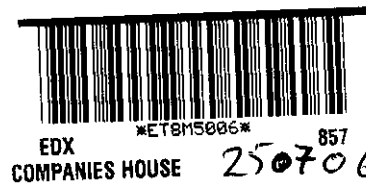


GIBRALTAR INVESTMENTS (NO. 7) LIMITED

DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED 25 SEPTEMBER 2005

Company number 4540026



GIBRALTAR INVESTMENTS (No. 7) LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

W Tame
F Martinelli

SECRETARY

S Billiald

REGISTERED OFFICE

2 Cavendish Square
London
W1G 0PX

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

GIBRALTAR INVESTMENTS (No. 7) LIMITED

DIRECTORS' REPORT
for the year ended 25 September 2005

The directors present their report and the audited financial statements of the company for the year ended 25 September 2005.

Principal activity

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

Results and dividends

The profit for the year was £55 (2004: £59). The directors do not propose a final dividend (2004: nil).

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Directors and their interests

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

W Tame
F Martinelli

None of the directors has any beneficial interest in the company's own shares. At 25 September 2005 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.

According to the register of directors' interests maintained under the Companies Act 1985, the remaining directors who held office at 25 September 2005 and their immediate families have the following shares in and options to subscribe for shares in Babcock International Group Plc.

	At 25 September 2005	At 25 September 2004
F Martinelli	377	-

GIBRALTAR INVESTMENTS (No. 7) LIMITED

DIRECTORS' REPORT (continued)
for the year ended 25 September 2005

Details of directors' share options are set out in the table below:

Director	Option scheme	Number of shares subject to options at 26 September 2004	Granted during the period	Exercised during the period	Lapsed during the period	Number of shares subject to options at 25 September 2005	Exercise price (p)	Exercisable (subject to vesting where not yet vested) from	Expiry date
F Martinelli	a	28,214	-	-	-	28,214 *	106.33	Nov 2005	Nov 2012
	b	16,786	-	-	-	16,786 *	106.33	Nov 2005	Nov 2012
	b	70,000	-	-	-	70,000 *	115.66	Jun 2006	Jun 2013
	b	35,000	-	-	-	35,000	126.00	Jul 2007	Jul 2014

* All vested

a	Babcock	1999	Approved Executive Share Option Scheme
b	Babcock	1999	Unapproved Executive Share Option Scheme

No directors exercised share options in the period (2005: nil).

Details of share awards made to directors under the Babcock International Group Plc L-TIP scheme are set out in the table below:

Director	Number of shares subject to options at 26 Sept 2004	Granted during the year	Number of shares subject to options at 25 Sept 2005	Market value of each share at date of award	Exercisable (subject to vesting where not yet vested) from	Expiry date
F Martinelli	-	36,873	36,873	169.50p	Jul 2008	Jul 2015

The terms and conditions of the share awards and options can be found in the financial statements of Babcock International Group Plc for the year ended 31 March 2006.

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.

Under their respective Articles of Association, the directors of the company are, and were during the year to 25 September 2005, entitled to be indemnified by the company against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 1985.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, 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 confirm that they have complied with the above requirements in preparing the financial statements.

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.

Auditors

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 20 July 2006 and signed on its behalf by:


W Tame
Director

Independent auditors' report to the members of Gibraltar Investments (No. 7) Limited

We have audited the financial statements of Gibraltar Investments (No. 7) Limited for the year ended 25 September 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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 Gibraltar Investments (No. 7) Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 25 September 2005 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 July 2006

GIBRALTAR INVESTMENTS (No. 7) LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 25 September 2005

	Notes	2005 £	2004 £
Interest receivable and similar income:			
- bank interest		55	59
Profit on ordinary activities before tax		55	59
Tax on profit on ordinary activities	3	-	-
Profit for the financial year		55	59
Retained profit for the year		55	59

During the year there were no recognised gains and losses other than those dealt with in the profit and loss account

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

There are no material differences between profit on ordinary activities before tax and the retained profit for the period stated above and their historical cost equivalent.

GIBRALTAR INVESTMENTS (No. 7) LIMITED

BALANCE SHEET
as at 25 September 2005

	Notes	2005 £	2004 £
CURRENT ASSETS			
Debtors	4	13	13
Cash at bank		1,157	1,102
		1,170	1,115
NET CURRENT ASSETS		1,170	1,115
NET ASSETS		1,170	1,115
CAPITAL AND RESERVES			
Called up share capital - equity	5	1,030	1,030
Profit and loss account	6	140	85
Shareholders' funds – equity interests		1,170	1,115

The financial statements on pages 9 to 13 were approved by the Board on 20 July 2006.


 W Tame
 Director

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

1 ACCOUNTING POLICIES

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

Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

Cash flow

A cash flow statement has not been prepared as the company has taken advantage of the exemption under FRS1 (Revised 1996) available to wholly owned subsidiaries of a company incorporated in the EU whose consolidated financial statements include a consolidated cash flow statement.

Taxation

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 company'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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

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.

During the year the Babcock International Group has continued its policy of surrendering tax losses and advance corporation tax to group undertakings for no consideration except where there is a minority interest in the subsidiary.

2 STAFF COSTS AND DIRECTORS REMUNERATION

There were no staff employed during the year and none of the directors received remuneration in respect of their services to the company during the year under review.

The directors are remunerated by other group companies.

3 TAXATION

There is no corporate tax charge for the year as the company will receive group relief from its fellow subsidiaries for nil consideration.

4 DEBTORS	2005	2004
	£	£
Interest receivable	13	13
	13	13

5 CALLED UP SHARE CAPITAL

	2005	2004
	£	£
Authorised:		
50,000,000 ordinary shares of £1 each	50,000,000	50,000,000
Allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and partly paid:		
3,000,000 ordinary shares of £1 each	30	30

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Equity Shareholders' Funds 2005 £	Equity Shareholders' Funds 2004 £	Profit and Loss Account 2005 £	Profit and Loss Account 2004 £
At 26 September	1,115	1,056	85	26
Profit for the year	55	59	55	59
At 25 September	1,170	1,115	140	85

7 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.

8 ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Babcock Management Limited. 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 the Babcock International Group PLC accounts are available from the following address:

Babcock International Group PLC
2 Cavendish Square
London, W1G 0PX