

maxxiom Limited (formerly Dutyend Limited)

Directors' report and financial statements

For the period ended 31 December 1998

Registered number 3485972



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of maxxiom Limited (formerly Dutyend Limited)	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the 373 days ended 31 December 1998.

Principal activities

The company's principal trade is that of hiring plant, machinery and construction services and equipment.

Business review

The company was incorporated on 24 December 1997 as Dutyend Limited and changed its name to Castlewyse Limited on 27 January 1998 and then to maxxiom Limited on 4 September 1998.

On 27 March 1998, the company purchased the trade and certain assets of the plant hire businesses from Tarmac Construction Limited and Wyseplant Limited for £52 million. This was financed via a £40 million share issue to Tarmac Construction Limited and Bovis Limited and a £14 million bank loan.

The management spent the remainder of the year integrating the two businesses. 6 depots were closed leaving 23 depots going forward. These closures will generate significant savings going forward, but initially the cost of this restructuring was £2.5 million.

Results and proposed dividend

There was a loss on ordinary activities after taxation of £708,852 for the period. The directors do not recommend the payment of a dividend.

Year 2000

As a result of the millennium date change, certain computerised equipment or machines with embedded chips may fail as they are unable to recognise or compute the year 2000.

A programme is currently being undertaken to ensure Year 2000 compliance of all IT systems and non IT equipment. Where necessary equipment and software will be either modified or replaced. The cost of this programme is not expected to be significant.

Directors and directors' interests

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

Instant Companies Limited	(appointed 24 December 1997, resigned 19 January 1998)
Mr E McEwan	(appointed 19 January 1998)
Mr BS Engström	(appointed 20 February 1998, resigned 19 March 1998)
Mr JHF Anderson	(appointed 23 February 1998)
Mr RCD Reames	(appointed 23 February 1998)
Dr L Atkinson	(appointed 23 February 1998)
Mr D Garforth	(appointed 26 March 1998)
Mr C Kemp	(appointed 1 March 1999)

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

The interests in the shares and rights to subscribe for shares of the ultimate holding companies of E McEwan are disclosed in the accounts of the Tarmac Construction Limited. For Dr L Atkinson the information is disclosed in the accounts of Tarmac plc.

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The interests of J Anderson, R Reames and D Garforth in the shares of Peninsular and Oriental Steam Navigation Company PLC are given below:

	Number of shares at date of appointment		Shares issued/(sold)	Options granted	Number of shares at 31 December 1998	
	Fully paid	Share options			Fully paid	Share options
J Anderson	37,394	29,781	(1,354)	15,699	36,040	45,480
R Reames	*289	54,907	274	5,200	*563	60,107
D Garforth	-	10,000	-	-	-	10,000

* held as part of the Peninsular and Oriental Steam Navigation PLC profit share scheme

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.

Political and charitable contributions

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

Auditors

On 23 February 1999, KPMG were appointed as auditors of the company by the directors.

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

6 May 1999

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

Report of the auditors to the members of maxxiom Limited (formerly Dutyend Limited)

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

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'K.P.M.G.' or similar.

KPMG
Chartered Accountants
Registered Auditors

6 May 1999

Profit and loss account
 for the period ended 31 December 1998

	Note	1998 £000
Turnover - continuing operations		44,992
Cost of sales (after exceptional costs of £434,000)	2	(32,574)
Gross profit		12,418
Administrative expenses (after exceptional costs of £2,029,000)	2	(12,511)
Operating loss		(93)
Interest payable and similar charges	5	(822)
Loss on ordinary activities before taxation	6	(915)
Tax on profit on ordinary activities	7	206
Loss on ordinary activities after taxation being retained loss for the period		(709)
Profit and loss reserves brought forward		-
Profit and loss reserves carried forward		(709)

All of the above results relate to the acquired business as detailed in note 17 and relate to continuing activities of the company. 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 1998

	Note	1998 £000	£000
Fixed assets			
Tangible assets	8		43,888
Current assets			
Stocks	9	2,422	
Debtors falling due within one year	10	15,613	
Cash at bank and in hand		1,543	
		<hr/>	
		19,578	
Creditors: amounts falling due within one year	11	(12,381)	
		<hr/>	
Net current assets			7,197
			<hr/>
Total assets less current liabilities			51,085
Creditors: amounts falling due after more than one year	12		(12,000)
Provisions for liabilities and charges	14		206
			<hr/>
Net assets			39,291
			<hr/>
Capital and reserves			
Called up share capital	15		40,000
Profit and loss account			(709)
			<hr/>
Equity shareholders' funds	16		39,291
			<hr/>

These financial statements were approved by the board of directors on 6 May 1999 and were signed on its behalf by:



D Garforth
 Director

Cash flow statement

for the period ended 31 December 1998

	Note	1998 £000
Reconciliation of operating profit to net cash flow from operating activities		
Operating loss		(93)
Depreciation charges		6,958
Profit on sale of fixed assets		(317)
Increase in stocks		(66)
Increase in debtors		(7,609)
Increase in creditors		10,939
Net cash inflow from operating activities		9,812
Returns on investments and servicing of finance	19	(822)
Capital expenditure and financial investment	19	(60,447)
Cash outflow before financing		(51,457)
Financing	19	53,000
Increase in cash in the period		1,543
Reconciliation of net cash flow to movement in net debt		
	20	
Increase in cash in the period		1,543
Change in debt resulting from cash flows		(13,000)
Movement in net debt in the period		(11,457)
Net debt at the start of the period		-
Net debt at the end of the period		(11,457)

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

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. 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

The company currently does not have a pension scheme. Ex-employees of Tarmac Construction Limited and Wyseplant Limited are still contributing members of the defined benefit schemes and money purchase schemes of Tarmac plc and Peninsular and Oriental Steam Navigation Company PLC. The company has set up a scheme from 1 April 1999 and benefits accrued under the Tarmac plc's and Peninsular and Oriental Steam Navigation Company PLC's schemes will be transferred into the new plc's scheme in due course.

The pension charge represents the cost of providing benefits in accordance with the relevant Actuary's advice and scheme rules for the employees under the respective Tarmac plc and Peninsular and Oriental Steam Navigation Company PLC Schemes pension schemes.

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.

Notes (continued)

1 Accounting policies (continued)

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.

2 Costs of restructuring

	1998 £000
Charged to cost of sales:	
Redundancy	434
	<hr/>
Charged to administration expenses	
Computer costs	507
Legal fees and marketing	291
Redundancy	662
Void property rentals	569
	<hr/>
	2,029
	<hr/>
Total	2,463
	<hr/>

3 Remuneration of directors

	1998 £000
Directors' emoluments	64
	<hr/>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was 724.

The aggregate payroll costs of these persons were as follows:

	1998 £000
Wages and salaries	10,774
Social security costs	962
Other pension costs	399
	<hr/>
	12,135
	<hr/>

5 Interest payable and similar charges

	1998 £000
On bank loans and overdrafts	822
	<hr/>

6 Loss on ordinary activities before taxation

1998
£000

Loss on ordinary activities before taxation is stated

after charging

Auditors' remuneration:

Audit	25
Other services - fees paid to the auditor and its associates	5
Depreciation	6,958
Hire of plant and machinery - rentals payable under operating leases	492
Hire of other assets - operating leases	573
	<hr/>

7 Taxation

	1998 £000
Deferred taxation at 30%	206
	<hr/>

Notes (continued)

8 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At beginning of year	-	-	-
Acquisition of business	4,511	37,945	42,456
Additions	379	9,015	9,394
Disposals	(8)	(5,012)	(5,020)
At end of year	4,882	41,948	46,830
Depreciation			
At beginning of year	-	-	-
Charge for year	162	6,796	6,958
On disposals	(4)	(4,012)	(4,016)
At end of year	158	2,784	2,942
Net book value			
At 31 December 1998	4,724	39,164	43,888

The net book value of land and buildings comprises:

	1998 £000
Freehold	4,495
Short leasehold	229
	4,724

The gross book value of land and buildings includes land of £1,395,000 which is not depreciated.

9 Stocks

	1998 £000
Raw materials and consumables and goods for resale	2,422

Notes (continued)

10 Debtors

	1998 £000
Trade debtors	11,310
Amounts owed by related undertakings	3,601
Other debtors	169
Prepayments and accrued income	533
	<hr/>
	15,613
	<hr/>

11 Creditors: amounts falling due within one year

	1998 £000
Bank loans (see note 13)	1,000
Trade creditors	5,041
Amounts owed to related undertakings	364
Taxation and social security	1,088
Other creditors	507
Accruals and deferred income	4,381
	<hr/>
	12,381
	<hr/>

12 Creditors: amounts falling due after more than one year

	1998 £000
Bank loans (see note 13)	12,000
	<hr/>

13 Analysis of debt

	1998 £000
Debt can be analysed as falling due:	
In one year or less	1,000
Between one and two years	4,000
Between two and five years	8,000
	<hr/>
	13,000
	<hr/>

Notes (continued)

14 Provisions for liabilities and charges

Deferred taxation	£000
At beginning of period	-
Credit for the period	206
	<hr/>
At end of period	206
	<hr/>

Full provision has been made for deferred taxation as set out below:

	1998 Provided £000
Difference between accumulated depreciation and amortisation and capital allowances	(1,416)
Losses carried forward	510
Other timing differences	1,112
	<hr/>
	206
	<hr/>

15 Called up share capital

	1998 £000
<i>Authorised</i>	
Equity:	
20 million A Ordinary shares of £1 each	20,000
20 million B Ordinary shares of £1 each	20,000
	<hr/>
	40,000
	<hr/>
<i>Allotted, called up and fully paid</i>	
Equity:	
20 million A Ordinary shares of £1 each	20,000
20 million B Ordinary shares of £1 each	20,000
	<hr/>
	40,000
	<hr/>

On incorporation the company had an authorised share capital of 1,000 ordinary shares of £1 each. On 23 February 1998 an ordinary resolution was passed to increase the share capital to 40 million shares being 20 million A ordinary shares of £1 each and 20 million B ordinary shares of £1 each.

On 27 March 1998, 20 million A ordinary shares of £1 each were issued to Tarmac Construction Limited for £20 million and 20 million B ordinary shares of £1 each were issued to Bovis Limited for £20 million. On 27 November 1998 Bovis Limited sold its shares to Peninsular and Oriental Steam Navigation Company PLC.

Notes (continued)

16 Reconciliation of movements in shareholders' funds

	1998 £000
Loss for the financial period	(709)
Net reduction in shareholders' funds	(709)
Opening shareholders' funds	-
Issue of share capital	40,000
Closing shareholders' funds	39,291

17 Acquisition of trade and assets

On 27 March 1998, maxxiom Limited acquired the trade and certain assets and liabilities of the plant hire businesses of Tarmac Construction Limited and Wyseplant Limited.

	Initial book value £000	Revaluation £000	Adjustments to achieve consistency of accounting policies £000	Other £000	Fair values to the company at date of acquisition £000
Tangible fixed assets	42,006	593	125	(268)	42,456
Stock	2,806	-	-	(450)	2,356
Prepayments	1,030	-	-	-	1,030
Accruals	(442)	-	-	-	(442)
Trade debtors	6,875	-	-	-	6,875
	<u>52,275</u>	<u>593</u>	<u>125</u>	<u>(718)</u>	<u>52,275</u>
Consideration paid					52,275
Goodwill					-

The fair value adjustments relate to revaluations of the freehold and long leasehold land and buildings and where appropriate, adjustments to the carrying value of plant and machinery. Stock has been reduced to account for obsolescence.

Notes (continued)

18 Commitments

(a) Capital commitments at the end of the financial year amounted to £918,000.

(b) Annual commitments under non-cancellable operating leases are as follows:

	1998	
	Land and buildings	Other
	£000	£000
Operating leases which expire:		
Within one year	35	509
In the second to fifth years inclusive	250	44
Over five years	453	-
	<hr/>	<hr/>
	738	553
	<hr/>	<hr/>

19 Analysis of cash flows

	1998	1998
	£000	£000
Returns on investment and servicing of finance		
Interest paid		822
		<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	9,394	
Sale of plant and machinery	(1,222)	
Purchase of business (see note 17)	52,275	
	<hr/>	
		60,447
		<hr/>
Financing		
Issue of ordinary share capital	40,000	
Issue of loan	14,000	
Repayment of loan	(1,000)	
	<hr/>	
		53,000
		<hr/>

Notes (continued)

20 Analysis of net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	-	1,543	1,543
Debt due within one year	-	(1,000)	(1,000)
Debt due after one year	-	(12,000)	(12,000)
		(13,000)	
Total	-	(11,457)	(11,457)

21 Related party disclosures and ultimate parent company

The company's voting share capital is held equally by Tarmac Construction Limited and Peninsular and Oriental Steam Navigation Company PLC both of which are incorporated in the United Kingdom.

Tarmac Construction Limited is a wholly owned subsidiary of Tarmac plc. At the end of the year, the company was owed £2,985,000 by Tarmac Construction Limited and £1,543,000 by Bovis Limited (a wholly owned subsidiary of Peninsular and Oriental Steam Navigation Company PLC).

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 Tarmac Construction Limited and its fellow subsidiaries of £12.1 million.
- Provision of plant hire and associated services to Bovis Limited of £5.4 million.
- A fee of £268,000 has been charged by Tarmac Construction Limited primarily for the provision of IT services, accommodation and accounting assistance.
- A fee of £94,000 has been charged by Bovis Limited primarily for the provision of accommodation.