

BABCOCK MINING UK LIMITED

ANNUAL ACCOUNTS

30th DECEMBER 1984



BABCOCK MINING UK LIMITED
(formerly Parsons Controls Limited)

REPORT OF THE DIRECTORS

The directors submit their report and the audited accounts for the financial year ended 30th December 1984.

1. Name of the Company

The name of the company was changed on 18th January 1985 to Babcock Mining UK Limited.

2. Principal Activities and Business Review

The principal activities of the company are the design, manufacture and sale of engineering products for the mining and other industries.

Throughout 1984 the business of the company in the UK has been seriously affected by the overtime ban and subsequent strike affecting the National Coal Board, which has continued into 1985. Efforts were made to maintain work forces by means of short-time working, etc., but redundancies were unavoidable at a number of locations.

3. Acquisitions and Disposals

By agreements dated 11th December 1984, the company purchased the beneficial interest in the whole of the issued share capital of the following companies for cash considerations as shown below:-

(a) from Babcock Industrial & Electrical Products Limited

Babcock Huwood Electric Limited	£1
Babcock Mining Services Limited	£1,000
Babcock Roof Supports Limited	£100
Magco Limited	£333,912

(b) from Darien Investments Limited

Huwood Limited	£2,415,727
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(c) from Babcock Mining Limited

Acco Industries UK Limited	£100
Babcock Cables Limited	£10,509
Parsons Controls Limited	£100
Chain Company Limited	£100

With effect from 2nd January 1984 the company purchased from Babcock Industrial & Electrical Products Limited for a cash consideration of £3,573,749 the activity carried on by the companies acquired as in (a) and (b) above.

With effect from 2nd January 1984 the company sold to Babcock Industrial & Electrical Products Limited for a cash consideration of £297,472 the activity carried on by Rockwell Hardness Testers Limited.

4. Results and Dividends

The results for the financial year ended 30th December 1984 (52 weeks) are set out in the consolidated profit and loss account on page 7.

An interim dividend of £2,554,000 was paid on 28th December 1984. The directors do not recommend the payment of any further dividend in respect of the financial year.

5. Changes in Fixed Assets

The movements in tangible fixed assets during the financial year are set out in Note 9 to the accounts.

6. Market Value of Land and Buildings

The company's properties were purchased at various dates over a number of years and some have since been revalued. Their aggregate present value is considered by the directors to be in excess of their book value at 30th December 1984. The amount of this excess cannot be ascertained without a complete revaluation, the expense of which is considered not to be justified.

7. Research and Development

The company's management recognises the emphasis which needs to be placed on research and development activities to enhance, or simply to maintain, the competitive position of the company's products and processes in their respective market places. For this reason, research and development projects feature as an integral part of the company's business planning procedures.

8. Directors

The directors of the company during the financial year were:-

Mr B C Jones	(Chairman)
Mr W R Draper	
Mr P H Evers	
Mr B J McGinity	(resigned 1st February 1985)
Mr D T Watson	
Mr R A Rawlings	(appointed 2nd April 1984, resigned 1st February 1985)

The divisional directors during the year were:-

Mr G T Baldwin	(appointed 29th February 1984, resigned 1st February 1985)
Mr C Burdon	(resigned 1st February 1985)
Mr P G Calder	(resigned 1st February 1985)
Mr M R Jackson	(resigned 1st February 1985)
Mr D J Mealings	(resigned 1st February 1985)
Mr W L Wood	(resigned 2nd April 1984)

Mr T Fenton and Mr K Moolenaar were appointed Directors on 1st February 1985.

9. Directors' Interests

According to the register kept under Section 29 of the Companies Act 1967, no director or his family had any interest in the share capital of Babcock International plc, the company's ultimate holding company.

All the directors in office at the date of this report are also directors of Babcock Mining Limited, the company's parent company, and as such are not required to register their interests in this company's Register of Directors' Interests.

No director had any beneficial interest in the company's own shares or debentures.

10. Employees

Employees are normally kept informed and consulted on matters of importance through the medium of regular meetings with groups of employees and, where appropriate, their Trade Union representatives. Financial and commercial information is also made available on a regular basis.

The policy and practice of the group is to seek to encourage and assist the employment of disabled persons, subject to their ability to perform the duties of the job without exposing themselves or other employees to abnormal risk. The training, career development and promotion of disabled persons is similarly encouraged and assisted. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

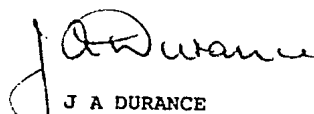
11. Close Company Provisions

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1970, as amended, do not apply to the company and there has been no change in this respect since the end of the previous financial year.

12. Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD


J A DURANCE
Secretary

Stourport on Severn
Worcestershire DY13 9AT

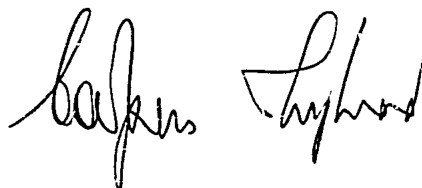
25th March 1985

REPORT OF THE AUDITORS TO THE MEMBERS OF

BABCOCK MINING UK LIMITED

We have audited the accounts set out on pages 6 to 20 in accordance with approved Auditing Standards. The accounts have been prepared under the historical cost convention as modified by the revaluation of fixed assets.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30th December 1984, and its loss and source and application of funds for the period then ended and comply with the Companies Acts 1948 to 1981.



Chartered Accountants

Birmingham
26th March 1985

BABCOCK MINING UK LIMITED

ACCOUNTING POLICIES

30th DECEMBER 1984

1. Turnover

Turnover represents sales at invoice value after deducting trade discounts and allowances, and excluding Value Added Tax.

2. Fixed Assets

Tangible fixed assets are stated at professional valuation or at cost. Depreciation is charged on cost or valuation on a straight line basis at rates appropriate to the expected useful life of the assets concerned. The principal rates of depreciation are:-

	<u>% per annum</u>
Freehold buildings	2
Leasehold properties - short	over period of lease
- long	2
Plant, machinery, fixtures and fittings	10
Motor vehicles	20

3. Stocks and Work in Progress

Stocks and work in progress are consistently valued at the beginning and end of the period at the lower of cost and net realisable value. Cost in the case of goods manufactured by the company consists of direct labour and materials and the relevant proportion of production overheads to reflect the normal level of activity.

4. Taxation

The charge for United Kingdom taxation represents the liability to corporation tax on profits of the year.

Provision is made for deferred taxation on all timing differences where it is considered likely that a liability will arise in the foreseeable future.

5. Development Expenditure

Development expenditure is written off in the period in which it is incurred.

6. Foreign Currency Adjustments

Assets and liabilities in foreign currencies are converted into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences on trading transactions throughout the period are dealt with in the profit and loss account.

7. Basis of Consolidation

The group accounts comprise a consolidation of the accounts of the company and its subsidiaries at 30th December 1984. The subsidiaries are shown in note 10 on page 15. Profits and losses of subsidiaries acquired or disposed of during the year are consolidated from or to their respective dates of acquisition or disposal, unless they are acquired from within the Babcock International plc group in which case they are consolidated from the start of the financial year dealt with in the accounts.

The difference between the net assets at date of acquisition and cost of shares in subsidiaries, being either goodwill or acquisition reserve, is included in the consolidated balance sheet.

SABCOCK MINING UK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30th DECEMBER 1984

	<u>Note</u>	<u>1984</u> <u>£'000</u>	<u>1983</u> <u>£'000</u>
Turnover	1	42407	28287
Cost of Sales		(36913)	(22731)
Gross Profit		5494	5556
Net Operating Expenses	2	(6541)	(3606)
Trading (Loss)/Profit	3	(1047)	1950
Interest (Payable)/Receivable	4	(560)	135
(Loss)/Profit on ordinary activities before taxation		(1607)	2085
Tax on profit on ordinary activities	7	5	(407)
(Loss)/Profit on ordinary activities after taxation		(1602)	1678
Extraordinary item - Deferred Taxation	20	(1250)	-
Dividend	8	(2554)	(1800)
Transfer from reserves		(5406)	(122)

STATEMENT OF RETAINED PROFITS

Opening Balance	7898	8020
Transfer to profit and loss account	(5406)	(122)
Transfer to other reserves	(62)	-
Closing Balance	2430	7898

The notes on pages 11 to 20 and the accounting policies on page 6 form part of these accounts.

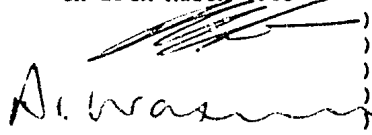
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BABCOCK MINING UK LIMITED

CONSOLIDATED BALANCE SHEET AT 30th DECEMBER 1984

	<u>Note</u>	<u>1984</u> <u>£'000</u>	<u>1983</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	9	8783	5981
Investments:			
Shares in related company	11	10	-
		<u>8793</u>	<u>5981</u>
CURRENT ASSETS			
Stocks	13	15341	6610
Debtors	14	12006	4425
Cash at bank and in hand	15	10	1174
		<u>27357</u>	<u>12209</u>
CREDITORS - amounts falling due within one year	16	19454	5117
Net current assets		<u>7903</u>	<u>7092</u>
Total assets less current liabilities		<u>16696</u>	<u>13073</u>
Less: Non-current liabilities			
CREDITORS - amounts falling due after more than one year	17	5923	180
PROVISIONS FOR LIABILITIES AND CHARGES	20	1250	-
		<u>9523</u>	<u>12893</u>
CAPITAL AND RESERVES			
Called up share capital	18	745	745
Share premium account	19	2723	2723
Revaluation reserve	19	1527	1527
Acquisition reserve	19	1436	-
Other reserves	19	662	-
Profit and loss account	19	2430	7898
		<u>9523</u>	<u>12893</u>

Approved by the Board of Directors
on 25th March 1985


Directors

The notes on pages 11 to 20 and the accounting policies on page 6 form part of these accounts.

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BABCOCK MINING UK LIMITED

BALANCE SHEET AT 30th DECEMBER 1984

	<u>Note</u>	<u>1984</u> £'000	<u>1983</u> £'000
FIXED ASSETS			
Tangible assets	9	8783	5981
Investments:			
Shares in group companies	10	2762	-
Shares in related company	11	10	-
		<u>11555</u>	<u>5981</u>
CURRENT ASSETS			
Stocks	13	15341	6610
Debtors	14	12006	4425
Cash at bank and in hand	15	10	1174
		<u>27357</u>	<u>12209</u>
CREDITORS - amounts falling due within one year	16	19454	5117
NET CURRENT ASSETS		<u>7903</u>	<u>7092</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19458</u>	<u>13073</u>
Less: Non-current liabilities			
CREDITORS - amounts falling due after more than one year	17	10721	180
PROVISION FOR LIABILITIES AND CHARGES	20	1323	-
		<u>7414</u>	<u>12893</u>
CAPITAL AND RESERVES			
Called up share capital	18	745	745
Share premium account	19	2723	2723
Revaluation reserve	19	1527	1527
Other reserves	19	62	-
Profit and loss account	19	2357	7898
		<u>7414</u>	<u>12893</u>

Approved by the Board of Directors
on 25th March 1985


) Directors

The notes on pages 11 to 20 and the accounting policies on page 6 form part of these accounts.

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BABCOCK MINING UK LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE FINANCIAL YEAR ENDED 30th DECEMBER 1984

	<u>1984</u> £'000	<u>1983</u> £'000
FUNDS FROM OPERATIONS		
(Loss)/Profit on ordinary activities before taxation	(1607)	2085
Taxation paid	(155)	(372)
(Increase)/decrease in working capital	(5011)	(594)
Movement in fixed assets		
Additions	(1392)	(1611)
Disposals	251	47
Depreciation	1274	663
SURPLUS/(DEFICIT) FROM OPERATIONS	(6640)	219
Loans from other group companies	5923	-
Purchase less sale of subsidiary companies	(5916)	-
Dividends paid	(2554)	(1800)
DECREASE IN LIQUIDITY	(9187)	(1582)
Reflected by		
Decrease in cash at bank and in hand	(9187)	(1582)
RECONCILIATION OF WORKING CAPITAL MOVEMENT		
(Increase)/decrease in stocks	(2554)	1249
(Increase)/decrease in debtors	43	(649)
(Decrease)/increase in creditors falling due within one year	(2500)	(1194)
	(5011)	(594)
ANALYSIS OF PURCHASE LESS SALE OF SUBSIDIARY COMPANIES		
Fixed assets	2945	
Stock	6177	
Debtors	7634	
Bank balances	(3070)	
Creditors	(5734)	
Net assets and liabilities acquired	7952	
Acquisition reserves	(2036)	
Net cost	5916	

The notes on pages 11 to 20 and the accounting policies on page 6 form part of these accounts.

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

	<u>1984</u>	<u>1983</u>
	<u>£'000</u>	<u>£'000</u>
1. TURNOVER		
Geographical analysis by ultimate destination:		
United Kingdom	33523	22972
Rest of Europe	3504	3720
Other countries	5380	1555
	<u>42407</u>	<u>28287</u>
2. NET OPERATING EXPENSES		
Distribution costs	465	310
Administrative expenses	6086	3309
	<u>6551</u>	<u>3619</u>
Less: other operating income	(10)	(13)
	<u>6541</u>	<u>3606</u>
3. TRADING PROFIT		
Trading profit is shown after charging:		
Depreciation of tangible fixed assets	1274	663
Directors' remuneration		
- for management	353	324
- ex gratia payments to directors	-	24
Auditors' remuneration	41	20
Hire of plant and machinery	159	45
Employees' redundancy compensation payments	263	390
4. INTEREST (PAYABLE)/RECEIVABLE (NET)		
Bank interest (payable)/receivable	(525)	152
Interest payable on variable rate loan stock	(35)	-
Interest payable on discounted bills of exchange	-	(17)
	<u>(560)</u>	<u>135</u>

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BAGDOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

	<u>1984</u>	<u>1983</u>
	£	£
5. DIRECTORS' EMOLUMENTS		
Emoluments of the chairman (the highest paid director)	47,263	43,093
Emoluments of other directors (including divisional directors)		
£5,001 - £10,000	No. 1	No. -
£10,001 - £15,000	-	1
£15,000 - £20,000	2	3
£20,001 - £25,000	2	2
£25,001 - £30,000	2	3
£30,001 - £35,000	1	-
£35,001 - £40,000	1	1

6. EMPLOYEE INFORMATION

- (a) The average number of persons employed by the company including executive directors during the year is analysed below.

By type of work		
Production	1495	696
Selling and Distribution	106	46
Administration	115	55
	<u>1716</u>	<u>797</u>

- (b) The aggregate employment costs of these persons amounted to:

	<u>1984</u>	<u>1983</u>
	£'000	£'000
Wages and salaries	12015	5092
Social Security costs	945	437
Other pension costs	915	397
	<u>13875</u>	<u>5926</u>

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

	<u>1984</u> <u>£'000</u>	<u>1983</u> <u>£'000</u>
7. TAX ON PROFIT ON ORDINARY ACTIVITIES		
United Kingdom taxation		
Corporation tax at 46.25% (1983 : 52%)	-	424
Surplus taxation of previous years	(5)	(17)
Net (credit)/charge for year	<u>(5)</u>	<u>407</u>
8. DIVIDEND		
Interim paid during year	<u>2554</u>	<u>1800</u>

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

9. FIXED ASSETS

	Freehold Prop. £'000	Long Lease Prop. £'000	Short Lease Prop. £'000	Plant Mach. & Equip. £'000	Total £'000
Cost or Valuation at 2nd January 1984					
Cost	895	-	4	5164	6063
Valuation	1292	-	-	3924	5216
	<u>2187</u>	<u>-</u>	<u>4</u>	<u>9088</u>	<u>11279</u>
Additions	60	2	10	1320	1392
Disposals	(237)	-	-	(391)	(628)
Group Transfers	300	938	142	4125	5505
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th December 1984					
Cost	1000	940	156	10338	12434
Valuation	1310	-	-	3804	5114
	<u>2310</u>	<u>940</u>	<u>156</u>	<u>14142</u>	<u>17546</u>
Depreciation at 2nd January 1984	316	-	3	4979	5298
Charge for year	39	13	2	1220	1274
Disposals	(47)	-	-	(330)	(377)
Group transfers	66	70	103	2333	2572
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th December 1984	<u>374</u>	<u>83</u>	<u>108</u>	<u>8202</u>	<u>8767</u>
Net book value at 30th December 1984	<u>1936</u>	<u>857</u>	<u>48</u>	<u>5940</u>	<u>8781</u>
Loose tools and equipment at cost less amounts written off (1983 £ Nil)					<u>2</u>
					<u>8783</u>

Assets included at a valuation were subject to professional valuations as at 5th October 1974. The book values of those assets were as follows:

	<u>1984</u> £'000	<u>1983</u> £'000
Freehold properties	1081	1101
Plant, machinery and equipment	<u>-</u>	<u>-</u>
	<u>1081</u>	<u>1101</u>
If these assets had not been revalued their book values would have been:		
Freehold properties	422	432
Plant, machinery and equipment	<u>-</u>	<u>-</u>
	<u>422</u>	<u>432</u>

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

10. SHARES IN GROUP COMPANIES

The investment in subsidiaries is made up as follows:
f'000

Investment at cost	
at 2nd January 1984	-
Additions	2762
Cost at 30th December 1984	2762

On 2nd January 1984 the shares in group companies were acquired for a cash consideration as set out in the Report of the Directors.

The subsidiary companies, all of which are wholly owned and incorporated in England, are:

	Description of shares held
Acco Industries UK Limited	£1 ordinary
Babcock Huwood Electric Limited	25p ordinary
Babcock Mining Services Limited	£1 ordinary
Babcock Roof Supports Limited	£1 ordinary
Brake Cables Limited	£1 ordinary
BWP Controls Limited	£1 ordinary
Huwood Limited	2½p ordinary
Magco Limited	£1 ordinary
Parsons Chain Company Limited	£1 ordinary

None of the subsidiaries traded during the year.

11. SHARES IN RELATED COMPANY

The investment in a related company represents the cost of 50% of the £1 ordinary shares in Huwood Connectors Limited, a company incorporated in England. The related company did not trade in 1984.

12. CAPITAL COMMITMENTS

	1984 £'000	1983 £'000
Capital expenditure sanctioned by the Board and outstanding at 30th December 1984	3599	712
Contracts placed against these sanctions and not provided for in the accounts	1180	197

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

	<u>1984</u>	<u>1983</u>
	<u>£'000</u>	<u>£'000</u>
13. STOCKS AND WORK IN PROGRESS		
Raw materials and consumables	8737	3735
Work in progress	4600	2233
Finished goods	2019	642
Less: Progress payments	(15)	-
Total stocks and work in progress	<u>15341</u>	<u>6610</u>

The current replacement cost of stocks is not materially different from the historical cost.

14. DEBTORS

Amounts falling due within one year		
Trade Debtors	8423	3122
Amounts owed by group companies	3252	1198
Pre-payments and accrued income	331	105
	<u>12006</u>	<u>4425</u>

15. CASH AT BANK AND IN HAND

A group bank account is operated in respect of Babcock International plc and certain subsidiaries. Balances on sub-divisions of this bank account which are included in these accounts amount to £11,093,000 overdrawn (1983 £1,131,000 in hand). Under these arrangements, Babcock International plc have agreed to be solely liable to the bank for any net overdraft owing on the group bank account and Babcock International plc has the right to offset balances of sub-divisions of the group bank account.

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

	1984 £'000	1983 £'000
16. CREDITORS - AMOUNT FALLING DUE WITHIN ONE YEAR		
Bank loans and overdrafts (see note 15)	11093	-
Trade creditors	5815	3456
Amounts owed to group companies	415	510
Other creditors including Social Security	2042	947
United Kingdom taxation	89	154
Total	<u>19454</u>	<u>5117</u>

17. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1984	1983
	The group	The company
	£'000	£'000
Amounts owed to group companies	5908	10706
Other creditors including taxation and Social Security	15	15
United Kingdom corporation tax due on 1st April 1985	-	180
	<u>5923</u>	<u>10721</u>

18. SHARE CAPITAL

Ordinary shares of £1 each :
Authorized

1983 and 1984

750,000

Issued, called up and fully paid

745,003

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

19. RESERVES

Non Distributable

	Share Premium Account £'000	Reval- uation Reserve £'000	Acqui- sition Reserve £'000	Other Reserves £'000
at 2nd January 1984	2723	1527	-	-
Subsidiaries acquired during the year	-	-	1436	600
Transfer from profit and loss account	-	-	-	62
at 30th December 1984	<u>2723</u>	<u>1527</u>	<u>1436</u>	<u>662</u>

	1984	
Distributable	The group £'000	The company £'000
Profit and loss account		
at 2nd January 1984	7898	7898
Transfer to profit and loss account	(5406)	(5479)
Transfer to other reserves	(62)	(62)
at 30th December 1984	<u>2430</u>	<u>2357</u>

The company has taken advantage of the legal dispensation allowing it not to publish a separate profit and loss account.

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

20. DEFERRED TAXATION

The amounts provided for deferred taxation and the full potential liability, calculated on the liability method at 35%, are set out below:

	1984		1983	
	Amount provided	Full potential liability	Amount provided	Full potential liability
	£'000	£'000	£'000	£'000
Capital allowances	2187	2187	-	1576
Revaluation of Fixed Assets	-	193	-	204
Other timing differences	(864)	(864)	-	(9)
	<u>1323</u>	<u>1516</u>	<u>-</u>	<u>1771</u>
Advance Corporation Tax				
Recoverable by the group	(73)	(73)	-	-
	<u>1250</u>	<u>1443</u>	<u>-</u>	<u>1771</u>

The group previously considered it unnecessary to make provision for deferred taxation charges in respect of accelerated capital allowances because the taxation effect of capital expenditure had been to postpone these charges for the foreseeable future. As a result of the changes introduced in the Finance Act 1984, which has delayed allowances, the following charge for deferred taxation has been provided as an extraordinary item.

	The group £'000	The company £'000
Provision for deferred taxation	<u>1250</u>	<u>1323</u>

No provision for deferred taxation is considered necessary in relation to the surplus on the revaluation of fixed assets included in the revaluation reserve because the company does not intend to dispose of its revalued fixed assets in the foreseeable future.

21. CONTINGENT LIABILITIES

	1984 £'000	1983 £'000
Performance bonds given to bankers in the normal course of business	812	-
Discounted bills of exchange	<u>-</u>	<u>56</u>
	<u>812</u>	<u>56</u>

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BABCOCK MINING UK LIMITED

NOTES ON THE ACCOUNTS

30th DECEMBER 1984

22. PARENT COMPANY

The company is a wholly-owned subsidiary of Babcock Mining Limited (formerly Parsons Controls Holdings Limited).

23. ULTIMATE HOLDING COMPANY

The ultimate holding company is Babcock International plc which is a company incorporated in England.

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