

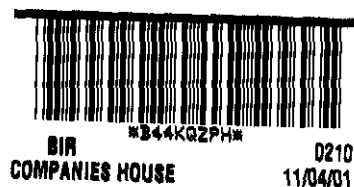
Maxxiom Limited

**Directors' report and financial
statements**

Registered number 3485972

For the year ended

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

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

Business review

The development of niche activities continued during the year. These specialist operations, in particular hoists, temporary electrics and modular accommodation, performed beyond expectations, supported by significant capital investment.

Trading conditions in the general plant hire sector remained difficult and investment was limited to those products less affected by rate pressure and market over-capacity, and where there are longer-term prospects of growth and sustainable profitability. As a consequence of the impact of market conditions in the general plant sector it was decided to commence the closure of two general plant depots towards the end of the year.

The performance of the Maxxiom Supplies business, predominantly serving construction industry clients with consumables, was reviewed during the year. As the supplies business was outside the principal activities of the company it was decided to discontinue operations and dispose of it. The disposal was concluded in December.

Results and proposed dividend

There was a loss on ordinary activities after taxation of £616,116 (1999 profit: £373,288). 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
 Mr JHF Anderson
 Mr D Garforth
 Mr C Kemp
 Mr E Jones (resigned 20 October 2000)
 Dr P Forsyth
 Mr DC Gillett (appointed 6 December 2000)

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 Carillion plc.

The interests of J Anderson and D Gillett in the shares of The Peninsular and Oriental Steam Navigation Company are given below:

	Number of shares at 1 January 2000 or date of appointment		Shares issued/(sold)	Options granted (exercised)	Number of shares at 31 December 2000	
	Fully paid	Share options			Fully paid	Share options
J Anderson	35,377	46,526	(15,155)	(46,526)	26,304	-
D Gillett	-	18,793	-	-	-	18,793

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The interests of P Forsyth in the shares of Carillion plc are given below:

	Number of shares at 1 January 2000 or date of appointment		Shares issued/(sold)	Options granted	Number of shares at 31 December 2000	
	Fully paid	Share options			Fully paid	Share options
P Forsyth	10,890	46,653	2,118	-	13,008	46,653

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

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

12 March 2001

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

We have audited the financial statements on pages 5 to 15.

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. 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

12 March 2001

Profit and loss account
for the year ended 31 December 2000

		2000		1999
		Continuing operations	Discontinued operations	Total
	Note	£000	£000	£000
Turnover		47,377	4,448	51,825
Cost of sales		(34,002)	(4,072)	(38,074)
Gross profit		13,375	376	13,751
Administrative expenses		(12,548)	(900)	(13,448)
Operating profit/(loss)		827	(524)	303
Loss on disposal of discontinued operations		-	(152)	(152)
Profit/(loss) on ordinary activities before interest		827	(676)	151
Interest receivable and other income				81
Interest payable and similar charges	4			(954)
(Loss)/profit on ordinary activities before taxation	5			(722)
Tax on profit/(loss) on ordinary activities	6			106
(Loss)/profit on ordinary activities after taxation being retained (loss)/profit for the period				(616)
Profit and loss reserves brought forward				(336)
Profit and loss reserves carried forward				(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 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	7	41,477	43,281
Current assets			
Stocks	8	1,825	2,466
Debtors falling due within one year	9	14,015	16,553
Cash at bank and in hand		2,649	-
		<u>18,489</u>	<u>18,999</u>
Creditors: amounts falling due within one year	10	<u>(16,811)</u>	<u>(14,403)</u>
Net current assets		1,678	4,596
Total assets less current liabilities		<u>43,155</u>	<u>47,877</u>
Creditors: amounts falling due after more than one year	11	(4,000)	(8,000)
Provisions for liabilities and charges	13	(107)	(213)
Net assets		<u>39,048</u>	<u>39,664</u>
Capital and reserves			
Called up share capital	14	40,000	40,000
Profit and loss account		(952)	(336)
Equity shareholders' funds	15	<u>39,048</u>	<u>39,664</u>

These financial statements were approved by the board of directors on 12 March 2001 and were signed on its behalf by:



D Garforth
Director

Cash flow statement

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		151	1,653
Depreciation charges		8,486	8,408
Profit on sale of fixed assets		(286)	(245)
Decrease/(increase) in stocks		641	(44)
Decrease/(increase) in debtors		2,517	(123)
Increase/(decrease) in creditors		1,287	(3,603)
Net cash inflow from operating activities		12,796	6,046
Returns on investments and servicing of finance	17	(873)	(861)
Capital expenditure and financial investment	17	(6,585)	(7,017)
Cash inflow/(outflow) before financing		5,338	(1,832)
Financing	17	(1,400)	(1,000)
Increase/(decrease) in cash in the period		3,938	(2,832)
Reconciliation of net cash flow to movement in net debt			
	18		
Increase/(decrease) in cash in the period		3,938	(2,832)
Change in debt resulting from cash flows		1,400	1,000
Movement in net debt in the period		5,338	(1,832)
Net debt at the start of the period		(13,289)	(11,457)
Net debt at the end of the period		(7,951)	(13,289)

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

	2000 £000	1999 £000
Directors' emoluments	207	187

The emoluments of the highest paid director, excluding pension contributions, for the year ended 31 December 2000 were £121,000 (1999: £107,000). Pension contributions paid on his behalf amounted to £11,583 (1999: £10,725). No other director is a member of Maxxiom's pension scheme.

The emoluments, excluding pension contributions, of the chairman were £nil (1999: £nil) for the year ended 31 December 2000.

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was 635 (1999: 676).

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	13,001	13,076
Social security costs	1,666	1,561
Other pension costs	520	484
	<hr/> 15,187	<hr/> 15,121

4 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	828	892
Other loans	126	-
	<hr/> 954	<hr/> 892

5 Profit/(loss) on ordinary activities before taxation

	2000 £000	1999 £000
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Profit/(loss) on ordinary activities before taxation is stated

after charging

Auditors' remuneration:

Audit	28	26
Other services - fees paid to the auditor and its associates	2	2
Depreciation	8,486	8,408
Hire of plant and machinery - rentals payable under operating leases	270	426
Hire of other assets - operating leases	659	700

Notes (continued)

6 Taxation

	2000 £000	1999 £000
Deferred taxation at 30% (1999: 30.25%)	(106)	419

7 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At beginning of year	4,755	54,784	59,539
Additions	-	8,938	8,938
Disposals	-	(5,352)	(5,352)
Reclassifications	529	(529)	-
At end of year	5,284	57,841	63,125
Depreciation			
At beginning of year	309	15,949	16,258
Charge for year	151	8,335	8,486
On disposals	-	(3,096)	(3,096)
Reclassifications	390	(390)	-
At end of year	850	20,798	21,648
Net book value			
At 31 December 2000	4,434	37,043	41,477
At 31 December 1999	4,446	38,835	43,281

The net book value of land and buildings comprises:

	2000 £000	1999 £000
Freehold	4,115	4,231
Short leasehold	319	215
	4,434	4,446

The gross book value of land and buildings includes land of £1,676,000 which is not depreciated.

8 Stocks

	2000 £000	1999 £000
Raw materials and consumables and goods for resale	1,825	2,466

Notes (continued)

9 Debtors

	2000 £000	1999 £000
Trade debtors	10,337	10,192
Amounts owed by related undertakings	2,488	5,173
Other debtors	149	33
Prepayments and accrued income	1,041	1,135
	<hr/> 14,015	<hr/> 16,553

Other debtors includes £56,250 falling due after more than one year.

10 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank overdraft	-	1,289
Bank loans (see note 12)	4,000	4,000
Other loans (see note 12)	2,600	-
Trade creditors	4,864	5,962
Amounts owed to related undertakings	971	1,004
Taxation and social security	809	629
Other creditors	157	115
Accruals and deferred income	3,410	1,404
	<hr/> 16,811	<hr/> 14,403

11 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Bank loans (see note 12)	4,000	8,000

12 Analysis of debt

	2000 £000	1999 £000
Debt can be analysed as falling due:		
In one year or less	6,600	4,000
Between one and two years	4,000	4,000
Between two and five years	-	4,000
	<hr/> 10,600	<hr/> 12,000

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

Notes (continued)

13 Provisions for liabilities and charges

Deferred taxation	£000
At beginning of period	213
Charge for the period	(106)
	<hr/>
At end of period	107

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

	2000 Provided £000	1999 Provided £000
Difference between accumulated depreciation and amortisation and capital allowances	2,240	1,637
Losses carried forward	(2,133)	(1,427)
Other timing differences	-	3
	<hr/>	<hr/>
	107	213

14 Called up share capital

	2000 £000	1999 £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
<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

Notes (continued)

15 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
(Loss)/profit for the financial period	(616)	373
Net (decrease)/increase in shareholders' funds	(616)	373
Opening shareholders' funds	39,664	39,291
Closing shareholders' funds	39,048	39,664

16 Commitments

- (a) Capital commitments at the end of the financial year amounted to £79,444.
 (b) Annual commitments under non-cancellable operating leases are as follows:

	2000 Land and buildings £000	Other £000	1999 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	24	-	11	-
In the second to fifth years inclusive	349	-	340	-
Over five years	221	-	318	-
	<u>594</u>	<u>-</u>	<u>669</u>	<u>-</u>

Notes (continued)

17 Analysis of cash flows

	2000 £000	2000 £000	1999 £000	1999 £000
Returns on investment and servicing of finance				
Interest received	8		31	
Interest paid	(881)		(892)	
		(873)		(861)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(9,128)		(9,456)	
Sale of plant and machinery	2,543		2,439	
		(6,585)		(7,017)
Financing				
Issue of loan	2,600		-	
Repayment of loan	(4,000)		(1,000)	
		(1,400)		(1,000)

18 Analysis of net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	(1,289)	3,938	2,649
Debt due within one year	(4,000)	(2,600)	(6,600)
Debt due after one year	(8,000)	4,000	(4,000)
	12,000	1,400	(10,600)
Total	(13,289)	5,338	(7,951)

Notes (continued)

19 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 £2,483,000 (1999: £5,173,000) by Carillion plc 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 £12.5 million (1999: £12.9 million).
- Provision of plant hire and associated services to P&O of £32,746.
- A fee of £158,000 (1999: £226,000) has been charged by Carillion plc for the provision of premises and sundry services.
- A fee of £27,000 (1999: £53,000) has been charged by P&O primarily for the provision of premises.

20 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 £520,000 (1999: £484,000). The outstanding pension contributions were £56,000 (1999: £5,000).