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ROSYTH ROYAL DOCKYARD plc

REPORT AND ACCOUNTS

31 MARCH 1989

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ROSYTH ROYAL DOCKYARD plc

DIRECTORS' REPORT

The Directors submit their report and the audited accounts of the Company for the financial year ended 31 March 1989.

PRINCIPAL ACTIVITIES

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 second year of a seven year agreement.

The services of the employees of the Company were, by agreement, made available to Babcock Thorn Limited.

It is anticipated that this pattern of business will continue for the next five years.

DIVIDEND

The Directors recommend that no dividend should be granted in respect of the year ended 31 March 1989, and that the whole of the profit for the year being £3369 be retained and transferred to reserves.

DIRECTORS

The Directors of the Company at 31 March 1989 were as follows. They have all been Directors for the whole of the year ending on that date unless otherwise stated.

Mr A K Smith  
Mr D S Batty  
Mr A R Midgley  
Mr A A Macpherson  
Mr J B Robertson  
Mr A S Soutar  
Mr P G Coombes  
Mr G D Hilton  
Capt D M Johnson RN (Retired)

Appointed 7 November 1988

At the forthcoming Annual General Meeting, in accordance with the requirements of the Articles of the Company, Messrs Smith, Batty and Midgley shall retire. All, being eligible, offer themselves for re-election.

### DIRECTORS' INTERESTS

The interests of the Directors and their families in the capital of the Company's holding company, FKI Babcock plc, were on 1 April 1988 or at their date of appointment, if later, as follows:

	<u>Ordinary Shares</u>	<u>Options on Ordinary Shares</u>
Mr A K Smith	-	112,200
Mr D S Batty	-	18,710
Mr A R Midgley	-	-
Mr A A Macpherson	-	-
Mr J B Robertson	1,000	-
Mr A S Soutar	-	-
Mr P G Coombes	900	-
Mr G D Hilton	-	-
Capt D M Johnson RN (Retired)	-	-

Their interests at 31 March 1989 were as follows:

	<u>Ordinary Shares</u>	<u>Options on Ordinary Shares</u>
Mr A K Smith	-	348,200
Mr D S Batty	6,890	36,610
Mr A R Midgley	-	26,000
Mr A A Macpherson	21,331	26,000
Mr J B Robertson	1,000	27,000
Mr A S Soutar	-	31,000
Mr P G Coombes	900	-
Mr G D Hilton	121,370	28,000
Capt D M Johnson RN (Retired)	-	23,000

Mr Hilton disposed of the whole of his shareholding in FKI Babcock plc on 7 April 1989. The interests of the Directors otherwise remained unchanged at 25 May 1989.

### 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 his 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 monthly newspaper "Profile" and the weekly bulletin "Newsweek".

The Company routinely discusses issues affecting the employees with the employees' trade unions' representatives.

All of the Company's employees now have an interest in the financial performance of the Company: a bonus was paid to each of them on the achievement of certain pre-determined targets for profits in the financial year ended 31 March 1989.

The Company has initiated a continuing programme to improve the commercial awareness of all its employees in order to facilitate the Company's transition to the private sector.

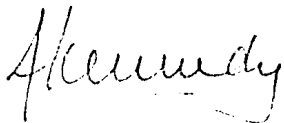
### AUDITORS

A resolution to appoint BDO Binder Hamlyn as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

### CLOSE COMPANY PROVISIONS

As far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company; there has been no change in this respect since the end of the financial period.

By order of the Board



A P Kennedy  
Company Secretary

25 May 1989

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## REPORT OF THE AUDITORS

to the members of ROSYTH ROYAL DOCKYARD plc

We have audited the accounts on pages 6 to 11 in accordance with approved auditing standards.

In our opinion, the accounts, which have been prepared on the basis of the accounting policies set out on page 9, give a true and fair view of the state of the company's affairs at 31 March 1989, and of its profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

*BDO Binder Hamlyn*

BDO BINDER HAMLYN  
Chartered Accountants

25 May 1989

ROSYTH ROYAL DOCKYARD plc

PROFIT AND LOSS ACCOUNT

YEAR TO 31 MARCH 1989

		1989	RESTATED ACTUAL
	Note	£	1988 £
TURNOVER	2, 3	94098238	83215389
Cost of sales		94098238	83215389
		<hr/>	<hr/>
GROSS PROFIT		-	-
Bank interest receivable		5182	4042
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	5182	4042
Tax on profit on ordinary activities	6	1813	1415
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO RESERVES	7	3369	2627
		<hr/>	<hr/>

ROSYTH ROYAL DOCKYARD plc

BALANCE SHEET 31 MARCH 1989

	Note	1989 £	1988 £
FIXED ASSETS			
Investments	8	99	99
CURRENT ASSETS			
Cash at bank and on hand		59126	51165
Amount due by parent company		-	2779
		59126	53944
CREDITORS:			
Amounts falling due within one year		3228	1415
Corporation tax			
NET CURRENT ASSETS		55898	52529
TOTAL ASSETS LESS CURRENT LIABILITIES		55997	52628
CAPITAL AND RESERVES			
Called up share capital	9	50001	50001
Profit and loss account	7	5996	2627
		55997	52628

Approved by the Board of Directors on 25 May 1989.

.....*A. K. Smith*.....  
A K SMITH  
.....*D. S. Batty*.....  
D S BATTY

Directors

ROSYTH ROYAL DOCKYARD plc  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
YEAR TO 31 MARCH 1989

	1989 £	1988 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	5182	4042
Issue of share capital	-	50001
Decrease in Debtors	2779	-
	<hr/> 7961	<hr/> 54043
APPLICATION OF FUNDS		
Purchase of investments	-	99
Increase in debtors	-	2779
	<hr/> -	<hr/> 2878
	<hr/>	<hr/>
INCREASE IN NET LIQUID FUNDS	<hr/> 7961	<hr/> 51165

Net liquid funds comprise bank and cash balances.



ROSYTH ROYAL DOCKYARD plc

NOTES TO THE ACCOUNTS

YEAR TO 31 MARCH 1989

1. ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements are prepared under the historical cost convention.

b) Investments

Investments held as fixed assets are stated at the lower of cost and net realisable value.

c) Deferred taxation

Provision is made for deferred taxation using the liability method on all timing differences where it is considered that a liability may arise in the foreseeable future.

2. TURNOVER

Turnover represents the sales value excluding Value Added Tax of services provided to the parent company.

3. TURNOVER

Turnover for the year 1988 is restated from £88316142 shown in the 1988 accounts. The difference arises as a result of an error in calculation.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1989	1988
Directors' emoluments:	£	£
Fees	-	-
Other emoluments	<u>395952</u>	<u>227484</u>

Details of Directors' emoluments excluding pensions contributions are:

Remuneration of Chairman	<u>-</u>	<u>-</u>
Remuneration of highest paid Director	<u>49955</u>	<u>34853</u>
Scale of other Directors' remuneration	No.	No.
£0 - £5,000	-	1
£5,001 - £10,000	-	1
£10,001 - £15,000	1	-
£15,001 - £20,000	-	1
£20,001 - £25,000	-	4
£25,001 - £30,000	4	-
£30,001 - £35,000	2	-

ROSYTH ROYAL DOCKYARD plc

NOTES TO THE ACCOUNTS

YEAR TO 31 MARCH 1989

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	1989	1988
Employee costs during the year:	£	£
Wages and salaries	74095091	64479858
Social Security Costs	5588699	4446879
Other Pension Costs	7414448	7388044
	<u>87098238</u>	<u>76314781</u>

Employee costs for the year 1988 are restated from £75498373 shown in the 1988 accounts. The difference arises as a result of an error in calculation.

Average number of persons employed:	1989	1988
Production	<u>5572</u>	<u>5882</u>
Remuneration of senior employees which fall within the following ranges: No.		No.
£30,000 - £35,000	17	-
£35,001 - £40,000	13	-
£40,001 - £45,000	2	-

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:

Auditors' remuneration	<u>£500</u>	<u>£500</u>
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6. TAX ON PROFIT ON ORDINARY ACTIVITIES

United Kingdom corporation tax at 35% based upon the profit for the year	<u>£1813</u>	<u>£1415</u>
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7. PROFIT AND LOSS ACCOUNT

	£
Balance at 1 April 1988	2627
Profit retained for year	3369
	<u>5996</u>
Balance at 31 March 1989	

ROSYTH ROYAL DOCKYARD plc

NOTES TO THE ACCOUNTS

YEAR TO 31 MARCH 1989

8. INVESTMENTS

	1989	1988
Shares in subsidiary company	<u>£99</u>	<u>£99</u>

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

Consolidated accounts have not been produced in view of the insignificant amounts involved.

9. CALLED UP SHARE CAPITAL

	1989	1988
Authorised allotted and fully paid		
50000 Ordinary shares of £1 each	50,000	50,000
1 Special share of £1 each	<u>1</u>	<u>1</u>
	<u>50,001</u>	<u>50,001</u>

10. ULTIMATE HOLDING COMPANY

The ultimate holding company is FKI Babcock plc, a company incorporated in the United Kingdom.

11. FINANCIAL COMMITMENTS

Capital Commitments

The company had no capital commitments at 31 March 1989.

Licence Fee Commitment

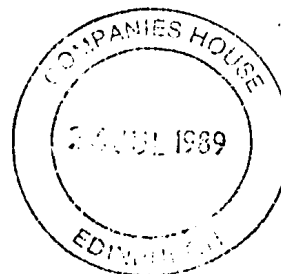
The annual commitment under a non-cancellable licence agreement was as follows:

	Land and buildings		Plant, machinery and vehicles	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Between two and five years	4,400	4,400	2,600	2,600

- |    |  |    |         |
|----|--|----|---------|
| 1. | Allan Keppie Smith   | 2. | 26.3.87 |
| 3. | The Forts<br>SOUTH QUEENSFERRY<br>West Lothian   | 4. | British |
| 5. | Executive Director   | 6. | 18.5.32 |
| 7. | Babcock Energy Limited<br>Babcock Jenkins Limited<br>Babcock PED Limited<br>Babcock Product Engineering Limited<br>Diamond Power Speciality Limited<br>Babcock Thorn Limited |    |         |

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- |    |   |    |         |
|----|---|----|---------|
| 1. | David Stewart Batty   | 2. | 26.3.87 |
| 3. | 9 Dalmeny View<br>DALGETY BAY<br>Fife KY11 5LU                          | 4. | British |
| 5. | Accountant  | 6. | 17.6.44 |
| 7. | Babcock Thorn Limited<br>Rosyth Royal Dockyard Pension Trustees Limited |    |         |

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- |    |   |    |         |
|----|---|----|---------|
| 1. | Anthony Richard Midgley                 | 2. | 6.4.87  |
| 3. | 12 Claremont Park<br>Leith<br>EDINBURGH | 4. | British |
| 5. | Engineer                                | 6. | 16.4.44 |
| 7. | None                                    |    |         |



1.	Alexander Steele Soutar	2.	29.7.87
3.	83 Newark Street GREENOCK Renfrewshire PA16 7TP	4.	British
5.	Director Personnel	6.	6.4.33
7.	Rosyth Royal Dockyard Pension Trustees Limited Glasgow School of Art Training Ventures Limited		

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1.	James Black Robertson	2.	29.7.87
3.	5 Frogston Terrace EDINBURGH	4.	British
5.	Director Management Services	6.	8.6.43
7.	None		

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1.	Alexander Allan Macpherson	2.	29.7.87
3.	Barnes Knowe Old Sauchie Sauchieburn STIRLING	4.	British
5.	Chartered Engineer	6.	20.9.39
7.	None		

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1.	Gordon Davidson Hilton	2.	10.8.87
3.	58 Elmfield Road GOSFORTH Newcastle-on-Tyne NE3 4BD	4.	British
5.	Director Commercial Services	6.	16.5.37
7.	None		

1019

1.	Peter Geoffrey Coombes	2.	10.9.87
3.	7 McLaughlan Rise Aberdour Burntisland Fife	4.	British
5.	Director Production	6.	29.8.36
7.	None		

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1.	David Mark Johnson	2.	7.11.88
3.	"Cults" SALINE Fife KY12 9TB	4.	British
5.	Nuclear Engineer	6.	30.5.41
7.	None		