

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Company number 1201437



0562
25/07/03

BIRCHILL INVESTMENT COMPANY LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

W Tame
F Martinelli

SECRETARY

S A Billiald

REGISTERED OFFICE

2 Cavendish Square
London
W1G 0PX

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

BIRCHILL INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT for the year ended 31 March 2003

The directors present their report and the audited financial statements of the company for the year ended 31 March 2003.

Principal activity

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

Results and dividends

The results for the year are set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (2002: £nil).

At 31 March 2003 the company's liabilities exceeded its assets but the directors consider that the facilities available from the ultimate company are sufficient to ensure the continued existence of the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

BIRCHILL INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT (continued) for the year ended 31 March 2003

Directors and their interests

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

W Tame
F Martinelli (appointed 23 October 2002)
N G Campbell (resigned 23 October 2002)

None of the directors has any beneficial interest in the company's own shares. At 31 March 2003 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 2003 Number	Ordinary shares 31 March 2002 Number	Share options 31 March 2003 Number	Share options 31 March 2002 Number
F Martinelli	-	-	45,000	-
N G Campbell	1,000	1,000	140,789	171,985

During the year 45,000 share options were granted to Mr F Martinelli.

Auditors

During the year Deloitte & Touche resigned as auditors and PricewaterhouseCoopers LLP were appointed. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

This report was approved by the Board on 26 June 2003.

S A Billiald
Secretary



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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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.

**Independent auditors' report to the members of Birchill Investment Company Limited
(continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 March 2003 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

26 June 2003

BIRCHILL INVESTMENT COMPANY LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2003**

	Notes	2003	2002
		£	£
Income from fixed asset investments	1	40	44
Loss on redemption of fixed asset investments		(33)	-
Profit on ordinary activities before taxation		7	44
Tax on profit on ordinary activities	3	(4)	-
Retained profit for the year		3	44

STATEMENT OF ACCUMULATED LOSSES

Accumulated losses at 1 April	(499,558)	(499,602)
Profit for the year	3	44
Accumulated losses at 31 March	(499,555)	(499,558)

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 2003

	Notes	2003	2002
		£	£
FIXED ASSETS			
Investment in subsidiary undertakings	4	-	-
Other investments	5	462	490
		462	490
CREDITORS: amounts falling due within one year	6	(500,015)	(500,046)
Net liabilities		(499,553)	(499,556)
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account		(499,555)	(499,558)
Shareholders' deficit - equity interests		(499,553)	(499,556)

The financial statements on pages 7 to 11 were approved by the Board on 26 June 2003.



F Martinelli
Director

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2003 the liabilities of the company exceeded its assets by £499,553. 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.

Cash flow

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 AND STAFF COSTS

No director received remuneration in respect of their services to the company during the year under review (2002: £nil). There were no staff employed in the year (2002: none).

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
Corporation tax	4	-
	<u>4</u>	<u>-</u>

The difference between the effective rate in 2003 and the statutory rate of 30% is due to the company benefiting from the Small Companies rate of corporation tax of 19%. The difference between the effective rate in 2002 and the statutory rate was due to the claiming of group relief for nil consideration.

BIRCHILL INVESTMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2003 £	2002 £
4 INVESTMENT IN SUBSIDIARY UNDERTAKINGS		
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. The investment has been written down to nil in prior years.

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 7 ¾% Treasury Stock 2006 which is stated at cost. Market value at 31 March 2003 was £450 (2002: Market value of 9 ¾% Treasury Stock 2002 was £467 these were redeemed during the year and were replaced with 7 ¾% Treasury Stock 2006).

6 CREDITORS: amounts falling due within one year	2003 £	2002 £
Amounts owed to fellow subsidiary undertakings	500,015	500,046

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

7 CALLED UP SHARE CAPITAL	2003 £	2002 £
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