

# Babcock Rosyth Industries Limited

Accounts for the year ended 31 March 2000  
together with directors' and auditors' reports

Registered number: SC173116



## Directors and advisors

### **Directors**

Mr W A Cramond

Mr M S Easton

### **Secretary**

Mr J D T Greig

### **Registered Office**

Rosyth Dockyard

Rosyth,

Dunfermline

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

## Directors' report

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 2000.

### **Principal activities and business review**

The company is engaged principally in the design and manufacture of subsea equipment for the oil and gas industry, the design and manufacture of rail freight wagons and the refurbishment of rail passenger rolling stock.

### **Results and dividends**

The audited accounts for the year ended 31 March 2000 are set out on pages 6 to 14. The loss for the year after taxation was £142,000 (1999: £180,000). The directors recommend that no dividend is paid and that the retained loss for the year of £142,000 be transferred to reserves.

### **Supplier payment policy**

The company's policy is to settle terms of payment with suppliers by mutual agreement and to abide by the terms of payment.

### **Directors and their interests**

The directors who served during the period and subsequent to year-end are shown below.

Mr D W Lindsay (resigned 24 March 2000)

Mr W A Cramond

Mr M S Easton

Interests of Mr M S Easton who is also a director of the ultimate parent company, Babcock International Group PLC, are shown in that company's accounts. According to the register of directors' interests maintained under the Companies Act, the remaining directors who held office at 31 March 2000 and their immediate families have their shares and options to subscribe for shares in Babcock International Group PLC set out overleaf:

# Directors' report (continued)

## Directors and their interests (continued)

	Number of 50p Ordinary Shares		
	31 March 2000		1 April 1999
Mr W A Cramond	<u>9,250</u>		<u>9,250</u>
		Granted/Issued/Tr ansfered in year	1 April 1999
	<u>Executive Share Options Over 50p Ordinary Shares</u>		
Mr W A Cramond	<u>82,350</u>	<u>27,350</u>	<u>55,000</u>
	<u>SAYE Share Options Over 50p Ordinary Shares</u>		
Mr W A Cramond	<u>5,571</u>	<u>-</u>	<u>5,571</u>
	<u>50p Ordinary Shares Held In Trust Under An</u>		
	<u>Employee Share Participation Scheme</u>		
Mr W A Cramond	<u>264</u>	<u>-</u>	<u>-</u>

The above holdings are based on the Babcock International Group PLC share structure that prevailed at 31 March 2000.

## Year 2000

After an initial assessment of the potential impact of the Year 2000 on the company, a plan was developed to ensure that all significant risks were addressed well in advance of critical dates and with minimum disruption to the business.

The Board can confirm that the company achieved Year 2000 compliance in all areas which have a potential impact on the business and that the cost of doing so did not have a material impact on the company.

Based on experience since the start of the year 2000, no significant issues have arisen and the directors are confident that no further matters will arise.

## Safety policy

The company recognises the promotion of health and safety at work as an important objective. It is company policy to take steps to ensure, as far as is reasonably practicable, the health, safety and welfare of the employees of the company.

The company has developed and implemented an environmental policy to ensure that the impact of its activities on the environment is limited to the minimum practicable level.

## 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 year. In preparing those accounts, the directors are required to:

## Directors' report (continued)

- 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 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.

### Auditors

The company has elected pursuant to S386 Companies Act 1985 to dispense with the obligation to appoint auditors annually.

By order of the Board



M.S. Easton

Director

25 January 2001

# Auditors' report

## **To the Shareholders of Babcock Rosyth Industries Limited:**

We have audited the accounts on pages 6 to 14 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 8 and 9.

## **Respective responsibilities of directors and auditors**

As described on pages 3 and 4, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

## **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.

## **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 2000 and of its loss 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

25 January 2001

# Profit and loss account

For the year ended 31 March 2000

	Notes	2000 £'000	1999 £'000
<b>Turnover</b>	2	6,277	7,391
Cost of sales		(4,859)	(5,714)
<b>Gross profit</b>		1,418	1,677
Administrative expenses		(1,566)	(1,854)
<b>Operating Loss</b>		(148)	(177)
Other interest receivable and similar income	3	6	-
Interest payable and similar charges	4	-	(3)
<b>Loss on ordinary activities before taxation</b>	5	(142)	(180)
Tax on loss on ordinary activities	7	-	-
<b>Retained loss for the year</b>		(142)	(180)
<b>Retained profit at beginning of year</b>		190	370
<b>Retained profit at end of year</b>		48	190

All the profit and loss items relate to continuing operations.

There are no recognised gains or losses in the year other than the retained loss for the year.

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

# Balance sheet

31 March 2000

	Notes	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	8	446	319
<b>Current assets</b>			
Stocks	9	52	252
Debtors	10	966	606
Cash at bank and in hand		4	478
		1022	1,336
<b>Creditors: Amounts falling due within one year</b>	11	(1,410)	(1,455)
<b>Total current liabilities</b>		(388)	(119)
<b>Net assets</b>		58	200
<b>Capital and reserves</b>			
Called-up equity share capital	13	10	10
Profit and loss account		48	190
<b>Equity Shareholders' Funds</b>	14	58	200

Signed on behalf of the Board



M S Easton

Director

25 January 2001

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

# Notes to accounts

For the year ended 31 March 2000

## 1 Accounting policies

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

### a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The directors have drawn up the accounts on a going concern basis because Babcock Engineering Services Limited, the company's immediate parent undertaking, has confirmed in writing that it will provide all the necessary financial support to the company to enable it to meet its financial obligations as they fall due for a period of at least one year from the date of the approval of the accounts.

### b) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, 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:

Plant and machinery - 2 to 10 years.

### c) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost is based on:

Raw materials and consumables	-	purchase cost
Work-in-progress	-	cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Long term contract balances are stated at costs incurred less amounts transferred to cost of sales, less provisions for foreseeable losses and applicable payments on account.

### d) Taxation

During the year the Babcock International Group has continued its policy of surrendering group relief and advance corporation tax for no consideration except where there is a minority interest.

Provision is made for deferred taxation using the liability method, on all timing differences, including those arising in relation to pension costs, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### e) Leases

The company enters into operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

#### f) Cash Flow Statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 (Revised), 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 ultimate parent company.

#### g) Pensions

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

### 2 Turnover

Turnover, which excludes value added and similar taxes, comprises:

- (i) Contract work – cost of sales plus profit taken; and
- (ii) Sales (other than contract sales) of goods and services - at invoiced value.

Turnover is almost entirely attributable to the United Kingdom market, but includes £549,000 attributable to countries in The Rest Of Europe.

### 3 Interest receivable and similar income

	2000 £'000	1999 £'000
Bank interest	<u>6</u>	<u>-</u>

### 4 Interest payable and similar charges

	2000 £'000	1999 £'000
Interest payable to Babcock group companies	<u>-</u>	<u>3</u>

## Notes to accounts (continued)

### 5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2000 £'000	1999 £'000
Depreciation - owned fixed assets	110	97
Research and development costs written off	100	460
Operating lease rentals		
- plant and machinery	1	12
	<u>1</u>	<u>12</u>

The auditors' remuneration in the current year was borne by a fellow group undertaking, Babcock Rosyth Defence Limited. Non audit fees paid to Arthur Andersen during the year was £35,450 (1999: £nil).

There is no material difference between the loss on ordinary activities before taxation and the retained loss and their respective historical cost equivalents.

### 6 Staff costs

The fellow group undertaking, Rosyth Royal Dockyard Limited is the employer company for a number of Babcock group companies. The company is charged for the use of personnel, a sum equivalent to the employment costs of those personnel assigned to the company. The average monthly number of employees under this agreement was 124 (1999 - 132).

The remuneration of directors was as follows:

	2000 £000	1999 £000
Emoluments (including benefits-in-kind)	38	125
	<u>38</u>	<u>125</u>

The emoluments of Mr W A Cramond have been equally apportioned between the company and Babcock Defence Systems Limited, another group company.

The number of directors who were members of the defined benefit pension scheme was 2 (1999 - 2).

The services of Mr M S Easton were paid by another Babcock group company. No part of this remuneration could be attributed to his services in respect of Babcock Rosyth Industries Limited.

## Notes to accounts (continued)

### 7 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
Corporation tax at 31%	-	(6)
Group relief surrendered	-	6
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

### 8 Tangible fixed assets

	Plant and machinery £'000
<b>Cost</b>	
Beginning of year	788
Additions in year	237
End of year	<u>1,025</u>
<b>Depreciation</b>	
Beginning of year	469
Charge for the year	110
End of year	<u>579</u>
<b>Net book value</b>	
End of year	<u>446</u>
Beginning of year	<u>319</u>

## Notes to accounts (continued)

### 9 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	<u>52</u>	<u>252</u>

In the opinion of the directors there is no material difference between the balance sheet value of stocks and their replacement cost.

### 10 Debtors

Amounts falling due within one year:	2000 £'000	1999 £'000
Trade debtors	161	174
Amounts recoverable on contracts	724	140
Amounts owed by other group undertakings	-	267
VAT	81	25
	<u>966</u>	<u>606</u>

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

	2000 £'000	1999 £'000
Bank overdraft	376	-
Trade creditors	289	427
Amounts owed to other group undertakings	299	820
Accruals and deferred income	446	208
	<u>1,410</u>	<u>1,455</u>

### 12 Provisions for liabilities and charges

There is no unprovided deferred tax liability.  
The deferred tax provision at the year end is £Nil (1999 £Nil).

## Notes to accounts (continued)

### 13 Called-up equity share capital

	2000 £'000	1999 £'000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
10,000 ordinary shares of £1 each	10	10

Share capital consists entirely of equity shares.

### 14 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Loss for the financial period	(142)	(180)
Opening shareholders' funds	200	380
Closing shareholders' funds	58	200

### 15 Guarantees and financial commitments

#### a) Capital commitments

There were no capital commitments contracted for but not provided for at the year end (1999 £Nil).

#### b) Contingent liabilities

Contingent liabilities exist in respect of guarantees given in the ordinary course of business for £491,986 (1999 - £885,495) for which no losses are anticipated. In addition, the ultimate parent company has provided performance guarantees to Babcock Rosyth Industries Limited's clients amounting to £5,761,292 (1999 - £6,637,311) for which no losses are anticipated.

#### c) Operating lease commitments

	2000 £'000	1999 £'000
Plant and machinery		
Annual commitments which expire:		
- in one year	2	-
- between two and five years	-	12

## Notes to accounts (continued)

### **16 Related party transactions**

The company provided services to Railcare Limited which is 60% owned by Babcock International Group PLC totalling £714,516 (1999: £263,017). At the year end £96,543 was due from Railcare Limited (1999: £266,823).

The company as a wholly owned subsidiary, has taken advantage of exemptions under Financial Reporting Standard Number 8, Related Parties, by not disclosing details of sales and purchases with other members of the group headed up by Babcock International Group PLC. Details of balances owed by and to other group companies are disclosed in notes 10 and 11.

### **17 Immediate parent undertaking and Ultimate parent company**

The company's immediate parent undertaking is Babcock Engineering Services Limited, a company registered in England.

The company's ultimate parent company is Babcock International Group PLC, a company registered in England. The only group in which the results of the company are consolidated is that headed by Babcock International Group PLC.

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