

# Rosyth Royal Dockyard plc

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

Registered number: SC101959

D5



## Directors and advisors

### **Directors**

Mr A K Smith (Chairman)

Mr D S Batty

Mr G D Hilton

Mr D M Johnson

Mr A A MacPherson

Mr M N McKenna

Mr A R H Ferguson

### **Secretary**

Mr A P Kennedy

### **Registered Office**

Rosyth Royal Dockyard

Rosyth

Fife

KY11 2YD

### **Auditors**

Arthur Andersen

18 Charlotte Square

Edinburgh

EH2 4DF

### **Bankers**

The Royal Bank of Scotland plc

52/54 East Port

Dunfermline

Fife

KY12 7HB

### **Solicitors**

McGrigor Donald

Pacific House

70 Wellington Street

Glasgow

G2 6SB

## Directors' report

For the year ended 31 March 1996

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 March 1996.

### Directors' responsibilities

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 profit or loss of the company 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 departures 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure 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.

### Principal activities and business review

The company continued to enjoy the use of land, buildings and equipment situated at Rosyth Royal Dockyard under licence from the Secretary of State for Defence, for the ninth year of an agreement which has been extended to run for up to nine and a half years.

The services of the employees of the company and the use of the land, buildings and equipment were, by agreement, made available to the company's immediate parent undertaking, Babcock Rosyth Defence Limited.

The company is presently negotiating with the Ministry of Defence to acquire the land, buildings and equipment at Rosyth Royal Dockyard, and expects to complete the purchase during the coming year. The company anticipates continuing to make available to Babcock Rosyth Defence Limited the services of the employees of the company and the use of the land, buildings and equipment situated at Rosyth Royal Dockyard for the foreseeable future, both before and after the acquisition of the assets, under arrangements similar in effect to those applying at present.

## Directors' report (continued)

### Dividends and results

No interim dividend was paid in the year ended 31 March 1996. The directors recommend that no final dividend is paid and that the profit for the year of £2,917 be transferred to reserves.

### Directors and their interests

The directors who served during the year are shown below.

Mr A K Smith

Mr D S Batty

Mr G D Hilton

Mr D M Johnson

Mr A A MacPherson

Mr M N McKenna

Mr A R H Ferguson (appointed 23 May 1995)

Mr B Morse (resigned 1 June 1995)

At the forthcoming annual general meeting, in accordance with the requirements of the articles of the company, Messrs Hilton, Johnson and McKenna shall retire. All, being eligible, offer themselves for re-election.

The directors who held office at 31 March 1996 had no interests other than those shown below in the shares of group companies.

Name of director	Name of company	31 March 1996	1 April 1995
		Number of Ordinary shares	Number of Ordinary shares
Mr A K Smith	Babcock International Group PLC	47,164	47,164
Mr D S Batty	Babcock International Group PLC	3,928	3,928
Mr G D Hilton	Babcock International Group PLC	-	-
Mr D M Johnson	Babcock International Group PLC	-	-
Mr A A MacPherson	Babcock International Group PLC	1,304	1,266
Mr M N McKenna	Babcock International Group PLC	-	-
Mr A R H Ferguson	Babcock International Group PLC	-	-

## Directors' report (continued)

### Directors and their interests (continued)

According to the register of directors' interests maintained under the Companies Act, the directors and their immediate families have the following options to subscribe for shares in group companies.

Name of director	Number of options over Ordinary shares in Babcock International Group PLC		
	At 1 April 1995	Granted during the year	At 31 March 1996
Mr A K Smith	219,562	-	219,562
Mr D S Batty	85,627	50,000	135,627
Mr G D Hilton	48,720	10,000	58,720
Mr D M Johnson	33,039	15,000	48,039
Mr A A MacPherson	38,039	10,000	48,039
Mr M N McKenna	39,039	25,000	64,039
Mr A R H Ferguson	22,000	15,000	37,000

For comparative purposes, the number of shares and share options at 1 April 1995 have been adjusted to reflect the 1 for 5 consolidation of the share capital of Babcock International Group PLC which took place on 27 July 1995.

There have been no changes in directors' interests in shares or options between 31 March 1996 and the date of this report.

### Employment of disabled persons

The policy and practice of the company is to seek to encourage and assist the employment of disabled persons who are able to perform their duties without exposing themselves or others to abnormal risks.

The training, career development and promotion opportunities of the company's disabled employees are equal to those of their able-bodied colleagues.

Arrangements are made, wherever possible, for the continued employment of employees becoming disabled whilst working for the company. If necessary, retraining is offered to such individuals to allow each of them to perform work suited to their aptitudes and abilities.

### Employee involvement

The company communicates regularly with its employees in briefings and discussions, by written communications on specific topics and on more general issues through the bulletin "Newsweek" and the company newspaper "RRD 2000". The company routinely discusses issues affecting its employees with the employees' trade unions' representatives.

The company encourages the active involvement of all employees in the company Change Programme which has, as its objective, continuous improvement of performance to the mutual advantage of both company and employees.

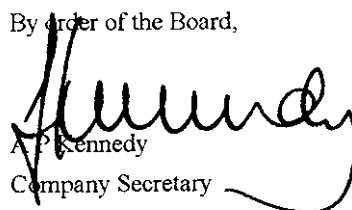
## Directors' report (continued)

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Rosyth Royal Dockyard  
Rosyth  
Fife  
KY11 2YD

By order of the Board,

  
A.P. Kennedy  
Company Secretary

6 June 1996

# Auditors' report

## To the Shareholders of Rosyth Royal Dockyard plc:

We have audited the accounts on pages 7 to 16 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on page 9.

## Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

## Basis of opinion

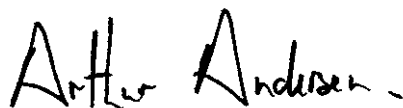
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

The company has taken advantage of the exemption in Financial Reporting Standard 1 to dispense with the requirement to publish a cash flow statement in its accounts, as a consolidated cash flow statement will be included in the accounts of the immediate parent company.

## Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

18 Charlotte Square  
Edinburgh  
EH2 4DF

6 June 1996

## Profit and loss account

For the year ended 31 March 1996

	Notes	1996 £	1995 £
<b>Turnover</b>	2	83,597,238	84,732,579
Cost of sales		(83,597,238)	(84,732,579)
<b>Gross profit</b>		-	-
Other interest receivable and similar income	3	2,953	3,062
<b>Profit on ordinary activities before taxation</b>	4	2,953	3,062
Tax on profit on ordinary activities	6	(36)	2,012
<b>Profit for the financial year</b>		2,917	5,074
<b>Retained profit at beginning of year</b>		6,770	1,696
<b>Retained profit at end of year</b>		9,687	6,770

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

There are no recognised gains or losses in either year other than the profit for each year.

The accompanying notes are an integral part of this profit and loss account.



# Balance sheet

31 March 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Investments	7	99	99
<b>Current assets</b>			
Debtors	8	123,115	367,302
Cash at bank and in hand		72,507	69,194
		<u>195,622</u>	<u>436,496</u>
<b>Creditors: Amounts falling due within one year</b>	9	(136,033)	(379,824)
<b>Net current assets</b>		<u>59,589</u>	<u>56,672</u>
<b>Total assets less current liabilities</b>		<u>59,688</u>	<u>56,771</u>
<b>Net assets</b>		<u>59,688</u>	<u>56,771</u>
<b>Capital and reserves</b>			
Called-up equity share capital	10	50,001	50,001
Profit and loss account		9,687	6,770
<b>Total capital employed</b>	11	<u>59,688</u>	<u>56,771</u>

Signed on behalf of the Board

A K Smith



Director

6 June 1996

The accompanying notes are an integral part of this balance sheet.

## Notes to accounts

For the year ended 31 March 1996

### 1 Accounting policies

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

#### *a) Basis of accounting*

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

#### *b) Investments*

Investments held as fixed assets are stated at cost less amounts written off. Provisions are made for permanent reductions in value.

#### *c) Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain Babcock group companies are reduced wholly or in part by the surrender of losses and ACT by fellow Babcock group companies. The taxation benefits arising from group relief and the surrender of ACT are recognised in the accounts of the recipient companies.

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 the reversal. Deferred taxation is not provided on timing differences which, in the opinion of the directors, will probably not reverse. At 31 March 1995 and 31 March 1996, there were no significant timing differences.

#### *d) Pensions*

The company operates pension schemes for the benefit of all its employees. The funds of the schemes are administered by Trustees and are separate from the company. Independent qualified actuaries complete valuations periodically and, in accordance with their recommendations, annual contributions from employees and employer are paid to the schemes so as to secure the benefits set out in the rules. The cost of these is charged against profits on a systematic basis over the service lives of the employees.

#### *e) Group accounts*

The company has not prepared group accounts as it is exempted from the requirement to do so by section 228 of the Companies Act 1985, as the company is a subsidiary undertaking of Babcock International Group PLC, a company registered in England, and is included in the consolidated accounts of that company.

### 2 Turnover

Turnover, all of which was generated in the United Kingdom, represents the sales value, excluding value added tax, of services provided to the immediate parent company.

## Notes to accounts (continued)

### 3 Other interest receivable and similar income

	1996 £	1995 £
Bank interest receivable	<u>2,953</u>	<u>3,062</u>

### 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1996 £	1995 £
Licence for use of:		
- land and buildings	1,379,364	1,855,128
- plant and machinery	935,741	1,025,116
Staff costs (note 5)	<u>81,282,133</u>	<u>81,852,335</u>

The auditors' remuneration in both the current and prior year was borne by the immediate parent undertaking.

### 5 Staff costs

Particulars of employees (including executive directors) are as shown below.

Employee costs during the year amounted to:

	1996 £	1995 £
Wages and salaries	69,033,154	69,593,871
Social security costs	5,462,637	5,549,945
Other pension costs (note 13)	6,786,342	6,708,519
	<u>81,282,133</u>	<u>81,852,335</u>

## Notes to accounts (continued)

### 5 Staff costs (continued)

The average weekly number of persons (including directors) employed by the company during the year was as follows:

	1996 Number	1995 Number
Production	3,408	3,451
Administration	23	27
	<u>3,431</u>	<u>3,478</u>

### Directors' remuneration

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

	1996 £	1995 £
Emoluments (including pension contributions and benefits-in-kind)	429,761	485,217
Compensation for loss of office	-	29,000
	<u>429,761</u>	<u>514,217</u>

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

	1996 £	1995 £
Chairman	<u>-</u>	<u>-</u>
Highest paid director	<u>81,358</u>	<u>91,234</u>

## Notes to accounts (continued)

### 5 Staff costs (continued)

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

	1996 Number	1995 Number
Up to £5,000	3	3
£35,001 to £40,000	-	1
£50,001 to £55,000	-	1
£60,001 to £65,000	1	-
£65,001 to £70,000	1	-
£70,001 to £75,000	1	-
£75,001 to £80,000	1	-
£80,001 to £85,000	1	3
£90,001 to £95,000	-	1

Since all payroll costs are recharged to the immediate parent company, the directors' remuneration shown above is in respect of directors who are directors of Rosyth Royal Dockyard plc only. The remuneration in respect of the company's directors who are also directors of the immediate parent company are shown in the accounts of that company.

### 6 Tax on profit on ordinary activities

	1996 £	1995 £
Adjustment in respect of prior years	36	(2,012)
	<u>36</u>	<u>(2,012)</u>

## Notes to accounts (continued)

### 7 Fixed asset investments

	1996 £	1995 £
Subsidiary undertakings	<u>99</u>	<u>99</u>

The company owns 99% of the allotted Ordinary share capital of Rosyth Royal Dockyard Pension Trustees Limited, a company registered in Scotland. This subsidiary undertaking is the trustee of the Rosyth Royal Dockyard Pension Scheme.

### 8 Debtors

Amounts falling due within one year:

	1996 £	1995 £
Other debtors	<u>123,115</u>	<u>367,302</u>

### 9 Creditors: Amounts falling due within one year

	1996 £	1995 £
Bank overdraft	61,516	148,300
Amounts owed to parent undertaking	57,726	230,415
Other taxes and social security costs	-	626
Accruals and deferred income	16,791	483
	<u>136,033</u>	<u>379,824</u>

### 10 Called-up equity share capital

	Authorised		Allotted, called-up and fully paid	
	1996 Number	1995 Number	1996 £	1995 £
£1 Ordinary shares	50,000	50,000	50,000	50,000
£1 Special share	1	1	1	1
	<u>50,001</u>	<u>50,001</u>	<u>50,001</u>	<u>50,001</u>

Share capital consists entirely of equity shares.

The Secretary of State for Defence retains a Special share in the company which empowers him to take control of the company under certain circumstances, particularly to safeguard national security.

## Notes to accounts (continued)

### 11 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year	2,917	5,074
Opening shareholders' funds	56,771	51,697
Closing shareholders' funds	59,688	56,771

### 12 Guarantees and financial commitments

#### a) Capital commitments

There were no capital commitments at the end of the year (1995 - £nil).

#### b) Licence fee commitments

	1996 £	1995 £
Land and buildings		
Annual commitment which expires:		
- within one year	343,000	-
- within two to five years	-	1,374,000
	343,000	1,374,000
Plant and machinery		
Annual commitment which expires:		
- within one year	233,000	-
- within two to five years	-	932,000
	233,000	932,000

The licence fee commitment is undertaken for the benefit of the company's immediate parent undertaking, Babcock Rosyth Defence Limited.

## Notes to accounts (continued)

### 13 Pension costs

The company operates pension schemes for the benefit of its employees. These defined benefit schemes are funded in advance by contributions, from the members at rates set in the schemes' rules, and from the employer to meet the balance of the costs, at a rate assessed by the actuaries of the scheme in regular funding reviews.

The pension cost is assessed in accordance with the advice of independent qualified actuaries, and the most recent actuarial valuations for the Rosyth Royal Dockyard Pension Scheme and the Rosyth Royal Dockyard Superannuation Scheme for Senior Executives were carried out at 31 March 1992 and 31 March 1994 respectively. Details of the valuations are as follows:

	Rosyth Royal Dockyard Pension Scheme	Rosyth Royal Dockyard Superannuation Scheme for Senior Executives
Method of valuation	Projected unit	Attained age
Results of last valuation:		
- market value of assets	£137 million	£1,065,000
- level of funding	102%	94%
Principal valuation assumptions:		
- rate of return on investment	9.0%	9.0%
- rate of earnings increase	7.5%	7.5%
- rate of pensions increase	3% - 6%	3.0%
- rate of dividend growth	4.5%	N/A

The pension cost in the year was equal to the contributions payable of £6,786,342 (1995 - £6,708,519).

### 14 Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 to dispense with the requirement to publish a cash flow statement in its accounts, as a consolidated cash flow statement will be included in the accounts of the immediate parent company.



## Notes to accounts (continued)

### 15 Ultimate parent company

The company's ultimate parent company is Babcock International Group PLC, a company registered in England. The largest group in which the results of the company are consolidated is that headed by Babcock International Group PLC. The smallest group in which the results of the company are consolidated is that headed by the company's immediate parent undertaking, Babcock Rosyth Defence Limited.

Copies of Babcock International Group PLC accounts are available to the public from the following address:

The Company Secretary  
Babcock International Group PLC  
Badminton Court  
Church Street  
Amersham  
Bucks HP7 0DD