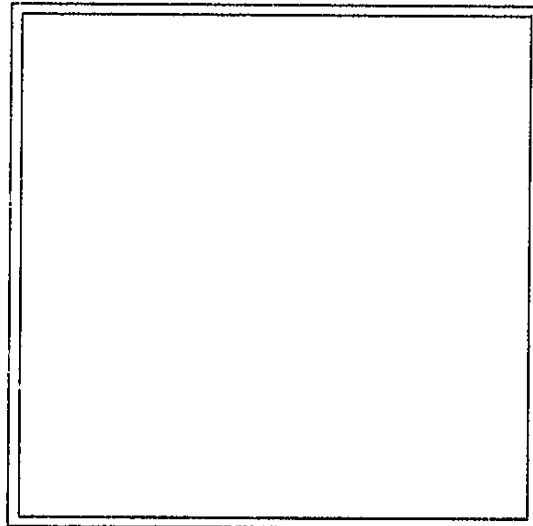


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Babcock International Group PLC
ANNUAL REPORT AND ACCOUNTS 1992

Babcock International Group PLC is a broadly-based international engineering business supplying specialised products and services to its customers worldwide.

The common aim of its five operating divisions is to provide the highest possible quality of service combined with technical excellence of design and product.

The group's primary objective is to maximise profit opportunities and earnings through organic growth, appropriate acquisitions and the effective, pro-active management of existing resources in the interests of shareholders, customers and employees.

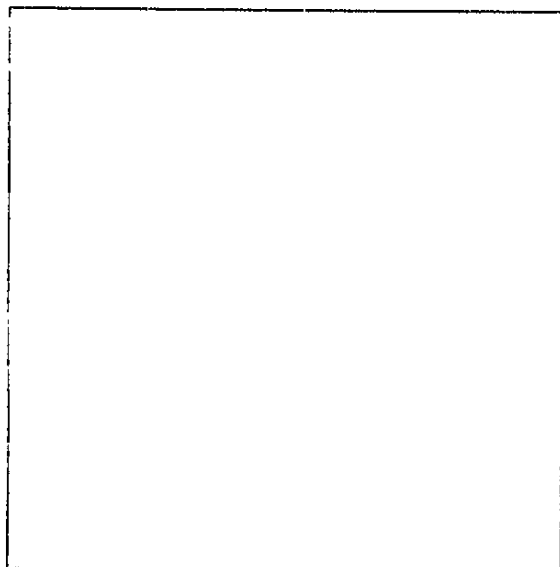
FINANCIAL HIGHLIGHTS

	1992 £m	1991 £m
Turnover		
United Kingdom	509.9	452.9
Overseas	320.3	307.7
	<u>830.2</u>	<u>760.6</u>
Profit before taxation	<u>50.1</u>	<u>46.7</u>

	Pence	Pence
Earnings per share	<u>6.94</u>	<u>6.56</u>
Dividends per share	<u>3.15</u>	<u>3.00</u>

Numbers employed		
United Kingdom	10,278	9,085
Overseas	5,120	5,188

CHAIRMAN'S STATEMENT



I am pleased to be able to report another year of improvement in our results, despite a more difficult trading climate. Our net liquid funds at the year end are one of our great strengths. We have made a significant acquisition in Continental Europe which has greatly strengthened our Materials Handling Division and we have recently entered into an exciting new joint venture with Yorkshire Water plc to offer engineering services in the UK and internationally in the substantial and growing water and waste water treatment industry.

Now that the UK recession appears to be abating, we can perhaps look forward to an environment of growth and stability which can only favour our continued success.

Results

Pre-tax profits at £50.1 million represents an increase of 7.3% compared with the £46.7 million achieved in the year to 31 March 1991. The tax charge at £14.5 million (1991: £12.5 million) increased from a rate of 26.9% to 28.9% but is expected to remain below normal for the current year. Despite the increased tax charge and the greater

average number of shares in issue during the year, earnings per share has improved to 6.94p (1991: 6.56p). The board is recommending a final dividend of 1.90p making a total payment of 3.15p for the year under review; this will be paid on 28 August 1992 to shareholders on the register on 31 July 1992. Before extraordinary items this will be covered more than twice by stated earnings per share.

Business Review

In its centenary year, Babcock Energy Limited has enjoyed continued success, in terms of turnover and profitability, and in its cash management. I was particularly pleased when, in April of this year, the company's low NOx burner design team won the Queen's Award for Technology having earlier also won the Engineering Council's Award for Design. Power Engineering has successfully completed a number of its overseas contracts and, at home, has made excellent progress on its Killingholme and Drax contracts. Manufacturing has enjoyed a high level of activity and has successfully diversified its workload to offset the reduction in traditional markets.

The Construction and Process Plant Contracting Division has concentrated its efforts on securing a larger proportion of its work in profitable overseas markets, particularly in the Middle and Far East. Babcock Construction Limited has also obtained a number of contracts in the oil/petrochemical sector and, as I indicated earlier, Babcock Contractors Limited has recently set up a new, joint venture company with Yorkshire Water plc to operate in the international water and sewerage market. This new company, Babcock Water Engineering Limited, will enable Babcock to become a major player in the water and waste water treatment business, combining the expertise of Yorkshire Water's engineering services and Babcock Contractors Limited's process contracting and engineering skills.

Despite a difficult year in which the programme of work was disrupted, the Facilities Management Division has produced a satisfactory trading result. A submission to reduce considerably the construction costs of the new

Trident refit facility has been presented to the Ministry of Defence. The Division is confident of retaining its submarine refitting work for the foreseeable future and looks forward to a more balanced programme in the current year.

The Materials Handling Division was transformed by the acquisition of the Swedish-based Consilium companies in February of this year and the combined strengths of Consilium and Claudius Peters will provide an extremely strong European base for our new Division, enabling it to take advantage of a much wider market for its combined products.

In Africa, economic difficulties and a substantial weakening of international commodity prices and demand for raw materials have combined to make trading difficult. However, changes in the management and operating structures are in hand and the companies will be ready to take full advantage of the recovery in the South African economy when it comes.

In my Statement last year I referred to the long running litigation proceedings concerning our subsidiary company, Babcock International Holdings Limited ("BIHL"), in connection with the receivership of IBH Holding AG ("IBH"), a German company in liquidation. Following a recent adverse decision in the European Court of Justice in respect of a similar but unrelated case, and after consultation with our legal advisers, terms of settlement were agreed with the Receiver of IBH and a cash payment of DM40 million plus certain costs have been agreed. As a result of the settlement, which was concluded just after the year end, we were able to reduce the provision created to deal with this matter by £5.9 million. Release of this provision has been treated as an extraordinary gain. Finally, the Receiver of IBH has accepted a claim for DM40 million by BIHL as an unsecured creditor in the liquidation of IBH and has indicated that, in due course, an unsecured dividend in excess of 10% of the value of the claim may be possible.

Personnel

I take this opportunity to thank our directors, managers and employees for their loyalty and hard work; our continued success is the direct result of their efforts.

In April of this year we lost a valued colleague and friend, Rocky Stone, who joined the board of Babcock in May 1966 and had been on the parent company board ever since. His wise counsel and friendship will be greatly missed and our deepest sympathy is extended to his family.

Outlook

Although trading conditions are difficult for parts of the group and are likely to remain so in the near future, the very diversity of Babcock's businesses and its strong management team continue to be its greatest strengths and enable it to adapt and respond successfully to the challenges these conditions present.

In comparison with many other companies in the manufacturing sector, Babcock's continued commitment to research and product development, supporting its customers and maintaining its leading position in rapidly changing markets, gives it a dominant position in a highly competitive environment. Our Technology Centre in Renfrew is dedicated to the development of new products and technology, providing research, development, advanced technology and other specialised services worldwide in the energy, defence, chemical, petrochemical and offshore sectors.

The process of growth by strategic acquisition will continue in those sectors of the markets where potential for growth is identified. There are hopeful indications, both domestically and overseas, that the signs of an economic recovery really are beginning to show at last and I am very confident about Babcock's ability to continue, and to build on, its record of success.

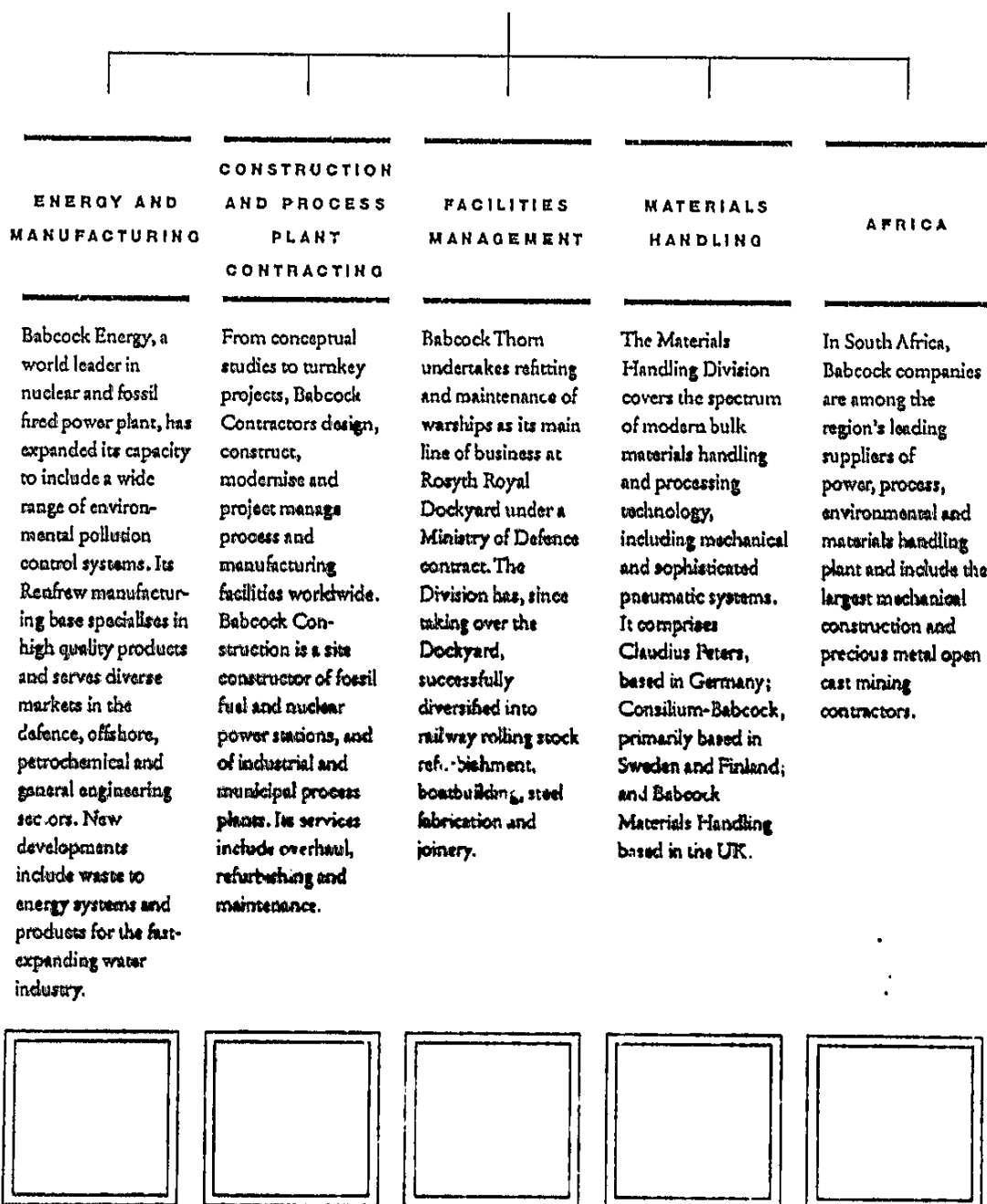
Lord King of Warthaby

26th May 1992

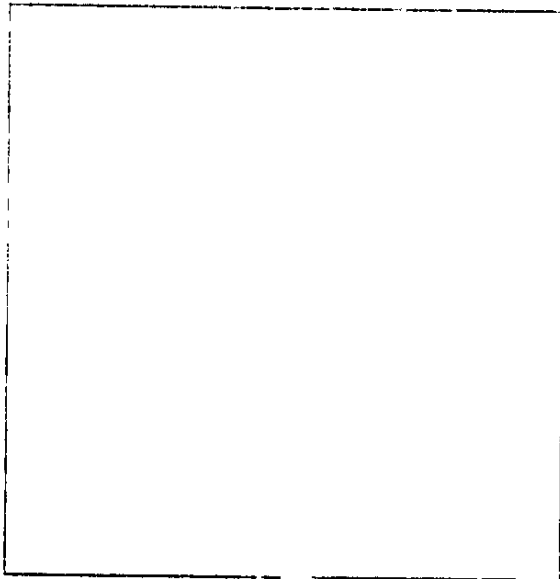
CHAIRMAN

GROUP STRUCTURE

BABCOCK INTERNATIONAL GROUP PLC



CHIEF EXECUTIVE'S REVIEW



I am again pleased to report that we have had another successful year. Many of the markets in which we operate are still in recession but the spread of our businesses has reduced the impact at group level. We have again been able to increase our turnover and profits and, this year, we have also increased the dividend payment to our shareholders.

As anticipated in my report last year we have expanded and greatly strengthened our Materials Handling Division by the recent acquisition of the Swedish-based Consilium

companies, offering an extensive range of services in this sector and establishing a base for further growth.

Consilium's products and services are among the market leaders and complement those of Claudius Peters.

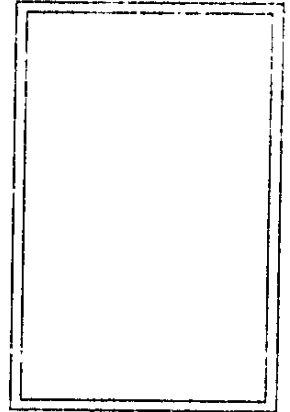
The Energy and Manufacturing Division has reacted well in the tough market conditions and produced a good result. The Construction and Process Plant Contracting Division has continued to make good progress in fulfilling our objectives to expand, diversify and strengthen this Division. The newly formed joint venture with Yorkshire Water is a good example of this growth and development.

We have continued to focus our companies more closely on their markets and to expand our activities where market opportunities are apparent. Our stated objectives to seek growth in materials handling and process contracting and control will be maintained. The market opportunities are available, we have increasing technological, managerial and financial skills and we intend to utilise them to enable continuing growth of your companies.

The Chairman has already paid tribute in his statement to the loyalty and hard work of all our staff and I would like to echo those sentiments. They have, through their considerable efforts, helped us to achieve substantial growth over two difficult years and I am most grateful for their great support.

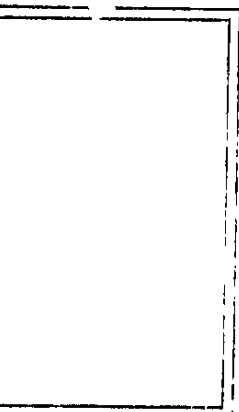
*Heat recovery steam
generators for Powergen's
900 MW Combined Cycle
Power Station at
Killingholme, UK.*

*Fabrication of a nine-metre
corner as assembly for the
Drax Power Station flue gas
desulphurisation contract.*

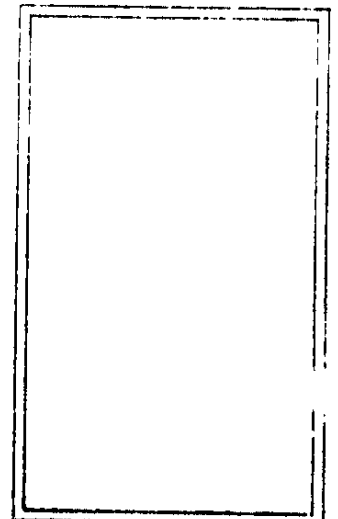


*Gordon Law, Executive
Director, Manufacturing
division.*

*Corner section for the
European Transonic Wind
Tunnel, manufactured by
Babcock, under construction
at Cologne, Germany.*



*John Prosser, Executive
Director, Power
Engineering division.*



Energy and Manufacturing Division

The Energy and Manufacturing Division had an extremely successful year with gross turnover up by 24% to £247.6 million, returning a £17.5 million profit before tax. The Division also improved its very strong cash position. Projected order intake for the current year is very encouraging and the Division expects to maintain last year's level of activity.

Within Power Engineering, good progress was made on all contracts, with a number of export power plant contracts achieving satisfactory completion. The most significant achievement during 1991 was the hand-over of both 350MW coal-fired units at Yue Yang in China, which were commissioned in record time.

On the home market, construction of the Killingholme 900MW combined cycle plant progressed significantly and it will be commissioned in the Autumn of this year.

The Flue Gas Desulphurisation ("FGD") retrofit to National Power's 4000MW power plant at Drax continues to make excellent progress and is being maintained to time and budget. Of particular note was the timely completion of the first outage in June last year where connections to the existing plant were installed ahead of the contract dates.

A high level of sales activity was sustained and the Rye House 680MW combined cycle contract was secured together with a significant number of low NOx burner retrofits in the UK, Europe and the Far East. Over 500 burners have now been sold. The Fushur contract in China was unfortunately delayed due to problems in

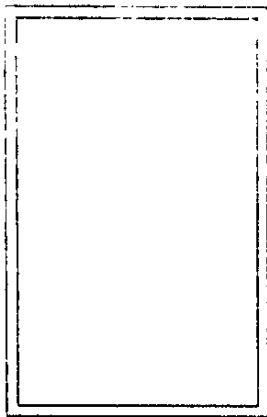
finalising the aid package, but these have now been overcome and the project is expected to go ahead early in the current year. Additionally, a number of other projects were delayed during the year but will form part of this year's order book. Since the year end a £60 million order has been received for the retrofit of a combined cycle system to two gas turbines at Lavrion in Greece and, additionally, a £28 million order has been won for the heat recovery steam generators on Scottish Hydro's 680MW combined cycle plant to be constructed at Keadby in Yorkshire.

The Manufacturing division had the busiest year since the mid 1980's with all major components for the Sizewell PWR and Killingholme power station being delivered. Of particular note was the substantial completion of the European Transonic Windtunnel which was successfully pressure tested on site in December 1991.

Diversification into a broader base of general engineering products continues with considerable success and this has offset the gradual downturn in traditional activities. A significant investment in equipment to manufacture finned tubing for combined cycle power plant was completed ahead of schedule enabling the company to market a new, high-quality and competitive product.

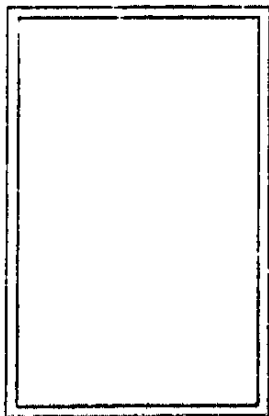
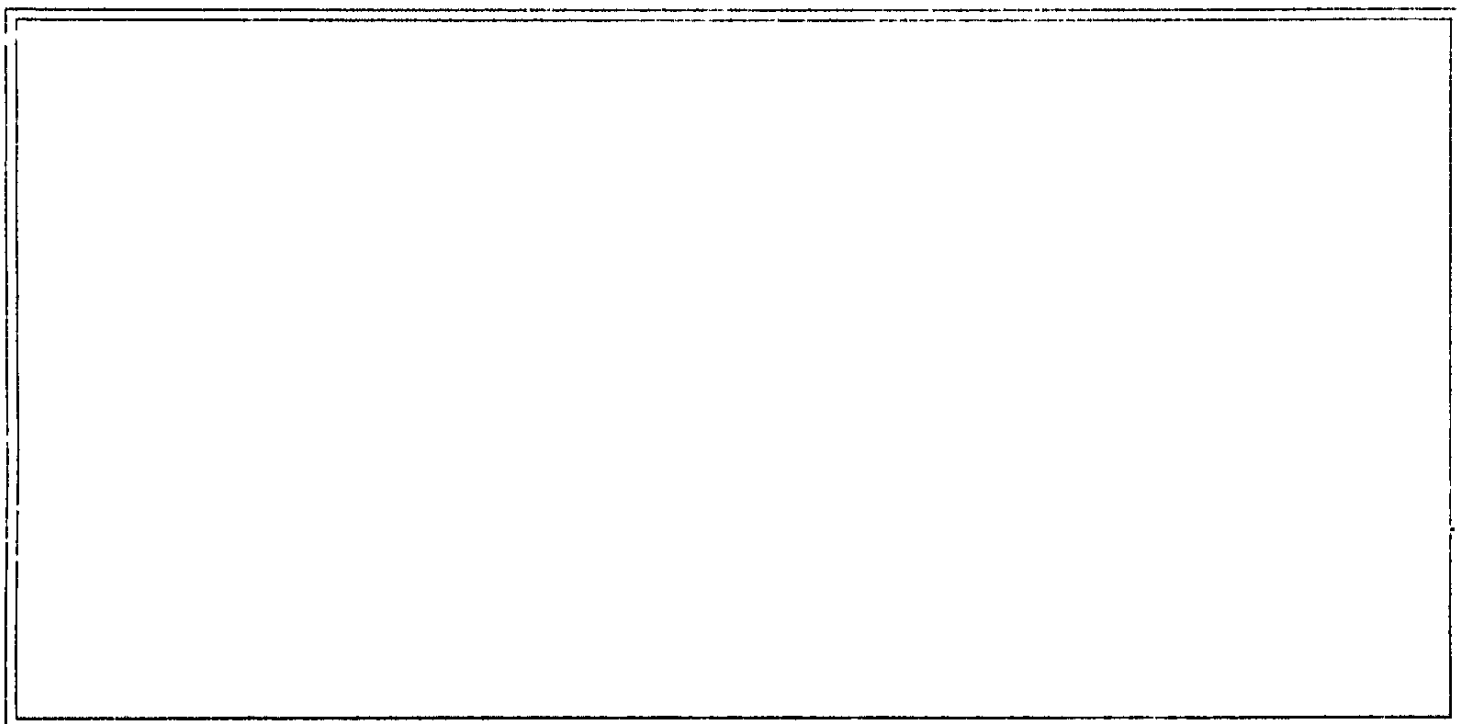
Following its acquisition during the year, a new management team was installed in Wilson Pipe Fittings Limited and the company's performance is showing substantial improvement; the benefits will be apparent in the current year.

The New Ventures division formed a joint venture company with ScottishPower to install and operate the 400,000 tonne per year waste-to-energy plant in

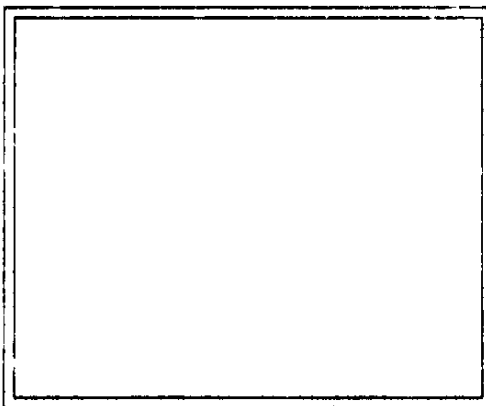


*Andrew Innes, Managing
Director, Babcock
Construction Limited.*

*Babcock project managed
Hong Kong and China Gas
Company's plant for
production of town gas
from Naphtha.*



*Tony Brimble, Managing
Director, Babcock
Constructors Limited.*



*Elements of Mobil's gas
processing plant at St Fergus,
UK, under construction.*

I Hampshire. As with all projects of this nature, the planning consent process is somewhat protracted but it is anticipated that construction will commence later in the current year.

Other similar projects are being pursued in the UK and expectations are high that a further major project will be secured this year.

Construction and Process Plant

Contracting Division

This was the first full year of operation of Babcock Construction Limited as a separate company within the Babcock Group. It is encouraging to note that our belief that it offered considerable growth potential has been fulfilled at such an early stage with turnover showing an increase over the comparable period to March 1991.

A number of contracts were obtained from the on-shore petrochemicals industry, including work for BP at Grangemouth and for Mobil at both the SAGE gas plant at St. Fergus, and the Coryton refinery.

At National Power's Drax power station the first phase of the programme for the site erection of the FGD plant was successfully completed in June 1991. Further work associated with FGD was also obtained at PowerGen's Ratcliffe power station. Work on the THORP project for British Nuclear Fuels at Sellafield is now substantially complete.

Considerable emphasis has been placed on securing work overseas. In the aftermath of the Gulf War work was obtained in Kuwait and an order has recently been secured in Saudi Arabia; and more recently, in conjunction with ABB Stal of Sweden, a large order was

won for the complete refurbishment of three power stations in Zimbabwe. Prospects for a significant increase in the volume of overseas work over the next two years are considered to be good.

At Babcock Contractors Group ("BCG"), our process plant contracting group of companies, the restructuring necessary to achieve the transition to an international process engineering contractor is proceeding to programme. Permanent overseas offices are now located in strategic market areas and some 50% of our personnel are now stationed overseas.

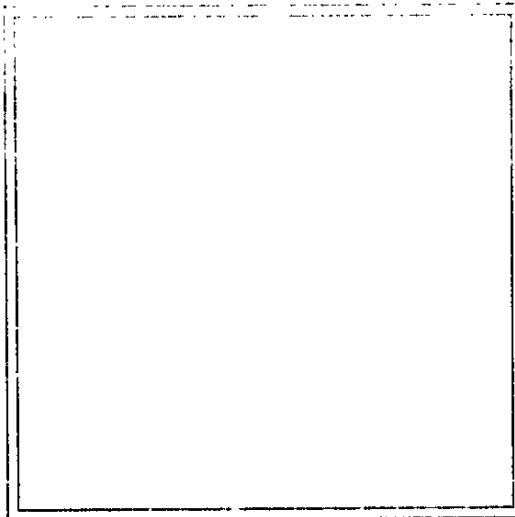
This has occurred both by organic growth and by the complete integration of the recent acquisitions of King-Wilkinson and of the former Foster Wheeler operations in South Africa.

These key acquisitions have significantly altered both the group's technology profile and its client base, from a domination by industrial processes to the present situation in which hydrocarbon technologies play an increasingly important role.

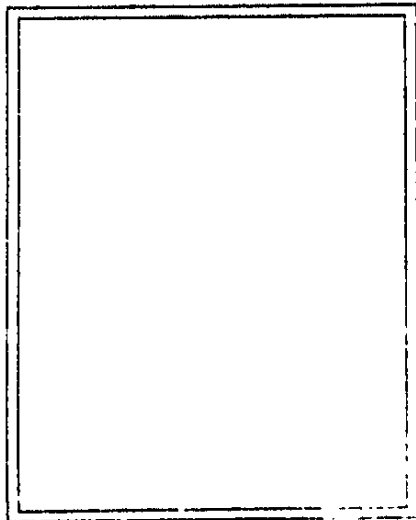
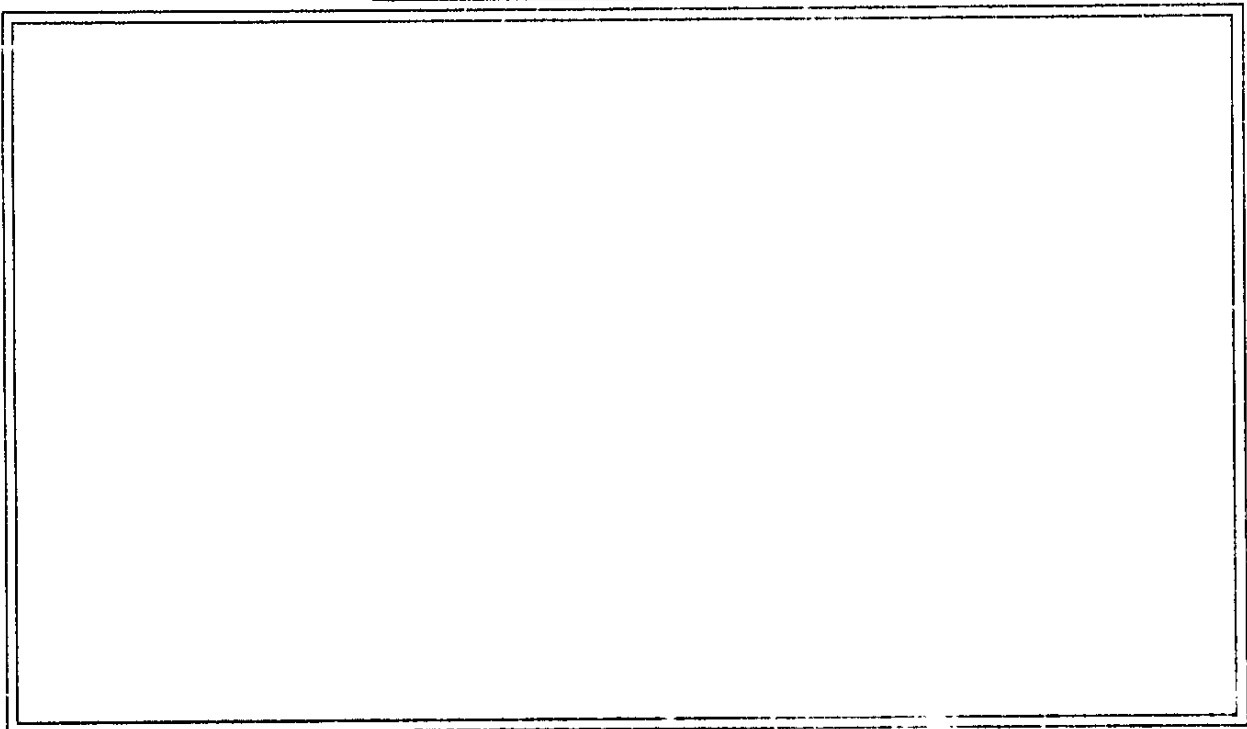
This strategic change has enabled BCG to take advantage in particular of the continued buoyancy in the oil and gas sector, in which it has obtained notable order successes - primarily throughout the Middle East area - and is well placed for further major awards.

BCG's King-Wilkinson office in Al Khobar has expanded significantly with both the ongoing work on the Central Area Programme management and the renewal of the General Engineering Services Agreement with Saudi Aramco. An order for the management of ZADCO's £50 million major offshore development programme in

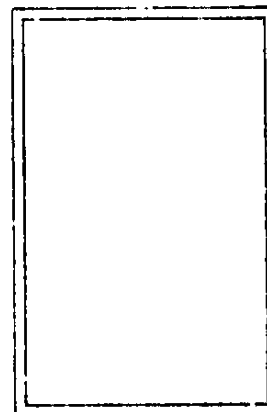
*is in the refurbishment
of 748 London
Underground cars at the
Dockyard's dedicated
rail facility.*



*The nuclear submarine
HMS Valiant comes under
the Forth Rail Bridge on her
way to the Dockyard for a
period of maintenance.*



*The pilot cutter Norman
Forster, built at the
Dockyard, and now in
service with the Port of
Tyne Authority.*



*David Batty, Director
and General Manager,
MOD Projects.*

Abu Dhabi has been awarded to the Crawley office and engineering has recommenced in Teesside for the war-delayed project for water reinjection facilities in the South East Kuwait field.

In the Far East, a £30 million contract for a petrochemical unit in China has been awarded to Babcock Contractors Limited subject to final Government ratification, and a new office has been opened in Malaysia to ensure penetration of the growing market opportunities in the Pacific Rim. The Hong Kong China Gas project is now in the final stages of successful commissioning, as is the Krakatau iron ore handling plant.

Nearer home, other major projects are approaching successful completion including two environmental improvement plants for SCM Chemicals and British Steel at Dawes Lane as well as the lube oil refining plant for Novopolotsk in Russia. New work has commenced on a Sinter plant in Zimbabwe.

Through Zia Technology of Texas Inc., in which the group has a 67% equity interest, we are commissioning a plant at Caldwell, Texas to process electric arc furnace dust and, at 31 March 1992, the first phase of the process was sufficiently complete to commence operations. Unfortunately we are involved in a serious dispute with our fellow shareholders in Zia Technology of Texas Inc. which is currently the subject of arbitration proceedings, the outcome of which we believe will be satisfactorily resolved.

The group's strategy for continued diversification through core market growth and acquisition continues. The recent creation of a new joint venture company, Babcock Water Engineering Limited, in partnership with Yorkshire

Water plc, provides us with a first class opportunity to expand our skills into the water and waste water treatment industry and to benefit from the rapidly expanding activity in these markets, both in the UK and internationally.

BCG is thus on target towards its goal of being recognised as a focused, technology-led group with clear operational emphasis on the four geographical areas of the world where the maximum spend is anticipated, namely the Pacific Rim/Far East, the Middle East, UK/Europe and Africa.

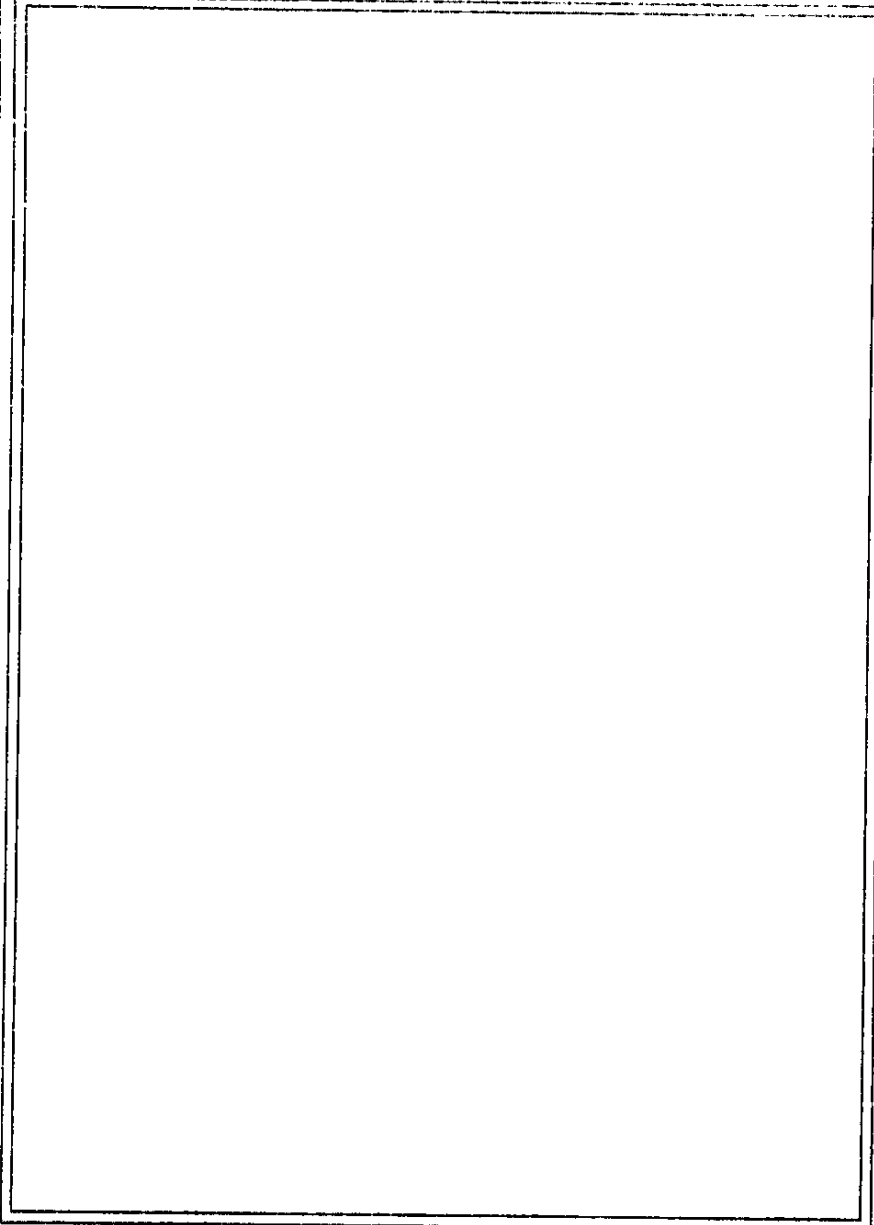
Facilities Management Division

Diversification into new markets continues and, to reflect this, the Division has been restructured into three business units, namely Ministry of Defence Projects, Rail Projects and Commercial Projects. Each business unit is headed by a director and general manager.

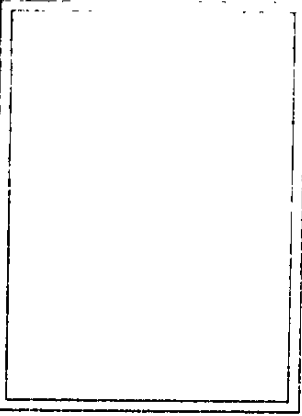
Although MOD business remains as the principal activity of the Division, Rail and Commercial Projects now provide for almost 25% of the workload undertaken. During the past year MOD workload was again disrupted by delays and cutbacks but the resultant workload shortfall was substantially offset by placement of two Royal Fleet Auxiliary vessel refits with the Dockyard. Despite these difficulties, however, the Division has produced a satisfactory result.

MOD workload still remains below capacity but the level of programmed refits from mid year onwards provides a balance with capacity over the whole year.

Much management effort continues to be applied to MOD studies on Options for Change. At the end

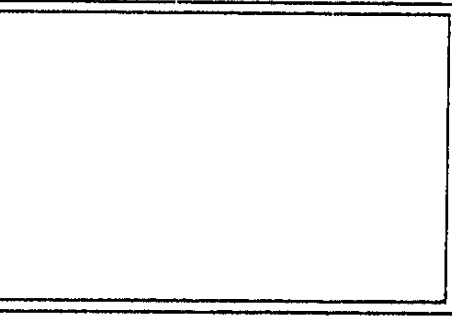


ner Herold,
aging Director,
erials Handling
ision.



*A Consilium-Babcock ship
unloader and cement
distribution terminal at
Avonmouth, UK.*

*A cement clinker production
line in Thailand equipped
with a Claudius Peters
grate cooler.*



*British Steel's bulk carrier
"Western Bridge"
incorporates a Consilium-
Babcock self-unloading
system.*

of October 1991 a comprehensive submission was made which demonstrated clearly that, should MOD wish to place all nuclear submarine refits and decommissioning programmes in one location, then Rosyth Royal Dockyard could meet all requirements. An essential element in the submission was reduced costs for construction of the new Trident refit facility.

In this connection the company is now pursuing a fundamental redesign of that facility and preparing the supporting safety case. The outturn cost of this new proposal will provide MOD with very significant savings.

Babcock now owns 100% of Tickford Rail Limited, having acquired the remaining 15% of the shareholding on 31st March 1992. During the first year of operation management responsibilities have been restructured and the company can look forward to improved achievement in a market which offers considerable opportunities. Refurbishment work on the current London Underground Limited contract is now well in hand at Rosyth Royal Dockyard.

Of note within Commercial Projects has been the completion of a 15 metre pilot cutter for the Tees and Hartlepool Pilotage Company Limited and a 15 metre patrol boat for the Northumberland Sea Fisheries Committee. These achievements have been followed by a recent order from HM Customs and Excise for a 26 metre cutter.

The company remains confident that nuclear submarine refitting will remain at Rosyth Royal Dockyard, providing an ongoing stable workload of MOD business. The company is also confident that further success in the expansion into rail and commercial markets will be achieved.

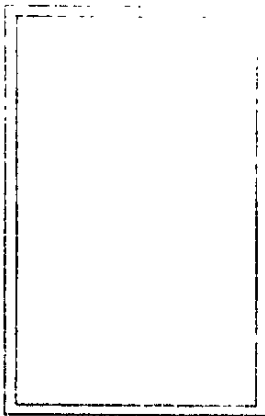
Materials Handling Division

In February 1992 the group made an important strategic acquisition of the Consilium CMH and Bulk businesses, which operate in the bulk materials handling industry from Sweden, Finland, Germany and the USA. The activities of these companies are complementary to the European operations of Claudius Peters and will enable Babcock to provide a broad range of techniques in the materials handling business. The newly acquired businesses, together with Babcock Materials Handling Limited and Claudius Peters have been grouped together to form the new Babcock Materials Handling Division. In the short period since the acquisition, Consilium CMH and Bulk have performed in accordance with our expectations.

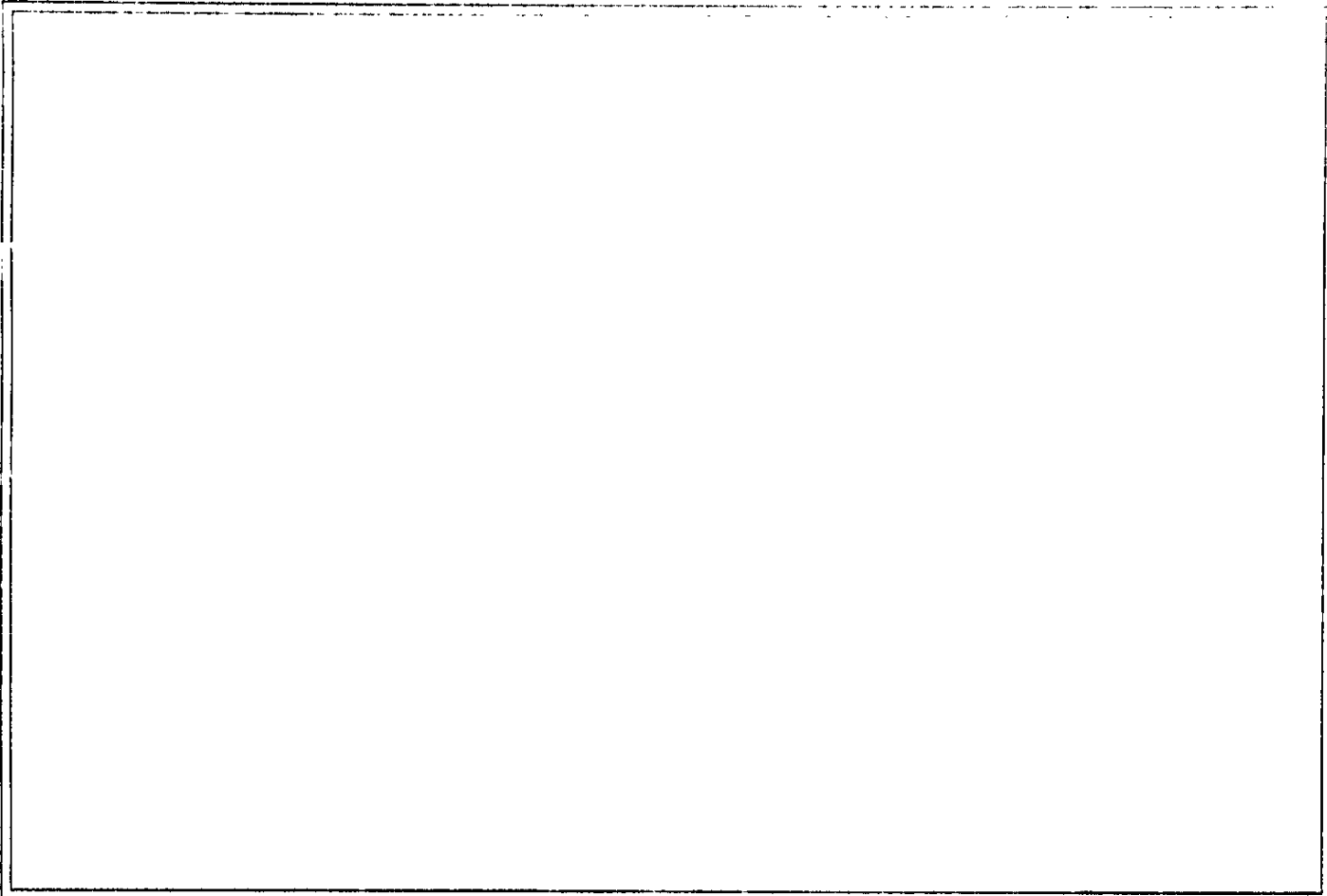
Claudius Peters had another excellent year and achieved good growth in turnover and profitability. Order intake and the order book of the company are at a very satisfactory level, mainly due to its strong position in the Far East and eastern Germany, as well as the very successful performance of the overseas subsidiaries.

Claudius Peters' highly successful cement handling business has been boosted by an order for a major cement terminal in Thailand; this contract will combine the techniques of Claudius Peters and its packer/palletiser subsidiary, KVL. The east German cement industry also placed a number of valuable orders, including two new clinker coolers using Claudius Peters' latest technology. During the year a pneumatic ash handling system, based on pressure vessel technology, was delivered as part of the modernisation of a power station in eastern Germany. An order for a complete gypsum calcining system, based on

*John Lavery,
Managing Director,
Babcock Africa (Pty.) Ltd.*

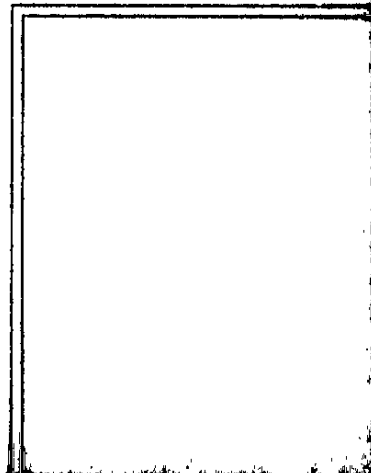
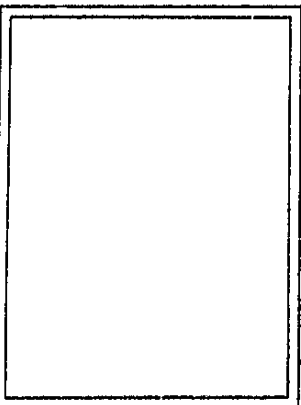


*Mossel Bay Refinery,
South Africa: Synthol
Reactor One.*



*Sma Pan soda ash project,
Botswana: rear of boilers
showing baghouse
dewar and stack.*

*Final product store of coins,
South African Mint,
Midrand.*



the Claudius Peters mill, was won by their Spanish subsidiary.

Consilium Bulk's order intake in 1991 included the largest single order in its history for a wood handling plant for a French pulp mill; and Consilium CMH delivered, also to France, its newly-developed, fully mobile Siwertell 5000S barge unloader - its first delivery into the French market.

Africa

Completion of major projects with which the company has been busy for the past two years, combined with further slowing of the South African economy created a difficult trading environment in 1991/92.

Contracts completed during the year included the onshore facilities for the Mossel Bay gas project; the new South African mint which is one of the most modern facilities of its kind in the world; the Knaifontein depot for Blue Circle Cement; and the ethylene recovery plant at Sasol II.

Although Babcock Africa produced a reasonable financial performance in the year, the downturn in mining activity, particularly platinum, impacted on Skent Mining's order intake and on demand for earthmoving equipment from Triplejay. As a consequence, Skent Mining and Triplejay underperformed their budgets but have since been restructured to take advantage of more competitive demand for their products.

Also during the year the construction division, Babcock Construction Contractors, was separated out from its engineering counterparts to take advantage of the

separate demand for construction, repair and maintenance services.

Further restructuring of Babcock Africa is underway to sharpen product market focus and management accountability. While the very large South African projects of the 1980's have passed, there is still a considerable volume of smaller contract work available and it is our intention to access this part of the local market and to take advantage of the opening-up of world markets to South African business.

A slow improvement in the South African economy is expected to commence in late 1992 once world raw material stockpiles are exhausted and demand picks up. Our leaner, more effective organisation will be well placed to take advantage of its considerable skills in this recovery and to demonstrate its very significant strengths in Africa and in Southern and Eastern hemisphere projects. However, sales will be difficult to achieve in the short to medium term in all areas of the African business, but I have every confidence that the management will give of their best to achieve their budget for the coming year.

G O Whitehead

CHIEF EXECUTIVE

26th May 1992

DIRECTORS AND COMPANY INFORMATION

DIRECTORS

The Rt Hon Lord King of Wartnaby (CHAIRMAN)

Joined the board as chairman on 14 July 1989, just prior to demerger from FKI. Chairman of British Airways Plc and previously chairman of Babcock International plc for 15 years.

J. Whalley (DEPUTY CHAIRMAN)

Joined the board on 30 May 1989. Managing director of Gartland and Whalley Securities Limited and chairman of FKI plc.

G. O. Whitehead, CBE

(GROUP CHIEF EXECUTIVE)

Joined the board on 1 August 1989. Previously an executive director of AMEC p.l.c.

E. A. S. Porter (GROUP FINANCE DIRECTOR)

Joined the board on 26 June 1989. Previously group finance director of The Laird Group Public Limited Company.

J. H. Lace (EXECUTIVE DIRECTOR)

Joined the board on 14 July 1989. Managing director of Babcock Energy Limited.

A. K. Smith, CBE (EXECUTIVE DIRECTOR)

Joined the board on 14 July 1989. Managing director of Babcock Thorn Limited, and Chairman of Tickford Rail Limited.

Sir Frank Gibb (NON-EXECUTIVE DIRECTOR)

Joined the board on 14 August 1989. Former chairman and chief executive of Taylor Woodrow plc and is currently a non-executive director of Nuclear Electric plc.

SECRETARY

J. Allen.

REGISTERED OFFICE

AND COMPANY NUMBER

The Lodge, Badminton Court, Church Street,
Amersham, Buckinghamshire HP7 0DD.
Company number 2342138.

REGISTRARS

National Westminster Bank PLC, P.O. Box No. 82,
Caxton House, Redcliffe Way, Bristol BS99 7NH.

AUDITORS

BDO Binder Hamlyn,
20 Old Bailey, London EC4M 7BH.

BROKERS

Panmure Gordon & Co Limited
9 Moorfields Highwalk, London EC2Y 9DS.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited accounts of the group for the year ended 31 March 1992.

PROFIT AND DIVIDENDS

Profit attributable to shareholders for the year ended 31 March 1992 amounted to £39.1 million (1991: £25.1 million). The directors propose the payment on 28 August 1992 of a final dividend of 1.90p on each of the ordinary shares of 10p entitled thereto and in issue on 31 July 1992, making a total for the year of 3.15p per share. The retained profit for the year to 31 March 1992 was £23.0 million (1991: £11.0 million).

PRINCIPAL ACTIVITIES

The Chief Executive's review of the group's activities and future developments on pages 5 to 15 forms part of this report. Other matters material to the appreciation of the group's position are contained in the Chairman's Statement on pages 2 and 3.

FIXED ASSETS

Changes in tangible fixed assets since 1 April 1991 are shown in note 12 to the accounts.

GROUP ACQUISITIONS

The group made a number of acquisitions during the year. A brief summary of these transactions is provided below.

Wilson Pipe Fittings Ltd.

On 4 July 1991 the group acquired the entire issued share capital of Wilson Pipe Fittings Ltd for £0.3 million. Wilson Pipe Fittings Ltd is engaged in the manufacture of high pressure pipe systems.

BCG Engineering Contractors (Pty) Ltd

On 26 July 1991 the group acquired certain assets, liabilities and the business of the South African company, Foster Wheeler (Pty) Ltd. The business, which was acquired for £3.1 million, now trades as BCG Engineering Contractors (Pty) Ltd. and is engaged in the provision of process engineering services to the petroleum, gas and chemical industries.

Consilium companies

On 14 February 1992 the group acquired certain Consilium companies, principally Consilium CMH and Consilium Bulk, for a consideration of £22.5 million. These companies operate a well established bulk materials handling business mainly out of Sweden, Finland, Germany and the U.S.A.

Tickford Rail Ltd

On 31 March 1992 the remaining 15% equity in Tickford Rail Ltd, that the group did not already own, was acquired for a consideration of £75,000. Further details are set out in note 26 on page 38.

RESEARCH AND DEVELOPMENT

Product development and innovation is a continuous process. The group continues to commit resources to research and development where this activity is necessary to the evolution and growth of its business.

CHARITABLE AND POLITICAL DONATIONS

During the year the group donated £10,242 to charitable organisations. No donations were made during the year for political purposes.

DIRECTORS

The names of the present directors who served throughout the year, together with brief biographical notes, are shown on page 16.

Mr. G.S. Stone, who served as a non-executive director throughout the year, died on 18 April 1992.

Sir Frank Gibb and Mr. J.H. Lacey retire by rotation under the provisions of the company's articles of association and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The beneficial interests of the directors in the ordinary shares of the company were as follows.

	Ordinary shares 31 March 1992	Ordinary shares 31 March 1991	Share options 31 March 1992	Share options 31 March 1991
Lord King of Wartnaby	720,000	685,000	-	-
Sir Frank Gibb	12,546	11,000	-	-
J.H. Lace	133,319	116,875	1,020,400	920,400
E.A.S. Porter	114,070	100,000	1,050,000	800,000
A.K. Smith	114,070	100,000	986,000	786,000
J. Whalley	380,000	380,000	-	-
G.O. Whitehead	34,221	30,000	1,804,000	1,504,000

There have been no changes in the share interests of the directors between 31 March 1992 and 26 May 1992.

G.S. Stone held 23,658 ordinary shares at 31 March 1992 (1991: 20,740).

There is no contract or arrangement subsisting at the date of this document in which any director of the company is materially interested and which is significant in relation to the business of the company and its subsidiaries taken as a whole.

Messrs. Whitehead, Porter, Lace and Smith each have a service contract with the company. Each such service contract is terminable by not less than 36 months' notice by the company.

The company has maintained insurance to cover directors' and officers' liabilities as permitted under Section 310(3)a, Companies Act 1985 as amended.

SIGNIFICANT SHAREHOLDINGS

The company has been notified of the following interests in its ordinary shares which represent 3% or more of its issued ordinary share capital at 26 May 1992:

Name	No. of shares	%
Phildrew Nominees Ltd	42,886,408	7.99
Robert Fleming Holdings Ltd	37,770,632	7.03
Prudential Portfolio Managers Ltd	28,880,278	5.39
TSB Group PLC	21,327,852	3.97
Barclays Bank PLC*	19,750,881	3.67
Gartmore Investment Management Ltd	16,547,283	3.08

* Barclays Bank PLC has indicated that the interest in the ordinary share capital of the company disclosed by it is of a non-beneficial nature.

TAX STATUS

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

PERSONNEL

The group comprises a number of companies which have developed voluntary practices and procedures for employee involvement and training appropriate to their own circumstances and needs. The group encourages such an approach and believes that this promotes a better understanding of the issues facing the individual business in which the employee works. The performance of the group is communicated to all staff; copies of the report and accounts and of full year and interim profit statements are made available to them. It is group policy to achieve and maintain a high standard of health and safety by all practical means and the active involvement of employees in matters of health and safety is encouraged.

The company's policy, which applied throughout the year, is to give full and fair consideration to disabled applicants for employment, having regard to their particular aptitudes and abilities. If an employee becomes disabled, the objective is the continued provision of suitable employment either in the same or an alternative position, appropriate training being given if necessary. Disabled employees share in the opportunities for training, career development and promotion.

ANNUAL GENERAL MEETING

This year's annual general meeting will be held at The Howard Hotel, Temple Place, London WC2R 2PR on Thursday, 23 July 1992, at 3.00pm. The notice of meeting is on pages 43 and 44.

SPECIAL BUSINESS

Resolutions 6(1) to 6(4) in the notice of annual general meeting constitute special business.

Resolution 6(1), which will be proposed as an ordinary resolution, provides for the authorised share capital of the company, which is presently £62,000,000, to be increased to £73,000,000 by the creation of an additional 110,000,000 ordinary shares of 10 pence each. Following the proposed increase in capital, there would remain, apart from ordinary shares reserved for issue in connection with the executive share option schemes of the company, a balance of 183,157,400 ordinary shares authorised but unissued, representing approximately 25 per cent of the increased authorised ordinary share capital. Except in relation to the executive share option schemes, your board has no present intention of issuing further ordinary shares. No issue of shares which would effectively alter the control of the company will be made without the prior approval of shareholders in general meeting.

Resolution 6(2), which will be proposed as an ordinary resolution, authorises the directors of the company to exercise the powers of the company to allot shares up to the amount of the increased authorised but unissued share capital of the company. This authority will, unless previously varied, revoked or renewed in accordance with Section 80 of the Companies Act 1985, expire on 22 July 1997.

Resolution 6(3), which will be proposed as a special resolution, authorises the directors to allot for cash equity securities not exceeding in aggregate an amount equal to 5% of the current issued share capital of the company as if the pre-emption rights contained in Section 89 of the Companies Act 1985 did not apply to such allotment. The authority conferred by this resolution will, unless revoked or renewed, expire on 22 October 1993, or the conclusion of the next annual general meeting of the company (whichever is earlier).

Resolution 6(4), which will be proposed as a special resolution, renews the general authority for the company to make market purchases of its own ordinary shares for cancellation.

The renewed authority, in respect of up to 10% of the company's present issued share capital, would expire on 31 December 1993 or, if earlier, on the conclusion of the 1993 annual general meeting. There is no present intention to purchase shares and, if granted, the authority would only be exercised if an improvement in earnings per share was expected to result.

Your directors believe that each of resolutions 6(1) to 6(4) to be proposed at the annual general meeting is in the best interests of the company and unanimously recommend shareholders to vote in favour of each of these resolutions, as they intend to do in respect of their own beneficial holdings totalling 1,508,226 ordinary shares, representing 0.23 per cent of the present issued share capital of the company.

POST BALANCE SHEET EVENT

Subsequent to the year end, and as referred to in note 8 on page 29, the group settled its IBH litigation case and, on 30 April 1992, made a payment to the Receiver of IBH Holding AG of DM40 million in final settlement.

AUDITORS

BDO Binder Hamlyn are willing to continue in office and resolutions will be proposed at the annual general meeting to re-appoint them as auditors and to authorise the directors to fix their remuneration.

By order of the Board

J Allen

SECRETARY



26 May 1992

GROUP PROFIT AND LOSS ACCOUNT

YEAR TO 31 MARCH 1992

	Notes	1992 £'000	1991 £'000
Turnover	1	830,223	760,646
Cost of sales		(710,200)	(652,948)
Gross profit		120,017	107,698
Distribution costs		(9,338)	(7,596)
Administrative expenses		(67,555)	(61,594)
Operating profit		43,124	38,508
Investment income	2	1,136	960
Amounts written off investments		(854)	(964)
Net interest and similar charges	3	8,456	8,157
Profit on ordinary activities before taxation	1, 4	50,062	46,661
Tax on profit on ordinary activities	7	(14,470)	(12,541)
Profit on ordinary activities after taxation		35,592	34,120
Minority interests		(2,405)	(3,219)
Profit before extraordinary items		33,187	30,901
Extraordinary items less taxation	8	5,960	(5,754)
Profit attributable to shareholders		39,147	25,147
Dividends	10	(16,107)	(14,139)
Retained profit for the year transferred to reserves	25	23,040	11,008
Earnings per share	11	6.94p	6.56p

GROUP BALANCE SHEET

AS AT 31 MARCH 1992

	Notes	1992 £'000	1991 £'000
Fixed assets			
Tangible assets	12	99,868	89,942
Investments	14	4,624	5,245
		<u>104,492</u>	<u>95,187</u>
Current assets			
Stocks	15	31,569	39,684
Debtors	16	196,250	178,270
Cash and bank balances	17	137,369	92,609
		<u>365,188</u>	<u>310,563</u>
Creditors:			
Amounts falling due within one year	18	(312,203)	(274,072)
Net current assets		<u>52,985</u>	<u>36,491</u>
Total assets less current liabilities		<u>157,477</u>	<u>131,678</u>
Creditors:			
Amounts falling due after more than one year	19	(18,482)	(19,369)
Provision for liabilities and charges	21	(36,165)	(42,096)
Net assets	1	<u>102,830</u>	<u>70,219</u>
Capital and reserves			
Called up share capital	24	53,764	47,130
Share premium account	25	19,262	10,962
Profit and loss account	26	25,709	7,954
		<u>98,735</u>	<u>66,046</u>
Minority interests		<u>4,095</u>	<u>4,173</u>
		<u>102,830</u>	<u>70,219</u>

COMPANY BALANCE SHEET

AS AT 31 MARCH 1992

	Notes	1992 £'000	1991 £'000
Fixed assets			
Investment in subsidiary undertakings	13	<u>122,749</u>	<u>44,450</u>
Current assets			
Debtors	16	26,863	9,352
Cash and bank balances		<u>61</u>	<u>29,858</u>
		26,924	39,210
Creditors:			
Amounts falling due within one year	18	<u>(63,584)</u>	<u>(13,323)</u>
Net current (liabilities)/assets		<u>(36,660)</u>	<u>25,887</u>
Total assets less current liabilities		86,089	70,337
Provision for liabilities and charges	21	<u>-</u>	<u>(99)</u>
Net assets		<u>86,089</u>	<u>70,238</u>
Capital and reserves			
Called up share capital	24	53,764	47,130
Share premium account	25	19,262	10,962
Profit and loss account	25	<u>13,063</u>	<u>12,146</u>
		86,089	70,238

The accounts on pages 20 to 40 were approved by the board on 26 May 1992 and signed on its behalf by:

G.O. WHITEHEAD Director

E.A.S. PORTER Director

GROUP CASH FLOW STATEMENT

YEAR TO 31 MARCH 1992

	Notes	1992		1991	
		£'000	£'000	£'000	£'000
Net cash flow from operating activities			72,613		57,983
Returns on investments and servicing of finance					
Net interest and similar charges	3	8,456		8,157	
Dividends received and other income		607		395	
Dividends paid – company		(14,376)		(14,139)	
– minorities		<u>(2,451)</u>		<u>(2,229)</u>	
			(9,764)		(7,816)
Taxation					
UK corporation tax paid		(7,154)		(6,387)	
Overseas tax paid		<u>(3,711)</u>		<u>(1,153)</u>	
			(10,865)		(7,540)
Investing activities					
Purchase of tangible fixed assets	12	(18,602)		(40,974)	
Purchase of fixed asset investments		–		(608)	
Purchase of subsidiary undertakings	17	(24,652)		(4,533)	
Sale of tangible fixed assets		3,354		1,195	
Sale of investments		222		1,042	
Sale of subsidiary undertakings		<u>–</u>		<u>4,989</u>	
			(39,878)		(38,889)
Net cash flow before financing			12,308		3,738
Financing					
Issue of ordinary share capital, net of expenses		32,044		–	
(Decrease)/increase in amounts borrowed	20	(1,515)		755	
(Decrease)/increase in finance lease creditors	20	<u>(2,209)</u>		<u>1,927</u>	
			28,320		2,682
Increase in cash and cash equivalents	17		40,628		6,420

Reconciliation of operating profit to net cash flow from operating activities:

Operating profit	43,124	38,508
Depreciation and profit on disposal of tangible fixed assets	15,164	11,995
Other items	(660)	(496)
Decrease/(increase) in stocks	11,622	(856)
Decrease/(increase) in debtors	2,155	(12,277)
Increase in creditors	<u>1,208</u>	<u>21,109</u>
Net cash flow from operating activities	72,613	57,988

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

BASIS OF CONSOLIDATION

The group accounts include the accounts of the company and all of its subsidiary undertakings made up to 31 March.

The group accounts include the appropriate share of associated undertakings' results and net assets based on the latest available accounts. Associated undertakings are those in which the group has a long term investment in the voting equity, and over which it exerts significant influence.

Acquisitions, for which the consideration includes an issue of shares which are eligible for 'merger relief', are stated in the company's balance sheet at the nominal value of the shares issued together with the fair value of any other consideration given, plus the costs of the relevant acquisition.

When the fair value of the consideration for an acquired company exceeds the fair value of its separable net assets, the difference is treated as goodwill on acquisition and written off to reserves. Where the fair value of the separable net assets exceeds the fair value of the consideration the difference is treated as a reserve arising on consolidation.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation. Cost includes attributable interest payable in respect of assets in the course of construction. Depreciation is provided on a straight line basis to write off the cost or valuation of fixed assets over their estimated useful lives at the following annual rates:

Freehold land	Nil
Freehold buildings	2.0 to 10.0 per cent
Short leasehold property	over period of lease
Plant and machinery – heavy production	6.6 per cent
– other	10.0 per cent
Motor vehicles	20.0 to 33.3 per cent

Assets acquired under finance leases are capitalised and the outstanding capital element of instalments is included in creditors.

The interest element is charged against profits so as to produce a constant periodic rate of charge on the outstanding obligation.

Depreciation is calculated to write the assets off over their expected useful lives or over the lease terms where these are shorter.

INVESTMENTS

Fixed asset investments are stated at cost less provision for permanent diminution in value.

STOCKS AND WORK IN PROGRESS

Stocks are valued at the lower of cost and net realisable value. In the case of finished goods and work in progress, cost comprises direct materials and labour and an appropriate proportion of overheads.

Long term contract balances are valued at costs incurred, less amounts transferred to cost of sales, and after deducting attributable payments on account and providing for foreseeable losses.

RESEARCH AND DEVELOPMENT

Development expenditure on clearly defined projects whose outcome can be assessed with reasonable certainty is capitalised and amortised over the shorter of the project life or three years.

All other research and development expenditure is written off in the period in which it is incurred.

ACCOUNTING POLICIES

DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that a liability will crystallise.

FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year end exchange rates.

Exchange gains and losses arising on foreign currency borrowings used to finance subsidiary undertakings are taken to reserves to the extent that they can be offset against the exchange differences arising on the equity investment. On consolidation, assets and liabilities of foreign subsidiary undertakings are translated into sterling at the rate of exchange ruling at the balance sheet date and the results are translated using the average exchange rate for the period. These consolidation differences on exchange are taken to reserves. All other exchange differences are dealt with in the profit and loss account.

TURNOVER

In respect of long term contracts, turnover represents amounts transferred to cost of sales during the period plus attributed profit. Other turnover comprises the invoiced value of goods and services supplied by the group. Turnover excludes sales taxes and intra-group transactions.

PENSION COSTS

The group operates various pension schemes established in accordance with local conditions and practices in the countries concerned. Contributions are based on periodic actuarial calculations and are charged so as to spread the cost of pensions over the expected service lives of the employees who are members of the schemes.

NOTES TO THE ACCOUNTS

1. SEGMENTAL INFORMATION

	Year to 31 March 1992			Year to 31 March 1991		
	Total Sales £'000	Inter-Segment Sales £'000	Sales to Third Parties £'000	Total Sales £'000	Inter-Segment Sales £'000	Sales to Third Parties £'000
<i>Turnover by Activity Segment:</i>						
Energy and manufacturing	247,631	3,612	244,019	199,671	2,344	197,327
Construction and process plant contracting	216,928	48,230	168,698	194,989	10,620	184,369
Facilities management	178,343	3,249	175,094	178,517	589	178,928
Materials handling	97,073	6,239	90,834	85,915	225	85,690
Africa	151,578	-	151,578	134,332	-	134,332
	<u>891,553</u>	<u>61,330</u>	<u>830,223</u>	<u>774,424</u>	<u>13,778</u>	<u>760,646</u>

	Year to 31 March 1992		Year to 31 March 1991	
	Sales to Third Parties by Origin £'000	Sales to Third Parties by Destination £'000	Sales to Third Parties by Origin £'000	Sales to Third Parties by Destination £'000
<i>Turnover by Geographic Segment:</i>				
United Kingdom	589,170	509,985	562,440	452,960
Europe	73,343	71,268	53,806	44,698
Africa	154,403	159,292	134,332	139,097
Rest of World	13,307	89,678	10,088	123,891
	<u>830,223</u>	<u>830,223</u>	<u>760,646</u>	<u>760,646</u>

	Profit before Taxation		Net Assets	
	Year to 31 March 1992 £'000	Year to 31 March 1991 £'000	As at 31 March 1992 £'000	As at 31 March 1991 £'000
<i>By Activity Segment:</i>				
Energy and manufacturing	17,461	15,733	57,304	58,066
Construction and process plant contracting	12,659	10,483	31,322	28,093
Facilities management	10,468	10,680	4,014	2,586
Materials handling	7,163	4,963	12,254	14,986
Africa	7,126	10,157	20,617	16,774
Unallocated interest and other net costs	(4,163)	(4,388)	-	-
Investment provisions/disposals	(634)	(957)	-	-
Group	<u>-</u>	<u>-</u>	<u>(22,961)</u>	<u>(50,286)</u>
	<u>50,062</u>	<u>46,661</u>	<u>102,630</u>	<u>70,219</u>

NOTES TO THE ACCOUNTS

1. SEGMENTAL INFORMATION (continued)

<i>By Geographic Segment:</i>	Profit before Taxation		Net Assets	
	Year to 31 March 1992 £'000	Year to 31 March 1991 £'000	As at 31 March 1992 £'000	As at 31 March 1991 £'000
United Kingdom	37,279	31,062	59,381	37,536
Europe	6,626	4,326	13,124	15,414
Africa	6,320	10,188	20,846	18,658
Rest of World	(163)	1,085	9,279	411
	<u>50,062</u>	<u>46,661</u>	<u>102,630</u>	<u>70,219</u>

2. INVESTMENT INCOME

	Year to 31 March 1992 £'000	Year to 31 March 1991 £'000
Share of associated undertakings' profit before tax	724	718
Other investment income	<u>412</u>	<u>242</u>
	<u>1,136</u>	<u>960</u>

3. NET INTEREST AND SIMILAR CHARGES

	£'000	£'000
Interest payable and similar charges		
- Loans payable within 5 years	(1,477)	(899)
- Other interest including finance lease interest	(1,997)	(1,972)
Less interest capitalised	<u>-</u>	<u>240</u>
	<u>(3,474)</u>	<u>(2,628)</u>
Interest receivable	<u>9,930</u>	<u>10,782</u>
	<u>6,456</u>	<u>8,157</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

<i>Profit on ordinary activities before taxation is stated after charging:</i>	£'000	£'000
Depreciation on tangible fixed assets		
- owned	12,182	8,816
- leased assets	3,678	8,595
Operating lease rentals		
- plant and machinery	2,970	4,227
- land and buildings	7,324	8,958
- short term plant hire	4,189	2,874
Auditors' remuneration	416	655
Research and development expenditure	<u>1,159</u>	<u>818</u>

NOTES TO THE ACCOUNTS

5. DIRECTORS' EMOLUMENTS

<i>Emoluments in respect of directors of the company were as follows:</i>	Year to 31 March 1992 £'000	Year to 31 March 1991 £'000
Fees	95	85
Salaries, including pension contributions	1,107	1,126
Payment to former director	—	25
	<u>1,202</u>	<u>1,216</u>

The directors' emoluments shown above excluding pensions and pension contributions include:

Chairman	£232,110	£254,533
Highest paid director	£322,434	£302,551

Directors' emoluments fall into the following bandings:

	Number	Number
£ 10,001 – £ 15,000	1	1
£ 15,001 – £ 20,000	—	1
£ 20,001 – £ 25,000	1	—
£ 45,001 – £ 50,000	—	1
£ 50,001 – £ 55,000	1	—
£135,001 – £140,000	—	1
£150,001 – £155,000	—	1
£155,001 – £160,000	1	—
£160,001 – £165,000	—	1
£180,001 – £185,000	2	—
£230,001 – £235,000	1	—
£250,001 – £255,000	—	1
£300,001 – £305,000	—	1
£320,001 – £325,000	1	—

6. EMPLOYEE COSTS

<i>Particulars of employees, including executive directors, are as follows:</i>	Year to 31 March 1992 £'000	Year to 31 March 1991 £'000
Employee costs		
– Wages and salaries	240,215	188,514
– Social security costs	22,494	14,909
– Other pension costs	13,533	14,212
	<u>204,242</u>	<u>217,635</u>

The average weekly number of persons employed by the group in each of the following categories was as follows:

	Number	Number
Production and distribution	12,221	12,178
Administration and management	2,177	2,095
	<u>15,398</u>	<u>14,273</u>

NOTES TO THE ACCOUNTS

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year to 31 March 1992 £'000	Year to 31 March 1991 £'000
United Kingdom		
- Corporation taxation at 33% (1991: 34%)	13,134	10,832
- Deferred taxation	(129)	1,566
- Double taxation relief	(977)	-
- Prior year items	(2,263)	(1,885)
Overscas		
- Corporation taxation	8,618	6,844
- Deferred taxation	(1,504)	24
- Prior year items	589	(1,323)
Associated undertakings	271	269
ACT previously written off now recoverable	(3,267)	(3,588)
	<u>14,470</u>	<u>12,541</u>

8. EXTRAORDINARY ITEMS

	£'000	£'000
Movement on provision for claims in litigation relating to former group businesses	5,960	(5,915)
Net profit on sale or closure of business segments after tax credit of £Nil (1991: £255,000)	-	181
	<u>5,960</u>	<u>(5,734)</u>

Agreement was reached on 10 April 1992 on the settlement of the claim by the receiver of IBH Holding AG against Babcock International Holdings Ltd. The extraordinary item above represents a reduction in the provision, made in earlier years, to the final cost of settlement.

9. COMPANY PROFIT

The company has taken advantage of the exemption granted by Section 230 of the Companies Act 1985 whereby no individual profit and loss account of the company is disclosed. Included in the profit for the year is £170 million (1991: £10.8 million) dealt with in the accounts of the company.

10. DIVIDENDS

	£'000	£'000
Ordinary shares - Paid interim dividend of 1.25 pence per share (1991: 1.20 pence)	5,892	5,655
- Proposed final dividend of 1.90 pence per share (1991: 1.80 pence)	10,215	8,484
	<u>16,107</u>	<u>14,139</u>

NOTES TO THE ACCOUNTS

11. EARNINGS PER SHARE

Earnings per ordinary share for the year to 31 March 1992 has been calculated by dividing the profit for the year on ordinary activities after taxation and minority interests by 478,127,578 (1991: 471,300,000) ordinary shares being the weighted average number of shares in issue during the year.

12. TANGIBLE FIXED ASSETS

	Freehold property £'000	Short term leasehold property £'000	Assets under construction £'000	Plant and machinery £'000	Total £'000
Group					
Cost					
At 1 April 1991	35,600	-	4,885	93,894	134,379
Exchange adjustments	295	-	114	(595)	(186)
On acquisition of subsidiary undertakings	5,468	2,909	-	5,769	14,146
Additions	653	11	3,054	14,864	18,582
Disposals	(2,328)	-	(4)	(2,595)	(4,927)
Reclassification	(181)	21	-	170	-
At 31 March 1992	39,497	2,930	8,049	111,527	162,011
Accumulated depreciation					
At 1 April 1991	(2,328)	-	-	(42,108)	(44,436)
Exchange adjustments	(38)	-	-	37	1
On acquisition of subsidiary undertakings	(154)	(354)	-	(3,808)	(4,316)
Charge for the year	(1,276)	(10)	-	(14,572)	(15,958)
Disposals	63	-	-	2,204	2,267
Reclassification	56	(12)	-	(54)	-
At 31 March 1992	(5,665)	(376)	-	(58,102)	(64,143)
Net book value at 31 March 1992	35,832	2,554	8,049	53,425	99,860
Net book value at 31 March 1991	33,272	-	4,885	51,785	89,942

The net book value of plant and machinery includes £13.9 million (1991: £13.6 million) in respect of assets held under finance lease or hire purchase contracts.

Freehold property includes land amounting to £4.0 million (1991: £4.4 million) which has not been depreciated.

Assets under construction wholly relate to Zia Technology's plant under construction in the USA.

13. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Information on principal subsidiary undertakings is given on page 41. During the year the company established a new subsidiary holding company through which it would own all of the group's overseas subsidiary undertakings. The increase in investment in subsidiary undertakings represents the capitalisation of this new company to enable it to acquire the group's existing overseas subsidiary undertakings together with the newly acquired Consilium companies.

NOTES TO THE ACCOUNTS

14. FIXED ASSETS INVESTMENTS

	Associated Undertakings Unlisted £'000	UK Listed Investments £'000	Other Investments £'000	Total £'000
At 1 April 1991	2,970	1,384	881	5,245
Exchange adjustment	-	-	2	2
Share of retained profits	253	-	-	253
Disposals	(60)	(12)	(150)	(222)
Provisions	(10)	(644)	-	(654)
At 31 March 1992	3,153	738	733	4,624

The market value of the group's UK listed investments as at 31 March 1992 was £0.7 million (1991: £1.6 million). UK listed investments are stated net of provisions of £1.6 million at 31 March 1992 (1991: £0.9 million).

On 16 April 1992 the group's investment in Sunleigh plc, which is registered in England, was diluted to 10% of that company's issued ordinary share capital due to an open share offer by Sunleigh plc, to which the group did not subscribe.

Information on associated undertakings is given on page 41.

15. STOCKS

	1992		1991	
	£'000	£'000	£'000	£'000
Long term contracts		8,014		1,773
Less: Applicable payments on account		(8,933)		(171)
		1,001		1,602
Other stocks and work in progress				
- Raw materials and consumables	8,502		8,797	
- Work in progress	19,004		27,679	
- Finished goods and goods for resale	8,855		8,860	
	34,361		43,336	
Less: Progress payments	(2,121)		(3,627)	
Provisions	(1,752)		(1,427)	
		30,488		38,082
		31,569		39,884

NOTES TO THE ACCOUNTS

16. DEBTORS

	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Trade debtors	91,451	81,066	-	-
Amounts recoverable on contracts	47,043	48,580	-	-
Amounts owed by subsidiary undertakings	-	-	19,000	1,873
Amounts owed by associated undertakings	123	105	-	-
Prepayments and accrued income	6,148	3,216	-	-
Pension fund surpluses	32,200	33,266	-	-
Other debtors	19,285	12,035	7,863	7,479
	<u>196,250</u>	<u>178,270</u>	<u>26,863</u>	<u>9,352</u>

Included in debtors are the following amounts which are due after more than one year:

Trade debtors	12,910	7,832	-	-
Pension fund surpluses	30,750	31,366	-	-
Other debtors	3,783	2,951	3,405	2,828
	<u>47,443</u>	<u>42,149</u>	<u>3,405</u>	<u>2,828</u>

Transactions with non-director officers of the group

At 31 March 1992, the following amounts, included above, were outstanding from non-director officers.

	£'000	Number
Loans	<u>295</u>	<u>4</u>

17. CASH AND CASH EQUIVALENTS

(i) Analysis of changes in cash and cash equivalents during the year:

	Year to 31 March 1992 £'000	Year to 31 March 1991 £'000
Balance at 1 April	88,311	83,493
Net cash flow	40,826	8,420
Effect of foreign exchange rate changes	(19)	(1,802)
Balance at 31 March	<u>128,918</u>	<u>88,311</u>

Analysis of closing balance:

Cash and bank balances	137,369	92,800
Bank overdrafts	(8,451)	(4,288)
Balance at 31 March	<u>128,918</u>	<u>88,311</u>

(ii) Analysis of the net cash flow of cash and cash equivalents in respect of the purchase of subsidiary undertakings:

Cash consideration	26,239	5,450
Cash at bank and in hand acquired	(1,587)	(817)
Net flow of cash and cash equivalents	<u>24,652</u>	<u>4,633</u>

NOTES TO THE ACCOUNTS

18. CREDITORS (amounts falling due within one year)

	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Bank overdraft (Note 20)	8,451	4,288	924	20
Bank loans (Note 20)	10,633	1,518	-	-
Other loans (Note 20)	1,172	-	-	-
Obligations under finance leases (Note 20)	4,146	4,022	-	-
Advance payments	3,485	3,360	-	-
Payments received in advance of turnover	40,022	53,901	-	-
Trade creditors	73,299	57,108	-	-
Contract accruals and provisions	86,898	86,571	-	-
Bills of exchange payable	626	903	-	-
Amounts owed to subsidiary undertakings	-	-	46,534	-
Amounts owed to associated undertakings	26	94	-	-
Other creditors	10,465	8,504	13	21
Corporation and overseas taxes	15,748	13,137	5,624	4,788
Other taxes and social security	16,644	11,476	-	-
Accruals and deferred income	21,573	20,400	274	-
Proposed dividend	10,215	8,484	10,215	8,484
	<u>312,203</u>	<u>274,072</u>	<u>63,584</u>	<u>18,323</u>

The company's bank overdraft of £924,000 at 31 March 1992 (1991: £20,000) is an unsecured bank overdraft.

19. CREDITORS (amounts falling due after more than one year)

	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Bank loans (Note 20)	4,332	5,898	-	-
Other loans (Note 20)	1,143	455	-	-
Obligations under finance leases (Note 20)	7,361	6,869	-	-
Advance payments	3,368	-	-	-
Payments received in advance of turnover	-	3,643	-	-
Trade creditors	195	122	-	-
Other creditors	2,083	2,376	-	-
	<u>18,482</u>	<u>19,363</u>	<u>-</u>	<u>-</u>

Except for the bank borrowings detailed in note 20, all of the above obligations fall due for repayment within five years.

NOTES TO THE ACCOUNTS

20. BORROWINGS

	Group	
	1992 £'000	1991 £'000
<i>Security arrangements:</i>		
Secured by fixed and floating charges on the assets of subsidiary undertakings	2,976	5,052
Secured against specific trade debtors of subsidiary undertakings	4,192	3,511
	7,168	8,563
Unsecured borrowings	18,593	3,904
	25,731	12,467

Repayment details:

The total borrowings of the group, at 31 March are repayable as follows:

	1992			1991		
	Bank loans and overdrafts £'000	Other loans £'000	Finance lease obligations £'000	Bank loans and overdrafts £'000	Other loans £'000	Finance lease obligations £'000
Within one year	19,084	1,172	4,146	6,114	-	4,022
Between one and two years	1,177	146	1,069	1,416	-	3,331
Between two and five years	2,398	210	3,694	4,033	-	3,538
In five years or more	757	787	1,798	449	455	-
	23,416	2,315	11,507	12,012	455	10,891

The bank borrowings repayable in five years or more, which are all payable by instalment, relate principally to export credit finance and bear interest currently at 10.3%.

(i) Analysis of changes in finance during the year:

	Bank loans, overdrafts and other loans £'000	Finance lease creditors £'000
Balance at 1 April 1991	12,467	10,891
Less: bank overdrafts at 1 April 1991	(4,298)	-
	8,169	10,891
Cash flow from financing	(1,515)	(2,208)
Arising through the acquisition of subsidiary undertakings	10,380	3,118
Effect of foreign exchange rate changes	246	(293)
	17,280	11,507
Add: bank overdrafts at 31 March 1992	8,451	-
Balance at 31 March 1992	25,731	11,507

NOTES TO THE ACCOUNTS

21. PROVISION FOR LIABILITIES AND CHARGES

	Pensions and similar obligations £'000	Deferred taxation £'000	Litigation and claim provisions £'000	Other £'000	Total £'000
Group:					
At 1 April 1991	3,276	10,813	25,084	2,923	42,096
Exchange adjustments	115	(249)	-	-	(134)
On acquisition of subsidiary undertakings	540	-	-	1,052	1,592
Increase/(decrease) in the year	-	942	(8,310)	492	(4,876)
Utilised in the year	(39)	-	(1,973)	(501)	(2,513)
At 31 March 1992	3,892	11,506	16,801	3,966	36,165
Company:					
At 1 April 1991	-	99	-	-	99
Utilised in the year	-	(99)	-	-	(99)
At 31 March 1992	-	-	-	-	-

22. DEFERRED TAXATION

The major components of the provision for deferred taxation and the potential liability are as follows:

	1992		1991	
	Provided £'000	Full potential £'000	Provided £'000	Full potential £'000
Group:				
Accelerated capital allowances	3,250	7,865	2,856	7,353
Other timing differences	16,176	18,834	16,085	19,188
Tax losses	(2,703)	(4,403)	(1,064)	(3,011)
	16,723	22,296	17,857	23,508
Advance corporation tax recoverable	(5,217)	(5,516)	(7,044)	(10,668)
	11,506	16,780	10,813	12,840
Company:				
Short term timing differences	-	-	410	410
Advance corporation tax recoverable	-	-	(811)	(811)
	-	-	99	99

Included in other timing differences is provision for deferred tax on the pension scheme surpluses. This has been discounted to its net present value using the appropriate anticipated rates of investment return.

NOTES TO THE ACCOUNTS

23. PENSION FUNDING

The group operates a number of different pension arrangements throughout the world, according to the local requirements of each country. The total pension costs charged to the operating profit of the group were as follows:

	Year to 31 March 1992 £'000	Year to 31 March 1991 £'000
UK Schemes	11,553	12,335
Overseas Schemes	1,980	1,877
	13,533	14,212
Interest on pension scheme surpluses	(3,041)	(3,090)
	10,492	11,122

The three major schemes are in the UK and South Africa and are of the defined benefit type. In each case the scheme is funded by payments to separate trustee administered funds and the pension cost is assessed in accordance with the advice of independent, qualified actuaries. The details of the latest valuation of these schemes which have been used for the purpose of these accounts are as follows:

	UK Schemes		South Africa
	Babcock Thorn	Babcock Group	
Number of employees	4,129	2,998	608
Date of last valuation	31.3.90	31.3.91	31.3.92
Method of valuation	Attained age	Projected unit	Projected unit
Results of last valuation:			
- market value of assets	£113 million	£291 million	£23 million
- level of funding	100%	120%	116%
Principal valuation assumptions:			
- excess of investment returns over earnings increases	1.50%	2.00%	1.00%
- excess of investment returns over pension increases	3.00% to 6.00%	6.00%	5.00%
- annual rate of dividend growth	4.50%	4.25%	5.00%

The surpluses in the Babcock Group UK and South African schemes are carried as a prepayment in the balance sheet at £32.2 million (1991: £33.3 million), and are being reduced as a result of a suspension of the group's contributions.

The Babcock Group UK scheme provides for guaranteed pension increases of 3% per annum. The valuation of this scheme takes account of these guaranteed increases and any discretionary increases awarded to 31 March 1992. It takes no account of either possible future discretionary increases or the impact of the provisions of the Social Security Act 1990 in respect of "limited price indexation" of pension benefits, if implemented. Limited price indexation could substantially increase the future cost of the UK scheme although there is still uncertainty as to the form in which this legislation will be implemented.

24. SHARE CAPITAL

	1992 £'000	1991 £'000
Authorised:		
620,000,000 (1991: 620,000,000) ordinary shares of 10p each	62,000	£
Allotted, issued and fully paid:		
53,642,206 (1991: 471,300,000) ordinary shares of 10p each	53,764	47,130

NOTES TO THE ACCOUNTS

24. SHARE CAPITAL (continued)

Summary of movements	Authorized £'000	Allotted, issued and fully paid Number	£'000
At 1 April 1991	62,000	471,300,000	47,130
Issue on 15 July 1991 of Ordinary Shares on exercise of options granted under the Executive Share Option Scheme	-	25,000	2
Consideration shares issued on 14 February 1992 relating to the acquisition of Consilium	-	42,776,000	4,278
Subscription shares issued on 9 March 1992	-	23,541,206	2,354
At 31 March 1992	62,000	537,642,206	53,764

Share option schemes

The company operates two share option schemes. Options to acquire ordinary shares granted to directors and senior employees within the group and outstanding at 31 March 1992 were as follows:

No of shares	Option price	Option period
5,300,400	62.5 pence	4.9.92 to 3.9.99
220,000	52.0 pence	13.12.92 to 12.12.99
1,320,000	50.5 pence	29.6.93 to 28.6.2000
2,360,000	54.5 pence	11.7.94 to 10.7.2001

Options granted to directors under the executive share option scheme are exercisable between 4 September 1992 and 3 September 1999 at an option price of 62.5p, between 29 June 1993 and 28 June 2000 at an option price of 50.5p and between 11 July 1994 and 10 July 2001 at an option price of 54.5p.

25. RESERVES

	Merger reserve account £'000	Share premium account £'000	Profit and loss account £'000
Group:			
At 1 April 1991	-	10,962	7,954
Retained profit	-	-	28,040
Premium on acquisition of subsidiary undertakings	17,110	-	-
Premium arising on share issue	-	9,426	-
Expenses arising on share issue	-	(1,126)	-
Goodwill on acquisitions	(17,110)	-	(4,924)
Currency and other reserve movements	-	-	(361)
At 31 March 1992	-	19,262	25,709

NOTES TO THE ACCOUNTS

25. RESERVES (continued)

	Share premium account £'000	Profit and loss account £'000
Company:		
At 1 April 1991	10,982	12,148
Retained profit	-	917
Premium arising on share issue	9,426	-
Expenses arising on share issue	(1,126)	-
At 31 March 1992	19,262	13,063

Cumulative goodwill written off to group reserves amounted to £31 million as at 31 March 1992.

26. ACQUISITIONS

During the year the group made a number of acquisitions all of which have been accounted for under the acquisition accounting principles. The table below shows the assets and liabilities acquired, fair value adjustments and the goodwill arising on these acquisitions.

	Consilium £'000	Other £'000	Total £'000
Book value of assets/liabilities acquired:			
Fixed assets	4,942	3,531	8,473
Current assets	29,876	1,235	31,111
Current liabilities	(10,715)	(3,171)	(22,886)
Other liabilities	(6,504)	-	(6,504)
Net assets acquired	8,599	1,595	10,194
Fair value adjustments			
- Accounting policy adjustments	(3,022)	-	(3,022)
- Other	(2,967)	-	(2,967)
Fair value of net assets acquired	2,610	1,595	4,205
Fair value of consideration	(22,539)	(3,700)	(26,239)
Goodwill arising	(19,929)	(2,105)	(22,034)

Consilium operates in the bulk materials handling industry mainly within Sweden, Finland, Germany and the USA. The contribution made by Consilium to the group's profit before tax amounted to £0.5 million. Further detail was provided in the Circular dated 13 February 1992.

Other acquisitions were:

- Wilson Pipe Fittings Ltd
- Certain assets, liabilities and the business of Foster Wheeler South Africa.
- On 31 March 1992 the group acquired the remaining 15% equity in Tickford Rail Ltd. (its main activity being the refurbishment of railway rolling stock) from family interests of two directors of Tickford Rail Ltd. The total cash consideration paid was £75,000.

NOTES TO THE ACCOUNTS

27. FINANCIAL COMMITMENTS

Capital Commitments

<i>Authorised future capital expenditure of the group as at 31 March was as follows:</i>	1992 £'000	1991 £'000
Contracted but not provided for in the accounts	2,885	3,030
Authorised by the directors but not contracted for	269	1,463
	<u>3,154</u>	<u>4,493</u>

The company had no capital expenditure authorised or contracted at 31 March 1992 (1991: £Nil).

Operating Lease Commitments

	1992		1991	
<i>The annual group commitment under non-cancellable operating leases was as follows:</i>	Land and buildings £'000	Plant machinery and vehicles £'000	Land and buildings £'000	Plant machinery and vehicles £'000
Leases expiring:				
Within one year	706	597	361	277
Within two to five years	2,936	3,956	6,349	5,845
Thereafter	2,709	1,201	2,886	87
	<u>6,351</u>	<u>5,754</u>	<u>9,596</u>	<u>6,309</u>

The company had no commitments under operating leases at 31 March 1992 (1991: £Nil).

28. CONTINGENT LIABILITIES

(a) The company has guaranteed or has joint and several liability for bank borrowing facilities of £82.1 million for certain group companies.

(b) Throughout the group, contingent liabilities exist in respect of guarantees, performance bonds and indemnities issued on behalf of group companies by banks and insurance companies in the ordinary course of business. At 31 March 1992, these amounted to £175.6 million (1991: £154.5 million), of which the company had counter-indemnified £136.5 million (1991: £111.5 million). Included in this amount are bonds amounting to £24.2 million issued in respect of the Al Anbar contract in Iraq. This contract was terminated in accordance with its terms in March 1991. The bonds and related counter-indemnities expire in July 1992.

Following the settlement of the IBH litigation in April 1992, a £23.4 million guarantee, which was outstanding at 31 March 1992, has been cancelled.

(c) In addition, the company has given guarantees on behalf of group companies in connection with the completion of contracts within specification, including responsibility for maintenance. These include the unlimited counter-indemnity given to FKI plc at the time of demerger in respect of guarantees given by FKI plc on behalf of Babcock group companies.

NOTES TO THE ACCOUNTS

20. CONTINGENT LIABILITIES (continued)

(d) The group is involved in the following litigation. No further material litigation for which liabilities are contingent has been commenced against any group company.

Babcock International Group PLC ("Babcock") has filed an action against certain shareholders and officers of Zia Technology, Inc. ("Zia") under the securities laws of the United States of America in respect of certain misrepresentations arising at the time of Babcock's acquisition of its interests in Zia Technology of Texas, Inc. ("ZTT"). Babcock has also commenced arbitration proceedings against Zia in respect of certain matters arising out of the conduct of ZTT's business and related matters arising after such acquisition. Zia had filed a separate action against Babcock in the Federal Court in Texas claiming damages in the amount of US \$100 million. This action was ordered stayed pending the outcome of the arbitration proceedings, and Zia has not reasserted this damages claim in the arbitration proceedings. Babcock's legal advisers in the United States have reviewed Zia's damages claim, and have advised Babcock that it is without merit and that the likelihood of it having a material adverse effect upon the financial condition of the group is remote.

AUDITORS' REPORT

To the Members of Babcock International Group PLC

We have audited the financial statements on pages 20 to 40 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 1992 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Binder Hamlyn
Chartered Accountants
Registered Auditor
London EC4

26 May 1992

PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Energy and Manufacturing

Babcock Energy Limited
 Babcock Calorizing Limited
 Babcock PED (Overseas Projects) Limited
 Babcock PED Limited
 Babcock Power (Overseas Projects) Limited (India)
 Babcock Welding Products Limited (Scotland)
 Babcock Worsley Limited
 Diamond Power Specialty Limited (38%)
 Volund Babcock Energy A/S (Denmark) (50%)
 Pipework Support Technologies Limited
 BPA Joint Venture (66.7%)
 5a Hospital Street, Nantwich, Cheshire
 Wilson Pipe Fittings Limited (Scotland)

Construction and Process Plant Contracting

Babcock Construction Limited
 Babcock Contractors Limited
 King-Wilkinson Limited
 Babcock Woodall-Duckham (Overseas) Limited
 Babcock Woodall-Duckham Limited
 BCG Engineering Contractors (Pty) Limited (South Africa)

Facilities Management

Babcock Thorn Limited (Scotland) (65%)
 Rosyth Royal Dockyard plc (Scotland) (65%)
 Tickford Rail Limited

Materials Handling

Babcock Materials Handling Limited
 Babcock Hydro-Pneumatics Limited
 Babcock-Moxey Limited
 Claudius Peters Limited
 Consilium CMH-Babcock AB (Sweden)
 Babcock Holdings (Sweden) AB (Sweden)
 Consilium Bulk-Babcock AB (Sweden)
 Consilium Bulk-Babcock OY (Finland)
 Consilium Bulk-Babcock Inc. (USA)
 Consilium M.H.-Babcock Inc. (Canada)
 Claudius Peters Inc (USA)
 Claudius Peters (Iberica) SA (Spain)
 Claudius Peters Italiana SRI (Italy)

Materials Handling (Cont'd)

Claudius Peters SA (France)
 Claudius Peters VA GmbH (Germany)
 Claudius Peters AG (Germany)
 Klöckner Maschinen-und Anlagenbau GmbH (Germany)
 KVL Fördertechnik GmbH (Germany) (51%)
 Babcock Holding (Deutschland) GmbH (Germany)

Africa

Babcock Africa (Pty) Limited (South Africa)
 Babcock Africa Contracting (Pty) Limited (South Africa)
 Babcock Industrial Contractors (Pty) Limited (South Africa)
 Babcock Mossel Bay Contractors (Pty) Limited (South Africa)
 Babcock Triplejay (Pty) Limited (South Africa)
 Skeat Mining (Pty) Limited (South Africa) (60%)
 Identity Devices (Pty) Limited (South Africa) (80%)
 Technology Associated Group Holdings (Pty) Limited (South Africa)

Others

Babcock International Limited
 Babcock International Holdings Limited
 Cleveland Insurance Limited (Isle of Man)
 Atlantic Power & Gas (Holding) Ltd (Scotland) (40%)
 - 40,000 ordinary shares of £1 each
 - 540,000 cumulative redeemable preference shares of £1 each
 Zia Technology of Texas Inc (USA) (67%)
 - 2,000 ordinary shares of no par value
 Babcock Overseas Investments Limited
 Babcock International Holdings BV (Netherlands)

All undertakings are wholly owned unless otherwise stated. With the exception of Babcock International Limited, and Babcock Overseas Investments Limited which are owned by the company, all group undertakings are owned by subsidiary undertakings.

Except as otherwise stated, all shares held comprise ordinary share capital.

All undertakings are incorporated and operated in Great Britain and are registered in England unless otherwise stated. Undertakings located overseas operated principally in the country of incorporation.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR 1992/93

1992 profit and proposed final dividend of 1.90p per share announced	28 May 1992
Annual general meeting	23 July 1992
Final dividend to be paid on shares entitled thereto to shareholders registered on 31 July 1992	28 August 1992
Half year results and interim dividend to be announced	November 1992
Interim dividend payable	January 1993

CAPITAL GAINS TAX INFORMATION

The adjusted market value at 31 March 1982 per 10p ordinary share now held in Babcock International Group PLC where such a share is derived from a holding in Babcock International plc at that date is (*see Note 1 below*):

16.639p

The adjusting factor for the split of base cost between FKI plc and Babcock International plc shares is:

Apportionment	
.....	
FKI plc:	66.125%
Babcock International plc:	33.875%

The adjusted 5 April 1965 value per 10p ordinary share now held in Babcock International Group PLC where such a share is derived from a holding in Babcock and Wilcox Limited ordinary shares at that date is (*see Note 2 below*):

4.993p

Notes:

1. This figure assumes that no shares have been sold, is after the scrip issues of 1 for 10 on 4 June 1984 and 2 June 1986, that the share offer by FKI plc of 17 for 10 in August 1989 was accepted and allows for the apportionment of base costs as a result of the demerger in August 1989.
2. This figure assumes that no shares have been sold, the 1 for 1 rights issue at 25p on 8 October 1975 is taken up in full and is after the scrip issues of 4 for 10 on 5 June 1972, 1 for 10 on 4 June 1973 and the stock conversion from £1 ordinary shares to 25p ordinary shares on 5 April 1972. Also the comments in Note 1 apply.

NOTICE OF MEETING

Notice is hereby given that the third annual general meeting of the members of Babcock International Group PLC will be held at The Howard Hotel, Temple Place, Strand, London WC2R 2PR on Thursday, 23 July 1992 at 3.00pm for the transaction of the following business:

1. To receive and adopt the directors' and auditors' reports and the audited accounts of the company for the year ended 31 March 1992.
2. To declare a final dividend for the year ended 31 March 1992.
3. To re-elect those directors retiring by rotation in accordance with the company's articles of association, namely:
 - (i) Sir Frank Gibb
 - (ii) Mr. J. H. Lace
4. To re-appoint BDO Binder Hamlyn as auditors to the company.
5. To authorise the directors to fix the remuneration of the auditors.
6. As special business to consider and, if thought fit, pass the following resolutions which will be proposed as to resolutions 6(1) and 6(2) as ordinary resolutions and as to resolutions 6(3) and 6(4) as special resolutions.

ORDINARY RESOLUTION

- (1) That the authorised share capital of the company be increased from £62,000,000 to £73,000,000 by the creation of 110,000,000 new ordinary shares of 10p each.

ORDINARY RESOLUTION

- (2) That, subject to and conditionally upon the passing of resolution 6(1) set out above, the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (as

defined in Section 80 of the Companies Act 1985), all previous such authorities being hereby revoked, provided that:

- (i) the aggregate of the nominal amount of such securities, where they are shares, and, where such securities are not shares, the nominal amount of the shares in respect of which such securities confer the right to subscribe or convert shall not exceed £19,235,780; and
- (ii) this authority shall expire on 22 July 1997 save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

- (3) That subject to and conditionally upon the passing of resolution 6(2) set out above, the directors be authorised at any time when they are generally authorised for the purpose of Section 80 of the Companies Act 1985, to allot equity securities (as defined in Section 94 of the Companies Act 1985) for cash as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited:
- (a) to the allotment of equity securities in connection with an issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be practicable having regard to the interests of the company as a whole) to the respective numbers of ordinary shares held by them on the record date for such allotment, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any Stock Exchange, in any territory;
 - (b) to the allotment of equity securities pursuant to the terms of any share schemes for directors and employees of the company or any of its subsidiaries approved by the company in general meeting; and

NOTICE OF MEETING

(c) to the allotment otherwise than pursuant to subparagraphs (a) and (b) above of equity securities not exceeding in aggregate an amount equal to 5% of the issued share capital of the company at the date of the passing of this resolution.

Provided further that the authority contained in this resolution shall, unless revoked or renewed in accordance with Section 95(3) of the Companies Act 1985, expire on the date which is fifteen months after the date of the passing of this resolution or (if earlier) on the conclusion of the annual general meeting of the company (or any adjournment thereof) next following the date of the passing of this resolution save that the directors shall be entitled to make at any time before the expiry of the power hereby conferred any offer or agreement which might require equity securities to be allotted after the expiry of such power.

SPECIAL RESOLUTION

(4) That the company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 10p each ("ordinary shares") in the capital of the company provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 53,764,220;

(b) the minimum price which may be paid for each ordinary share is 10p exclusive of expenses;

(c) the maximum price which may be paid for each ordinary

share shall not exceed 105% of the average middle market quotations for an ordinary share as derived from The Stock Exchange Daily Official List for the 10 business days preceding the day of purchase;

(d) the authority hereby conferred shall expire on 31 December 1993 or at the conclusion of the next annual general meeting of the company (whichever is the earlier) unless such authority is renewed prior to such time; and

(e) the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make purchases of ordinary shares in pursuance of any such contract.

By Order of the Board

J. Allen

SECRETARY

26 May 1992

Registered Office:

The Lodge, Badminton Court,
Church Street, Amersham,
Buckinghamshire HP7 0DD

Notes:

1. A holder of ordinary shares is entitled to attend and vote at the meeting and may appoint a proxy to attend, and on a poll, vote on his or her behalf. The proxy need not be a member of the company.
2. A form of proxy is enclosed and, to be effective, must be completed in accordance with the instructions printed thereon and returned so as to be received by the registrars of the company not less than 48 hours before the time appointed for the meeting. Completion

of a form of proxy will not affect the right of a member to attend and vote in person at the meeting.

3. Copies of the directors' service contracts of more than one year's duration will be available for inspection at the registered office of the company during normal business hours (Saturdays and Sundays excepted) from the date of this notice until the date of the meeting, and at the place of the meeting for fifteen minutes prior to, and during the meeting.

FINANCIAL RECORD

	1992 £'m	1991 £'m	1990 £'m
Turnover	830.2	760.6	624.3
Profit on ordinary activities before taxation	50.1	46.7	42.6
Tax on ordinary activities	(14.5)	(12.5)	(10.1)
Profit on ordinary activities after taxation	35.6	34.2	32.5
Minority interests	(2.4)	(3.2)	(2.4)
Profit before extraordinary items	33.2	31.0	30.1
Extraordinary items less taxation	5.9	(5.8)	-
Profit attributable to shareholders	39.1	25.2	30.1
Fixed assets	104.5	95.2	69.4
Net current assets	52.9	36.5	43.1
Non-current liabilities and provisions	(54.6)	(61.5)	(46.6)
Total net assets	102.8	70.2	65.9
Shareholders' funds	98.7	66.0	62.9
Minority interests	4.1	4.2	3.0
	102.8	70.2	65.9
Earnings per share	6.94p	6.56p	6.53p
Dividends per share	3.15p	3.00p	3.00p

Babcock International Group PLC

The Lodge, Badminton Court, Church Street, Amersham, Bucks HP7 0DD, England.

The material for this annual report uses pulp from countries which operate an intensive re-plantation policy.

Designed and produced by Paulley & Co., London

Typeset by Wordwork plc

Photography by Tony Short Associates

Printed by Balding + Mansell plc.