (2014: 2000) ordinary shares of \$1 each	2	2

### 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT AND RESERVES

	Called up share capital \$'000	Share premium account \$'000	Capital Reserve \$'000	Profit and loss account \$'000	Total \$'000
At 1 April 2014	2	37,180	-	(161,099)	(123,917)
Loss for the year	-	-	-	(6,963)	(6,963)
Dividends paid	-	-	-	-	-
<b>At 31 March 2015</b>	<b>2</b>	<b>37,180</b>	<b>-</b>	<b>(168,062)</b>	<b>(130,880)</b>
At 1 April 2013	2	37,180	-	(159,995)	(122,813)
Loss for the year	-	-	-	(1,104)	(1,104)
Dividends paid	-	-	-	-	-
At 31 March 2014	2	37,180	-	(161,099)	(123,917)

### 11. RELATED PARTY DISCLOSURES

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.

### 12. RELATED UNDERTAKINGS

The Company's directly owned subsidiary undertakings, all of which are wholly-owned unless otherwise stated are listed in note 6, all related undertakings are as follows:

Company Name	Country	Interest	Ultimate %	Direct influence%
Babcock International US Inc	United States	804 Ordinary shares	80.4000%	80.4000%
Vosper Thornycroft Controls Inc	United States	1,000 Ordinary shares	100.0000%	80.4000%
VT Maritime Dynamics, Inc	United States	325,500 Ordinary shares	100.0000%	80.4000%

### 13. PARENT UNDERTAKINGS

The Company's immediate parent undertaking is Babcock US Investments (Number Two) LLC. 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.