

maxim

Report and Accounts
1975

1 To receive and consider the annual statement of accounts for the year ended 31st January 1975 and the directors' and auditors' reports thereon.

- 1 To receive and consider the annual statement of accounts for the year ended 31st January 1975 and the directors' and auditors' reports thereon.
- 2 To declare a dividend.
- 3 To re-elect a director.
- 4 To authorise the directors to fix the auditors' remuneration.
- 5 To transact any other ordinary business of the company.

By order of the board

Registered office:
Maxim House
692 Bristol Road South
Northfield
Birmingham B31 2UX

Registered number 860964 - England

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not also be a member.

Company information

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Directors

M. S. Hughes, MA, Chairman and Chief Executive
J. P. G. Lawrence, Deputy Chairman
E. P. Smith, MBE, TD, FCA
S. A. Tarry

Secretary and registered office

E. P. Smith, MBE, TD, FCA
Maxim House
692 Bristol Road South Northfield Birmingham B31 2UX

Solicitors

Wragge & Co.
Bank House 8 Cherry Street Birmingham B2 5JY

Auditors

Touche Ross & Co.
75 Harborne Road Edgbaston Birmingham B15 3BY

Bankers

Barclays Bank Limited
Radclyffe House 66 Hagley Road Edgbaston Birmingham B16 8PJ

Operating subsidiary companies

Maxim Construction Limited
Maxim Estates Limited

Directors of subsidiary companies

other than directors of Maxim Investments Limited

W. C. Buffery, AIQS, MIOB
F. J. Daniell, MA, ARICS
F. W. Davis, BSc, MIOB

Results at a glance

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	This Year £'000	Last Year £'000
Sales	7,658	5,858
Profit before tax	315	265
Tax	176	150
Profit after tax	139	115
Dividend	22%	21%
Dividend cover	2.36	2.04
Earnings per share	52.03p	42.82p
Return on shareholders' interest	64.28%	64.81%
Number of shareholders	65	65
Number of employees	179	230

Chairman's statement

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Results and Dividends

The Group profit after interest but before taxation for the year ended on 31st January 1975 was £314,648, an increase of £49,467 over the previous year.

The continuing prosperity of our business, particularly in the difficult economic environment that prevails, depends primarily on the people engaged within it. This was particularly true during the 'three-day week' and I should like to express my appreciation of the special efforts made by all our employees.

Your board is recommending a final dividend of 14% on shares in issue, with the interim dividend of 8% paid in March, makes a total of 22% for the year compared with 21% for 1974.

Construction Division

1974 was the division's most successful year to-date both in terms of turnover and of profitability. This was due partly to the healthy state of the order book at the beginning of the period but also to our having achieved some further improvements in working efficiency. However, a serious recession is now affecting the whole of the construction industry and it is becoming increasingly difficult to win sufficient orders at acceptable margins.

Every possible action is being taken to minimise the likely downturn in work levels and profits but in the present business climate there are limits to what can be achieved by marketing operations particularly since we are not prepared to work at other than fair margins. No doubt our continued efforts to improve productivity will help, but it seems certain that we shall be affected by the overall lack of demand in the industry.

Nevertheless, I expect the level of work and profitability this year to be much the same as in 1974 but I must warn you that the outlook for 1976 seems, at the present time, to be bleak.

Homes Division

The year proved to be one which most builders of private homes would prefer to forget. The mortgage famine drastically reduced sales throughout the country and made it impossible to raise prices in line with rapidly escalating costs. Despite the fact that our turnover rose, largely as a result of sales in the pipeline at the beginning of the year, profits were insufficient to cover interest charges.

We have almost 600 plots in the West Midlands and South Wales available for development which is similar to the number held one year ago, but the stock of unsold houses completed or under construction has been reduced to satisfactory levels.

The state of the market in land still makes valuation difficult but, we have carefully examined the position and, after making appropriate provisions, I am confident that the value of our overall investment in this asset is fairly stated in the accounts.

It seems likely that the downturn in council house building will increase the demand for lower priced houses for which mortgages are more readily available and we propose to take advantage of this situation by placing more emphasis on the lower end of the market.

In general, selling prices are not yet reflecting recent substantial increases in costs and whilst this situation continues profits will be inadequate in relation to the effort and capital involved in building private homes. Therefore, at this stage, I cannot forecast any improvement on last year's results. It is true that the ratio between average earnings and house prices is improving and this should, before long, provide a basis for an upward adjustment in prices. Even this depends upon the absence of political interference with the industry.

Estates Division

Since the end of the year under review, the development fronting the Birmingham Middle Ring Road has been completed and let to a first-class tenant.

It is not planned to expand the operations of this division during the current year as we consider that the present state of the market requires extreme caution.

However, we are continuing the development of the site at Doulton Road, Rowley Regis, by constructing small factory and warehouse units. The scheme when completed will total about 90,000 sq. ft. of which 15,000 sq. ft. has been pre-let.

Prospects

The current year will not be easy, but the carry-over of work from last year should enable the Group as a whole to produce satisfactory results, though it is too early to say whether or not turnover and profits can be fully maintained at last year's levels.

For some time our construction division has enjoyed a considerable proportion of the work available in the specialised housing field in the West Midlands and it seems unlikely that it could further increase its share of a declining market and thus avoid a downturn in 1976. We have made sure that we are in a position to take advantage of any increased demand for private housing but we cannot be certain that this will materialise or, that if it did, it would offset the anticipated reduction in profits from contracting.

The Group is not prepared to face this prospect without making strenuous attempts to counteract its effect and it is felt that the time has now arrived to look elsewhere for an opportunity to expand our activities. To this end we are actively contemplating repeating our successful formula in another area and I hope before long to be able to report progress in that direction.

In conclusion, I consider that your company is facing up to these difficulties with extreme determination and a high level of morale; consequently I am confident that our results will continue to compare favourably with other companies in our industry.

M. S. Hughes

29th May 1975

Report of the Directors

The Directors submit their Annual Report to Shareholders, together with the audited accounts for the year ended 31st January 1975.

Activities

Maxim Investments Limited is the holding company of a group of companies engaged in the property development and construction industry.
No goods were exported by the group.

Re-organisation

During the year the activities of certain subsidiaries were merged with the result that at the 31st January 1975 there were only two operating subsidiary companies.

Profit and dividends

The attached accounts show that:

	1975 £	1974 £
The profit before taxation is	314,648	265,181
after taxation is	139,148	114,531
An interim dividend of 8% was paid on 27th March 1975	21,396	20,059
And it is recommended that a final dividend of 14% be paid on 24th July 1975	37,443	36,105
The amount transferred to revenue reserve is	80,309	58,367

Capital

During the year 7,000 ordinary shares were converted into 7,000 'A' ordinary shares in accordance with the provisions of Article 5 of the company's Articles of Association.

Employees

The average number of employees of the group in each week was 179 (1974—230) with an aggregate remuneration of £433,611 for the year (1974—£512,480).

Charitable contributions

The group made contributions during the year for charitable purposes amounting to £74.

Directors

The following were directors of the company during the year ended 31st January 1975.

M. S. Hughes

J. P. G. Lawrence

E. L. Jones (to 13th May 1974)

E. P. Smith

S. A. Tarry

M. S. Hughes retires by rotation and, being eligible, offers himself for re-election.

The interests of the directors at 31st January 1975 in the shares of the company at the dates stated below were as follows:

	At 31st January 1975		At 1st February 1974	
	Ordinary	'A' Ordinary	Ordinary	'A' Ordinary
M. S. Hughes	11,000	2,650	11,000	5,950
J. P. G. Lawrence	1,000	2,250	1,000	2,250
E. P. Smith	—	2,500	—	2,200
S. A. Tarry	1,000	12,500	1,000	12,000

Auditors

Touche Ross & Co. have signified their willingness to continue in office.

By order of the board

E. P. Smith

Secretary

29th May 1975

Consolidated profit and loss account for the year ended 31st January 1975

	Note	1975 £	£	1974 £	£
Turnover	2		7,658,116		5,857,856
Operating costs	3		7,187,716		5,453,964
Profit before interest and taxation			470,400		403,892
Interest charges	4		155,752		138,711
Profit before taxation			314,648		265,181
Taxation	5		175,500		150,650
Profit after taxation	6		139,148		114,531
Dividends					
Interim of 8% (7.5%)		21,396		20,059	
Proposed Final of 14% (13.5%)		37,443		36,105	
			58,839		56,164
Profit retained and transferred to revenue reserve			80,309		58,367

Consolidated balance sheet at 31st January 1975

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	Note	1975 £	£	1974 £	£
Shareholders' Interest					
Share capital	7		267,449		267,449
Share premium account			21,994		21,994
Revenue reserve	8		200,060		119,761
			£489,503		£409,194
Current assets					
Cash		645		937	
Debtors and prepayments		215,659		309,684	
Corporation tax recoverable	5	25,291		—	
Freehold ground rents	9	34,608		24,765	
Stock and work in progress	10	1,086,338		880,913	
Freehold land for development	11	2,208,764		2,493,461	
			3,571,305		3,709,760
Current liabilities					
Bank overdraft (secured)		118,463		390,554	
Creditors		1,425,662		1,287,358	
Short term loan (secured)	12	457,500		600,000	
Corporation tax		—		301,125	
Dividends		58,839		56,164	
			2,060,464		2,635,201
Net current assets			1,510,841		1,074,559
Fixed assets	14		104,151		99,187
			1,614,992		1,173,746
Deferred taxation					
Corporation tax payable 1st September 1976		161,000		13,231	
Corporation tax equalisation account	5	964,489	1,125,489	751,321	764,552
			£489,503		£409,194

M. S. Hughes

J. P. G. Lawrence

Directors

Notes on the accounts

1. Accounting policies

Basis of consolidation

The group accounts consolidate the accounts of Maxim Investments Limited and its operating subsidiaries.

Other accounting policies are dealt with in the appropriate notes to these accounts.

2. Turnover

Turnover represents the sales value of work done for third parties.

3. Operating costs

	1975 £	1974 £
Include the following charges:		
Depreciation	36,926	31,970
Charges for hire of plant and machinery	183,799	210,520
Auditors' remuneration	6,250	5,000
Directors' emoluments:		
As directors	1,281	1,250
As executives	46,605	39,901
Compensation for termination of a service agreement	7,500	—
And are after the following income:		
Ground rents received less expenses	5,108	3,987
Additional information concerning directors' emoluments:		
Emoluments of the Chairman who is the highest paid director	21,731	18,176
The following number of directors other than the Chairman had emoluments within the indicated ranges:	1975	1974
£ 0— £2,500	2	1
£2,501— £5,000	1	2
£7,501— £10,000	1	—
£10,001— £12,500	—	1

Provision has been made for the estimated cost of maintenance on own developments and expenditure on repairs and renewals of fixed assets is written off in the year in which it is incurred.

4. Interest charges

Interest on borrowings, all repayable within five years, comprised:

Bank overdraft interest	60,945	78,822
Short term loan interest	94,807	59,889
	£155,752	£138,711

5 Taxation

(a) The taxation charge for the year comprises:—		
	1975	1974
	£	£
Corporation tax	211,087	233,000
Corporation tax equalisation account	(46,537)	(87,500)
Underprovision in prior years	10,950	5,150
	£175,500	£150,650

(b) Corporation tax (including corporation tax equalisation account) based on the profits for the year has been provided at 52% (1974 - 50%).

(c) In 1975 the underprovision in prior years arises mainly in respect of the difference between the rate at which the group will claim stock appreciation relief for the year ended 31st January 1974 and the rate (52%) at which corporation tax equalisation is provided in respect of that claim (see below).

(d) Corporation tax liabilities shown in the balance sheets at 31st January 1974 have been eliminated by stock appreciation relief. Insofar as these liabilities have already been paid, the tax is shown as recoverable.

(e) The corporation tax equalisation account shown in the consolidated balance sheet represents taxation at the current rate (52%) on the following:—

- (i) the amount by which the book value of those fixed assets which qualify for tax allowances exceeds the written down value for tax purposes.
- (ii) the uplift in the value of freehold land for development acquired on the purchase of a subsidiary.
- (iii) amounts which are dealt with for tax purposes in a different period than that for accounting purposes.
- (iv) the extent to which stock appreciation relief has been allowed in the corporation tax computations based on the profits of the two years ended 31st January 1975 under the provisions of the Finance (No. 2) Bill 1975. The deferred tax provided in respect of this relief amounted to £412,000 at 31st January 1975. The period of deferment is uncertain, as it is dependent on future legislation.

(f) In the opinion of the directors, the company is a 'close' company under the provisions of the Income and Corporation Taxes Act 1970.

6 Profit after taxation	1975	1974
	£	£
Group profit	139,148	114,531
Profit dealt with in the accounts of the holding company including dividends from subsidiary companies	165,161	99,165

7 Share capital

	Authorised	Issued and fully paid	
		1975	1974
	£	£	£
In ordinary shares of £1 each	13,000	13,000	20,000
In 'A' ordinary shares of £1 each	287,000	254,449	247,449
	£300,000	£267,449	£267,449

During the year 7,000 ordinary shares were converted into 7,000 'A' ordinary shares in accordance with the provisions of Article 5 of the company's Articles of Association. At 31st January 1975 there remained 32,551 'A' ordinary shares available for issue at the discretion of the directors, of these a maximum of 26,000 are reserved under the Group's share option scheme.

Notes on the accounts continued

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8 Revenue reserve

	Group	Parent
	£	£
At 31st January 1974	119,751	93,738
Profit retained	80,309	106,322
At 31st January 1975	£200,060	£200,060

9 Freehold ground rents

These are at estimated net realisable value.

10 Stock and work in progress

The figure in the consolidated balance sheet is made up as follows: —

	1975	1974
	£	£
Stock and work in progress	5,598,035	4,483,651
Payments on account	4,511,697	3,602,738
	£1,086,338	£880,913

The basis of the valuation of stock and work in progress is as follows: —

Contract developments on behalf of customers:

Work in progress on each contract is evaluated at cost of material, direct labour and appropriate overheads plus a relevant proportion of the profit anticipated on the overall contract or less an estimate of the overall loss which could arise over the duration of the contract.

Own developments:

Work in progress on homes and other developments to be sold by the group is valued at the lower of cost and net realisable value. Cost is represented by materials, direct labour and appropriate overheads. No profits are taken until the properties are physically and legally completed.

Unfixed materials and other stocks:

These are valued at the lower of cost and net realisable value.

11 Freehold land for development

Freehold land for development is shown at the lower of cost and net realisable value. Cost is represented by the prices paid on acquisition of land and the group's policy is to write off all interest on borrowings as and when incurred.

12 Short term loan (secured)

The loan is repayable out of the proceeds of sale of each of the houses built on the land securing the loan, but in any event it has to be reduced to not more than £300,000 by March 1976 with the balance repayable by March 1977.

13 Investment in subsidiary companies

The investment is represented by shares at cost less amounts written off and is the book value of the underlying net assets of the operating subsidiaries.

Maxim Investments Limited owned at 31st January 1975 the whole of the issued share capitals of all of its subsidiary companies, all of which are incorporated and registered in England. Particulars of the operating subsidiary companies are shown on page 2.

	Leasehold property short term £	Plant and equipment £	Total £
14. Fixed assets			
Group			
At Cost			
At 31st January 1974	4,000	209,464	213,464
Additions during year	—	55,990	55,990
	4,000	265,454	269,454
Deposits	—	33,698	33,698
At 31st January 1975	4,000	231,756	235,756
Depreciation			
At 31st January 1975	1,276	130,329	131,605
Net book value at			
31st January 1975	2,724	101,427	104,151
31st January 1974	2,946	96,241	99,187
Parent			
At Cost			
At 31st January 1974	4,000	13,058	17,058
Additions during year	—	5,475	5,475
At 31st January 1975	4,000	18,533	22,533
Depreciation			
At 31st January 1975	1,276	7,561	8,837
Net book value at			
31st January 1975	2,724	10,972	13,696
31st January 1974	2,946	9,041	11,987

Fixed assets are depreciated on a straight line basis over their expected useful lives which are as follows:

	Years
Contract plant	5
Fixtures and fittings	10
Motor vehicles	4
Leasehold property	Period of lease

	1975	1974
15. Capital commitments		
Fixed assets	£	£
Contracted for but not provided in the accounts	—	—
Authorised by the directors but not contracted for	—	5,000

Balance sheet at 31st January 1975

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	Note	1975 £	£	1974 £	£
Shareholders' interest					
Share capital	7		267,449		267,449
Share premium account			21,994		21,994
Revenue reserve	8		200,060		93,738
			£489,503		£383,181
Current assets					
Cash		645		728	
Debtors and prepayments		27,525		13,552	
Corporation tax recoverable	5	4,291		—	
Amount due from a subsidiary company		744,623		947,073	
Proposed dividends from subsidiary companies		64,692		170,087	
			841,776		1,131,440
Current liabilities					
Bank overdraft (secured)		118,463		362,440	
Creditors		32,507		29,709	
Amount due to a subsidiary company		926,213		1,150,789	
Corporation tax		—		37,754	
Dividends		58,839		56,164	
			1,136,022		1,636,856
Net current (liabilities) assets			(294,246)		(505,416)
Fixed assets	14		13,696		11,987
Investment in subsidiary companies	13		770,053		877,860
			489,503		384,431
Deferred taxation					
Corporation tax equalisation account	5		—		1,250
			£489,503		£383,181

M. S. Hughes

J. P. G. Lawrence

Directors

Auditors' report

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Auditors' report

to the members of Maxim Investments Limited

In our opinion the accounts and notes on pages 8 to 14 comply with the Companies Act, 1948 and 1967 and, so far as concerns members of the company, give a true and fair view of the state of affairs at 31st January 1975 of the company and of the group and of the profit of the group for the year ended on that date.

Touche Ross & Co.
Chartered Accountants

Birmingham
28th May 1975

Source and application of funds

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	Year ended 31st January 1975	Year ended 31st January 1974
Source	£,000	£,000
During the period the group earned a profit before tax of	314.6	265.2
After Including Depreciation	36.9	32.0
Generated operating funds were therefore	351.5	297.2
Other sources were:		
Issue of new shares	—	1.5
Sales of fixed assets	14.1	28.1
Reduction in debtors	94.1	—
Reduction in freehold land for development	284.7	—
Increase in creditors	138.3	480.7
Short term loan	—	600.0
Providing available funds of	882.7	1,407.5
Application		
These funds were applied in:		
Purchase of fixed assets	56.0	68.6
Payment of corporation tax	141.0	33.5
Payment of dividends	56.2	48.0
Repayment of short term loan	142.5	—
Increase of investment in:		
Debtors	—	61.5
Freehold ground rents	9.8	5.2
Stocks and work-in-progress	205.4	384.8
Freehold land for development less related corporation tax equalisation account	—	1,025.9
	610.9	1,627.5
Net cash generated/(required) reflected in short term bank borrowing	271.8	(220.0)