

Railcare Limited

Accounts 31 March 1996
together with directors' and auditors' reports

Registered number: 3001044



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Directors and Advisors

For the period ended 31 March 1996

Directors

Mr AK Smith (Chairman)

Mr B Turnbull (Managing Director)

Mr EM McDonnell

Mr PJ Tizzard

Mr EAS Porter

Secretary

Mr AP Kennedy

Registered office

The Lodge

Badminton Court

Church Street

Amersham

Bucks

HP7 0DD

Auditors

Binder Hamlyn

20 Old Bailey

London

EC4M 7BH

Bankers

The Royal Bank of Scotland plc

PO Box 450

5-10 Great Tower Street

London

EC3P 3XH

Solicitors

Hammond Suddards

Trinity Court

16 John Dalton Street

Manchester

M60 8HS

Directors' report

For the period ended 31 March 1996

Financial Statements

The directors present the first report and financial statements of the company covering the period from 13 December 1994 to 31 March 1996.

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 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 keeping 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 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 activities and business review

The company was incorporated on 13 December 1994.

On 6 June 1995 the company acquired the whole of the ordinary issued share capital of Tickford Rail Limited (acquired from the Babcock International Group of companies, of which Railcare Limited is a member), and of Glasgow Rail Maintenance Limited and Wolverton Rail Maintenance Limited (acquired from British Railways Board).

Under an agreement effective from 1 April 1996 the company acquired the whole of the business and certain assets and liabilities of Tickford Rail Limited, Glasgow Rail Maintenance Limited and Wolverton Rail Maintenance Limited.

Tickford Rail Limited, Glasgow Rail Maintenance Limited and Wolverton Rail Maintenance Limited all operated in the field of rail engineering, maintenance and refurbishment. The company will continue to operate in this field for the foreseeable future.

Directors' report (continued)

Results and Dividends

The company's profit after taxation for the period was £59,000. The retained profit for the period has been transferred to reserves.

Directors and their interests

The directors who served during the period are listed below:

B Morse	appointed 13 December 1994, resigned 6 June 1995
B Turnbull	appointed 6 June 1995
EM McDonnell	appointed 6 June 1995
PJ Tizzard	appointed 6 June 1995
AK Smith	appointed 6 June 1995
EAS Porter	appointed 6 June 1995

The directors who held office on 31 March 1996 had no interests other than those shown below in the shares of Babcock International Group PLC.

Name of Director	Name of Company	<u>At 13 December 1994</u> <u>or date of</u> <u>appointment</u> Number of Ordinary 50p shares	<u>31 March 1996</u> Number Ordinary 50p shares
B Turnbull	Babcock International Group PLC	-	-
EM McDonnell	Babcock International Group PLC	-	-
PJ Tizzard	Babcock International Group PLC	-	-
AK Smith	Babcock International Group PLC	47,164	47,164
EAS Porter	Babcock International Group PLC	25,517	25,517

The directors and their immediate families have the following options to subscribe for shares in group companies.

Name of Director	<u>Number of options over Ordinary shares in Babcock International Group PLC</u>			
	<u>At 13 December</u> <u>1994 or date of</u> <u>appointment</u>	<u>Granted during</u> <u>the period</u>	<u>Exercised during</u> <u>the period</u>	<u>At 31 March</u> <u>1996 ordinary</u> <u>50p</u>
B Turnbull	30,000	50,000	-	80,000
EM McDonnell	-	-	-	-
PJ Tizzard	-	-	-	-
AK Smith	219,562	-	-	219,562
EAS Porter	238,267	-	-	238,267

Directors' report (continued)

The figures shown above reflect the one for five consolidation in the shares of Babcock International Group PLC which took place during the period.

Fixed assets

The movements in fixed assets during the period are set out in Note 6 to the financial statements.

Donations

Charitable donations made during the period amounted to £Nil and political donations £Nil.

Employment policy

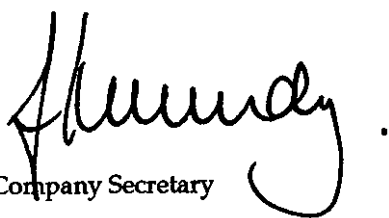
The company uses the consultative procedures agreed with its staff and elected representatives with a view to ensuring that employees are aware of the financial and economic factors which affect the company's performance and prospects.

In respect of disabled persons, the company's policy is to continue to employ those who become disabled in service, together with some recruitment where circumstances permit. Training is adjusted to cater for an individual disability and the disabled share the same conditions of service as other staff in relation to career development and promotion.

Auditors

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

This report was approved by the Board on 28 August 1996


Company Secretary

Auditors' report

To the members of Railcare Limited.

We have audited the financial statements on pages 6 to 13 which have been prepared on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of 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 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 as at 31 March 1996 and of its results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants

Registered Auditors

28 August 1996

Profit and loss account

For the period ended 31 March 1996

	Notes	13 December 1995 to 31 March 1996 £'000
Turnover		-
Cost of sales		-
		<hr/>
Gross Profit		-
Other income-management charges		1,762
Distribution costs		(303)
Administration expenses		(1,843)
		<hr/>
Operating loss		(384)
Interest receivable and similar income		445
Interest payable and similar charges	2	(2)
		<hr/>
Profit on ordinary activities before taxation	3	59
Tax on profit on ordinary activities	5	-
		<hr/>
Retained profit for the period		59
Accumulated deficit at beginning of period		-
		<hr/>
Retained profit at end of period		59
		<hr/>

The current period results have been derived wholly from continuing operations.

There are no recognised gains or losses in the period other than the profit for the period.

The notes on pages 8 to 13 form part of these financial statements.

Balance Sheet

31 March 1996

	Notes	1996 £'000
Fixed assets		
Investments	6	<u>5,700</u>
		<u>5,700</u>
Current assets		
Debtors	7	51
Cash at bank and in hand		<u>315</u>
		366
Creditors: amounts falling due within one year	8	<u>(4,430)</u>
Net current liabilities		<u>(4,064)</u>
Net assets		<u>1,636</u>
Capital and reserves		
Called-up equity share capital	9	1,577
Profit and loss account		<u>59</u>
Total equity shareholders' funds	10	<u>1,636</u>

The financial statements on pages 6 to 13 were approved by the Board on 28 August 1996



B Turnbull

Director

The notes on pages 8 to 13 form part of these financial statements.

Notes to the Financial Statements

for the period ended 31 March 1996

1 Accounting policies

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

a) Basis of accounting

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards. Group accounts have not been presented under Section 228 of the Companies Act 1985 as the Company is a subsidiary undertaking of another company incorporated in England and Wales.

b) Investments

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

c) Deferred taxation

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

Deferred tax assets are not taken up until realised. However, the amount of all deferred tax, including that which will probably not reverse, is shown in the notes to the accounts.

d) Pension costs

The company operates defined contribution schemes for certain employees. The assets of the schemes are held separately from those of the company. The company makes contributions which are charged to the profit and loss account in the period in which they become payable.

For certain other employees, the company is a member of other Babcock International Group pension schemes, which are defined benefit pension schemes. The company makes contributions which are based on periodic actuarial calculations and are charged to the profit and loss account so as to spread the cost of pensions over the expected service lives of the employees who are members of the schemes.

Notes to the Financial Statements (continued)
for the period ended 31 March 1996

2 Interest payable and similar charges

	1996 £000
Bank loans, overdrafts and other loans	
-repayable within five years, not by instalments	<u>2</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1996 £'000
Auditors remuneration	-
Staff costs (see note 4)	<u>713</u>

Notes to the Financial Statements (continued)

for the period ended 31 March 1996

4 Staff costs

Particular of employees (including executive directors) are as shown below:

Employee costs during the period amounted to:

	1996 £000
Wages and salaries	630
Social security costs	59
Other pension costs	24
	<hr/>
	713

The company employed an average weekly number of persons (including directors) during the period as follows:

	1996 Number
Distribution	5
Administration	14
	<hr/>
	19

Directors' remuneration:

Directors' remuneration in respect of directors of the company was as follows:

	1996 £'000
Fees	-
Other emoluments (including pension contributions and benefits-in-kind)	154
	<hr/>
	154

The directors' emoluments shown above (excluding pensions and pension contributions) included:

	1996 £'000
Chairman	-
Highest paid director	77

Notes to the Financial Statements (continued)

for the period ended 31 March 1996

4 Staff costs (continued)

Other directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1996 £'000
Up to £5,000	3
£55,001 to £60,000	<u>1</u>

5 Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises:

	1996 £'000
Corporation tax at 33%	<u>-</u>

No tax will be payable on the profit for the period as a result of losses being surrendered by Tickford Rail Limited for nil consideration.

6 Fixed asset investments

	Investment in subsidiary undertakings £'000
Cost and net book value	
Additions	<u>5,700</u>
At 31 March 1996	<u>5,700</u>

During the period the company acquired 100% of the issued share capital of the following companies:

Tickford Rail Limited
Wolverton Rail Maintenance Limited
Glasgow Rail Maintenance Limited

All the above companies are registered in England and Wales. The companies' principal activities are those of repair and maintenance of and the design and supply for railway rolling stock.

Notes to the Financial Statements (continued)

for the period ended 31 March 1996

7 Debtors

Amounts falling due within one year:

	1996 £'000
Other debtors	32
Prepayments and other accrued income	19
	<u>51</u>

8 Creditors: amounts falling due within one year

	1996 £'000
Bank overdrafts	28
Amounts owed to other group undertakings	2,434
Accruals and deferred income	399
Other creditors	1,569
	<u>4,430</u>

9 Called-up equity share capital

	Authorised 1996 Number	Allotted, called-up and fully paid 1996 Number
£1 Ordinary shares	<u>10,000,000</u>	<u>1,577,100</u>

Notes to the Financial Statements (continued)

for the period ended 31 March 1996

10 Reconciliation of movements in shareholders' funds

	1996 £'000
Profit for the financial period	59
New share capital subscribed	<u>1,577</u>
Net increase in shareholders' funds	1,636
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>1,636</u>

11 Guarantees and financial commitments

Operating lease commitments

Vehicles	1996 £'000
Annual commitments which expire:	
- within one year	-
- between two and five years	<u>72</u>
	<u>72</u>

12 Pension costs

The company is a member of certain Babcock International Group Pension Schemes which are defined benefit schemes. The schemes are funded by company and employee contributions which are determined with the advice of independent qualified actuaries. The latest actuarial valuations of the schemes were at 1 April 1995 and 31 March 1992, details of which can be found in the accounts of Babcock International Group PLC.

13 Post balance sheet events

Under an agreement effective from 1 April 1996 the company acquired the whole of the trade and net assets of its subsidiaries, Tickford Rail Limited, Glasgow Rail Maintenance Limited and Wolverton Rail Maintenance Limited.

14 Ultimate parent undertaking

The company's ultimate parent undertaking is Babcock International Group Plc.