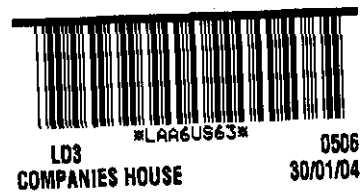


CMR CONSULTANTS LIMITED

**Financial statements for the year ended 31 March 2003
together with directors' and auditors' reports**

Registered Number: 3192206



Directors and advisors

Directors

C M Rodrigues

G D Leeming

K R Thomas

T D Richmond

Company Secretary

J D T Greig

S A R Billiald

Registered Office

2 Cavendish Square

London

W1G 0PX

Auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

Directors' report (continued)

For the year ended 31 March 2003

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 March 2003.

Principal Activities

The principal activities of the company are that of energy and environmental consultancy services and the reselling of telecommunications services.

Results and dividends

The audited financial statements for the year ended 31 March 2003 are set out on pages 7 to 19. The loss for the year after taxation was £189,000 (year to 31 March 2002: loss of £22,000).

The directors recommend that no dividend is paid (year to 31 March 2002: £nil).

Directors and their Interests

The directors who served during the year and subsequent to the year end were as follows:

C M Rodrigues

G D Leeming (Appointed 6 February 2003)

K R Thomas (Appointed 6 February 2003)

W A Cramond (Resigned 17 February 2003)

T D Richmond (Resigned 3 May 2002)

None of the directors hold any interests in the shares of the company.

The interests in the shares of Babcock International Group plc of Mr W A Cramond and Mr K R Thomas are shown in the accounts of Babcock Support Services Limited, a fellow group undertaking. According to the register of directors' interests maintained under the Companies Act, the remaining directors who held office at 31 March 2003 and their immediate families have the following options to subscribe for shares in Babcock International Group plc.

Directors' report (continued)

For the year ended 31 March 2003

	31 March 2003	Movement during the year	31 March 2002
Number of options over ordinary shares			
Mr C Rodrigues	<u>87,349</u>	<u>49,147</u>	<u>38,202</u>

June 2004 is the earliest date that any of the options can be exercised.

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 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 accounts; 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 accounts 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.

Safety policy

The company recognises the promotion of health and safety at work as an important objective. It is company policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of the employees of the company.

The company has developed and implemented an environmental policy to ensure that the impact of its activities on the environment is limited to the minimum practicable level.

Directors' report (continued)

For the year ended 31 March 2003

Auditors

Deloitte & Touche resigned as auditors with effect from 10 January 2003. The Board has therefore appointed PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors of the company will be proposed at the annual general meeting.

By Order of the Board



G D Leeming

Director

29 JANUARY 2004

Independent auditors' report

Independent auditors' report to the members of CMR Consultants 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 into 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.

Independent auditors' report (continued)

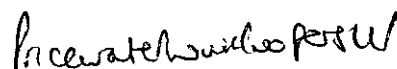
Basis of audit opinion

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.

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

29 January 2004

Profit and loss account

For the year ended 31 March 2003

	Notes	Year to 31 March 2003 £'000s	Year to 31 March 2002 £'000s
Turnover	1b	1,425	1,343
Cost of sales		<u>(1,000)</u>	<u>(947)</u>
Gross profit		425	396
Administrative expenses		<u>(601)</u>	<u>(405)</u>
Operating loss before interest and taxation		(176)	(9)
Net interest and similar charges	3	<u>(17)</u>	<u>(13)</u>
Loss on ordinary activities before taxation	2	(193)	(22)
Taxation on loss on ordinary activities	6	<u>4</u>	<u>-</u>
Retained loss on operating activities after taxation		(189)	(22)
Retained profit at beginning of period	15	<u>99</u>	121
Retained (loss)/profit at end of period		<u>(90)</u>	<u>99</u>

All the profit and loss items relate to continuing operations.

There are no recognised gains or losses other than the results for each year.

There is no difference between the loss on ordinary activities before taxation and the retained loss as stated above and their historical cost equivalents.

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

Balance Sheet

As at 31 March 2003

	Notes	31 March 2003 £'000s	31 March 2002 £'000s
Fixed assets			
Tangible assets	7	221	185
Investments	8	-	-
		<u>221</u>	<u>185</u>
Current assets			
Stocks		2	2
Debtors	9	443	495
		<u>445</u>	<u>497</u>
Creditors: amounts falling due within one year	10	<u>(754)</u>	<u>(576)</u>
Net current liabilities		<u>(309)</u>	<u>(79)</u>
Total assets less current liabilities		(88)	106
Creditors: due after more than one year	11	-	(1)
Provisions for liabilities and charges	12	<u>(2)</u>	<u>(6)</u>
Net (liabilities)/assets		<u><u>(90)</u></u>	<u><u>99</u></u>
Capital and reserves			
Called-up equity share capital	13	-	-
Profit and loss account		<u>(90)</u>	<u>99</u>
Equity shareholders' (deficit)/funds	16	<u><u>(90)</u></u>	<u><u>99</u></u>

Signed on behalf of the Board



G D Leeming

Director

29 JANUARY 2004

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

Notes to the financial statements

For the year ended 31 March 2003

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and preceding period, are set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated accounts afforded by section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of the ultimate parent company Babcock International Group plc, which prepares consolidated accounts which are publicly available. The company is also, on that basis, exempt from the requirement of FRS1 to present a cash flow statement.

b) Turnover

Turnover, which excludes value added tax and similar taxes, comprises the invoiced value of services derived from the company's principal activity carried out in the UK.

c) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	- over term of lease
Motor vehicles	- 4 years (25 % per annum)
IT equipment	- 4 years (25 % per annum)
Plant and equipment	- 4 years (25 % per annum)

d) Taxation

During the year, the Babcock International Group PLC group of companies has continued its policy of surrendering group relief for no consideration except where there is a minority interest.

Notes to the financial statements (continued)

For the year ended 31 March 2003

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.

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 group'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 periods 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 will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax 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 enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

e) Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

f) Investments

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

Notes to the financial statements (continued)

For the year ended 31 March 2003

g) Going concern

The accounts have been prepared on the going concern basis due to the parent company offering to provide continued financial support for at least 12 months from the date of the audit report.

h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to the financial statements (continued)

For the year ended 31 March 2003

2. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year to 31 March 2003 £'000s	Year to 31 March 2002 £'000s
Depreciation - owned assets	76	49
Depreciation - leased assets	-	4
Auditors' remuneration - audit services	-	7
Operating lease rentals		
- plant & machinery	9	10
- land and buildings	46	50
Loss on disposal of fixed assets	-	3

Auditors' remuneration for the year to 31 March 2003 was borne by a fellow group undertaking, Babcock Support Services Limited.

3. Net interest and similar charges

	Year to 31 March 2003 £'000s	Year to 31 March 2002 £'000s
Intercompany interest payable	(17)	(12)
Hire purchase interest payable	-	(1)
	<u>(17)</u>	<u>(13)</u>

Notes to the financial statements (continued)

For the year ended 31 March 2003

4. Staff costs

	Year to 31 March 2003	Year to 31 March 2002
The average monthly number of employees (including directors) was:		
Management	4	6
Administration	16	15
	<u>20</u>	<u>21</u>

	Year to 31 March 2003 £'000s	Year to 31 March 2002 £'000s
Their aggregate remuneration comprised:		
Wages and salaries	589	486
Social security costs	45	44
	<u>634</u>	<u>530</u>

5. Directors' remuneration

The remuneration of directors was as follows:

	Year to 31 March 2003 £'000s	Year to 31 March 2002 £'000s
Emoluments (including benefits-in-kind)	<u>83</u>	<u>82</u>

The emoluments of Mr W A Cramond, Mr T D Richmond, Mr K Thomas and Mr G D Leeming were paid by another Babcock group company.

The number of directors who were members of a defined benefit pension scheme within the group was 2 (31 March 2002 : 3).

Notes to the financial statements (continued)

For the year ended 31 March 2003

6. Taxation

The tax credit comprises:

	Year to 31 March 2003 £'000s	Year to 31 March 2002 £'000s
Current Tax	-	-
Deferred tax credit	4	-
	<u>4</u>	<u>-</u>

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year to 31 March 2003 £'000s	Year to 31 March 2002 £'000s
Loss on ordinary activities before tax	(193)	(22)
Corporation tax at standard rate of 30%	<u>(58)</u>	<u>(7)</u>
Effects of:		
Expenses not deductible for tax purposes	1	3
Capital allowances in excess of depreciation	4	2
Group relief surrendered for nil consideration	53	2
Current tax charge for period	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 31 March 2003

7. Tangible fixed assets

	Leasehold Improvements	Motor Vehicles	IT Equipment	Plant & Equipment	Total
Cost	£'000s	£'000s	£'000s	£'000s	£'000s
At 1st April 2002	47	103	75	22	247
Additions	-	32	78	5	115
Disposals	-	(15)	-	-	(15)
At 31 March 2003	47	120	153	27	347
Depreciation					
At 1st April 2002	10	32	14	6	62
Charge for the year	9	32	29	6	76
Disposals	-	(12)	-	-	(12)
At 31 March 2003	19	52	43	12	126
Net Book Value					
At 31 March 2003	28	68	110	15	221
At 31 March 2002	37	71	61	16	185

The net book value of assets on hire purchase which have been capitalised and included in the above total is £Nil (31 March 2002: £4,728).

Notes to the financial statements (continued)

For the year ended 31 March 2003

8. Fixed asset investments

	31 March 2003	31 March 2002
	£	£
Investment in subsidiary	<u>20</u>	<u>20</u>

The company owns 100% of the ordinary share capital of The Energy Services Company (GB) Limited which is a non-trading company registered in England and Wales.

9. Debtors

	31 March 2003 £'000s	31 March 2002 £'000s
Trade debtors	279	385
Amounts due from group companies	10	-
Other debtors and prepayments	<u>154</u>	<u>110</u>
	<u>443</u>	<u>495</u>

10. Creditors: Amounts falling due within one year

	31 March 2003 £'000s	31 March 2002 £'000s
Bank overdraft	249	206
Trade creditors	155	186
Other taxation and social security	31	15
Amounts due to group companies	122	68
Obligations under hire purchase contracts	-	3
Other creditors, accruals and deferred income	<u>197</u>	<u>98</u>
	<u>754</u>	<u>576</u>

Notes to the financial statements (continued)

For the year ended 31 March 2003

11. Creditors: due after more than one year

	31 March 2003 £'000s	31 March 2002 £'000s
Obligations under hire purchase contracts	<u>-</u>	<u>1</u>

12. Provisions for liabilities and charges

Deferred tax

	£'000s
At 1 April 2002	6
Credited to profit and loss account	<u>(4)</u>
At 31 March 2003	<u>2</u>

The deferred tax liability relates to timing differences between capital allowances and depreciation. There is no unprovided deferred tax at 31 March 2003 (31 March 2002 - £nil).

13. Equity share capital

	31 March 2003 £	31 March 2002 £
Authorised		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted, Called-up and Fully Paid		
10 Ordinary Shares of £1 each	<u>10</u>	<u>10</u>

Notes to the financial statements (continued)

For the year ended 31 March 2003

14. Guarantees and financial commitments

	31 March 2003 £'000s	31 March 2002 £'000s
<i>a) Operating Lease Commitments</i>		
Plant & machinery		
Annual commitments expiring:		
- between one and two years	9	-
- between two and five years	-	9
	<u>9</u>	<u>9</u>
Land and buildings		
Annual commitments expiring:		
- after more than five years	46	57
	<u>46</u>	<u>57</u>

b) Guarantees

The company has joint and several liability for bank facilities of £10m(2002:£10m) in respect of certain fellow Babcock International Group companies.

15. Reserves

	£'000
At 31 March 2002	99
Retained loss for the year	(189)
At 31 March 2003	<u>(90)</u>

Notes to the financial statements (continued)

For the year ended 31 March 2003

16. Reconciliation of movements in shareholders' funds

	31 March 2003 £'000s	31 March 2002 £'000s
Loss for the financial year	<u>(189)</u>	<u>(22)</u>
Net deductions to shareholders' funds	(189)	(22)
Opening shareholders' funds	<u>99</u>	<u>121</u>
Closing shareholders' (deficit) / funds	<u>(90)</u>	<u>99</u>

17. Related party disclosures

The company, as a wholly owned subsidiary, has taken advantage of the exemption, granted under the Financial Reporting Standard 8, Related Parties, by not disclosing details of sales and purchases with other members of the group headed up by Babcock International Group plc. Details of balances with other group companies are disclosed in notes 9 and 10.

18. Ultimate parent undertaking

The company's immediate parent company is Babcock Engineering Services Limited, a company registered in England and Wales.

The company's ultimate parent company 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 accounts are available from the following address:

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