

Maxxiom Limited

**Directors' report and financial
statements**

Registered number 3485972

For the year ended 31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The company's principal trade is that of hiring plant, machinery and construction services and equipment. The company specialises in hiring hoists, temporary accommodation and the installation of temporary electrics.

Business review

The development of the specialist niche activities of hoists, accommodation and temporary electrics continued during the year and was supported by significant capital investment. In trading terms, they all performed to expectation.

As a consequence of the continuing difficult trading conditions for general plant and a strategic review of the total operations, a significant proportion of the plant fleet was sold during the year which, in turn, led to the closure or sale of several depots.

Results and proposed dividend

There was a loss on ordinary activities after taxation of £2,121,000 (2000 loss: £616,116). The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

Mr E McEwan	(resigned 30 April 2001)
Mr JHF Anderson	
Mr D Garforth	
Mr C Kemp	
Dr P Forsyth	
Mr DC Gillett	
Mr RW Robinson	(appointed 30 April 2001)

The directors are not required to retire by rotation in accordance with the articles of association.

Employees

It is the company's policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position, and wherever possible to retrain employees who become disabled so that they can continue their employment.

It is company policy to communicate with, and involve, employees on matters affecting their interests at work, and to inform them of the performance of the business.

Directors' report *(continued)*

Political and charitable contributions

The company made no political or charitable contributions during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



D Garforth
Director

79 Pall Mall
London
SW1Y 5EJ
27th February 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Maxxiom Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG'.

KPMG
Chartered Accountants
Registered Auditors

Profit and loss account
for the year ended 31 December 2001

		2001 Continuing operations £000	Continuing operations £000	2000 Discontinued operations £000	Total £000
	Note				
Turnover		37,284	47,377	4,448	51,825
Cost of sales		(26,639)	(34,002)	(4,072)	(38,074)
Gross profit		10,645	13,375	376	13,751
Administrative expenses before exceptional items		(10,937)	(12,548)	(900)	(13,448)
Exceptional items	4	(1,873)	-	-	-
Total administration expenses		(12,810)	(12,548)	(900)	(13,448)
Operating (loss)/profit		(2,165)	827	(524)	303
Loss on disposal of discontinued operations		-	-	(152)	(152)
(Loss)/profit on ordinary activities before interest		(2,165)	827	(676)	151
Interest receivable and other income		267			81
Interest payable and similar charges	5	(330)			(954)
Loss on ordinary activities before taxation	6	(2,228)			(722)
Tax on loss on ordinary activities	7	107			106
Loss on ordinary activities after taxation being retained loss for the period		(2,121)			(616)
Profit and loss reserves brought forward		(952)			(336)
Profit and loss reserves carried forward		(3,073)			(952)

There were no recognised gains or losses other than the losses included above.

There is no material difference between the results as disclosed and the results calculated on an unmodified cost basis.

Balance sheet
at 31 December 2001

	<i>Note</i>	2001 £000	2000 £000
Fixed assets			
Tangible assets	8	27,269	41,477
Current assets			
Stocks	9	759	1,825
Debtors falling due within one year	10	14,572	14,015
Cash at bank and in hand		785	2,649
		<u>16,116</u>	<u>18,489</u>
Creditors: amounts falling due within one year	11	<u>(6,458)</u>	<u>(16,811)</u>
Net current assets		9,658	1,678
Total assets less current liabilities		36,927	43,155
Creditors: amounts falling due after more than one year	12	-	(4,000)
Provisions for liabilities and charges	14	-	(107)
Net assets		36,927	39,048
Capital and reserves			
Called up share capital	15	40,000	40,000
Profit and loss account		(3,073)	(952)
Equity shareholders' funds	16	36,927	39,048

These financial statements were approved by the board of directors on 27th February 2002 and were signed on its behalf by:



D Garforth
 Director

Cash flow statement
for the year ended 31 December 2001

	<i>Note</i>	2001 £000	2000 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		(2,165)	151
Depreciation charges		6,468	8,486
Profit on sale of fixed assets		(1,515)	(286)
Decrease/(increase) in stocks		1,066	641
Decrease/(increase) in debtors		6,443	2,517
Increase/(decrease) in creditors		(4,288)	1,287
		<hr/>	<hr/>
Net cash inflow from operating activities		6,009	12,796
Returns on investments and servicing of finance	<i>18</i>	(63)	(873)
Capital expenditure	<i>18</i>	9,790	(6,585)
Management of liquid resources		(7,000)	-
Financing	<i>18</i>	(10,600)	(1,400)
		<hr/>	<hr/>
Increase/(decrease) in cash in the period		(1,864)	3,938
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt			
	<i>19</i>		
Increase/(decrease) in cash in the period		(1,864)	3,938
Cash outflow from decrease in debt		10,600	1,400
Cash outflow from increase in liquid resources		7,000	
		<hr/>	<hr/>
Movement in net debt in the period		15,736	5,338
Net debt at the start of the period		(7,951)	(13,289)
		<hr/>	<hr/>
Net debt at the end of the period		7,785	(7,951)
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	3 to 10 years

No depreciation is provided on freehold land.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

Pensions relating to current and past service are funded by annual contributions to the Maxxiom Pension Scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

2 Remuneration of directors

	2001 £000	2000 £000
Directors' emoluments	235	220

The emoluments of the highest paid director, excluding pension contributions, for the year ended 31 December 2001 were £130,201 (2000: £121,000). Pension contributions paid on his behalf amounted to £12,690 (2000: £11,583). No other director is a member of Maxxiom's pension scheme.

The emoluments, excluding pension contributions, of the chairman were £nil (2000: £nil) for the year ended 31 December 2001.

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was 501 (2000: 635).

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	10,648	13,001
Social security costs	1,401	1,666
Other pension costs	490	520
	<u>12,539</u>	<u>15,187</u>

4 Exceptional items

	2001 £000	2000 £000
Cost of closing depots and other restructuring costs	1,873	Nil

5 Interest payable and similar charges

	2001 £000	2000 £000
On bank loans and overdrafts	306	828
Other loans	24	126
	<u>330</u>	<u>954</u>

Notes (continued)

6 Profit/(loss) on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	29	28
Other services - fees paid to the auditor and its associates	-	2
Depreciation	6,468	8,486
Hire of plant and machinery - rentals payable under operating leases	11	270
Hire of other assets - operating leases	571	659
	<hr/>	<hr/>

7 Taxation

	2001 £000	2000 £000
Deferred taxation	(107)	(106)
	<hr/>	<hr/>

8 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Total £000
<i>Cost</i>			
At beginning of year	5,284	57,841	63,125
Additions	207	4,973	5,180
Disposals	(585)	(21,790)	(22,375)
	<hr/>	<hr/>	<hr/>
At end of year	4,906	41,024	45,930
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	850	20,798	21,648
Charge for year	302	6,166	6,468
On disposals	(114)	(9,341)	(9,455)
	<hr/>	<hr/>	<hr/>
At end of year	1,038	17,623	18,661
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2001	3,868	23,401	27,269
	<hr/>	<hr/>	<hr/>
At 31 December 2000	4,434	37,043	41,477
	<hr/>	<hr/>	<hr/>

The net book value of land and buildings comprises:

	2001 £000	2000 £000
Freehold	2,998	3,369
Short leasehold	870	1,020
Long leasehold	-	45
	<hr/>	<hr/>
	3,868	4,434
	<hr/>	<hr/>

The gross book value of land and buildings includes land of £1,265,000 which is not depreciated.

Notes (continued)

9 Stocks

	2001 £000	2000 £000
Raw materials and consumables and goods for resale	759	1,825

10 Debtors

	2001 £000	2000 £000
Trade debtors	5,652	10,337
Amounts owed by related undertakings	8,155	2,488
Other debtors	56	149
Prepayments and accrued income	709	1,041
	<u>14,572</u>	<u>14,015</u>

11 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank loans (see note 13)	-	4,000
Other loans (see note 13)	-	2,600
Trade creditors	3,881	4,864
Amounts owed to related undertakings	697	971
Taxation and social security	367	809
Other creditors	342	157
Accruals and deferred income	1,171	3,410
	<u>6,458</u>	<u>16,811</u>

12 Creditors: amounts falling due after more than one year

	2001 £000	2000 £000
Bank loans (see note 13)	-	4,000

13 Analysis of debt

	2001 £000	2000 £000
Debt can be analysed as falling due:		
In one year or less	-	6,600
Between one and two years	-	4,000
Between two and five years	-	-
	<u>-</u>	<u>10,600</u>

The bank loan was secured via a floating charge over the assets of the company.

Notes (continued)

14 Provisions for liabilities and charges

Deferred taxation	£000
At beginning of year	107
Charge for the year	(107)
	<hr/>
At end of year	-
	<hr/>

Provision has been made for deferred taxation as set out below:

	2001 Unprovided £000	2000 Provided £000
Difference between accumulated depreciation and amortisation and capital allowances	(52)	2,240
Losses carried forward	-	(2,133)
	<hr/>	<hr/>
	(52)	107
	<hr/>	<hr/>

15 Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
Equity:		
20 million A Ordinary shares of £1 each	20,000	20,000
20 million B Ordinary shares of £1 each	20,000	20,000
	<hr/>	<hr/>
	40,000	40,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity:		
20 million A Ordinary shares of £1 each	20,000	20,000
20 million B Ordinary shares of £1 each	20,000	20,000
	<hr/>	<hr/>
	40,000	40,000
	<hr/>	<hr/>

Notes (continued)

16 Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
Loss for the financial period	(2,121)	(616)
Net decrease in shareholders' funds	(2,121)	(616)
Opening shareholders' funds	39,048	39,664
Closing shareholders' funds	36,927	39,048

17 Commitments

- (a) Capital commitments at the end of the financial year amounted to £908,236.
 (b) Annual commitments under non-cancellable operating leases are as follows:

	2001 Land and buildings £000	Other £000	2000 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	99	-	24	-
In the second to fifth years inclusive	131	-	349	-
Over five years	183	-	221	-
	<u>413</u>	<u>-</u>	<u>594</u>	<u>-</u>

Notes (continued)

18 Analysis of cash flows

	2001 £000	£000	2000 £000	£000
Returns on investment and servicing of finance				
Interest received	267		8	
Interest paid	(330)		(881)	
	<u> </u>	(63)	<u> </u>	(873)
		<u> </u>		<u> </u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(4,645)		(9,128)	
Sale of plant and machinery	14,435		2,543	
	<u> </u>	9,790	<u> </u>	(6,585)
		<u> </u>		<u> </u>
Management of liquid resources				
Loans to parent undertakings		7,000		-
		<u> </u>		<u> </u>
Financing				
Issue of loan	-		2,600	
Repayment of loan	(10,600)		(4,000)	
	<u> </u>	(10,600)	<u> </u>	(1,400)
		<u> </u>		<u> </u>

19 Analysis of net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	2,649	(1,864)	785
Amounts due from related undertakings	-	7,000	7,000
	<u> </u>	<u> </u>	<u> </u>
Debt due within one year	(6,600)	6,600	-
Debt due after one year	(4,000)	4,000	-
	<u> </u>	<u> </u>	<u> </u>
	(10,600)	10,600	-
	<u> </u>	<u> </u>	<u> </u>
Total	(7,951)	15,736	7,785
	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

20 Related party disclosures and ultimate parent company

The company's voting share capital is held equally by Carillion Construction Limited (a wholly owned subsidiary of Carillion plc) and The Peninsular and Oriental Steam Navigation Company ("P&O") both of which are incorporated in the United Kingdom.

At the end of the year, the company was owed £1,144,000 (2000: £2,483,000) by Carillion plc and its subsidiary undertakings, and £11,000 by P&O and its subsidiary undertakings.

The company undertook the following transactions with its parent undertakings and related companies.

- Provision of plant hire and associated services at an arms length basis to Carillion plc and its subsidiaries of £6.6 million (2000: £12.5 million).
- Provision of plant hire and associated services to P&O of £8,862 (2000: £32,746).
- A fee of £101,936 (2000: £158,000) has been charged by Carillion plc for the provision of premises and sundry services.
- A fee of £Nil (2000: £27,000) has been charged by P&O primarily for the provision of premises.
- Maxxiom has loaned £3.5 million to Carillion plc and £3.5 million to P&O which are interest bearing and repayable on demand.

21 Post retirement benefits

The company operates a defined benefit pension scheme and a defined contribution scheme. The assets of the defined benefit scheme are held under trust separately from the Company's assets and are invested by external fund managers. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent actuarial valuation, as at 31 March 2000 showed that the market value of the scheme's assets was £3,610,000, and the actuarial value of those assets represented 97% of the benefits that had accrued to members after allowing for expected future increases in earnings. The deficit which amounted to £127,000 is being funded by increased contributions by the company.

The assumptions which had the most significant effect on the results of the 31 March 2000 valuation were:

- Investment returns would be 5-6% per annum
- Salary increases would average 4.0% per annum

The pension charge for the year for both the defined benefit and defined contribution scheme was £490,550 (2000: £520,000). The outstanding pension contributions were £Nil (2000: £56,000).

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under FRS17 'Retirement benefits' the following transitional disclosures are required:

The valuation at 31 March 2000 has been updated by the actuary on an FRS 17 basis as at 31 December 2001. The major assumptions used in this valuation were:

	%
Rate of increase in salaries	4.0
Rate of increase in pensions in payment	2.5
Discount rate	5.8
Inflation assumption	2.5

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

21 Post retirement benefits *(continued)*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31 December 2001 £m
Equities	3.35
Bonds	0.54
Other	0.01
	<hr/>
Fair value of assets	3.90
Actuarial value of scheme liabilities	(4.65)
	<hr/>
Deficit in the scheme before deferred tax	(0.75)
Related deferred tax asset	0.23
	<hr/>
	(0.52)
	<hr/>

The amount of this net pension liability would also be included in the company's profit and loss reserve.