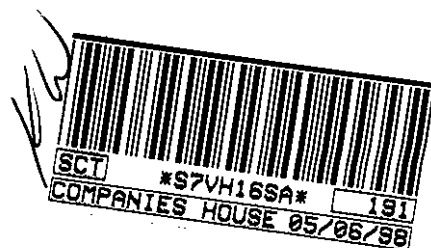


BABCOCK WELDING PRODUCTS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998**

Reg. No. SC 006601



Report of the Directors

for the year ended 31 March 1998

The directors submit their report and accounts for the year ended 31 March 1998.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company acts solely as agent, on a non-profit basis, for its parent company, Mitsui Babcock Energy Limited and any trading transactions are accordingly reflected in the annual accounts of that company.

2. DIRECTORS

The directors who served during the year were as follows:-

D.G. Cox
M.R. Frost

3. DIRECTORS' INTERESTS

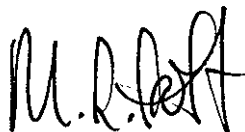
No director had any beneficial interest in the share capital of any company in the group.

4. AUDITORS

In accordance with the provisions of Section 250 of the Companies Act 1985, the Company, being a dormant company in the meaning of the said sections, is not required to appoint auditors.

This report was approved by the Board on 18 May 1998

On behalf of the Board



M.R. Frost
Director

Registered Office:-

Porterfield Road
Renfrew
Scotland
PA4 8DJ

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the result for that period. In preparing those accounts, 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 departure disclosed and explained in the accounts; and
- Prepare the accounts 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 accounts 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.

Babcock Welding Products Limited

Profit and Loss Account

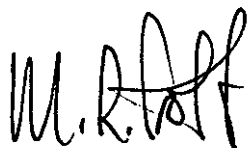
The company did not trade in the year or the prior year and consequently made neither a profit or loss.

Balance Sheet

	Notes	31 March 1998 £	31 March 1997 £
Current Assets			
Debtors - Amount due from parent company		49,700	49,700
		=====	=====
Capital and Reserves			
Share Capital	4	49,700	49,700
		=====	=====

On behalf of the Board of Directors on 18 May 1998

The Company was dormant within the meaning of Section 250 of the Companies Act 1985, throughout the period ending at the date of this balance sheet.



M.R. Frost
Director

The accompanying notes form an integral part of these accounts.

Notes to the Financial Statements**1. ACCOUNTING POLICIES**

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

2. TRADING

The company did not trade during the year ended 31 March 1998 and consequently has made neither a profit nor a loss. All trading transactions are entered into as agents of Mitsui Babcock Energy Limited, the records thereof being incorporated in the books and accounts of that company.

3. DIRECTORS' EMOLUMENTS

The directors are directors of the immediate parent company, Mitsui Babcock Energy Limited. Their emoluments in respect of their services to the group are shown in the accounts of that company. No emoluments have been received by the directors in respect of their services to Babcock Welding Products Limited during the year (1997 - NIL).

4. SHARE CAPITAL

	1997 & 1998	1997 & 1998
	<u>Authorised</u>	<u>Allotted & fully paid</u>
	£	£
Ordinary Shares of £1 each	70,000	49,700
	<u>=====</u>	<u>=====</u>

5. ULTIMATE PARENT COMPANY

The directors consider that Mitsui Engineering and Shipbuilding Co. Ltd., registered in Japan, is the company's Ultimate Parent Company. This is the largest group of companies for which group accounts are drawn up and of which the company is a member. The smallest such group is Mitsui Babcock Energy Limited which is registered in England and Wales.

The consolidated accounts of the company's ultimate parent company are available to the public and may be obtained from 6-4, Tsakiji 5-chome, Chou-Ku, Tokyo 104, Japan.