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BABCOCK & BROWN LIMITED

REPORTS AND FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990

Coopers  
& Lybrand  
Deloitte

BABCOCK & BROWN LIMITED

REPORTS AND FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990

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# BABCOCK & BROWN LIMITED

## REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the eighteen months ended 30 September 1990.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of Babcock & Brown Limited is packaging and arranging tax-advantaged financings in the UK and overseas.

Overall the directors are satisfied that the company has made good progress during the period, with the financial position at the period end, and with prospects for the forthcoming year.

### RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the period amounted to £2,500,376 (1989: £2,662,437) which after a dividend paid of £2,283,000 (1989: £3,174,000) has resulted in a profit for the period of £217,376 (1989: Loss £511,563) which has been added to reserves. The Directors do not recommend the payment of a final dividend.

### DIRECTORS

The directors of the company are as follows:

A M Hughes	
R J Macdonald	
A G Minns	(resigned 19 March 1990)
Ms E B Persson	(Swedish)
C F Sach	(resigned 31 March 1990)
B J Sutton	
J M Tomlinson	
P J Vardigans	
J M Vance (USA)	(appointed 23 August 1989)
P M Foggin	(appointed 23 August 1989, resigned 14 December 1990)
N A Lethbridge	(appointed 1 January 1990)
J P Craig	(appointed 1 April 1990)
T M Evans	(appointed 9 January 1991)

### DIRECTORS INTERESTS

Except as noted below none of the directors had any interests in the shares of the company:

	<u>Number of £1 ordinary shares held at</u>	
	<u>30 September 1990</u>	<u>31 March 1989</u>
Ms E B Persson	Nil	49
C F Sach	Nil	49

On 5 June 1989 Miss E B Persson and Mr C F Sach sold their shares in the company to Babcock & Brown (UK) Limited.

# BABCOCK & BROWN LIMITED

## REPORT OF THE DIRECTORS (continued)

### DIRECTORS INTERESTS (continued)

Directors who held office at 30 September 1990 had the following interests in the shares of the ultimate parent company:

	Ordinary shares		Babcock Prebon plc Preference shares	
	<u>30.9.90</u>	<u>31.3.89</u>	<u>30.9.90</u>	<u>31.3.89</u>
R J Macdonald	1,620,244	92,194	613,269	456,091
B J Sutton	1,134,055	64,420	428,715	318,691
J M Tomlinson	55,086	-	81,522	81,522

A M Hughes and P J Vardigans are also directors of the ultimate parent company and their interests are disclosed in the directors report of that company. No other directors had interests in the shares of the ultimate parent company.

### FIXED ASSETS

Details of fixed asset acquisitions and disposals by the company are shown in Note 8 to the financial statements.

### POST BALANCE SHEET EVENTS

Following the period end, a substantial proportion of the company's assets were sold to its immediate holding company Babcock & Brown (UK) Limited, which also took over some of the company's liabilities. The consideration received was a net cash amount of £263,355.

### AUDITORS

A resolution to reappoint Coopers & Lybrand Deloitte will be proposed at the annual general meeting.

### BY ORDER OF THE BOARD

R. J. Macdonald  
8.3.91

Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF  
BABCOCK & BROWN LIMITED

We have audited the financial statements on pages 4 to 18 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 30 September 1990 and of its profit and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand Deloitte*

Chartered Accountants

Croydon

8 March 1991

ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

b) TANGIBLE FIXED ASSETS

Fixed assets are stated in the balance sheet at cost less accumulated depreciation.

Depreciation is provided 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:

Motor vehicles	4 years
Office equipment	4 years
Leasehold improvements	term of lease

c) TURNOVER

Turnover comprises brokerage income derived from leasing transactions arranged during the year, gross earnings from finance leases and management charges, net of Value Added Tax.

d) ASSETS LEASED UNDER FINANCE LEASES

Finance lease income is accounted for using the investment period method.

Finance lease receivables are recorded in the balance sheet at an amount equivalent to the company's net investment in the lease after making provision for bad and doubtful receivables at the balance sheet date.

e) LEASES

Assets held under finance leases are reported at the fair value of the assets and the related liability is included in creditors. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

ACCOUNTING POLICIES (continued)

f) TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in a foreign currency are translated at the rate ruling on the date of the transaction. Assets and liabilities expressed into foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling on that date. Profits and losses on exchange are credited or charged to the profit and loss account.

g) DEFERRED TAXATION

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for the purposes of the financial statements and the treatment for taxation purposes. Provision is made to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Deferred taxation on leased assets is provided at the appropriate rate of corporation tax over the period of the lease agreement. Appropriate rates are defined as the rates in force at the anticipated dates of reversal of timing differences according to the future tax rates contained in the latest fiscal information.

h) INVESTMENTS

The company has included professional costs associated with the acquisition of investments as part of the cost of investment. Investments are included at cost less amounts written off.

i) PENSION COSTS

The company contributes to a number of individuals' defined contribution pension schemes. Contributions are charged to the profit and loss account in the period to which they relate.



BABCOCK & BROWN LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990

		18 months ended 30 September <u>Notes</u> <u>1990</u> <u>£</u>	Year ended 31 March <u>1989</u> <u>£</u>
TURNOVER	1	11,431,258	8,604,287
COST OF SALES		(845,844)	(1,006,649)
GROSS PROFIT		10,585,414	7,597,638
Net operating expenses	2	(6,485,894)	(3,849,081)
OPERATING PROFIT		4,099,520	3,748,557
Interest payable	3	(140,173)	(13,424)
		3,959,347	3,735,133
Interest receivable	5	10,430	55,767
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,969,777	3,790,900
Taxation on profit on ordinary activities	6	(1,469,401)	(1,128,463)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,500,376	2,662,437
Dividends	7	(2,283,000)	(3,174,000)
RETAINED PROFIT/(LOSS)	16	£217,376	£(511,563)



BABCOCK & BROWN LIMITED

BALANCE SHEET  
AT 30 SEPTEMBER 1990

	Notes	30 September 1990 £	31 March 1989 £
<b>FIXED ASSETS</b>			
Tangible assets	8	1,082,507	397,485
Investment	9	697,264	697,264
		<u>1,779,771</u>	<u>1,094,749</u>
<b>CURRENT ASSETS</b>			
Finance lease receivables	10	26,115	87,228
Debtors	11	5,257,041	5,892,760
Cash at bank		371,748	311,203
		<u>5,654,904</u>	<u>6,291,191</u>
CREDITORS: amounts falling due within one year	12	(6,376,771)	(6,492,447)
<b>NET CURRENT LIABILITIES</b>		<u>(721,867)</u>	<u>(201,256)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,057,904</u>	<u>893,493</u>
CREDITORS: amounts falling due in more than one year	12	(88,192)	(127,212)
Deferred taxation	13	(3,685)	(17,630)
<b>NET ASSETS</b>		<u>£966,027</u>	<u>£748,651</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,404	1,404
Share premium account	15	144,570	144,570
Profit and loss account	16	820,053	602,677
		<u>£966,027</u>	<u>£748,651</u>

The financial statements on pages 4 to 18 were approved by the board of directors on 8.3.91 and were signed on its behalf by:

P S VARDIGANS

Directors R S MACDONALD

R. S. Macdonald

BARCOCK & BROWN LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990

	18 months ended 30 September 1990 £	Year ended 31 March 1989 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	3,969,777	2,790,900
Adjustment for items not involving the movement of funds:		
Depreciation of fixed assets	303,136	146,431
Profit on sale of fixed assets	(31,586)	(13,345)
FUNDS GENERATED BY OPERATIONS	4,241,327	3,923,986
Funds from other sources:		
Proceeds from sale of fixed assets	52,562	52,200
Proceeds from issue of share capital	-	144,774
TOTAL SOURCE OF FUNDS	4,293,889	4,120,960
APPLICATION OF FUNDS		
Investment in subsidiary	-	697,264
Purchase of tangible fixed assets	1,009,134	233,792
Taxation paid	925,303	215,206
Dividends paid	5,283,000	174,000
TOTAL APPLICATION OF FUNDS	7,217,437	1,320,262
NET (APPLICATION)/SOURCE OF FUNDS	£(2,923,548)	£2,800,698

BABCOCK & BROWN LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

	18 months ended 30 September 1990 £	Year ended 31 March 1989 £
THE NET (APPLICATION) OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASES/(DECREASES) IN WORKING CAPITAL:		
Lease receivables	(61,113)	(32,821)
Debtors	(1,307,719)	4,305,489
Creditors	(1,615,261)	(840,021)
	<hr/> (2,984,093)	<hr/> 3,432,647
MOVEMENT IN NET LIQUID FUNDS:		
Cash at bank	60,545	(631,949)
NET (DECREASE)/INCREASE IN WORKING CAPITAL	<hr/> £(2,923,548) <hr/>	<hr/> £2,800,698 <hr/>

BABCOCK & BROWN LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990

1. TURNOVER	18 months ended 30 September 1990 £	Year ended 31 March 1989 £
Gross earnings under finance leases (including £4,107 receivable from fellow-subsiary - 1989 £7,168)	6,010	10,074
Management charges	-	180,000
Lease broking activities	11,425,248	8,414,213
	<u>£11,431,258</u>	<u>£8,604,287</u>
2. NET OPERATING EXPENSES		
Staff costs	2,990,366	1,085,026
Restrictive covenant payments	-	939,821
Auditors remuneration	22,500	8,450
Depreciation of tangible fixed assets - owned	238,474	142,838
- leased	64,662	3,593
Net profit on sale of fixed assets	(31,586)	(13,345)
Operating lease rentals	509,672	184,322
Other operating costs	2,691,806	1,498,376
	<u>£6,485,894</u>	<u>£3,849,081</u>
3. INTEREST PAYABLE		
On bank loans and overdrafts wholly repayable within 5 years not by instalments	102,448	3,424
Other interest payable	37,725	10,000
	<u>£140,173</u>	<u>£13,424</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

4. DIRECTORS AND EMPLOYEES	18 months ended 30 September 1990 Number	Year ended 31 March 1989 Number
The average weekly number of persons (including directors) employed by the company during the period was		
Secretarial, administration and technical	21	23
Directors	10	7
	<hr/> 31	<hr/> 30
	£	£
Staff costs (for the above persons):		
Wages, salaries and bonuses	2,691,492	965,191
Restrictive covenant payments	-	939,821
Social security costs	267,593	94,334
Other pension and insurance costs	31,281	25,501
	<hr/> £2,990,366	<hr/> £2,024,847
The remuneration paid to directors was:		
Fees	-	-
Other emoluments (including pension contributions)	1,521,640	1,447,953
	<hr/> £1,521,640	<hr/> £1,447,953
The emoluments, excluding pension contributions, of directors were as follows:		
The highest paid director	£410,400	£751,149

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

4. DIRECTORS AND EMPLOYEES (continued)	18 months ended	Year ended
	30 September	31 March
	<u>1990</u>	<u>1989</u>
	Number	Number

The number of all directors who received emoluments (excluding pensions and pension contributions) in the following ranges was:

£0 - £5,000	5	3
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£80,001 - £85,000	-	1
£90,001 - £95,000	1	-
£115,001 - £120,000	1	-
£140,001 - £145,000	1	-
£180,001 - £185,000	1	-
£235,001 - £240,000	-	1
£255,001 - £260,000	-	1
£290,001 - £295,000	1	-
£295,001 - £300,000	1	-
£410,001 - £415,000	1	-
£750,001 - £755,000	-	1

During the period the company paid £352,174 (1989: nil) to a third party in respect of a directors services.

	18 months ended	Year ended
	30 September	31 March
	<u>1990</u>	<u>1989</u>
	Number	Number

The number of employees who received emoluments in the following ranges was:

£30,001 - £35,000	1	1
£35,001 - £40,000	3	1
£40,001 - £45,000	1	-
£45,001 - £50,000	1	1
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-
£60,001 - £65,000	1	1
£85,001 - £90,000	1	-
£90,001 - £95,000	2	-
£110,001 - £115,000	1	-

5. INTEREST RECEIVABLE

This includes £2,587 (1989: £28,420) receivable from group companies.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES	18 months ended 30 September 1990 £	Year ended 31 March 1989 £
Current Period		
Corporation tax at 35%	1,464,559	1,158,199
Deferred tax at 35%	(13,945)	(16,649)
	<hr/>	<hr/>
	1,450,614	1,141,550
Prior Period		
Under/(over) provision for corporation tax	18,787	(13,087)
	<hr/>	<hr/>
	£1,469,401	£1,128,463
	<hr/>	<hr/>

The current year tax liability is to be relieved by Group relief surrendered at value from other group companies.

7. DIVIDENDS	18 months ended 30 September 1990 £	Year ended 31 March 1989 £
Interim dividend paid	2,283,000	174,000
Final dividend proposed	-	3,000,000
	<hr/>	<hr/>
	£2,283,000	£3,174,000
	<hr/>	<hr/>

8. FIXED ASSETS

	Short leasehold property £	Leasehold improvements £	Office equipment £	Motor vehicles £	Leased fixtures & fittings £	Total £
COST						
At 1 April 1989	26,687	33,969	563,996	10,895	172,443	807,990
Additions	-	770,066	239,068	-	-	1,009,134
Disposals	(26,687)	(33,969)	(50,383)	(7,900)	-	(118,939)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1990	-	770,066	752,681	2,995	172,443	1,698,185
DEPRECIATION						
At 1 April 1989	19,806	23,874	359,878	3,354	3,593	410,505
Charge for period	-	38,745	197,998	1,731	64,662	303,136
Disposals	(19,806)	(23,874)	(50,383)	(3,900)	-	(97,963)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1990	-	38,745	507,493	1,185	68,255	615,678
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

## 8. FIXED ASSETS (continued)

	Short leasehold property £	Leasehold improvements £	Office equipment £	Motor vehicles £	Leased fixtures & fittings £	Total £
NET BOOK VALUE						
At 30 September 1990	£ -	£731,321	£245,188	£1,810	£104,188	£1,082,507
At 31 March 1989	£6,881	£10,095	£204,118	£7,541	£168,850	£397,485

## 9. INVESTMENT

Shares in Subsidiary at cost

At 1 April 1989 and 30 September 1990 £697,264

The company owns 100% of the Ordinary Share Capital of Symphony Asset Finance Limited, a company incorporated in Great Britain.

Under Section 228 of the Companies Act 1985, the company is exempt from the requirement to prepare consolidated financial statements because it is a wholly owned subsidiary of another UK company.

Following the year end the company sold its investment to its immediate holding company Babcock & Brown (UK) Limited for £697,264.

## 10. FINANCE LEASE RECEIVABLES

The movement on finance lease receivables during the period was as follows:

	30 September 1990 £	31 March 1989 £
Balance at 1 April 1989	87,228	120,049
Amortisation (see below)	(61,113)	(32,821)
Balance at 30 September 1990	£26,115	£87,228

Amortisation represents the capital element of rentals receivable in the period (that is, rentals less gross earnings).

The aggregate cost of assets acquired during the period for letting under finance leases at 30 September 1990 totalled £NIL (1989: £Nil).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

10. FINANCE LEASE RECEIVABLES (continued)	30 September 1990 £	31 March 1989 £
The aggregate rentals receivable under these leases at 30 September 1990 totalled	£27,970	£92,365
Included in the above is £Nil (1989: £42,930) which falls due after more than on year.		
Rental income on the finance leases amounted to	* £6,010	* £10,074
* includes £4,107 (1989: £7,168) receivable from fellow subsidiaries		

11. DEBTORS

Amounts falling due within one year:

Trade debtors	2,118,720	4,671,284
Amount due from group companies	2,292,150	1,027,641
Other debtors	26,471	138,211
Prepayments	147,700	55,624
	<hr/> 4,585,041	<hr/> 5,892,760
Amount falling due after more than one year:		
ACT recoverable	672,000	-
	<hr/> £5,257,041	<hr/> £5,892,760
Total debtors		

# BABCOCK & BROWN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

12. CREDITORS:	30 September 1990 £	31 March 1989 £
Amounts falling due within one year:		
Trade creditors	275,449	118,247
Amount due to group companies		
- current account	2,119,205	1,200,750
- group relief	2,314,575	525,700
- dividend proposed	-	3,000,000
Corporation tax	6,326	1,237,158
ACT payable	672,000	-
Other taxation and social security payable	342,156	196,213
Finance lease obligations	32,151	34,649
Other creditors	257,846	95,417
Accruals and deferred income	357,063	84,313
	<u>£6,376,771</u>	<u>£6,492,447</u>
Amounts falling due in more than one year:		
Finance lease obligations:		
Amounts payable in 2 to 5 years	£88,192	£127,212

### 13. DEFERRED TAXATION

Deferred taxation provided in the financial statements, and the total potential liability, are as follows:

	Amount provided and total potential liability 30 September 1990 £	31 March 1989 £
Tax effect of timing differences because of:		
Accelerated capital allowances	£3,685	£17,630

The movements on the provision for deferred taxation are as follows:

Provision at 1 April 1989	17,630
Released in the period (note 6)	(13,945)
Provision at 30 September 1990	<u>£3,685</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

14. CALLED-UP SHARE CAPITAL	30 September 1990 £	31 March 1989 £
Authorised:		
100,000 Ordinary shares each	£100,000	£100,000
Allotted, called up and full:		
1,404 Ordinary shares of £1 each		£1,404

15. SHARE PREMIUM	
Balance as at 1 April 1989 and 30 September 1990	£144,570

16. PROFIT AND LOSS ACCOUNT	
Balance as at 1 April 1989	602,677
Profit for the period	217,376
Balance as at 30 September 1990	£820,053

	30 September 1990		31 March 1989
	Land & Buildings £	Other £	Land & Buildings £
			Other £
The company has committed itself to the following annual payments in respect of operating leases			
Expiring within one year	-	98,251	-
Expiring within two to five years	-	64,810	-
Expiring in more than five years	465,884	-	115,172
	£465,884	£163,061	£115,172
			£67,273

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER 1990 (continued)

18. PENSION COSTS

The company contributes to a number of defined contribution pension schemes. The total pension cost for the period was £31,281 (1989: £25,501) of which £9,500 is included in creditors at the period end (1989: £NIL).

19. CAPITAL COMMITMENTS

At 30 September 1990 the company had contracted but not provided for expenditure of £49,000 in respect of leasehold improvements.

20. CONTINGENT LIABILITIES

The company has entered into an agreement to guarantee a loan of £200,000 advanced by a third party to an employee for the purpose of funding the purchase of a UK residence.

21. POST BALANCE SHEET EVENTS

Following the period end, a substantial proportion of the company's assets were sold to its immediate holding company Babcock & Brown (UK) Limited, which also took over some of the company's liabilities. The consideration received was a net cash amount of £263,355.

22. ULTIMATE HOLDING COMPANY

The ultimate holding company is Babcock Prehon plc (formally York Trust Group plc), a company incorporated in Great Britain.