

**BABCOCK MANAGEMENT LTD**

**DIRECTORS' REPORT AND**

**FINANCIAL STATEMENTS**

**for the year ended 31 March 1997**

**Company number 107414**



**BABCOCK MANAGEMENT LTD**

**DIRECTORS AND OFFICERS**

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**DIRECTORS**

Dr TJ Parker  
EAS Porter

**SECRETARY**

J Allen

**REGISTERED OFFICE**

Badminton Court  
Church Street  
Amersham  
Buckinghamshire  
HP7 0DD

**AUDITORS**

Binder Hamlyn  
20 Old Bailey  
London EC4M 7BH

## **FINANCIAL STATEMENTS**

The directors present their report and financial statements for the year ended 31 March 1997.

## **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 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 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.

## **SUPPLIER PAYMENTS**

The company policy on payment of trade creditors is to pay suppliers in accordance with contractual and other legal obligations. Trade creditors of Babcock Management Ltd are paid on average within 30 days of invoice date.

## **RESULTS AND DIVIDENDS**

The profit on ordinary activities was £1,685,000 (1996: loss £26,372,000). No dividend is recommended for the year (1996 : £Nil). The profit has been transferred to reserves.

## **DIRECTORS AND THEIR INTERESTS**

The directors who, unless otherwise noted, served during the year were as follows:

Dr TJ Parker Chairman  
NR Salmon (resigned 31 May 1997)  
EAS Porter

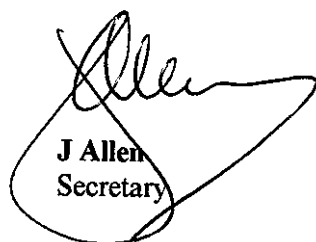
Dr TJ Parker, NR Salmon and EAS Porter were also directors of the ultimate parent company, and their interests in the shares of that company are disclosed in that company's financial statements.

None of the directors had any beneficial interest in the company's own shares.

## **AUDITORS**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report approved by the board on 15 July 1997

  
**J Allen**  
Secretary

**AUDITORS' REPORT**

**to the shareholders of Babcock Management Ltd**

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set on page 6.

**Respective responsibilities of directors and auditors**

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of 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 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 of the company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Binder Hamlyn* 15 JUL 1997

**Binder Hamlyn**  
**Chartered Accountants and Registered Auditors**  
**20 Old Bailey**  
**London, EC4M 7BH**

**BABCOCK MANAGEMENT LTD**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 1997

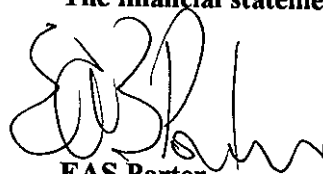
	Notes	1997	1996
		£000	£000
<b>Operating loss - administrative expenses</b>		<b>(4)</b>	<b>-</b>
Exceptional item - profit/(loss) on sale of fixed asset investments		600	(26,746)
<b>Profit/(loss) on ordinary activities before interest</b>		<b>596</b>	<b>(26,746)</b>
Net interest receivable	2	1,089	374
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1,685</b>	<b>(26,372)</b>
Taxation on ordinary activities	3	-	-
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>1,685</b>	<b>(26,372)</b>

During the year there were no recognised gains and losses other than those dealt with in the profit and loss account. All of the above results derive from continuing activities. The retained result in both the current and prior years represent the only movements in shareholders' funds.

**BABCOCK MANAGEMENT LTD**  
**BALANCE SHEET**  
as at 31 March 1997

	Notes	1997	1996
		£000	£000
<b>FIXED ASSETS</b>			
Investments	4	7,500	-
<b>CURRENT ASSETS</b>			
Debtors	5	10,509	16,781
Cash at bank and in hand		6,724	3,931
		17,233	20,712
<b>CREDITORS: amounts falling due within one year</b>	6	(4,739)	(2,403)
<b>Net current assets</b>		12,494	18,309
<b>Net assets</b>		19,994	18,309
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	44,700	44,700
Profit and loss account -	9	(24,706)	(26,391)
<b>Shareholders' funds - equity interests</b>		19,994	18,309

The financial statements on pages 4 to 8 were approved by the Board on 15 July 1997

  
**EAS Porter**  
Director

**1 ACCOUNTING POLICIES**

**Accounting convention**

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 another company registered in England and Wales.

A cash flow statement has not been prepared as the company is a wholly owned subsidiary undertaking of a company which published consolidated financial statements which included a consolidated cash flow statement.

**Investments**

Fixed asset investments are shown at cost less provision for permanent diminution in value.

<b>2</b>	<b>NET INTEREST RECEIVABLE</b>	<b>1997</b>	<b>1996</b>
		<b>£000</b>	<b>£000</b>
	Discount on deferred consideration	778	374
	Bank interest receivable	311	-
		<b>1,089</b>	<b>374</b>

**3 TAXATION**

During the year, the Babcock Group has continued its policy of surrendering UK tax losses and advanced corporation tax for no consideration except where there is a minority interest in the subsidiary.

**4 INVESTMENTS**

During the year the company acquired a 50% holding of an associate Babcock Water Engineering Ltd from a fellow subsidiary for consideration of £7,500,000.

**5 DEBTORS**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by parent undertakings	-	6,000
Recoverable taxation	-	1,050
Deferred consideration receivable on sale of investment	10,509	9,731
	<b>10,509</b>	<b>16,781</b>

The deferred consideration of £10.5 million, which relates to the disposal of the remaining 25% holding of Mitsui Babcock Energy Ltd, is receivable after more than one year.



**BABCOCK MANAGEMENT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6 CREDITORS: amounts falling due within one year**

	1997 £000	1996 £000
Other creditors	3	-
Amounts owed to other group undertakings	-	877
Amounts owed to associated undertakings	3,850	-
Accruals and deferred income	886	1,526
	<b>4,739</b>	<b>2,403</b>

**7 DEFERRED TAXATION**

No provision has been made for deferred taxation as the directors are of the opinion that no liability will crystallise in the foreseeable future.

**8 SHARE CAPITAL**

	1996 and 1997	
	Authorised £	Called up and fully paid £
Ordinary shares of £1	44,750,000	44,700,015

**9 PROFIT AND LOSS ACCOUNT**

	£000
At 31 March 1996	(26,391)
Profit for the year	1,685
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At 31 March 1997	(24,706)
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**10 CONTINGENT LIABILITIES**

- (a) The Company has joint and several liability for bank facilities of £35.0 million (1996: £35.0 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 1997 the company had counter-indemnified a total of £29.7 million (1996: £45.5 million) in respect of these contingent liabilities.

**11 ULTIMATE PARENT COMPANY**

The company's ultimate parent company is Babcock International Group PLC, a company incorporated in England and Wales. Copies of Babcock International Group PLC accounts are available to the public at the following address:

Company Secretary  
Babcock International Group PLC  
Badminton Court  
Church Street  
Amersham  
Bucks  
HP7 ODD