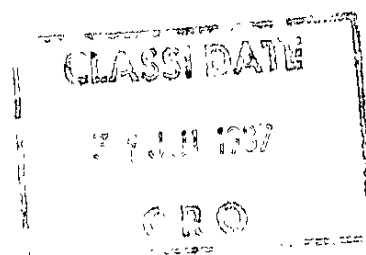


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JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

REPORT AND ACCOUNTS

30 SEPTEMBER 1986



JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

ANNUAL REPORT AND ACCOUNTS

30 SEPTEMBER 1986

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JOHN BROWN ENGINEERS & CONSTRUCTORS LIMITED

REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 30 SEPTEMBER 1986

<u>DIRECTORS:</u>	E J Bavister, Chairman	
	B Knight, Managing Director, London	Resigned 30.9.1986
	D Hanson, Managing Director, Portsmouth	
	I Robinson, Managing Director, London	Appointed 20.8.1986
	J Brunsdon	Resigned 7.4.1986
	B Goldthorp	
	E W Lovis	
	D G Moorhouse	
	M C May	Appointed 5.6.1986
	B R Osborne	
	R A Smith	Resigned 25.4.1986
	M J Stewart	
	H Thirkell	
	D R Twist	
	R P Clifton	Appointed 1.1.1987
	N B R Mathers	Appointed 1.2.1987
	P N Marshall	Appointed 3.4.1987
	C P Smith	Appointed 3.4.1987

All the Directors served throughout the half year, except as noted above.

REVIEW OF ACTIVITIES

The principal activity of the company is the design, construction and commissioning of plants for the oil, petrochemical and process industries. The Directors consider that the level of business and the financial position at 30 September 1986 is satisfactory. Turnover is dependent on the nature of contracts undertaken, and may fluctuate from year to year.

PROFIT AND DIVIDEND

The results for the half year are shown in the profit and loss account on pages 5 and 6. The Directors do not propose to recommend the payment of a final dividend.

EXTRAORDINARY ITEM

Following the acquisition of John Brown PLC by Trafalgar House Public Limited Company the directors have reappraised the company's assets and liabilities to determine their fair value to the new ultimate holding company. The net adjustment resulting from this appraisal has been treated as a special provision within extraordinary items in the profit and loss account.

FIXED ASSETS

The movements in fixed tangible assets in the half year are set out in note 13 to the accounts. During the period the market valuation of the company's properties was reviewed, and the previous valuation was not amended.

EMPLOYEE INVOLVEMENT

In 1980 the company established a Staff Consultative Council for the purposes of providing a means of communication and consultation between management and staff on all matters of mutual interest and, in particular, the dissemination of general information concerning the activities of the Company and its impact upon staff.

Meetings of the Council are held every two months, prior to which its Chairman issues a report on the business affairs of the company which is circulated to all representatives and posted on all company notice boards. Staff representatives submit subject items for each agenda as do the management representatives. Following each meeting Minutes of the proceedings of the Council are distributed to all Managers within the company, staff representatives and on notice boards. Several times a year the company also publishes a magazine reporting on business achievements, including matters of topical interest to the staff.

EMPLOYMENT OF DISABLED PERSONS

The company's policy and practice is to encourage and assist the employment of disabled persons, their recruitment, training, career development and promotion; and the retention of employees who become disabled.

DIRECTORS

Mr E W Lovis, Mr H Thirkell and Mr D R Twist retire by rotation and, being eligible, offer themselves for re-election.

Mr R P Clifton, Mr N B R Mathers, Mr C P Smith and Mr P N Marshall retire in accordance with the provisions of the Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the register required to be kept under Section 325 of the Companies Act 1985, none of the Directors had, either at the 1st April 1986 or at 30 September 1986, any interest in the shares of the company or any other group company, which are required to be notified to the company, except as follows:-

<u>Trafalgar House Public Limited Company</u>	<u>30 September 1986</u>	<u>1 April 1986</u>
<u>Ordinary Shares of 20p each</u>		
Mr D R Twist	276	None
<u>Share Option Scheme</u>		
Mr B Goldthorp	10,000	None
Mr D Hanson	15,000	None
Mr E W Lovis	10,000	None
Mr D G Moorhouse	12,500	None
Mr M C Nay	10,000	None
Mr B R Osborne	10,000	None
Mr M J Stewart	10,000	None
Mr H Thirkell	10,000	N
Mr D R Twist	10,000	No.

The Share Options shown above have been granted over the ordinary shares of 20p each of Trafalgar House Public Limited Company under the terms of the 1984 Executive Share Option Scheme.

ULTIMATE HOLDING COMPANY

The ultimate holding company is Trafalgar House Public Limited Company.

AUDITORS

A resolution to re-appoint the Auditors, Touche Ross & Co., will be proposed at the Annual General Meeting. A further resolution will be proposed authorising the Directors to fix the Auditors' remuneration.

BY ORDER OF THE BOARD

A handwritten signature in dark ink, appearing to read 'D B Hadley', written over a horizontal line.

D B HADLEY
SECRETARY

REPORT OF THE AUDITORS TO THE MEMBERS OF
JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

We have audited the accounts and notes on pages 5 to 24 in accordance with approved Auditing Standards.

In our opinion the accounts and notes give a true and fair view of the state of affairs of the Company at 30 September 1986 and of its profit and source and application of funds for the six months then ended and comply with the Companies Act 1985.

Touche Ross & Co

3rd June 1987

LONDON

CHARTERED ACCOUNTANTS

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED

30 SEPTEMBER 1986

	<u>Notes</u>	<u>Period ended</u> <u>30 September</u> <u>1986</u>	<u>Year to</u> <u>31 March</u> <u>1986</u>
		£000	£000
Turnover		64,924	89,978
Cost of Sales		<u>(62,550)</u>	<u>(76,454)</u>
Gross Profit		2,374	13,524
Net operating expenses	3	<u>(2,397)</u>	<u>(7,429)</u>
Operating profit/(loss)	4	(23)	6,095
Income from shares, and movement on provision for losses, in group companies	7	1,324	(1,096)
Income from shares in related companies	8	-	221
Other interest receivable and similar income	9	<u>2,071</u>	<u>4,507</u>
		3,372	9,727
Interest payable and similar charges	10	<u>(11)</u>	<u>(102)</u>
Profit on ordinary activities before taxation		3,361	9,625
Tax on profit on ordinary activities	11	<u>(177)</u>	<u>(237)</u>
Profit on ordinary activities after taxation		3,184	9,388
Extraordinary items	12	<u>(1,511)</u>	<u>200</u>
Retained profit for the financial period		<u>1,673</u> =====	<u>9,588</u> =====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED
30 SEPTEMBER 1986 (continued)

	Period ended 30 September 1986	Year to 31 March 1986
	£000	£000
Retained profits at 31 March	34,541	25,065
Adjustment to value of investment in subsidiaries (Note 14)	80	-
Exchange differences	36	(112)
Retained profit for the period	1,673	9,588
	<hr/>	<hr/>
Retained profits at 30 September	36,330 =====	34,541 =====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED
BALANCE SHEET - 30 SEPTEMBER 1986

	Notes	30 September 1986	31 March 1986
		£000	£000
<u>FIXED ASSETS</u>			
Tangible assets	13	1,247	501
Investments	14	<u>1,555</u> 2,802	<u>1,598</u> 2,099
<u>CURRENT ASSETS</u>			
Stocks and work in progress	15	17,122	8,511
Debtors	16	53,102	46,223
Cash at bank and in hand		<u>8,894</u> 79,118	<u>9,607</u> 64,341
<u>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	17	<u>(40,212)</u>	<u>(27,134)</u>
<u>NET CURRENT ASSETS</u>		<u>38,906</u>	<u>37,207</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		41,708	39,306
<u>CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u>	18	<u>(3,111)</u>	<u>(1,896)</u>
<u>PROVISION FOR LIABILITIES AND CHARGES</u>	20	<u>(1,000)</u>	<u>(1,602)</u>
		<u>(4,111)</u>	<u>(3,498)</u>
		37,597	35,808
		=====	=====
<u>CAPITAL AND RESERVES</u>			
Called up share capital	21	1,250	1,250
Revaluation reserve	22	17	17
Profit and loss account		<u>36,330</u>	<u>34,541</u>
		37,597	35,808
		=====	=====

These accounts were approved by the board on 07 MAY 1987

.....)
[Signature])
.....) DIRECTORS
.....)

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1986

<u>SOURCE OF FUNDS</u>	<u>Period ended</u>		<u>Year to</u>	
	<u>30 September 1986</u>	<u>31 March 1986</u>	<u>30 September 1986</u>	<u>31 March 1986</u>
	£000	£000	£000	£000
Profit before taxation and extraordinary items		3,361		9,625
Adjustment for items not involving the movement of funds:				
Tax credit on investment income receivable	-		(3)	
(Profit)/Loss on disposal of fixed assets	(26)		47	
Depreciation of tangible fixed assets	434		221	
Loss provisions for subsidiary and related companies	(25)		515	
Provision for liabilities and charges	(602)		(1,736)	
		(219)		(956)
Exchange rate adjustments		36		(112)
Extraordinary items in respect of special provisions		(1,511)		-
<u>TOTAL FROM OPERATIONS</u>		<u>1,667</u>		<u>8,557</u>
<u>FUNDS FROM OTHER SOURCES</u>				
Loans from related companies	-		83	
Tax received in respect of previous year	-		2	
Sales proceeds of fixed assets	39		1	
Inter-Group disposals	-		205	
Sales proceeds of shares in related company	25		-	
Increase in creditors falling due after more than one year	<u>610</u>		<u>413</u>	
		<u>674</u>		<u>704</u>
<u>TOTAL SOURCE OF FUNDS</u>		<u>2,341</u>		<u>9,261</u>
<u>APPLICATION OF FUNDS</u>				
Increase in debtors due after more than one year	(132)		-	
Loan from related company	(20)		-	
Purchase of fixed assets	(327)		(81)	
Inter Group additions	(866)		-	
Purchase of investments	-		(100)	
Overseas taxes paid	(144)		(201)	
<u>TOTAL APPLICATION OF FUNDS</u>		<u>(1,489)</u>		<u>(382)</u>
<u>INCREASE IN WORKING CAPITAL</u>		<u>852</u>		<u>8,879</u>
		=====		=====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1986 (continued)

	Period ended 30 September 1986 £000	Year to 31 March 1986 £000
<u>INCREASE IN WORKING CAPITAL</u>		
Increase in stocks and work in progress	8,611	3,917
Increase/(decrease) in debtors (Increase)/decrease in current creditors, excluding taxation, proposed dividends and overdrafts	3,317 (13,861)	(3,405) 2,950
Movement in net liquid funds:		
Bank and cash balances	(645)	2,464
Holding company deposit	<u>3,430</u>	<u>2,953</u>
	<u>2,785</u>	<u>5,417</u>
<u>INCREASE IN WORKING CAPITAL</u>	852 =====	8,879 =====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986

1. ACCOUNTING POLICIES

(a) Accounting Basis

The accounts are prepared using the historical cost convention as modified by the revaluation of long leasehold properties.

(b) Turnover

Turnover is the estimated sales value of work done in the year.

(c) Long Term Contracts

Where the outcome of long term contracts cannot be assessed with reasonable certainty until completion, profits are brought in only when the contracts are completed; in all other cases profits are taken in the year in which they arise. Any losses expected are, however, provided for as soon as they appear likely. Thus profits for the year are not necessarily related to turnover.

(d) Stocks and Short Term Work in Progress

Stocks and short term work in progress are valued at the lower of cost (including an appropriate proportion of overhead expenses) and net realisable value.

(e) Tangible Assets and Depreciation

Tangible assets are stated at cost, or at valuation with subsequent additions at cost; depreciation is calculated to write off the assets over their expected normal lives by equal annual instalments.

The principal annual rates used for this purpose, which are consistent with those of previous years, are:

	%
Long Leasehold Land and Buildings	2 - 5
Plant and Machinery	10 - 33 1/3
Motor Vehicles	33 1/3
Office Furniture and Equipment	15 - 20
Computer Equipment	15 - 25

(f) Cost of Sales

Cost of sales includes direct costs and attributable overheads.

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

1. ACCOUNTING POLICIES (Continued)

(g) Foreign Currencies

Assets and liabilities of foreign subsidiaries and branches are translated into sterling at the rates of exchange ruling at the year-end. Differences on exchange arising from the translation of the opening net assets of foreign subsidiaries and branches and any related loans are taken to reserves. All other exchange differences are dealt with through the profit and loss account.

(h) Research and Development

Research and Development expenditure is written off in the year in which it is incurred.

(i) Subsidiary Companies

Shares in and loans to subsidiary companies are stated in the balance sheet at valuation, equivalent to the net assets of those subsidiaries.

(j) Related Companies

Shares in and loans to related companies are stated in the balance sheet at cost less amounts written off. Full provision is made for losses incurred.

(k) Finance and Operating Leases

Rental costs incurred are charged to profit and loss account in the year in which they arise.

2. TURNOVER

Period ended	Year to
30 September	31 March
<u>1986</u>	<u>1986</u>
£000	£000

A geographical analysis of turnover is as follows:

Africa	5,640	8,507
Americas	15	2,865
Asia	33,062	33,492
Europe	2,246	6,197
United Kingdom	<u>23,961</u>	<u>38,917</u>
	64,924	89,978
	=====	=====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

3. <u>NET OPERATING EXPENSES</u>	Period ended 30 September 1986 £000	Year to 31 March 1986 £000
Net operating expenses are made up as follows:		
Research and development	249	458
Marketing, selling & distribution costs	1,510	4,054
Administrative expenses	667	1,618
	<hr/>	<hr/>
	2,426	6,130
Other operating expenses/(income)	<u>(29)</u>	<u>1,299</u>
Net operating expenses	2,397 =====	7,429 =====
4. <u>OPERATING PROFIT</u>		
Operating (loss)/profit is stated after charging:		
Directors' emoluments including pension premiums	431	538
Pension augmentation and ex gratia payments made to former executive directors	110	—
Auditors' remuneration	49	50
Depreciation of tangible fixed assets	434	221
Loss on sale of tangible assets	—	47
Operating lease rentals:		
Hire of equipment	1,473	1,548
Finance lease finance charges	83	44
And after crediting:		
Differences on foreign exchange	—	103
Miscellaneous revenue based grants	—	16
Profit on sale of tangible assets	26	—

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

5. <u>DIRECTORS' EMOLUMENTS</u>	Period ended 30 September <u>1986</u> £000	Year to 31 March <u>1986</u> £000
Directors' emoluments are as follows:-		
Emoluments of the Chairman	Nil	Nil
Emoluments of the highest paid Director	61	55

The total emoluments of any Director who is also a Director of the parent company John Brown PLC are dealt with in the notes to that Company's accounts. Such emoluments are in respect of their services to the group as a whole.

The number of Directors whose emoluments, excluding pension contributions, fell within the following ranges were:-

	<u>Number</u>	<u>Number</u>
Nil to £5,000	3	1
£15,001 to £20,000	-	4
£20,001 to £25,000	3	-
£25,001 to £30,000	1	-
£30,001 to £35,000	5	-
£35,001 to £40,000	1	-
£45,001 to £50,000	-	3
£50,001 to £55,000	-	3
£55,001 to £60,000	1	1

6. EMPLOYEE INFORMATION

(a) The average number of persons, including Executive Directors, employed by the Company during respective periods is analysed below:

	<u>Number</u>	<u>Number</u>
Productive	1,159	1,131
Marketing and sales	48	135
Research and development	20	31
Head office others	118	50
	<u>1,345</u> =====	<u>1,347</u> =====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

6.	<u>EMPLOYEE INFORMATION (Continued)</u>	Period ended 30 September 1986 £000	Year to 31 March 1986 £000
	(b) Company employment costs - all employees including Executive Directors		
	Aggregate gross wages and salaries paid to the Company's employees	13,258	23,408
	Employer's National Insurance contributions	915	1,544
	Employer's pension contributions under the Company's pension schemes	749	1,349
		<hr/>	<hr/>
	Total direct costs of employment	14,922 =====	26,301 =====
		<u>Number</u>	<u>Number</u>
	(c) The number of employees of the Company (excluding Directors) whose emoluments were within the ranges:		
	£30,001 to £35,000	2	21
	£35,001 to £40,000	-	8
	£45,001 to £50,000	-	1
	£50,001 to £55,000	1	-
7.	<u>INCOME FROM SHARES AND MOVEMENT ON PROVISION FOR LOSSES IN GROUP COMPANIES</u>	£000	£000
	Income from shares	1,281	3
	Provison for losses	43	(1,099)
		<hr/>	<hr/>
		1,324 =====	(1,096) =====
8.	<u>INCOME FROM SHARES IN RELATED COMPANIES</u>		
	Dividends received from unlisted company	-	221
		<hr/>	<hr/>

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

9. <u>OTHER INTEREST RECEIVABLE AND SIMILAR INCOME</u>	Period ended 30 September 1986 £000	Year to 31 March 1986 £000
Group companies	1,708	4,238
Other sources	<u>363</u>	<u>269</u>
	2,071	4,507
	=====	=====

10. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable on sums:

Wholly repayable within five years	11	70
Group Company loans	<u>-</u>	<u>32</u>
	11	102
	=====	===

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

Overseas taxation	177	236
Tax on franked investment income	-	3
Prior year tax charge adjustments	<u>-</u>	<u>(2)</u>
	177	237
	=====	=====

There is no charge for Corporation Tax on the profit for the year as relief will be obtained for losses incurred by other companies in the group.

12. EXTRAORDINARY ITEMS

Gains arising from the sale of subsidiary companies	-	200
Special provision	<u>(1,511)</u>	<u>-</u>
	(1,511)	200
	=====	=====

Following the acquisition of John Brown PLC by Trafalgar House Public Limited Company the directors of the company have reappraised its assets and liabilities to determine their fair value to the new ultimate holding company.

The net adjustment arising from this appraisal has been treated as a special provision.

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

13. <u>TANGIBLE FIXED ASSETS</u>	<u>Long Leasehold Land & Buildings</u> £000	<u>Plant & Machinery</u> £000	<u>Total</u> £000
<u>Cost or Valuation</u>			
At 31 March 1986 (see (a) below)	78	2,233	2,311
Expenditure	-	327	327
Disposals	-	(194)	(194)
Transfers	-	4,945	4,945
At 30 September 1986	<u>78</u> =====	<u>7,311</u> =====	<u>7,389</u> =====
 <u>Depreciation</u>			
At 31 March 1986	7	1,803	1,810
Charge for year	1	433	434
Disposals	-	(181)	(181)
Transfers	<u>-</u>	<u>4,079</u>	<u>4,079</u>
	<u>8</u> =====	<u>6,134</u> =====	<u>6,142</u> =====
 Net Book value at 30 September 1986	 <u>70</u> =====	 <u>1,177</u> =====	 <u>1,247</u> =====
 Net Book value at 31 March 1986	 <u>71</u> =====	 <u>430</u> =====	 <u>501</u> =====
 Included above are assets at valuation as follows:			
30 June 1986	<u>78</u> =====	<u>-</u> =====	<u>78</u> =====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

13. TANGIBLE FIXED ASSETS (Continued)

Interests in land and buildings were previously revalued to market value at 31 March 1982. This valuation was not amended by the revaluation performed at 30 June 1986. The historical cost and related depreciation of these properties are set out below:-

<u>COST</u>	<u>Long Leasehold Land & Buildings</u> £000
At 31 March 1986 and at 30 September 1986	61 =====
<u>DEPRECIATION</u>	
At 31 March 1986	4
Charge for period	1
At 30 September 1986	5 =====
Historical cost net book value at 30 September 1986	56 =====
Historical cost net book value at 31 March 1986	57 =====

14. FIXED ASSETS INVESTMENTS

<u>30 September 1986</u>	<u>31 March 1986</u>
£000	£000

The investments held by the company comprised:

Shares in group companies	1,106	1,221
Shares in related companies	369	377
	<u>1,475</u>	<u>1,598</u>
	=====	=====

(a) Shares in group companies

<u>The investment in subsidiaries is made up as follows:</u>	<u>Investment at cost</u>	<u>Net Amounts written off</u>	<u>Net Book Value</u>
	£000	£000	£000
At 31 March 1986	2,889	(1,668)	1,221
Adjustment for subsidiaries accumulated profits	-	80	80
Charge for period	-	(115)	(115)
At 30 September 1986	<u>2,889</u>	<u>(1,703)</u>	<u>1,186</u>
	=====	=====	=====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

14. FIXED ASSET INVESTMENTS (Continued)

The provision against the cost of the Company's investments in its subsidiaries represents the write-off of any goodwill arising on acquisition of subsidiaries together with provision against subsidiaries post-acquisition losses. In the period an adjustment was made revaluing other subsidiaries to the value of their net assets where these exceeded cost. Under Section 229 of the Companies Act 1985 this Company is not required to submit group accounts.

The Directors consider that to give full particulars of all subsidiary companies would lead to a statement of excessive length. In their opinion, the aggregate value of the interests in subsidiary companies is not less than the aggregate value at which it is stated in the balance sheet.

The continuing policy has been to absorb the business of subsidiary companies into the company and there are now no principal trading subsidiary companies.

In all cases the equity held is 100% and the country of incorporation is England.

The following subsidiaries are Management Agency Companies and their results, assets and liabilities are dealt with in the accounts of this Company.

Stevenage Plant Services Limited
John Brown Offshore Limited
CJB Technical Services Limited

(b) <u>Shares in related companies</u>	30 September	31 March
	<u>1986</u>	<u>1986</u>
	£000	£000
Shares at cost	628	528
Additions in the period	-	100
Disposals in the period	(25)	-
	<u>603</u>	<u>628</u>
Loans to related companies	170	150
	<u>773</u>	<u>778</u>
Less: Amounts provided for post-acquisition losses	<u>404</u>	<u>401</u>
Net Book Value	<u>369</u>	<u>377</u>
	=====	=====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

14. FIXED ASSET INVESTMENTS (Continued)

% of Capital Held

<u>30 September</u>	<u>31 March</u>
<u>1986</u>	<u>1986</u>

Details of the principal companies in which the Company held more than a 10 per cent interest (all of which are also related companies) are set out below.

Eurabia Engineering and Construction Company
(Registered in Saudi Arabia)

Common Stock

40%

40%

The profit for the year to 31 December 1985 was £754,000 and the partners' capital and reserves at that date amounted to £1,187,000. These figures were reflected in the accounts at 31 March 1986 but no account has been taken in these accounts of the results for the period to 30 September 1986 as the change is not considered to be material.

Alcon Biotechnology Limited

Ordinary Shares

50%

50%

The Directors do not consider the loss for the period or the capital and reserves to be material.

United Offshore Limited

Ordinary Shares

25%

33 1/3%

The Directors do not consider the loss for the period or the capital and reserves to be material. The investment was reduced during the period.

The principal business of each of these related companies is:

- (i) Eurabia Engineering and Construction Company - engineering contractor
- (ii) Alcon Biotechnology Limited - commercial exploitation of technology for the production of industrial ethanol for fuel purposes.
- (iii) United Offshore Limited - commercial exploitation of the offshore and onshore engineering and construction market for oil and gas in the People's Republic of China.

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

15. <u>STOCKS AND WORK IN PROGRESS</u>	30 September	31 March
	<u>1986</u>	<u>1986</u>
The amounts attributable to the different categories are as follows:	£000	£000
Long term contract work in progress	167,274	142,797
Less: Instalments received and receivable	<u>150,236</u>	<u>134,784</u>
	17,038	8,013
Raw materials and short term work in progress	84	481
Finished products and completed contracts	<u>-</u>	<u>17</u>
	<u>17,122</u>	<u>8,511</u>
	=====	=====

The inclusion of attributable profit in work in progress is in accordance with SSAP 9. This constitutes a departure from the statutory valuation rules for current assets but is required by S.228(5) Companies Act 1985 to enable the accounts to give a true and fair view. As progress payments cannot meaningfully be allocated between cost and profit, it is impracticable to determine the effect of the departure on the balance sheet carrying amount of contract work in progress.

16. DEBTORS

Amounts falling due within one year

Trade debtors	13,053	10,080
Amount owed by group companies:		
Holding company and fellow subsidiaries	34,487	31,966
Subsidiaries	147	570
Other debtors	1,254	1,196
Prepayments	<u>1,147</u>	<u>429</u>
	<u>50,988</u>	<u>44,241</u>
	-----	-----

Amounts falling due after one year

Trade debtors	128	-
Amount owned by group companies:		
Fellow subsidiaries	1,561	1,561
Subsidiaries	<u>425</u>	<u>421</u>
	<u>2,114</u>	<u>1,982</u>
	-----	-----
Total debtors	<u>53,102</u>	<u>46,223</u>
	=====	=====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 September 1986 £000	31 March 1986 £000
Bank overdraft	-	68
Payments received on account	2,037	1,719
Trade creditors	20,277	14,569
Amounts owed to group companies:		
Fellow subsidiaries	226	502
Subsidiaries	1,824	752
Payroll and other taxes including social security	3,052	1,125
Other creditors	1,614	3,010
Accruals and deferred income	11,114	5,254
Overseas taxation	68	35
	<u>40,212</u>	<u>27,134</u>
	=====	=====

18. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Term loans (see below)	11	16
Accruals and deferred income	<u>3,100</u>	<u>1,840</u>
	3,111	1,896
	=====	=====

Term Loans

Lease purchase agreements repayable between 1987 and 1989 at fixed rates of interest.

11

Unsecured loan repayable in six bi-annual instalments by 1987, bearing interest at 1 per cent above the daily published rate of National Westminster Bank PLC.

1

11

1

=====

=====

An analysis of the term loans by due date of repayment is set out below:

Loans due within five years:

Between one and two years hence

Between two and five years hence

9

2

11

=====

9

7

16

=====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

19. PENSION AND SIMILAR OBLIGATIONS

The majority of the Company's permanent employees are covered by one of the Company's pension arrangements which are externally invested schemes providing a retirement income based upon final average earnings and years of service.

Pension costs and liabilities are assessed in accordance with the advice of independent actuaries. All the schemes are subject to regular actuarial valuations. The last valuations confirmed that all the schemes are soundly financed and the funding rates are adequate to meet future liabilities. The Company's accounting policy is to reflect in any accounting period the funding payments made in that period.

20. PROVISION FOR LIABILITIES AND CHARGES

The provision for liabilities and charges comprises amounts set aside for contract cancellation risks which are made up as follows:

	£000
At 31 March 1986	1,602
Credit to profit and loss account	<u>(602)</u>
At 30 September 1986	1,000
	=====

There is no potential deferred taxation (31 March 1986 - nil):-

	30 September 1986	31 March 1986
	£000	£000
Accelerated capital allowances	-	17
Other timing differences	<u>-</u>	<u>(17)</u>
	-	-

21. CALLED UP SHARE CAPITAL

Ordinary Shares of £1 each		
	30 September 1986	31 March 1986
Authorised:		
Value	£2,000,000	£2,000,000
	=====	=====
Allotted and fully paid:		
Value	£1,250,000	£1,250,000
	=====	=====
Number	1,250,000	1,250,000
	=====	=====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

22. REVALUATION RESERVE

The revaluation reserve arises as a consequence of carrying interest in land and buildings in the balance sheet at valuation. There was no movement in the period. The Directors consider this reserve to be non-distributable.

23. CAPITAL EXPENDITURE

No capital expenditure had been approved by the Directors or contracted for at either 30 September 1986 or 31 March 1986.

24. CONTINGENT LIABILITIES

Guarantees have been given in respect of the due performance of contracts. It is not envisaged that any liability will arise under these guarantees. The Company is party to claims which arise in the ordinary course of business. Whilst the outcome of some of these claims cannot readily be foreseen, the Directors believe that they will be disposed of without material effect on the Company's financial position.

The Company has given fixed and floating charges over all its assets undertaking and property and has executed guarantees in respect of the banking facilities of the Company, John Brown PLC, and various fellow subsidiary companies and in respect of John Brown PLC's issue of:-

5 5/8% Secured Loan Stock	2003	£1,616,915
4 7/8% Secured Loan Stock	2003	£ 408,352
7 1/4% Debenture Stock	1984/89	£1,043,000

25. FINANCE LEASE COMMITMENTS

The obligations under finance leases are as follows:

	30 September 1986 £000	31 March 1986 £000
Payable next year	823	759
Payable in two to five years	2,477	2,292
	3,300	3,051
	=====	=====

JOHN BROWN ENGINEERS AND CONSTRUCTORS LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1986 (continued)

26. <u>OPERATING LEASE COMMITMENTS</u>	30 September <u>1986</u> £000	31 March <u>1986</u> £000
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The obligations under operating leases are as follows:

Land and Buildings, expiring next year	-	-
expiring in two to five years	530	134
expiring after five years	11,738	1,085
Other leases, expiring next year	-	58
expiring in two to five years	1,243	101

Of this commitment the following payments will be charged to profit and loss account next year:

Land and Buildings	1,084	1,204
Cars	658	344

27. ULTIMATE HOLDING COMPANY

The ultimate holding company is Trafalgar House Public Limited Company, incorporated in the United Kingdom.