

**BABCOCK HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2002**

**Company number 2955502**



**BABCOCK HOLDINGS LIMITED**

**DIRECTORS AND ADVISORS**

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**DIRECTORS**

G A Campbell  
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

## **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 of 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 to 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 loss for the period was £35,532,000 (2001: £10,171,000). The directors do not propose a dividend (2001: £nil).

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

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**DIRECTORS**

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

G A Campbell  
 W Tame (appointed 22 January 2002)  
 N G Campbell  
 N R Young (resigned 30 November 2001)  
 H M Mahy (resigned 31 January 2002)

None of the directors had any beneficial interest in the shares of the company. At 31 March 2002, Mr G A Campbell and Mr W Tame were also directors of the ultimate parent company and their interests in the shares and share options of that company are disclosed in that company's accounts.

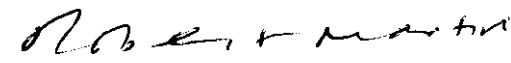
The interests of the other directors in the shares and share options of the company's ultimate parent company, Babcock International Group PLC, were as follows:

	<b>Ordinary shares Number</b>	Ordinary shares Number	<b>Share options Number</b>	Share options Number
	<b>31 March 2002</b>	31 March 2001	<b>31 March 2002</b>	31 March 2001
N G Campbell	<b>1,000</b>	14,022	<b>171,985</b>	130,709

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

No director had any material interest during the year in any contract with the company or its subsidiaries requiring disclosure under Section 317 of the Companies Act 1985.

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

  
 R S Martin  
 Secretary

**Independent auditors' report to the shareholders of Babcock Holdings Limited**

We have audited the financial statements of Babcock Holdings Limited for the year ended 31 March 2002 which comprise Profit and loss account, Balance sheet and the related notes numbered 1 to 12. 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.

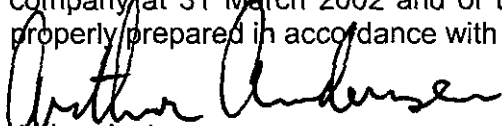
**Basis of opinion**

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 loss 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

**BABCOCK HOLDINGS LIMITED****PROFIT AND LOSS ACCOUNT  
for the year ended 31 March 2002**

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	Notes	2002	2001
		£000	£000
Impairment in the value of fixed asset investments	4	(35,574)	(10,168)
Loss on ordinary activities before interest		(35,574)	(10,168)
Net interest	2	42	(3)
<b>Retained loss for the financial year</b>	<b>8</b>	<b>(35,532)</b>	<b>(10,171)</b>

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

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

**BABCOCK HOLDINGS LIMITED**

**BALANCE SHEET**  
as at 31 March 2002

	Notes	2002	2001
		£000	£000
<b>FIXED ASSETS</b>			
Investments	4	53,449	89,016
<b>CURRENT ASSETS</b>			
Debtors	5	16	-
Cash at bank and in hand		968	946
		984	946
<b>CREDITORS</b> – amounts due within one year	6	(3)	-
<b>Net current assets</b>		981	946
<b>Total assets less current liabilities</b>		54,430	89,962
<b>CREDITORS</b> – amounts due after more than one year	6	(44,450)	(44,450)
<b>Net assets</b>		9,980	45,512
<b>CAPITAL AND RESERVES</b>			
Called up share capital - equity interests	7	77,782	77,782
Profit and loss account	8	(67,802)	(32,270)
<b>Shareholders' funds – equity interests</b>	8	9,980	45,512

The financial statements on pages 4 to 10 were approved by the Board on 25 July 2002 and signed on its behalf by

W Tame  
Director

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

**1. ACCOUNTING POLICIES****Basis of Accounting**

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

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

The company has taken advantage of Section 228 of the Companies Act 1985 and has not prepared group financial statements. The company is a wholly owned subsidiary undertaking of Babcock International Group PLC, another company registered in Great Britain.

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.

**Fixed asset investments**

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

<b>2. NET INTEREST</b>	<b>2002 £000</b>	<b>2001 £000</b>
Interest receivable on cash at bank	42	-
Interest payable on bank overdraft	-	(3)

**3. STAFF COSTS AND DIRECTORS' REMUNERATION**

There were no staff employed during the year (2001: none) and none of the directors received remuneration in respect of their services to the company during the year under review (2001: £nil). The directors are remunerated by other group companies.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 4. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares in subsidiary undertakings £000
<b>Cost</b>	
31 March	122,231
Additions	7
Cost at 31 March 2002	122,241
<b>Provision for diminution in value</b>	
At 1 April 2001	(33,215)
Additions	(35,574)
<b>At 31 March 2002</b>	<b>(68,789)</b>
<b>Net book value at 31 March 2002</b>	<b>53,449</b>
Net book value at 31 March 2001	89,016

Details of the principal subsidiary undertakings are set out in note 10.

## 5. DEBTORS

	2002 £000	2001 £000
Amounts due from subsidiary undertakings	13	-
Other debtors	3	-
	<b>16</b>	<b>-</b>

All amounts are due within one year.

## 6. CREDITORS

	2002 £000	2001 £000
<b>Amounts due within one year:</b>		
Other creditors	3	-
<b>Amounts due after more than one year:</b>		
Amounts owed to fellow subsidiary undertakings	44,450	44,450

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
<b>Authorised</b>		
77,785,000 Ordinary shares of £1 each	77,785	77,785
<b>Allotted, called up and fully paid</b>		
77,782,000 Ordinary shares of £1 each	77,782	77,782

## 8. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND RESERVES

	Equity Shareholders' Funds £000	Profit and loss account £000
At 1 April 2001	45,512	(32,270)
Loss for the year	(35,532)	(35,532)
<b>At 31 March 2002</b>	<b>9,980</b>	<b>(67,802)</b>

## 9. CONTINGENT LIABILITIES

- (a) The company has joint and several liability for bank facilities of £10.0 million (2001: £5.0 million) in respect of certain fellow Babcock International Group companies.
- (b) Throughout the Babcock International Group, contingent liabilities exist in respect of guarantees, issued on behalf of group companies by banks and insurance companies in the ordinary course of business. At 31 March 2002 the company had counter-indemnified a total of £nil million (2001: £57.3 million) in respect of these contingent liabilities.

## 10. PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

### Technical Services

Technical services and secure facilities management for the MoD and related markets:

Air Power International Limited  
 Armstrong Technology Associates Limited  
 Babcock Defence Systems Limited  
 Babcock Engineering Services Limited  
 Babcock New Zealand Holdings Limited (New Zealand)  
 Babcock New Zealand Limited (New Zealand)  
 Babcock Support Services Limited (formerly Babcock Rosyth Defence Limited)  
 Babcock Design & Technology Limited (formerly Babcock Rosyth Engineering Limited)  
 Babcock Rosyth Industries Limited  
 CMR Consultants Limited  
 FBM Babcock (Lairdside) Limited  
 FBM Babcock Marine Holdings (UK) Limited  
 FBM Babcock Marine Limited  
 FBMA Babcock Marine Inc. (50%) (Philippines)\*\*  
 Rosyth Regeneration Limited (20%)\*  
 Rosyth Royal Dockyard Limited  
 Babcock Eagleton Inc (USA)

### Training and Support

Training, operating and maintenance services primarily for the MoD:

Acetech Personnel Limited  
 Hiberna FM Limited  
 Babcock Africa (Pty) Limited (South Africa)  
 Babcock Africa Contracting (Pty) Limited (South Africa)

### Materials Handling

Materials processing technologies and engineered systems:

Babcock Holdings (Sweden) AB (Sweden)  
 Babcock Holdings (USA), Inc (USA)  
 BMH Americas Inc (USA)

### Materials Handling (continued)

BMH Kellve AB (Sweden) (90%)  
 BMH Marine AB (Sweden)  
 BMH Technologies (Holdings) GmbH (Germany) (formerly Claudius Peters GmbH)

### Others

Babcock HSPS Trustees Limited  
 Babcock International Holdings BV (Netherlands)  
 Babcock International Holdings Limited  
 Babcock International Limited  
 Babcock Overseas Investments Limited  
 Chepstow Insurance Limited (Guernsey)  
 Rosyth Royal Dockyard Pension Trustees Limited

All undertakings are wholly owned unless otherwise stated.

Except as otherwise stated, all shares held comprise ordinary share capital.

All undertakings are incorporated, registered and operated in Great Britain unless otherwise stated. Undertakings located overseas operate principally in the country of incorporation.

\*Denotes undertakings recognised and accounted for as associated undertakings.

\*\*Denotes undertakings recognised and accounted for as joint ventures.

**11. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption granted to 90% subsidiaries, by FRS 8 - Related Party Disclosures, not to disclose transactions with group undertakings.

**12. ULTIMATE CONTROLLING PARTY**

The directors' regard Babcock International Group PLC, a company incorporated in England and Wales, as the company's ultimate parent undertaking and ultimate controlling party.

Babcock International Group PLC is the parent undertaking of the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of those group accounts are available from:

Company Secretary  
Babcock International Group PLC  
2 Cavendish Square  
London  
W1G 0PX