

**Babcock Defence and Security  
Investments Limited**

**Annual report  
For the year ended 31 March 2015**

**Company registration number:  
08132272**

WEDNESDAY



A24 \*A4MVQN9N\* 23/12/2015 #10  
COMPANIES HOUSE

---

# **Babcock Defence and Security Investments Limited**

## **Directors and advisors**

### **Directors**

F Martinelli

W Tame

### **Company secretary**

Babcock Corporate Secretaries Limited

### **Registered office**

33 Wigmore Street

London

W1U 1QX

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Oceana House

39-49 Commercial Road

Southampton

SO15 1GA

---

## **Babcock Defence and Security Investments Limited**

### **Directors report for the year ended 31 March 2015**

#### **Directors' report for the year ended 31 March 2015**

The directors present their report and the audited financial statements 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.

#### **Review of the business**

Over the course of the year, the Company's core business activities continued to perform in line with expectations. During the year, the Company received dividends of £7,100,000 (2014: nil) from ALC (Superholdco) Limited, an associated undertaking of the Company.

The Company derives its operating income from the deferred income release of commitment and arrangement fees for an associated undertaking. The Company's interest receivable income is derived from loans with the associated undertakings.

#### **Future developments**

The directors are confident about the future trading prospects of the Company and it continues to operate as a going concern.

#### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risks and uncertainties affecting the Company are considered to be related to the political and regulatory environment. The directors manage this risk by meeting on a regular basis to discuss these risks.

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.

#### **Key performance indicators**

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Babcock Defence & Security, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 18 to 23 and 40 to 47 of the Group's report, which does not form part of this report.

#### **Results and dividends**

The Company's results for the year are set out in the profit and loss account on page 8 showing a profit for the financial year of £8,393,000 (2014: £1,839,000). At 31 March 2015, the Company had net assets of £68,745,000 (2014: £60,352,000).

No dividends were paid or proposed during the current year or comparative year.

**Babcock Defence and Security Investments Limited**  
**Directors report for the year ended 31 March 2015 (continued)**

**Financial risk management**

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance department. The department has a policy and procedures manual that sets out specific guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

*Liquidity risk*

The Company retains access to pooled cash resources to ensure it has sufficient available funds for operations. The Company also has access to longer term funding from its ultimate parent undertaking if required.

*Credit risk*

The Company monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

*Interest rate cash flow risk*

The Company has interest-bearing assets. The interest-bearing assets earn interest at a fixed rate, with the exception of interest earned on cash balances which accrue interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

**Directors**

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

F Martinelli  
W Tame

**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:

---

**Babcock Defence and Security Investments Limited**  
**Directors report for the year ended 31 March 2015 (continued)**

**Statement of directors' responsibilities** *(continued)*

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Directors' protection**

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 members 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.

**Disclosure of information to auditors**

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

The directors have taken advantage of Section 414B of the Companies Act 2006 in relation to small entities.

On behalf of the Board



F Martinelli

**Director**

11 December 2015

**Babcock Defence and Security Investments Limited**  
**Independent auditors' report to the members of Babcock Defence and Security Investments Limited**

**Report on the financial statements**

**Our opinion**

In our opinion, Babcock Defence and Security 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 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.

**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; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in 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 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.

**Babcock Defence and Security Investments Limited**  
**Independent auditors' report to the members of Babcock Defence and Security Investments Limited (continued)**

**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.

**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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

**Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on pages 3 and 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.

**Babcock Defence and Security Investments Limited**  
**Independent auditors' report to the members of Babcock Defence and Security**  
**Investments Limited (continued)**

In addition, we read all the financial and non-financial information in the Annual Report 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.



Michael Coffin (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton

14 December 2015



## Babcock Defence and Security Investments Limited

### Profit and loss account for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Other operating income		14	15
<b>Operating profit</b>	2	<b>14</b>	<b>15</b>
Interest receivable and similar income	3	1,622	1,824
Income from shares in group undertakings		7,100	-
<b>Profit on ordinary activities before taxation</b>		<b>8,736</b>	<b>1,839</b>
Tax on profit on ordinary activities	6	(343)	-
<b>Profit for the financial year</b>	12	<b>8,393</b>	<b>1,839</b>

There is no difference between the profit (2014: profit) on ordinary activities before taxation and the profit for the financial year (2014: profit) stated above and their historical cost equivalents.

There are no recognised gains or losses other than the profit (2014: profit) for the financial year reported above and therefore no separate statement of total recognised gains and losses has been presented.

All results derive from continuing operations.

# Babcock Defence and Security Investments Limited

## Balance Sheet as at 31 March 2015

	Note	2015 £000	2014 £000
<b>Fixed Assets</b>			
Investments	7	34,975	34,975
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	13,674	13,089
: amounts falling due after more than one year	8	10,319	10,722
Cash at bank and in hand		10,351	1,810
		<u>34,344</u>	<u>25,621</u>
Creditors: amounts falling due within one year	9	(357)	(14)
<b>Net current assets</b>		<u>33,987</u>	<u>25,607</u>
<b>Total assets less current liabilities</b>		<b>68,962</b>	<b>60,582</b>
Creditors: amounts falling due after more than one year	10	(217)	(230)
<b>Net assets</b>		<u><b>68,745</b></u>	<u><b>60,352</b></u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Share premium account	12	54,060	54,060
Profit and loss account	12	14,685	6,292
<b>Total shareholders' funds</b>	12	<u><b>68,745</b></u>	<u><b>60,352</b></u>

The financial statements on pages 8 to 15 were approved by the board of directors on 11 December 2015 and signed on its behalf by:



**F Martinelli**  
Director

---

**Babcock Defence and Security Investments Limited**  
**Notes to the financial statements**

**1. Accounting policies**

The following accounting policies have been applied consistently throughout the year.

**Basis of preparation**

These financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and UK generally accepted accounting principles. The principal accounting policies are summarised below.

The Company is exempt by virtue of s400(1) of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

The Company is a wholly-owned subsidiary of Babcock International Group PLC. Consequently, the Company has taken advantage of the exemption available under FRS 8 not to disclose details of transactions with Babcock International Group PLC or other Group undertakings, and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. In addition the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

**Investments**

Fixed asset investments are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

**Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'. Deferred tax assets are recognised only to the extent that in the opinion of the directors, there is reasonable probability that the asset will crystallise in the foreseeable future. Deferred tax is measured at the average 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 substantively enacted by the balance sheet date.

**Babcock Defence and Security Investments Limited**  
**Notes to the financial statements (continued)**

**2. Operating profit**

Fees payable for the statutory audit of the financial statements have been borne by the Company's immediate parent undertaking, Babcock Defence & Security Holdings LLP.

Fees paid to the Company's auditors PricewaterhouseCoopers LLP, and its associates, for services other than statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC.

**3. Interest receivable and similar income**

	2015 £000	2014 £000
Loan interest from associated undertakings	1,622	1,824
	<u>1,622</u>	<u>1,824</u>

**4. Staff costs**

No staff were employed by the Company during the current or prior year.

**5. Directors' remuneration**

The emoluments of the directors, including pension contributions, are borne by another Babcock International Group company in their role as executives of those companies. No part of their emoluments could be attributed to their services in respect of the Company (2014: £nil).

**6. Tax on profit on ordinary activities**

	2015 £000	2014 £000
Current tax:		
- UK corporation tax on profits of the year	343	-
<b>Total current tax</b>	<u>343</u>	<u>-</u>
<b>Tax on profit on ordinary activities</b>	<u>343</u>	<u>-</u>

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%). The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before taxation is as follows:

**Babcock Defence and Security Investments Limited**  
**Notes to the financial statements (continued)**

**6. Tax on profit on ordinary activities (continued)**

	2015 £000	2014 £000
<b>Profit on ordinary activities before tax</b>	<b>8,736</b>	<b>1,839</b>
Profit on ordinary activities multiplied by standard rate in the UK 21% (2014: 23%)	<b>1,835</b>	<b>423</b>
Effects of:		
- Income not taxable for tax purposes	<b>(1,492)</b>	<b>-</b>
- Group relief claimed for nil consideration	<b>-</b>	<b>(423)</b>
<b>Current taxation charge for the year</b>	<b>343</b>	<b>-</b>

**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. The emergency budget on 8 July 2015 has proposed that the main rate of corporation tax will fall to 19% from 1 April 2017 and then down to 18% from 1 April 2020.

**7. Investments**

	Shares in associated undertakings £000
<b>At 1 April 2014</b>	<b>34,975</b>
<b>At 31 March 2015</b>	<b>34,975</b>
<b>At 1 April 2013</b>	<b>53,770</b>
Repayment of principle	<b>(1,095)</b>
Reclassification of loans to current assets	<b>(17,700)</b>
<b>At 31 March 2014</b>	<b>34,975</b>

Investments comprise equity shares in joint venture companies which were acquired on the 4 December 2012. A list of joint ventures can be found in note 15.

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

**Babcock Defence and Security Investments Limited**  
**Notes to the financial statements (continued)**

**8. Debtors**

	2015 £000	2014 £000
<b>Amounts falling due within one year:</b>		
Amounts owed by Group undertakings	13,200	5,799
Amounts owed by associated undertakings	386	6,978
Interest receivable on loans to associated undertakings	88	312
	<u>13,674</u>	<u>13,089</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by associated undertakings	10,319	10,722
	<u>23,993</u>	<u>23,811</u>

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Amounts owed by associated undertakings include three loans, one with each of the associated undertakings all of which are repayable in accordance with fixed repayment schedules. ALC (Superholdco) Limited accrues interest at 8% and £3,389,000 (2014: £3,611,000) is due after more than one year, Ascent Flight Training (Holdings) Limited accrues interest at 12% and £2,844,000 (2014: £3,024,000) is due after more than one year. Holdfast Training Services Limited accrues interest at 8% and £4,086,000 (2014: £4,087,000) is due after more than one year.

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

	2015 £000	2014 £000
Deferred operating income	14	14
UK Corporation tax	343	-
	<u>357</u>	<u>14</u>

Deferred operating income is receivable representing commitment and arrangement fees in assisting Ascent Flight (Training) Holdings Limited in gaining their loan notes and is being amortised over the life of the loan notes.

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

	2015 £000	2014 £000
Deferred operating income	217	230
	<u>217</u>	<u>230</u>

Deferred operating income is receivable representing commitment and arrangement fees in assisting Ascent Flight (Training) Holdings Limited in gaining their loan notes and is being amortised over the life of the loan notes.

**Babcock Defence and Security Investments Limited**  
**Notes to the financial statements (continued)**

**11. Called up share capital**

	2015 £	2014 £
<b>Allotted and fully paid</b>		
202 (2014: 202) ordinary shares of £1 each	202	202
	<u>202</u>	<u>202</u>

**12. Reconciliation of movements in shareholders' funds**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders funds £000
At 1 April 2014	-	54,060	6,292	60,352
Profit for the financial year	-	-	8,393	8,393
<b>At 31 March 2015</b>	<u>-</u>	<u>54,060</u>	<u>14,685</u>	<u>68,745</u>

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders funds £000
At 1 April 2013	-	54,060	4,453	58,513
Profit for the financial year	-	-	1,839	1,839
<b>At 31 March 2014</b>	<u>-</u>	<u>54,060</u>	<u>6,292</u>	<u>60,352</u>

**13. Guarantees and financial commitments**

*Contingent liabilities*

At the year end the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2014: £620.8 million) provided to certain Group companies. In addition, the Company at the year end had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £15.0 million (2014: £nil).

**14. Related party disclosures**

As a wholly owned undertaking of Babcock International Group PLC, the Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by Babcock International Group PLC, whose financial statements are publicly available.

**Babcock Defence and Security Investments Limited**  
**Notes to the financial statements (continued)**

**15. Associated undertakings**

The associated undertakings of the Company at 31 March 2015 are shown below. The Company and its associated undertakings are all incorporated and domiciled in England and Wales. All holdings are in relation to ordinary shares.

Name	Principal activity	Percentage held
ALC (Superholdco) Limited	Provision of vehicles	50%
Ascent Flight Training (Holdings) Limited	Provision of flight training services	50%
Holdfast Training Services Limited	Provision of training services	74%

**16. Ultimate parent undertaking**

The Company's immediate parent company is Babcock Defence & Security Holdings LLP, a limited liability partnership registered in England and Wales.

The Company's ultimate parent undertaking 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 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