

**BIRCHILL INVESTMENT
COMPANY LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2002

Company number 1201437



BIRCHILL INVESTMENT COMPANY LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

W Tame
N G Campbell

SECRETARY

R S Martin

REGISTERED OFFICE

2 Cavendish Square
London
W1G 0PX

AUDITORS

Arthur Andersen
180 Strand
London
WC2R 1BL

BIRCHILL INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT for the year ended 31 March 2002

FINANCIAL STATEMENTS

The directors present their report and financial statements for the year ended 31 March 2002.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 maintaining proper accounting records which 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 1985. 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.

PRINCIPAL ACTIVITY

The principal activity of the company is that of an investment holding company. The directors do not anticipate any change in the nature of the company's activities during the next financial year.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend (2001: £nil).

At 31 March 2002 the company's liabilities exceeded its assets but the directors consider that the facilities available from the ultimate parent company are sufficient to ensure the continued existence of the company.

BIRCHILL INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT (continued) for the year ended 31 March 2002

DIRECTORS

The members of the Board during the year and since the year end were:

W Tame (appointed 22 January 2002)
N G Campbell
N R Young (resigned 30 November 2001)

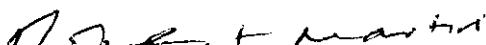
None of the directors has any beneficial interest in the company's own shares. At 31 March 2001 Mr W Tame was also a director of the ultimate parent company and his interests in the shares of that company are disclosed in that company's accounts.

The interests of the other director in the shares of Babcock International Group PLC, the company's ultimate parent company, were as follows:-

	Ordinary shares 31 March 2002 Number	Ordinary shares 31 March 2001 Number	Share options 31 March 2002 Number	Share options 31 March 2001 Number
N G Campbell	1,000	14,022	171,885	130,709

During the year 41,276 share options were granted to N G Campbell.

This report was approved by the Board on 25 July 2002.


R S Martin
Secretary

Independent auditors' report to the shareholders of Birchill Investment Company Limited

We have audited the financial statements of Birchill Investment Company Limited for the year ended 31 March 2002 which comprise Profit and loss account, Balance sheet and the related notes numbered 1 to 9. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

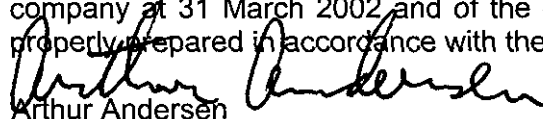
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2002 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
180 Strand
London
WC2R 1BL
25 July 2002

BIRCHILL INVESTMENT COMPANY LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002**

	Notes	2002	2001
		£	£
Income from fixed asset investments	1	44	44
Profit for the year		44	44

STATEMENT OF ACCUMULATED LOSSES

Accumulated losses at 1 April	(499,602)	(499,646)
Profit for the year	44	44
Accumulated losses at 31 March	(499,558)	(499,602)

During the year there were no recognised gains and losses other than those dealt with in the profit and loss account. All the above results derive from continuing activities. The retained profit in both the current and prior years represents the only movements in shareholders' deficit.

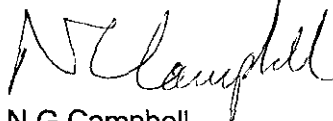
The accompanying notes form an integral part of this profit and loss account.

BIRCHILL INVESTMENT COMPANY LIMITED

BALANCE SHEET
as at 31 March 2002

	Notes	2002	2001
		£	£
FIXED ASSETS			
Investment in subsidiary undertakings	4	-	-
Other investments	5	490	490
		490	490
CREDITORS: amounts falling due within one year	6	(500,046)	(500,090)
Net liabilities		(499,556)	(499,600)
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account		(499,558)	(499,602)
Shareholders' deficit - equity interests		(499,556)	(499,600)

The financial statements on pages 4 to 7 were approved by the Board on 25 July 2002.



N G Campbell
Director

The accompanying notes form an integral part of this balance sheet.

1 ACCOUNTING POLICES**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

As at 31 March 2002 the liabilities of the company exceeded its assets by £499,556. The company is a subsidiary of Babcock International Ltd and that company has indicated its intention to continue to support the company for a period of not less than 12 months from the date of the financial statements of the company. The directors therefore believe that the going concern basis of accounting is appropriate.

A cash flow statement has not been prepared as the company has taken advantage of the exemption under FRS1, available to wholly owned subsidiaries of a company incorporated in the EU whose consolidated financial statements include a consolidated cash flow statement.

Investment income

Income from fixed asset investments is recorded on a receipts basis.

Fixed asset investments

Fixed asset investments are recorded at cost less provision for impairment.

2 DIRECTORS' REMUNERATION

No director received remuneration in respect of their services to the company during the year under review (2001: £nil).

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

During the year the Babcock International Group PLC has continued its policy of surrendering UK tax losses for no consideration except where there is a minority interest in the subsidiary.

	2002 £	2001 £
4 INVESTMENT IN SUBSIDIARY UNDERTAKINGS		
Cost and net book value at 31 March	-	-

The company owns the whole of the issued equity share capital of St Helen's Securities Limited which is an investment holding company registered in England and Wales.

Group accounts have not been prepared because the company is a wholly owned subsidiary undertaking of Babcock International Group PLC, a company registered in England and Wales.

5 OTHER INVESTMENTS

These comprise 9 3/4% Treasury Stock 2002 which is stated at cost. Market value at 31 March 2002 was £467 (2001: £487).

6 CREDITORS: amounts falling due within one year	2002 £	2001 £
Amounts owed to fellow subsidiary undertakings	500,046	500,090

The amounts owed to fellow subsidiary undertakings are interest free and no date has been fixed for their repayment.

7 CALLED UP SHARE CAPITAL	2002 £	2001 £
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

Authorised

100 ordinary shares of £1 each	100	100
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8 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted to 90% subsidiaries, by FRS8 Related Party Disclosures, not to disclose transactions with group undertakings.

9 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Babcock International Group PLC, a company registered in England and Wales. Copies of the Babcock International Group PLC accounts are available to the public at the following address:

Babcock International Group PLC
2 Cavendish Square
London
W1G 0PX