BICC Group

BICC plc
Annual Report & Accounts
1996

395826

Engineering tomorrow's world

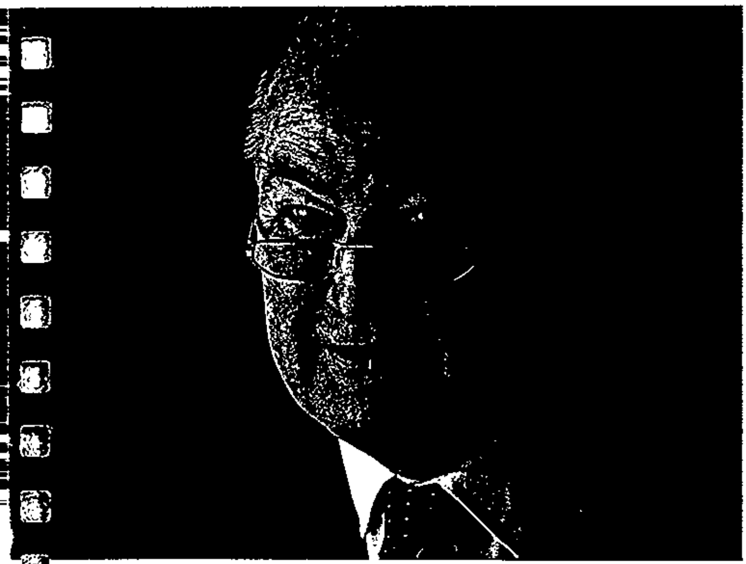
The BICC Group is an international engineering business specialising in cables, cable systems, construction, engineering and contracting. It serves, principally, the world's markets for infrastructure development in power, transport, communications and the built environment.

For the year ended 31 December	1996 £m	1995 £m
Turnover	**4,668**	4,362
Operating profit		
Balfour Beatty	**10**	18
BICC Cables	**94**	79
BICC Cables Corporation	**15**	9
Metal Manufactures	**37**	41
BICC Developments	**(7)**	(7)
Other	**15**	10
	164	150
Profit/(loss) before taxation	**64**	(67)
Profit/(loss) for the financial year	**3**	(116)
Earnings per ordinary share (pre exceptional)	**13.0p**	9.4p
Dividends per ordinary share	**12.41p**	12.22p

The BICC Group has two principal businesses: Balfour Beatty, a leading UK based construction and engineering company with a significant proportion of its business conducted overseas, particularly in the USA, the Middle East and the Asia-Pacific region; and one of the world's largest cable making businesses with substantial positions in all the world's major regional cable markets. The cables business is managed through operations based in Europe, North America, Australia and Asia-Pacific.

Organisation and Structure

Group Companies	Principal Operations
Balfour Beatty Balfour Beatty is a major international engineering and construction company. Its activities encompass civil, railway and power engineering, building and building services, maintenance and facilities management. It also has a number of specialist manufacturing operations that support its power and railway engineering businesses.	Balfour Beatty Civil Engineering, Balfour Beatty Construction, Balfour Beatty International, Balfour Beatty Rail, Haden Building Services, Balfour Kilpatrick, Balfour Beatty Inc.
BICC Cables BICC Cables markets, designs, manufactures and installs a comprehensive range of energy and communication cables and cable systems. It serves markets throughout Europe and in the Middle East, India, Africa and South America. Through its joint venture with Corning it is a leading manufacturer of optical fibre.	UK Cables Division, Optical Fibres, BICC Ceat Cavi, *Italy,* CEL-CAT, *Portugal,* BICC KWO Kabel, *Germany,* BICC Cables España, *Spain,* BICC CAFCA, *Zimbabwe,* Dubai Cable Company, *Dubai.*
BICC Cables Corporation BICC Cables Corporation is one of North America's leading producers of energy cables. It manufactures in the USA and Canada. Its principal business is in the supply of power cable to the North American power utility and industrial markets. It also manufactures control, instrumentation, data, electronic and other speciality cable types.	BICC Brand-Rex, BICC Cables Company, BICC Pyrotenax.
Metal Manufactures Metal Manufactures is one of Australia's leading industrial groups. It is the largest manufacturer of energy and communication cables, copper rod, copper and brass tubes and PVC pipes and fitting systems in Australasia. It is also the leading manufacturer of optical fibre in Australia, through its joint venture with Corning, and has an Australia-wide network of electrical wholesaling businesses.	MM Cables, Vinidex Tubemakers, Optical Waveguides Australia, MM Electrical Merchandising, MM Kembla Products, MM Industrial Products.
BICC Cables Asia-Pacific BICC Cables Asia-Pacific was established in 1994 to coordinate the manufacture and marketing of cable products in the Asia-Pacific region. It is responsible for the Group's existing and planned manufacturing activities and for all sales and marketing activities for cable products into the region from the Group cables companies.	Biccor, Power Cables Malaysia, BICC Berca Cables, *Indonesia,* BICC Brand-Rex, *Philippines,* Trading companies or representative offices in 10 countries.
BICC Developments The Group's property interests are in the process of disposal, including its one-third interest in the Spitalfields development adjacent to the City of London.	
Other Businesses Andover Controls is a leading designer and manufacturer of advanced electronic building automation systems. BICC has a 25% interest in Barking Power Limited, which owns and operates a 1000MW power station at Barking in London.	



Chairman's Statement

In 1996, profit before tax, excluding exceptional items, showed a welcome improvement on the previous year of some 18% to £129 million. The Board recommends a final dividend of 8.5p, net, making a total of 12.5p, net, for the year – 12.41p, as adjusted for the September 1996 rights issue.

I should emphasise four important developments during the year. The ***standard of management*** was improved by widespread changes. The ***cash position*** at year end was better than our earlier expectations, in spite of substantial restructuring costs and capital expenditure.

We raised £170 million through a ***rights issue***. Most of this new capital has already been earmarked or committed for investment in markets where both growth prospects and our performance record are good.

While backing our stronger businesses, progress was also made in ***improving those areas most exposed to competition*** and in clearing up the legacy of past misjudgements.

Altogether, therefore, I believe that – although we still have much to do – 1996 marked a turning point in the Group's fortunes.

Last July, when Sir Robin Biggam retired, I took over as Chairman and I would like to pay proper tribute to his direction of the Group's affairs during a most difficult period.

Sir Robert Davidson and Lord Howe of Aberavon are retiring as non-executive directors at the AGM and I must thank them both for their good counsel and advice over the past years.

Michael Miles has joined the Board as a non-executive director. His successful career with the Swire Group and his knowledge of business in the Far East will be invaluable.

I would also like to take this opportunity of expressing my most sincere appreciation to everyone who works at BICC. It goes without saying that the people in the Group are its best asset.

As to the near future, business conditions still remain difficult in Europe, but I believe that what was done in the past year, and what we are continuing to do, puts the Group in an altogether better position to make further progress.

VISCOUNT WEIR Chairman

Chief Executive's Review

ALAN JONES

1996

The BICC Group's 1996 pre-tax profits, before exceptional items, at £129 million, improved by 18% over the previous year. Earnings per share before exceptional items advanced to 13.0p (1995: 9.4p).

There were significantly improved profits in both European and North American cables, where the great majority of the major rationalisation and restructuring programme has been concentrated over the last 18 months. This was offset by problems in Balfour Beatty that were highlighted at the half year.

The costs of reducing BICC's presence in the German cable market to two efficient and focused units and a reduction in the book value of Spitalfields and another development site, were taken as exceptional items at the half year.

The Group's cash performance was encouragingly better, resulting from tight management disciplines throughout the Group and with some help from exchange rates and copper prices. The planned pattern of investment was sustained, with a particular emphasis on the areas of our business which are addressing growing markets. Investment in marketing was increased in key overseas territories. Overall, capital expenditure rose by 40%, in line with our previously identified plans. Year end net debt stood at £80 million (1995: £305 million).

We have a clear need and opportunity to continue with investments in the growth areas of the cables business and we raised £170 million by way of a rights issue in September 1996 to enable us to do this. The investment is being focused on our strategic products including optical fibres, optical cables, BICC Brand-Rex data communications cables and extra high voltage cables. Further investment in Asia-Pacific is planned and is taking place.

Balfour Beatty

Balfour Beatty's profits fell to £10 million (1995: £18 million). The year saw a number of disappointing contract settlements and a series of commercial reappraisals was undertaken of contracts taken in the past in the civil and power engineering businesses.

During the year, we acquired three track renewal and maintenance units from British Rail. These units have delivered good profits since the acquisition in April. A rationalisation programme is under way to reduce costs and improve efficiencies as we work with Railtrack to reduce their costs while ensuring that the business can benefit from the increasing opportunities which will become available to it. The acquisition has added considerably to our overall capability in the rail business. We see railway engineering and maintenance as one of our key strengths on a worldwide basis.

In North America, losses were incurred. The management of this business has been changed and the general construction division, in which losses occurred, is taking no new orders and is being run down. By contrast, the heavy civils business is efficient and has a strong order book.

In UK construction, the building and building services businesses have been set the task of achieving steadily improving margins, based on the strong market positions which our companies have in this sector.

The optical telecommunications and data communications businesses, at which our main investment programme is aimed, have performed ahead of plan.

While major project work in the UK remains scarce, we have been successful in winning three Design, Build, Finance and Operate road projects and are preferred bidder for two hospitals under the government's Private Finance Initiative.

We have continued to strengthen our position in selected regions of the world with improvements in our established businesses in Indonesia and the Middle East.

Following several years of successful contract management through Devonport Management Limited with Brown & Root and The Weir Group, we have now purchased the assets and the operating business of the Dockyard from the Ministry of Defence. BICC has a 24.5% shareholding in the new joint company.

The overall Balfour Beatty order book, now including that of the acquired rail units, stands at £2.3 billion, of which 34% is outside the UK.

Cables

The major rationalisation programme, announced over the last 15 months, has benefited both European and North American operations. Further action in respect of BICC KWO in Germany was announced at the half year. The worldwide programme of updating and reinvesting in manufacturing processes and process controls has been maintained.

Profits in BICC Cables improved by 19% to £94 million. The second half performance of BICC Cables was adversely affected by a gap in the normal order pattern for the profitable extra high voltage cable business and increasingly difficult trading conditions in Europe as utilities are privatised and infrastructure spending is cut in a widespread trend to meet constrained government expenditure targets. These factors continue into the first half of 1997.

BICC Cables' business base is being expanded with new manufacturing facilities in the growth markets of India, Egypt and Peru, while our successful company in the United Arab Emirates is being expanded.

The optical telecommunications and data communications businesses, at which our main investment programme is aimed, have performed ahead of plan. We are continuing confidently with the investments for which the proceeds of the rights issue were raised. The current expansion programme in Optical Fibres comes on stream fully in 1997, with further capacity expansion scheduled for 1998. The BICC Brand-Rex data cable investments are a continuous pattern. We are also proceeding with the rather longer term investment to improve our submarine cable capability.

In BICC Cables Corporation in North America, the year was characterised by a major rationalisation programme. Our Canadian and US utilities and industrial businesses are now fully integrated on a North American basis. Profits improved by £6 million to £15 million and the business is in good order for future development.

Metal Manufactures' profits fell to £37 million as housing starts reached their lowest levels for 10 years, adversely affecting energy cables and MM's other construction-related businesses. A substantially new management team is continuing to reduce costs and improve marketing performance. Forecasters within

Chief Executive's Review continued

Australia are predicting some improvement in domestic trading conditions in the second half of 1997. Exports continued to improve.

In Asia-Pacific, we continue to pursue our development programme. Power Cables Malaysia was extended in both capacity and product range and the investment is producing good results. A strong order book has encouraged us to proceed with a further phase of investment.

The data cable facility in the Philippines is nearing completion and good progress is being made with the power and optical cable factory in Indonesia. Both will come on stream in 1997. In Thailand, we will be establishing an optical cable manufacturing operation in joint venture. We are now considering a number of potential opportunities in China.

In December, we established a joint venture with Corning for the development of a regional optical cable business – Biccor. Biccor is owned 60% by BICC Cables Asia-Pacific and 40% by Corning. This constitutes a logical development of our existing, strong relationship with Corning and the combined strength and technical capabilities of the two companies are being brought to bear in the market.

Other Activities

We reduced the value of the Spitalfields site in our books at the half year by £35 million. However, this was followed at the end of the year by a conditional agreement with the London International Financial Futures and Options Exchange (LIFFE), which, once finalised, will result in the sale of a substantial proportion of the remainder of the site. The year saw progress made in disposals and other sites are now under contract.

Andover Controls and Barking Power Station both made substantial positive contributions to our 1996 result.

Outlook

Overall we can expect further progress in the year.

In Balfour Beatty, we said at the half year that we were likely to see only limited profit performance improvement in the short-term. We are now seeing benefits from the actions taken which should gradually improve performance.

In cables, we face particularly difficult market conditions in Europe for our more traditional cable products in the first half of 1997.

We do, however, expect the improvements in our growth areas of business to continue, with an emphasis on the second half. With our improved financial position, we are continuing with investments in these business sectors with considerable capital expenditure in 1997. These projects will be completed in 1997 and 1998 and will contribute to further growth.

ALAN JONES Chief Executive

Financial Review

RONALD HENDERSON Finance Director

Performance

Operating profit, before exceptional items, rose by 9% to £164 million. The British Rail Infrastructure Units acquired in April 1996, contributed profits of £24 million. The exceptional items, amounting to £65 million, related to further rationalisation costs and asset write-downs in our German cable operations (£25 million), a £35 million write-down in the book value of the Spitalfields development site and a further £5 million provision in relation to one of the remaining property developments.

Following a review of the relevant commercial position, no change has been made to the £25 million exceptional provisions carried by the Group in respect of the Channel Tunnel and the Heathrow Express contract.

The significant copper price volatility during the year and the 20% fall in its price over the year had minimal effect on the Group's profit, as a result of the Group's hedging arrangements and terms of business.

Cash Flow and Net Debt

The Group's net debt reduced from £305 million at 31 December 1995 to £80 million at 31 December 1996. £170 million was raised during the year from the 2-for-11 rights issue in September and £57 million was received from disposals, principally the sale of Clarke Homes. £54 million was invested in acquiring the British Rail Infrastructure Units and the minority interest in BICC Phillips in Canada.

The cash generated before acquisitions and disposals was £10 million, after paying £35 million for the exceptional reorganisation costs, £118 million for capital expenditure and £9 million for investment in PFI concession companies.

The Group continued to reduce working capital in the cables businesses during the year. Cash performance was assisted by the weakening of copper and aluminium prices which contributed approximately £34 million.

As the majority of the Group's debt is denominated in foreign currencies, the strengthening of sterling towards the end of 1996 benefited the Group's reported net debt by £39 million compared with December 1995 exchange rates.

The Group's net debt at the year end should be viewed in the light of the normal cyclical nature of the Group's debt levels. The average net debt, over a twelve-month period, is typically over £100 million in excess of the year end position (excluding the effect of share issues, acquisitions and disposals).

Acquisition of Rail Units

The Group acquired the British Rail Infrastructure Units in April 1996 for a consideration of £53 million. Fair value adjustments have been estimated to recognise the pension fund surplus attributable to the acquired businesses, related deferred taxation and provisions for known liabilities. The resultant goodwill of £23 million has been taken to Group reserves.

Capital Structure

The proceeds of the rights issue in September 1996 were raised to permit the investment programme, which was fully described in the rights issue documentation, to proceed swiftly. At 31 December 1996, our gearing was 13%, treating the £177 million convertible preference shares as shareholder funds. Interest cover in 1996 rose to 4.7 times based on pre-exceptional profit levels and should improve

Financial Review continued

further in 1997, despite the anticipated increase in the Group's capital investment programme over 1996.

Treasury

The Treasury function manages foreign exchange exposures, borrowings, cash balances and major banking relationships. It does not act as a profit centre, nor does it speculate in financial markets, but operates within strictly defined limits to minimise the Group's exposures in accordance with policies laid down by the Board.

Foreign exchange transaction exposures on overseas contracts are hedged using forward contracts or currency options. The Group's net asset currency exposures are managed within predetermined ranges, using local currency borrowings, forward contracts and currency swaps.

The Group maintains a mix of floating and fixed interest rate debts. At 31 December 1996, 62% of borrowings were at either fixed or capped interest rates for terms exceeding one year. The Group's short-term borrowings, in the form of commercial paper, money market loans and overdrafts, are backed up by committed medium-term facilities.

At the year end, the Group's unutilised committed borrowing facilities amounted to £580 million, of which £441 million expire in 1999 or beyond.

Taxation

The effective tax charge, before exceptional items, was 33% compared to 37% in 1995. The decrease is attributable to reduced levels of unrelieved tax losses in Germany and North America together with the substantial progress which has been made during the year in settling the Group's UK tax affairs. In 1997, the effective tax charge will rise as the Spanish business becomes tax paying on a current basis with the tax losses now fully utilised. This effect will be greater than the positive effect derived from the improving position in Germany.

In Australia, Metal Manufactures received amended assessments from the Australian Tax Office in regard to a sale and leaseback transaction entered into in 1988. MM will vigorously defend its treatment of this transaction. Legal and taxation advice continues to support the treatment adopted by MM and no specific provision has been made in the accounts against the assessments.

Pensions

The Group's two principal pension plans were actuarially valued during the year. The surplus disclosed by this valuation remains significant at 16%. As a consequence, it is anticipated that the Company will not have a profit and loss charge in regard to its UK funds in 1997.

Going Concern

The directors, having made appropriate enquiries, consider it reasonable to assume that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the accounts.

Operating Review

MICHAEL WELTON Chief Executive, Balfour Beatty

Balfour Beatty

	1996 £m	1995 £m
Sales	2,118	1,701
Operating profit	10	18

Balfour Beatty's profits fell to £10 million in 1996. The UK infrastructure market remained depressed, with the major road-building market severely affected by further reductions in government expenditure. There were some signs of improvement in UK building and building services. The international market offers significant opportunity to the group and steps were taken in 1996 to create a clearer market and product focus in this area of operation. Commercial reappraisals of a number of contracts taken in the past, together with some disappointing final contract settlements particularly in the USA, further impacted results.

The newly acquired British Rail Infrastructure Units contributed profits of £24 million. The long-term Railtrack contracts in place are subject to year-on-year real price reductions reflecting Railtrack's requirements for efficiency improvements. These units, suitably reorganised and integrated with Balfour Beatty's existing rail businesses, offer a major opportunity for future growth. Rationalisation costs are now being incurred as a result of reorganisation and the need to achieve efficiencies.

A number of the group's other businesses are also being reorganised and reoriented in order to better match their predicted future market environment.

The year end order book stood at £2.3 billion, including 34% outside the UK.

In the ***UK civil engineering*** market, project availability declined from an already poor base. The group was, however, successful in securing a number of contracts under the government's Private Finance Initiative. In joint venture, three Design, Build, Finance and Operate road schemes were won on 30 year concessions. The construction work involved is worth some £350 million in joint venture.

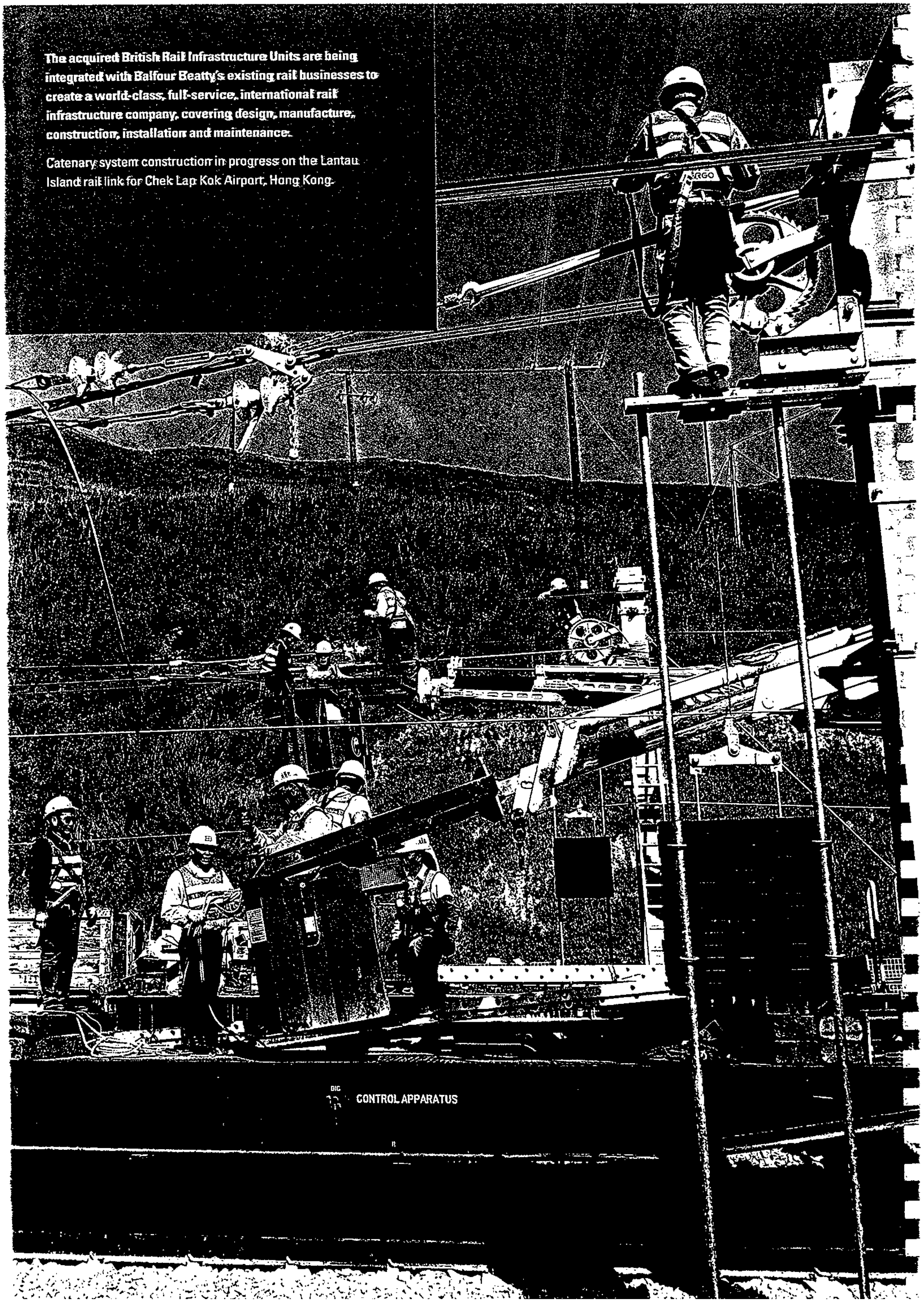
Satisfactory progress on the major civil engineering projects at Cardiff Bay, the Heathrow Express and the London Jubilee Line and for widening the M25 was maintained. Towards the end of 1996, a significant change took place in the method of procurement of UK highway maintenance services. In this new environment, Balfour Beatty acquired the highway maintenance operations of Surrey County Council, to add to the existing Hampshire County Council contract, and also secured the maintenance work for Area 3 of the Highways Agency's activities.

In ***power engineering***, UK bidding opportunities remained limited. The group is, however, in final negotiations for a waste to energy power station in Scotland under the Private Finance Initiative.

In ***international civil and power contracting***, the group continued to be successful in securing major contracts. In the USA, substantial projects for the Lancaster Interchange in Pennsylvania, the Fuller-Warren bridge in Florida and the Arrowhead tunnel in California were won. Elsewhere, Balfour Beatty secured a further contract to develop the waste water system in Cairo and contracts for the Library in Alexandria and a waste water scheme in Turkey. Balfour Kilpatrick is responsible for a number of overseas power projects, most notably in connection with the new airport for Hong Kong.

The acquired British Rail Infrastructure Units are being integrated with Balfour Beatty's existing rail businesses to create a world-class, full-service, international rail infrastructure company, covering design, manufacture, construction, installation and maintenance.

Catenary system construction in progress on the Lantau Island rail link for Chek Lap Kok Airport, Hong Kong.



Operating Review continued

The permanent regional civil engineering businesses in the Gulf and in Indonesia both performed satisfactorily, with a combined order book now approaching £100 million.

Balfour Beatty will continue to seek to establish appropriate permanent joint ventures in selected territories.

In the ***UK building*** market, there were further signs of growth and Balfour Beatty continued to improve its performance. Substantial new contracts were secured, including an £18 million project for an electronics factory on Tyneside and a number of London refurbishment contracts, a market in which we have been particularly successful. The most recent award was for the £19 million refurbishment of the Shell Centre in London. The Heery project management business continued to grow and to perform well, both in the USA and in Europe. Through a joint venture, the group is preferred bidder on two privately-financed hospital projects.

In ***building services***, the performance of Haden Young, the mechanical engineering project business, improved as major projects were secured in the UK at Bluewater Park and a south coast hospital.

In ***maintenance and facilities management***, Haden continued to perform well, although this market is increasingly competitive. Haden was reawarded contracts for the QE2 conference centre in central London and at Aldermaston.

In ***railway engineering***, the acquired British Rail Infrastructure Units performed strongly. These businesses are now in the process of integration with Balfour Beatty's existing rail businesses to create a world-class, full-service, international rail infrastructure company, covering design, manufacture, construction, installation and maintenance. During 1996, a substantial capital investment was made at the Sandiacre manufacturing facility, which will significantly improve productivity.

Major rail projects in the north-east USA and Hong Kong continued to make progress. In September, Balfour Beatty was successful, in joint venture, in securing the design and install engineering contract for the Bangkok Elevated Rapid Transit System, valued at £125 million. This project remains subject to financing.

There are now clear signs of a gradual improvement in the UK building and building services markets. In 1997, Balfour Beatty will concentrate on margin improvement through increasing efficiency, continuing emphasis on cost control and productivity improvements.

The UK infrastructure market remains depressed and competitive. The Private Finance Initiative has been slow to get under way, but the Group is optimistic that this market will continue to develop. The Group is well placed to play a major role.

Balfour Beatty will continue to take a selective approach to bidding for major international contracts, playing in particular to its strengths in civil, railway and power engineering and exploiting its permanent regional joint ventures. The group's internationally competitive rail business should benefit from increasing investment in railways both in the UK and around the world.

Operating Review continued

MICHAEL DOWNIE Managing Director, BICC Cables

BICC Cables

	1996 £m	1995 £m
Sales	1,294	1,376
Operating profit	94	79

BICC Cables' profits improved by 19% to £94 million in 1996. This reflected continuing progress in optical fibres, optical cables and data cable systems and the positive effects of the 1995/6 rationalisation programme, most notably in Germany, but also in UK construction and industrial cables. This was partly offset by a significant downturn in construction and energy cable sales in Italy. In the last quarter, ENEL, the principal customer, destocked and cancelled orders.

In ***optical telecommunications***, UK manufacturing capacity for optical fibre and optical cable was expanded. European demand for fibre continued to grow strongly and a number of major optical cable systems orders were secured, compensating for a slowing of the Energis optical programme for the National Grid in the UK.

Demand from the UK cable TV market continued to be strong in 1996, although it has now probably reached its peak. Exports to Asia-Pacific developed well and optical cable sales from the UK to continental Europe, notably France, Holland, Switzerland, Belgium and Scandinavia, also increased.

Optical cable sales elsewhere in Europe saw modest growth, with some delays occurring in both the scheduled broadband development programme in Italy and cable TV legislation in Spain. These programmes are expected to move forward in 1997. Exports of optical and metallic telephone cable to South America from BICC Cables España continued to grow. Germany saw growth in demand for optical cable as new telecoms operators received licences. BICC KWO won significant orders from Deutsche Bundesbahn Communication, one of the principal newcomers, and further growth is expected in 1997. BICC's share of the Deutsche Telekom business will also increase in 1997.

A new telecommunication cable plant will come on stream during 1997 in Peru to take advantage of South American expansion.

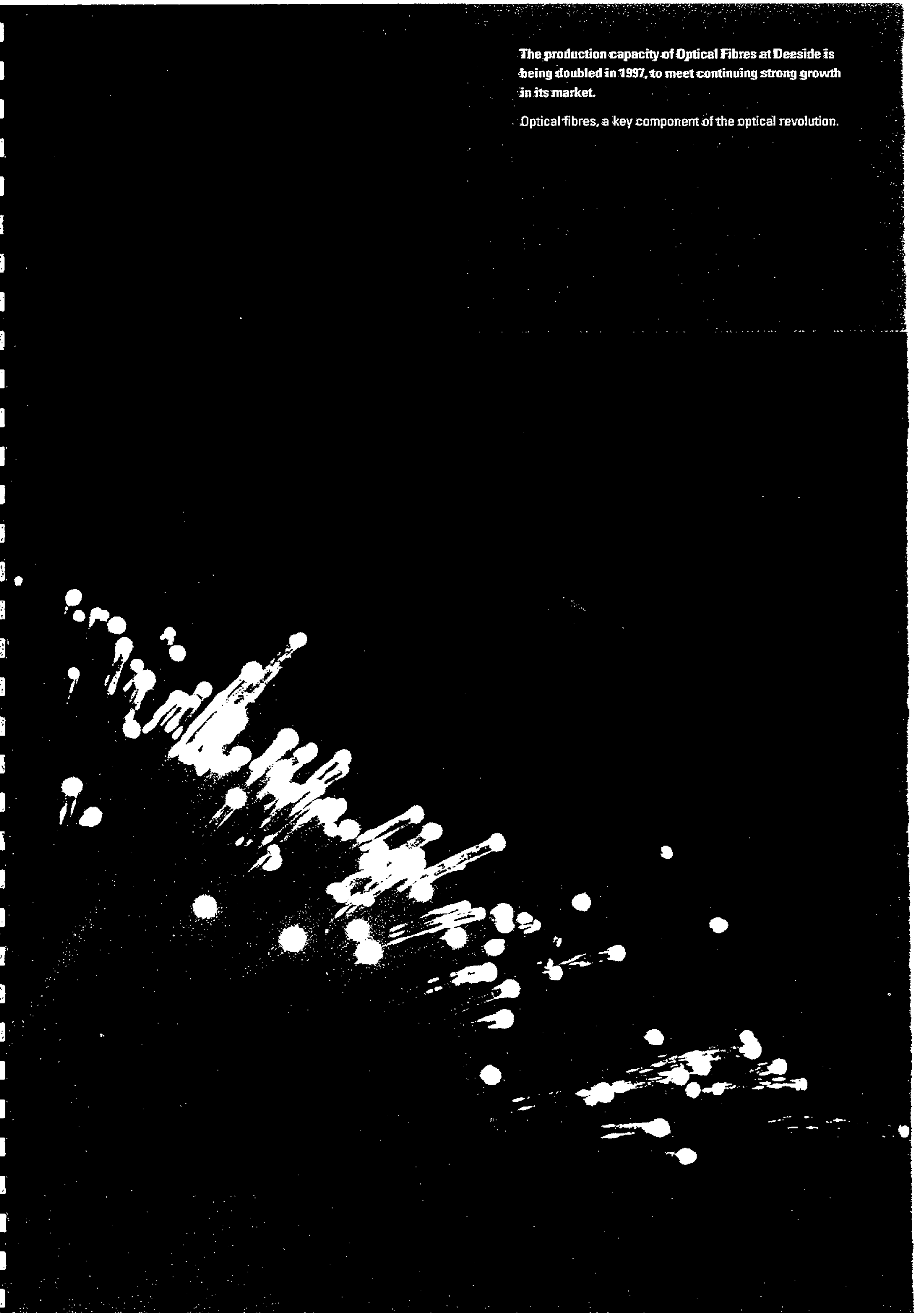
Demand for ***metallic telephone cables*** in Europe is in decline and will reduce further as the optical programmes start to accelerate. Towards the end of the year, however, BT awarded BICC a new five-year contract for copper cables.

In the ***data cable*** market, sales growth was strong in all territories and BICC Brand-Rex's profit performance improved. Demand for unscreened copper cables is easing as optical data cables are increasingly specified. BICC Brand-Rex's new product range (Millennium) was launched during the year and has been well received in the market. The new structured wiring factory at Glenrothes became fully operational early in the year and has since been expanded further. A new optical data cable investment has been approved for BICC Brand-Rex's Cheshire factory and the international sales network has been further expanded.

In the power utility market, UK demand was stable, with the market remaining highly price competitive. Orders for major supertension cable projects were low, with few contracts placed worldwide. Prospects for 1997 in this market are expected to improve.

The production capacity of Optical Fibres at Deeside is being doubled in 1997, to meet continuing strong growth in its market.

Optical fibres, a key component of the optical revolution.



Operating Review continued

BICC has continued to develop its extra high voltage XLPE capability and has successfully completed trials for 500 kV XLPE. The first commercial delivery will be made in 1997.

Power cable prices in Germany fell and demand was further reduced. BICC KWO has continued to rationalise its capacity and product range during the year. In Italy, demand was strong in the first half of the year, but later there were severe cutbacks in ordering and extensive destocking by ENEL.

In Spain, demand was stable following the significant progress of 1995. Demand from Portuguese utilities fell during the year as public expenditure came under increasing pressure.

In ***construction and industrial*** cable markets, UK demand was flat and the strength of sterling served to increase import penetration. BICC's performance, however, improved as a result of continued reorganisation and cost cutting. In Spain, demand and prices were stable, but both deteriorated in the Italian market. BICC KWO has now withdrawn from the construction and industrial cable market in Germany and has closed its Schönow factory.

The collapse in the copper price at mid-year triggered significant destocking and pressure for reduced prices as demand declined in all construction markets.

Demand for mineral insulated cable declined as substitution by soft-skin products (including BICC's own brand) continued.

Outside Europe, demand in the Middle East was very strong and Dubai Cable Company performed well. The structure of this business will be developed through the involvement of the government of Abu Dhabi, which will help further expand the product range and the available market. A power cable factory in Egypt is under construction and will come on stream in 1997.

In India, a new optical cable plant was commissioned in joint venture with RPG. An agreement was signed, also with RPG, for power cable manufacture. In Zimbabwe, demand continued to be restrained as a result of drought.

BICC Cables' accelerated investment programme in technology, new products and improved processes continued through 1996. A £25 million expansion of the Erith, UK, factory for submarine cable manufacture was announced in December.

The production capacity of Optical Fibres at Deeside is being doubled in 1997, to meet continuing strong growth in its market. Optical cable capacity is being expanded across Europe to match growing demand, although optical cable pricing will continue to become more competitive. Data cabling capacity will also continue to be expanded, with a strong emphasis on optical products.

With public expenditure being contained in all countries across Europe, power utility programmes are likely to prove static or reducing and price competition will intensify as markets open up under European directives and as a result of privatisation. Construction and industrial markets are expected to be stable.

CARL PAINTER Chairman and CEO, BICC Cables Corporation

BICC Cables Corporation

	1996 £m	1995 £m
Sales	398	471
Operating profit	15	9

Profits in the Group's North American cables business increased by 67% to £15 million in 1996. While BICC Brand-Rex's performance continued to improve, this overall increase was largely achieved as a result of actioning key strategic decisions for divestment and restructuring, for which cost provision was made in 1995. In Canada, the minority shareholding was acquired, taking BICC Phillips private. Subsequently, the US and Canadian businesses have been fully integrated.

The Canadian building wire business was sold and the large manufacturing facility at Brockville, Ontario, was closed, as were the Canadian HQ and distribution depot. The integration of the Canadian and US utility and industrial businesses into a single management unit, together with other economies, has resulted in a 15% reduction in total sales, general and administrative overhead costs. Further savings and efficiency improvements were achieved through the merging of the utility and industrial businesses.

In the ***utility*** market, sales were slightly down, with most utilities taking a conservative approach to capital expenditure. In the USA, pressure on utilities' earnings performance and continuing preparations for deregulation were the main influences. More mergers and acquisitions of utilities can be expected. In Canada, the utilities also sought expenditure reductions as they respond to similar circumstances as well as provincial government efforts to reduce deficits.

In these market conditions, the company performed well, with an increasing portfolio of long-term strategic customer alliances being built in the USA and new routes to market being developed to concentrate on added value services to the customer.

The closure of the paper insulated cable plant at Yonkers, NY, was completed on schedule in February 1996. The US market for polymeric insulated extra high voltage cable is slowly strengthening, affording further opportunities to exploit the Group's UK based facilities and expertise.

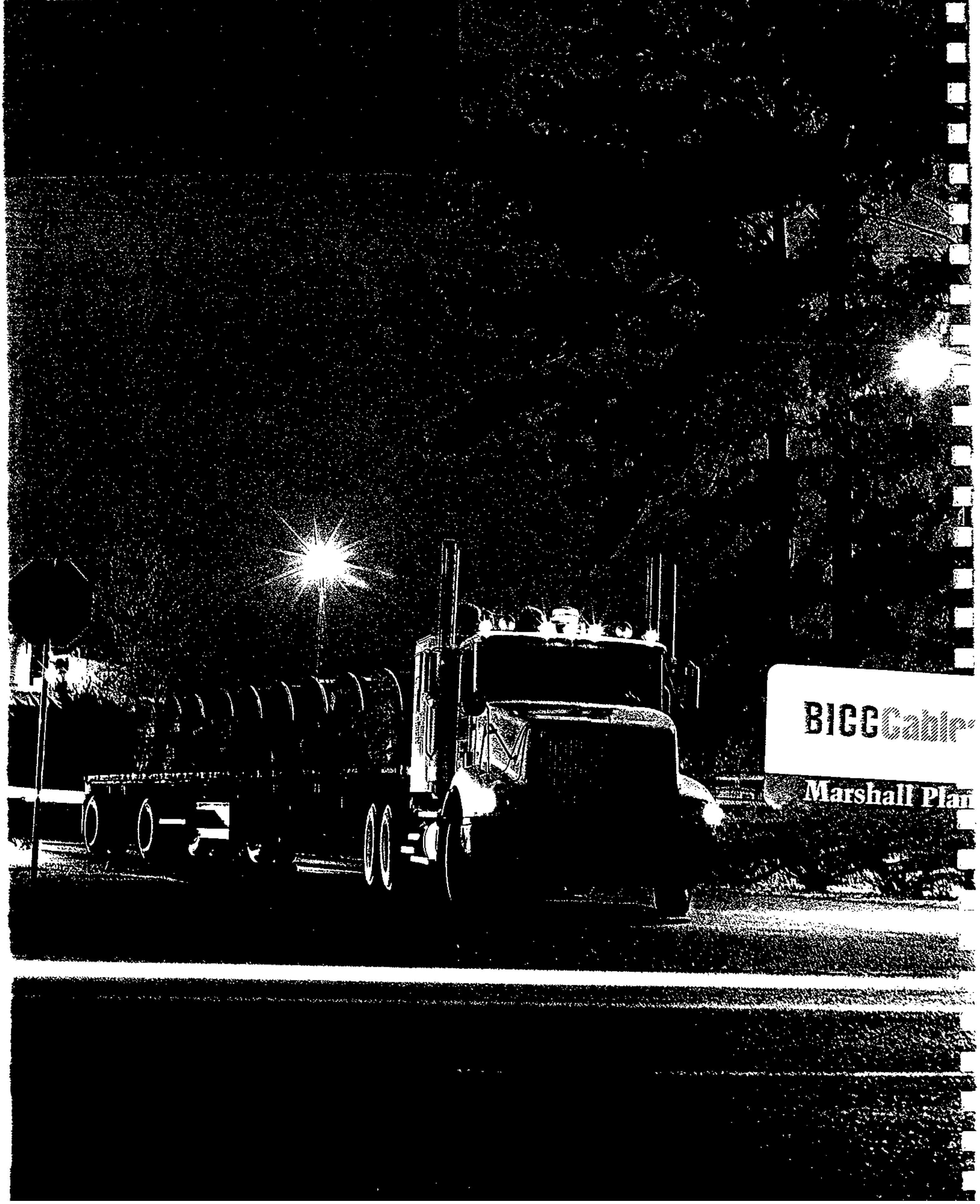
The technology centre and polymer compounding plant, both located at Indianapolis, are increasingly delivering competitive benefits both in North America and to other parts of the Group.

BICC Brand-Rex continued to make very satisfactory sales and strong profit improvements in the electronic and speciality cables markets which it serves. The shipboard market, one of BICC Brand-Rex's key areas of market strength, softened somewhat, but this was more than offset by growth in almost all other product and market sectors, including industrial, transit, premise wiring, robotics and other military. Growth was particularly marked in optical fibre cables and in cable assemblies.

Late in the year, the closure was announced of the York, Pennsylvania, manufacturing facility, previously part of the industrial business. This will help accelerate existing efficiency improvements and plant loadings at the Jackson, Tennessee, and Willimantic, Connecticut, locations. BICC Brand-Rex continues to serve a wide range of market sectors, most notably electronics, Original Equipment Manufacture, transit, industrial, marine, utility and aerospace customers.

BICC Cables Company performed well in the utility sector, with an increasing portfolio of long-term strategic customer alliances being built in the USA.

Cables leaving the Marshall, Texas, plant for 'just-in-time' overnight delivery to Arizona Public Services, an alliance customer.



Operating Review continued

Organisation around specialised business units to serve these separate markets will continue to be instrumental in developing increased market share based on competitive costs, excellent delivery performance and product development designed to meet specific customer applications. This includes data cables where BICC Brand-Rex has an established, international reputation.

In the ***industrial*** market, Canadian demand declined somewhat, but the US market showed some improvement. Performance improved, but was adversely affected by both poor pricing and the effects of the steep copper price decrease, with many customers deferring purchases and reducing their inventories. The market is now on an improving trend, particularly in the large oil, gas and petrochemical sector.

With the closure of the Brockville plant in June, industrial cable manufacture was consolidated at the Marion, Indiana, plant. This has involved a major expansion and upgrading of the plant and will result in significantly improved competitiveness in terms of both costs and service.

BICC Cables Corporation's main short-term objective in this market is to increase market share in the day-to-day maintenance and repair sector, largely through improved routes to market, service and a strengthened presence with the end user to increase instances of BICC specification. The company's performance in supplying major projects continued to develop.

BICC Pyrotenax, the Canadian based mineral insulated wiring and heating cable maker, had a difficult year, due to increasing competition from lower cost polymeric cables and the company's reorganisation which followed the North American restructuring. During the year, a small electronic controller business was acquired to complement the heating product line. The product range will continue to be broadened in the high temperature and fire safety areas and efforts increased to improve US market penetration.

In the early part of 1997, the Group's 60% interest in Phillips-Fitel was sold to our partner, Furukawa, at approximately book value. The Group has a strong and growing optical ground wire business based in the UK which is capable of servicing the needs of all of its developing international markets and Phillips-Fitel no longer forms part of our strategy for this product.

We do not expect to see any significant growth in BICC Cables Corporation's major markets in 1997, although some industrial and specialist sectors do exhibit encouraging trends. The completion of the strategic profit improvement plan during 1997 should, however, lead to improved operational and financial performance. In 1997, particular attention will be paid to strengthening and growing the strategic portions of the company's business. Key areas will include energy cables for the industrial market and a number of select markets for BICC Brand-Rex electronic and speciality cables.

Operating Review continued

GLENN DUDLEY Managing Director, Metal Manufactures

Metal Manufactures

	1996 £m	1995 £m
Sales	724	709
Operating profit	37	41

Profits in Australasia fell by 10% to £37 million in 1996. The major pressures on domestic business experienced in 1995 showed no signs of easing and in some areas intensified. Housing starts, which determine the basic environment for much of MM's business, fell further and non-residential construction was flat. Reduced tariffs saw increasing low-priced import penetration in many of MM's markets. Exports continued to grow across the range of the group's businesses.

In ***communication cables***, performance improved as the year saw strong early demand to complete the latest stage of the Optus national fibre network and Optus Vision continued its roll out of cable TV systems for Melbourne, Sydney and Brisbane. Major export contracts for China and Vietnam and strong optical and metallic cable demand from Telstra were also positive factors.

During the year, two contracts to a total value of £25 million were secured from TAC in Thailand. These involve the cable supply for the backbone system for a nationwide cellular mobile telephone network and also lightweight armoured cabling for both overhead and underground cable links.

In ***data communications***, the market continued to expand, particularly for local area network cabling. MM's data business performed well, most notably winning a project to retrofit the Department of Foreign Affairs and Trade building in Canberra.

In ***New Zealand cables***, 1996 was a year of investment and consolidation. Profits improved despite a relatively flat market as a result of a strong performance in customer service terms and a positive pricing policy. Manufacture is now concentrated on a single site at Riccarton.

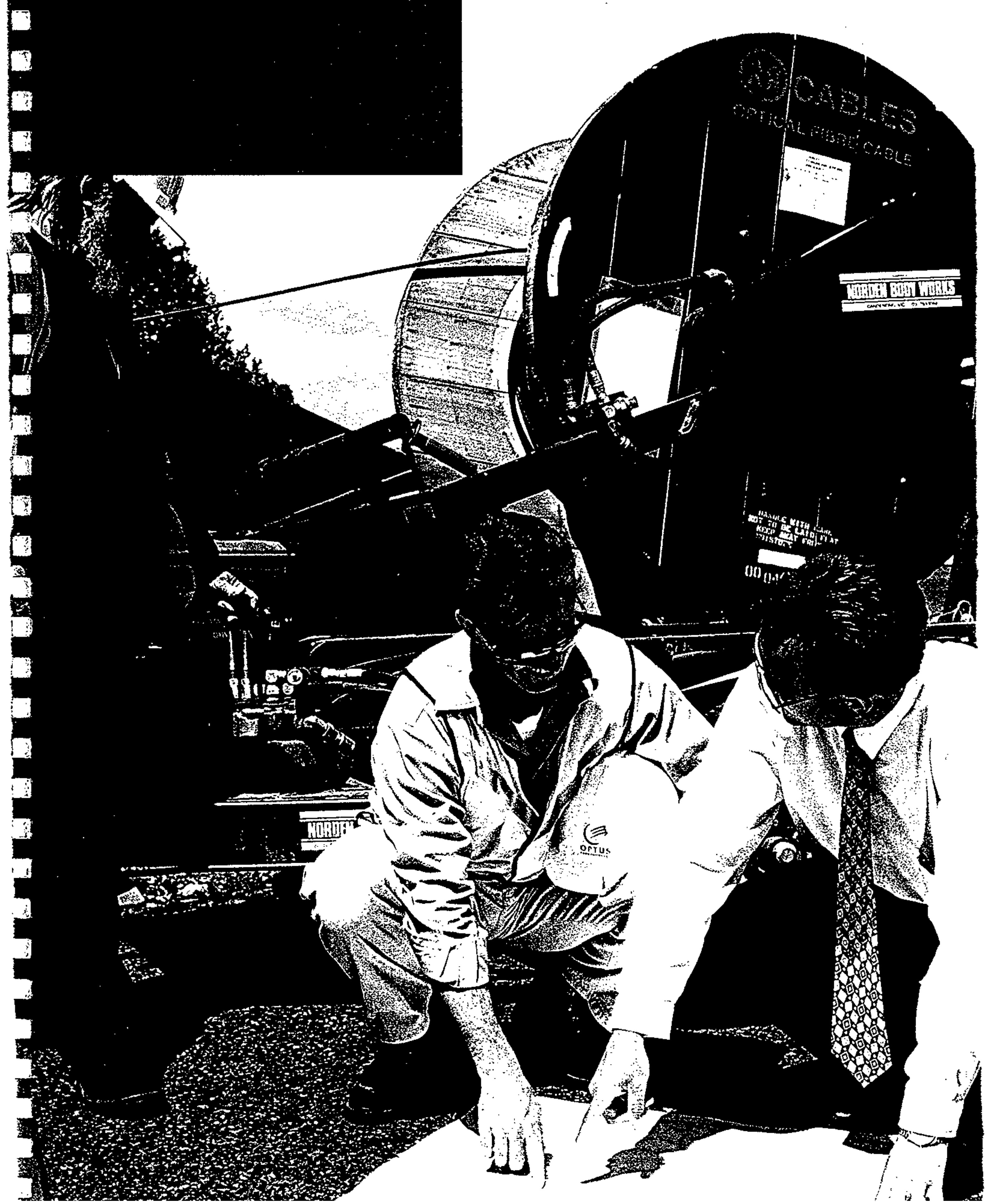
1996 was another improved year for ***Optical Waveguides Australia***, MM's 50/50 optical fibre joint venture with Corning. Demand continued to grow both domestically and in the principal export markets and output rose by almost 30% compared to 1995.

The ***energy cables*** business experienced another difficult year, with price erosion and import penetration exacerbating the effects of low domestic market volumes in the commercial, residential and power utility markets. By contrast, demand in the industrial and engineering sectors continued to strengthen. The strategic partnerships programme with national wholesalers and contractors, commenced in 1995, resulted in a number of important contract awards.

1996 saw a major initiative to improve manufacturing effectiveness, increase productivity and upgrade delivery and other service levels in this business. These programmes will augment the cost reductions and increasing concentration on the more profitable market segments with value added services introduced last year.

MM Cables supplied the majority of the optical fibre cable for Optus Vision's hybrid fibre-coaxial network for Pay TV/local telephony, which has passed a total of more than one million homes in Melbourne, Sydney and Brisbane.

Installation work in progress for Optus.



Operating Review continued

MM Industrial Products was formed in 1996 to provide a stronger market focus for some businesses previously managed by MM Cables. During the year the division secured a number of major contracts, and sales, profits and market share all improved.

1996 was another year of record production for the ***wire and rod*** operations, but profit growth was held back by intense price competition. Exports continued to grow throughout the Asia-Pacific region. The division continued to be the major supplier for copper overhead conductor for rail systems in Australia and commenced delivery of overhead conductor wire for the Hong Kong Airport rail link project.

The ***copper tube*** business continued to suffer from low domestic housing activity and the flat commercial building market. Despite market pressures, Kembla Copper Systems' position of leadership was maintained.

The full range of Kembla Copper Systems' products were supplied to the major casino developments in Melbourne and Sydney. The new automated production line was commissioned during the year, which will significantly improve manufacturing efficiencies and reduce costs.

During 1996, export growth continued, particularly to Hong Kong, Taiwan, Singapore and Malaysia. Other major opportunities in Indonesia, the Philippines, China and Thailand are currently being developed.

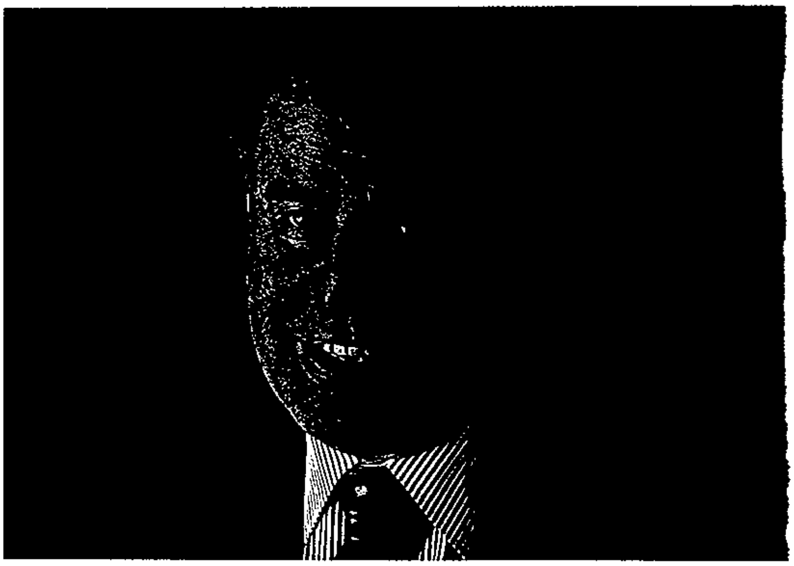
In ***electrical merchandising***, profits improved once again despite flat sales and increasing margin pressures. Continuing productivity and cost improvements were augmented by targeting specific market segments, with strong growth being achieved in commercial and industrial lighting and steady further progress in the communications and data market. The branch network was further extended.

Vinidex, the plastic tubemaker in which MM has a 50% share, saw a further erosion of its profits under the pressure of reduced demand and tighter margins. Lower housing starts led to a decline in water, sewage and drainage main line infrastructure projects. Record rainfalls also delayed a number of planned irrigation and mining projects.

Despite these difficulties, several large irrigation projects were successfully serviced and the company's position as the leading supplier to the major telecommunications carriers was maintained.Vinidex continued its vigorous programme of new product introductions and the development of its manufacturing facilities in Shanghai, Shenzhen and Malaysia.

The early part of 1997 has seen some small improvements emerging in the economic drivers of MM's businesses. Most notably, there are the first signs of an upturn in housing starts and increased infrastructure spending is planned in a number of states, including significant work in preparation for the Olympic Games in Sydney in 2000. Increased capital investment is also evident in mining and agriculture.

All of the group's markets will remain competitive and margins will continue to be under pressure. However, the economy's improvement is expected to gain momentum through 1997 and there are profit improvement programmes in place in all of the group's businesses. Exports are expected to continue to grow.



PETER ZINKIN Director of Planning and Development

BICC Developments

	1996 £m	1995 £m
Sales	39	47
Operating loss	(7)	(7)

1996 losses were in line with those of recent years. The year saw significant progress made in the disposal of the Group's remaining property interests. Completed developments in Guernsey, Birmingham and Atlanta were sold, as was the major site at White City in west London.

Development land at Kilmarnock, Guernsey, Prescot and Reading is all under contract, subject to planning and other conditions which, once satisfied, will lead to their disposal.

At Spitalfields, adjacent to the City of London, ABN Amro agreed in January 1996 to take a part of the site for a London headquarters building and construction is well under way. A conditional agreement has been signed with the London International Financial Futures and Options Exchange (LIFFE), which, once finalised, will result in the sale of a substantial proportion of the remaining Spitalfields site for their new market.

It is planned that the disposal of BICC's property development interests will have been very largely completed by the end of 1997.

Other Businesses

	1996 £m	1995 £m
Sales	95	58
Operating profit	15	10

Profits from the Group's interest in Barking Power Limited, which owns and operates Barking Reach Power Station, east of London, and Andover Controls, the US based designer and manufacturer of computer-based building management and control systems, improved in 1996.

Barking Power benefited from advantageous gas pricing in a buoyant electricity market and profits advanced substantially.

Andover Controls improved its sales and profits. Demand for the company's 'Infinity' range improved as full-service integration for buildings became increasingly accepted and specified. Geographical expansion, particularly in Asia-Pacific, Latin America and mainland Europe, was successfully progressed and the company is now represented in more than 40 countries. In the UK there were substantial improvements in sales and margins. Research and Development spend increased and a number of new products were introduced.

BICC Group in Asia-Pacific

Meeting the needs of a fast growing market

The fast developing economies of the Asia-Pacific region provide an important growth market for the Group's principal businesses of cablemaking and construction. Despite some recent adjustments to help cope with the stresses of rapid growth, annual growth in GDP continues to average around 6-7% for the region.

Rapid economic and population growth creates urgent requirements for infrastructure of all kinds. The region demands new data and telecommunications systems, increased power generation and distribution capacity and new and upgraded roads, airports and railways.

BICC Cables, Metal Manufactures and Balfour Beatty have substantial track records in the region. Established relationships and successful contracts and projects have provided a sound basis for the continuing development of the Group's interests.

In 1994, BICC Cables Asia-Pacific was created. This 50/50 joint venture between Metal Manufactures and BICC plc is now responsible for all cable sales and cables business developments in the region and has responsibility for a growing number of manufacturing operations.

In late 1996, the Group formed Biccor, a joint venture with Corning of the USA, to accelerate the Group's existing plans for optical fibre cable development in the region by bringing the technical and other resources of both companies to bear on the market.

Metal Manufactures, in addition to its 50% interest in BICC Cables Asia-Pacific, exports a range of other products, including copper tube, rod and wire, from its Australian base across the region and is developing plastic pipe manufacture in China, Malaysia and Hong Kong. Its exports to the region have grown for five successive years.

Balfour Beatty has a long standing, permanent joint venture in Indonesia and others are under development in the region. In civil and power engineering, hydro-electric schemes and railway engineering, Balfour Beatty has undertaken a wide range of project work in the region including dams in Malaysia, Sri Lanka and Indonesia, rail projects in Singapore, Hong Kong and China, roads in India and Hong Kong and power engineering projects in Indonesia, Hong Kong, China and the Philippines.

- Factories in operation, being commissioned or firmly planned
- Cable trading and representative offices
- Major cable contracts excluding Australasia (£1 million or more)
- Major construction contracts (£5 million or more)
- Permanent construction companies/locations
- Regional headquarters

1 MM Cables telecommunication cable factory, Clayton, Victoria.

2 £23 million project management of Beijing Mass Transit Railway modernisation.

3 BICC joint venture factory with RPG Group for power cables.

4 £166 million share of construction of the main terminal building at Chek Lap Kok Airport.

5 £38 million, five-year contract for power cable supply to Hong Kong Electric.

6 Building services contracts totalling £49 million for Chek Lap Kok Airport.

7 Muara Tawar, 1000 Megawatt gas/diesel power station. Contract value £102 million.

8 BICC Berca Cables. Joint venture factory to manufacture power and optical cables. Coming on stream in 1997.

9 Power Cables Malaysia. Joint venture power cable factory recently extended in an £11 million investment programme.

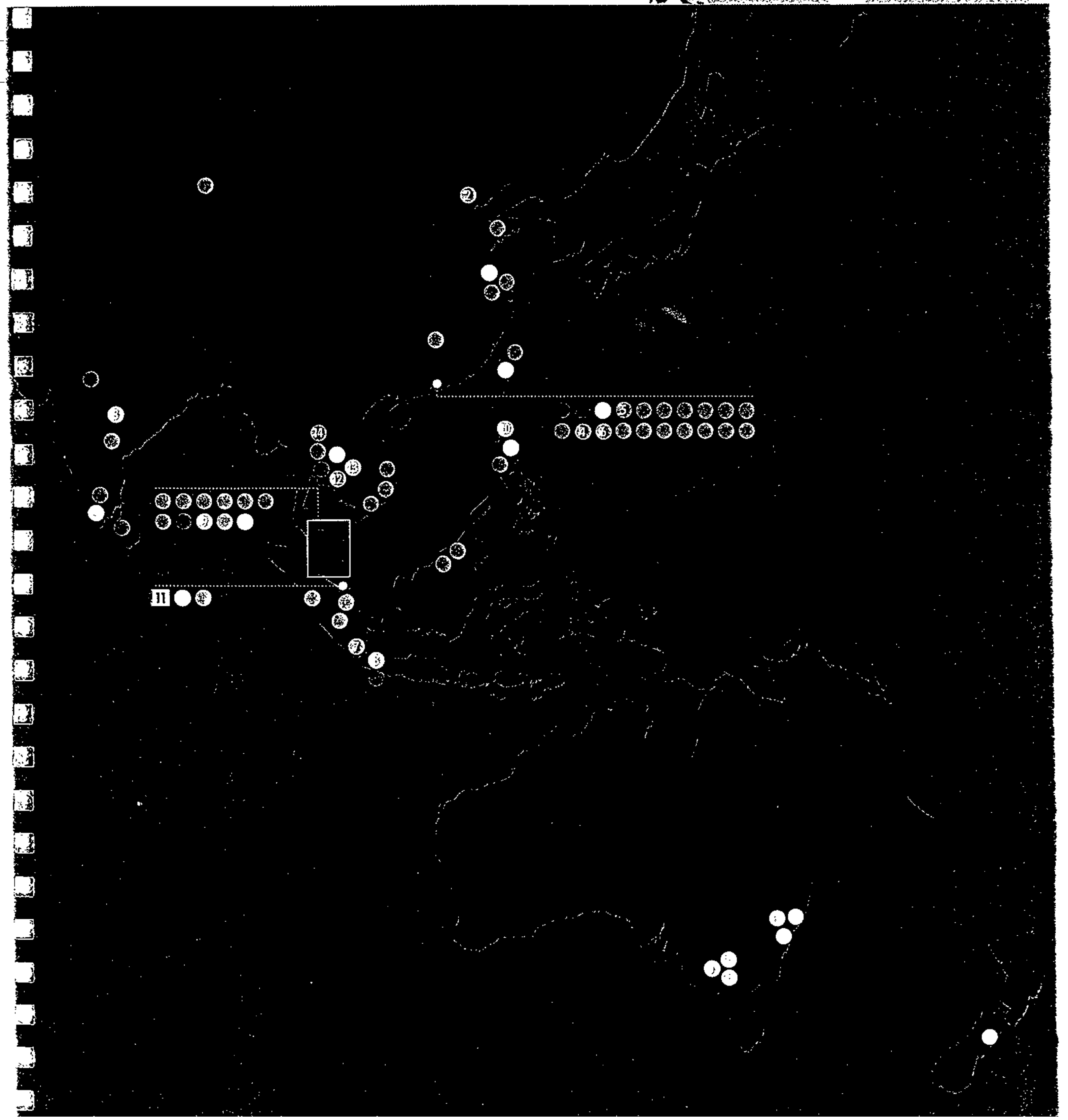
10 BICC Brand-Rex data cable factory to serve regional market. Coming on stream in 1997.

11 BICC Cables Asia-Pacific and Biccor Regional Headquarters.

12 £125 million contract for track and associated works for the Bangkok Elevated Rapid Transit System.

13 Planned joint venture optical cable factory.

14 £20 million optical cable contract from TAB for Northern Provinces development.

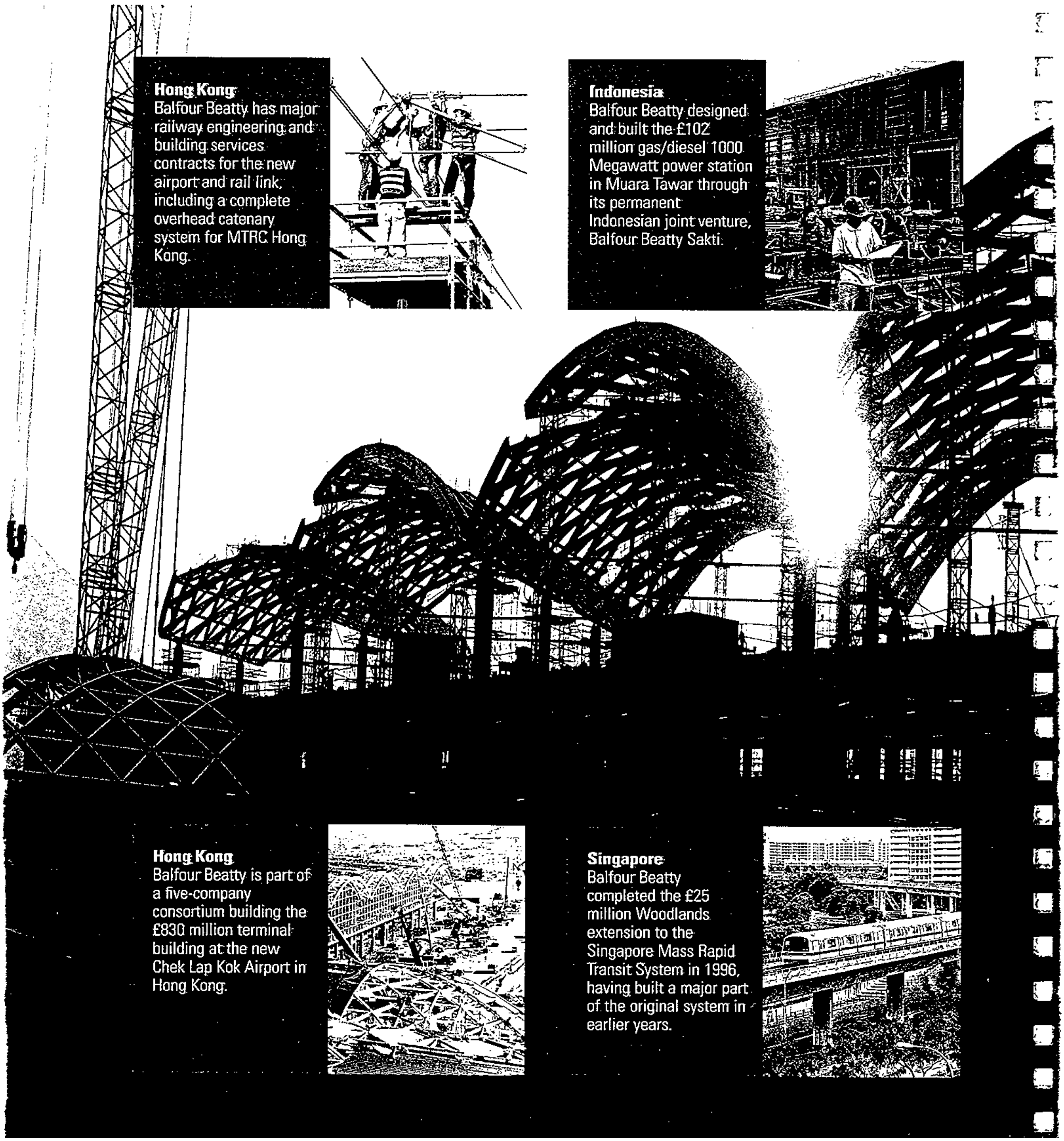


BICC Group in Asia-Pacific

In both cables and construction, the Group has a clear and detailed strategy for developing its business base in the region.

Balfour Beatty is concentrating on those areas of expertise in which it has the greatest competitive strengths, most notably heavy civil, power and railway engineering and complex building. Where appropriate, either permanent or project-specific joint ventures will be utilised.

It is anticipated that the Group's multi-disciplinary skills and its ability to operate across the full spectrum of the supply chain from financing to operation will be increasingly important advantages.



Hong Kong
Balfour Beatty has major railway engineering and building services contracts for the new airport and rail link, including a complete overhead catenary system for MTRC Hong Kong.

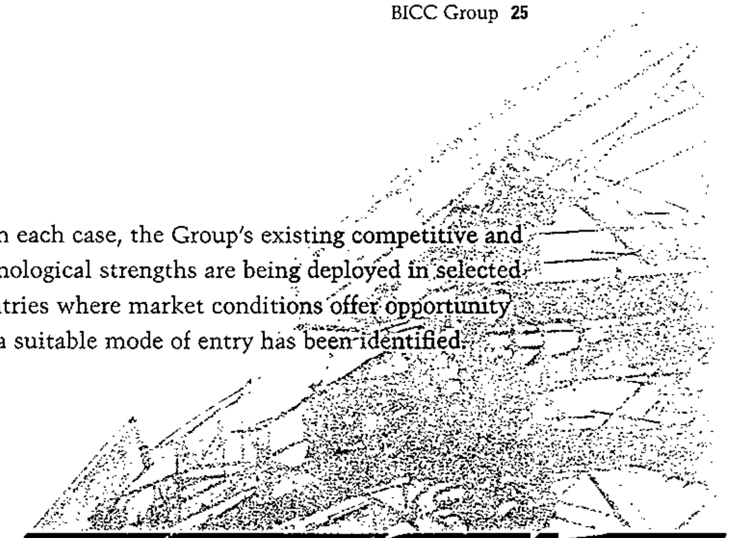
Indonesia
Balfour Beatty designed and built the £102 million gas/diesel 1000 Megawatt power station in Muara Tawar through its permanent Indonesian joint venture, Balfour Beatty Sakti.

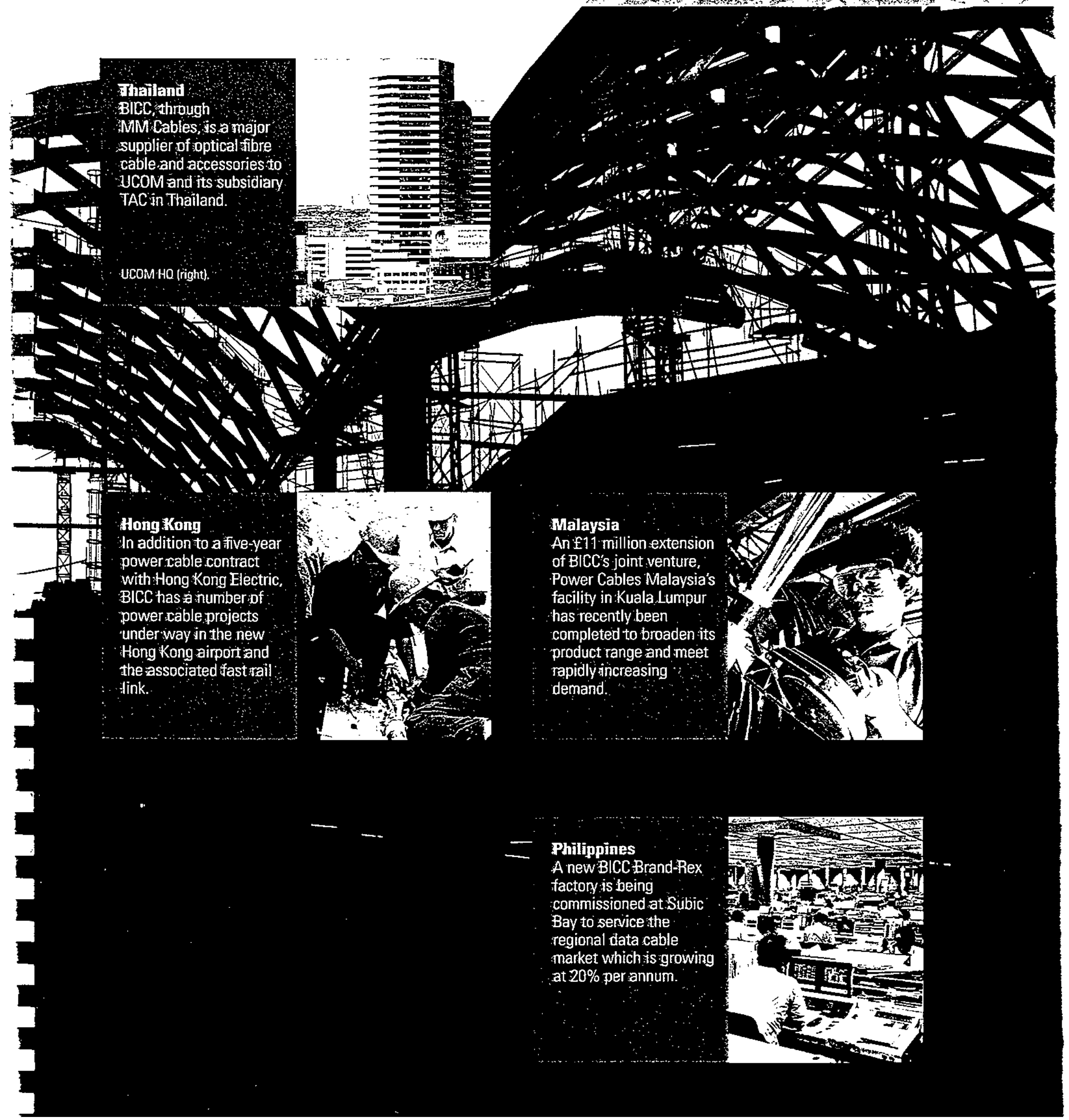
Hong Kong
Balfour Beatty is part of a five-company consortium building the £830 million terminal building at the new Chek Lap Kok Airport in Hong Kong.

Singapore
Balfour Beatty completed the £25 million Woodlands extension to the Singapore Mass Rapid Transit System in 1996, having built a major part of the original system in earlier years.

BICC Cables Asia-Pacific's development plans are focused on three key product groups. These are medium and high voltage power cables and systems; optical fibre telecommunication cables and systems; and data communication cables and systems.

In each case, the Group's existing competitive and technological strengths are being deployed in selected countries where market conditions offer opportunity and a suitable mode of entry has been identified.





Thailand
BICC, through MM Cables, is a major supplier of optical fibre cable and accessories to UCOM and its subsidiary TAC in Thailand.

UCOM HQ (right).

Hong Kong
In addition to a five-year power cable contract with Hong Kong Electric, BICC has a number of power cable projects under way in the new Hong Kong airport and the associated fast rail link.

Malaysia
An £11 million extension of BICC's joint venture, Power Cables Malaysia's facility in Kuala Lumpur has recently been completed to broaden its product range and meet rapidly increasing demand.

Philippines
A new BICC Brand-Rex factory is being commissioned at Subic Bay to service the regional data cable market which is growing at 20% per annum.

Directors

Viscount Weir †*#
Chairman

Age 63. Hon.F.Eng. A director since 1977 and appointed Deputy Chairman in 1992. He is also Chairman of The Weir Group and a director of St James' Place Capital and Canadian Pacific. Formerly a director of the Bank of England and British Steel.

Alan Jones
Chief Executive

Age 57. F.Eng. An electrical engineer. Joined BICC as Chief Executive in April 1995. He is also a director of Witan Investment Company. Previously Chairman of Westland and a director of GKN. Formerly a director of the Plessey Company and a non-executive director of Fisons.

Sir Robert Davidson †*#

Age 68. F.Eng. A chartered engineer. A director since 1991. He is also a non-executive member of the British Coal Corporation. Formerly Vice Chairman and Chief Executive Officer of GEC ALSTHOM, director of GEC and Chairman of the National Nuclear Corporation.

Michael Downie
Managing Director, BICC Cables

Age 46. An engineering graduate and chartered accountant. A director since January 1996. He became Managing Director in 1994, following eight years as Finance Director of BICC Cables. He joined the BICC Group in 1977. Prior to joining BICC, he worked for Price Waterhouse and Shell UK.

Ronald Henderson
Finance Director

Age 51. A chartered accountant. A director since 1990. Joined the BICC Group as Finance Director of Balfour Beatty, in 1987. Formerly with Brown & Root and Arthur Andersen. He is also a member of the Auditing Practices Board.

Lord Howe of Aberavon CH, QC †*#

Age 70. A director since 1991. A Member of Parliament from 1964 to 1992. Chancellor of the Exchequer 1979 to 1983, Secretary of State for Foreign and Commonwealth Affairs 1983 to 1989 and Deputy Prime Minister 1989 to 1990. He is also a member of the International Advisory Council of J P Morgan and Chairman of the Framlington Russian Investment Fund.

Michael Miles OBE †*#

Age 60. Appointed a director in December 1996. He is also a director of John Swire and Sons and ING Barings and a non-executive director of BP and Johnson Matthey. He has spent most of his working career with Swires and has been Chairman of both Swire Pacific and Cathay Pacific Airways.

Carl Painter
Chairman and CEO, BICC Cables Corporation

Age 50. An electrical engineer and a graduate of Harvard Business School. A director since January 1995. Prior to the creation of Cablec Corporation (now part of BICC Cables Corporation), where he was Executive Vice President, he was with Phelps Dodge Cable and Wire Company.

Christopher Reeves †*#

Age 61. A director since 1982. He is also Chairman of Merrill Lynch International and Merrill Lynch Europe, a director of Cornhill Insurance and other companies and City University Treasurer.

Udo Stark †*#

Age 49. A director since June 1995. He is also Chairman of AGIV, the international engineering and technical services group based in Frankfurt, and is a graduate of Harvard Business School. Previously Chief Financial Officer of ENKA and Chief Executive of AKZO-ENKA.

Michael Welton
Chief Executive, Balfour Beatty

Age 50. A civil engineer. A director since January 1996. In 1994, he became joint Managing Director of Balfour Beatty with responsibility for Civil Engineering, Construction and Building Services. Prior to this, he held a variety of senior management positions in the Civil Engineering Division of Balfour Beatty. He joined the BICC Group in 1978.

Peter Zinkin
Director of Planning and Development

Age 43. A graduate of the London Business School. A director since 1991 having joined BICC in 1981. He is also a governor and director of the University of North London.

† Non-executive directors
* Member of the Audit Committee
# Member of the Compensation and Appointments Committee

Christopher Reeves is Chairman of the Audit Committee and Viscount Weir is Chairman of the Compensation and Appointments Committee.

Directors' Report

For the year ended 31 December 1996

Activities

The Chairman's Statement on page 3, the Chief Executive's Review on pages 4 to 6, the Financial Review on pages 7 and 8 and the Operating Review on pages 9 to 21 report on the principal activities of the Group, its operations during 1996 and future developments in its businesses.

Dividends

The directors recommend a final dividend on ordinary shares of 8.5p (net) per share, making, with the interim dividend of 3.91p (as adjusted for the Company's September 1996 rights issue), a total dividend for 1996 of 12.41p (net). Preference dividends totalling 10.75p (gross) per preference share have been paid for 1996.

Research and Development

The Group continues to be committed to investment in research and development in both cables and construction. This covers new products and manufacturing processes and innovation in areas such as information technology.

The Group has an international network of seven cable technology centres. The R&D programmes in these centres and in the cable operating units of the Group are coordinated by a worldwide cables technology board. A number of projects are sponsored at universities and research institutes. The worldwide programme of Manufacturing and Business Excellence, started in 1993, has led to the recruitment of a substantial number of graduate manufacturing engineers in cablemaking plants and the formation of supporting centres for manufacturing engineering and information technology applications. 1996 has been a record year for the number of successfully completed factory improvement projects. Technology transfer activities spread the resulting improvements and best practices across the Group's cable plants worldwide.

Balfour Beatty undertakes a range of development initiatives throughout its businesses, which are supported by the Group's Central Technical Unit and by links with selected universities.

The high quality of technical work in the Group is reflected by recent successes in obtaining funding from the European Commission and from the UK and Australian governments for a series of collaborative R&D projects in cables and construction.

Details of the Group's R&D expenditure is given in Note 2(b) on page 38.

Directors

Brief biographical details of the present directors of the Company are set out on page 26.

No director was materially interested in contracts of significance with the Group during the period under review. Interests of directors in the share capital of the Company and its subsidiary undertakings are set out in Note 21(b) on page 46 and, in respect of options over such share capital, in the Compensation and Appointments Committee's Report on page 33.

Employment

The wide variety of employment environments within the Group has broadened further through expansion in the Asia-Pacific region and the acquisition of three British Rail Infrastructure businesses. In this diverse and decentralised organisation, employment practices tailored to fit the individual businesses work best and, therefore, remain largely the responsibility of local operating units.

Increasing international appointments assist the spread of good practice in employment. Common themes across the Group are communicated in a range of publications, covering business performance, technology and organisation. Individual operating units supplement these on matters of local importance and interest with newspapers and consultation meetings with employees. BICC Cables has set up a European Consultation Forum, a voluntary arrangement under the European Union Directive on Works Councils. This Forum, composed of management and representatives of employees in five countries, aims to promote a common understanding of the Group's multi-national European cables business.

Five of the present ten trustees of the BICC Group Pension Fund are member nominated. Consultation and communication takes place through a Pensions Liaison Committee, in which member representatives discuss pension matters with management and fund advisers. Since 1987, men and women joining the BICC Group Pension Fund have had equal retirement ages.

UK employees continue to participate in the BICC savings-related share option scheme and a number of profit related pay schemes. They all serve to reinforce the awareness of employees of the financial and economic factors affecting the performance of the Group.

The Board continues to accept the responsibility to ensure that disabled people, whether as applicants or as employees, are considered for opportunities within the Group solely on the basis of their aptitudes and abilities and that people who become disabled are given appropriate retraining.

Share Capital

Details of share capital issued by the Company during 1996 are set out in Note 17 on page 44.

As at 4 March 1997, the Company had been notified in accordance with the Companies Act 1985 of the following interests in its ordinary share capital and informed that they all constitute interests arising from fund management activities:

The Capital Group Companies, Inc.	42,140,214 shares	10.05%
Deutsche Morgan Grenfell Group plc	40,735,621 shares	9.72%
Franklin Resources, Inc.	42,825,354 shares	10.21%
M&G Group P.L.C.	38,072,898 shares	9.08%
Mercury Asset Management plc	39,830,549 shares	9.50%

Directors' Report continued

Payment of Creditors

In the UK, the Company's policy is to settle the terms of payment with suppliers when agreeing the terms for each transaction or series of transactions; to seek to ensure that suppliers are aware of the terms of payment; and to abide by these terms of payment as and when satisfied that the supplier has provided the goods or services in accordance with the agreed terms.

Corporate Governance

The Board continues to endorse the principles of good corporate governance reflected in the Cadbury Report. The Company has complied with all aspects of the Code of Best Practice set out in that report throughout the financial year ended 31 December 1996.

The Board's statement as to going concern is set out in the Financial Review on page 8. The auditors' report on compliance with the Code is set out on page 51.

• The Board and its Committees

The Board comprises six executive directors and six non-executive directors. Biographical details of the directors are set out on page 26, together with their respective roles.

The Board meets monthly. It has a schedule of matters specifically reserved to it, including appropriate strategic, financial and organisational issues. It has delegated some of its responsibilities to Board Committees. Each Committee has its own formal terms of reference and all its proceedings are reported to the Board. The key committees are the Audit Committee and the Compensation and Appointments Committee. The members of both these Committees are given on page 26. The remit of the former is described below and that of the latter in its report on page 31. Matters dealt with by other Committees include capital expenditure and investments, major tenders and banking issues.

• Internal Control

The Group's system of internal financial control continues to comprise all the procedures which combine to give reasonable, but not absolute, assurance of:

- the safeguarding of assets against unauthorised use or loss; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

A clear framework for control is in place, the main features being:

Company principles are communicated throughout the Group. They lay down the Company's responsibilities to shareholders, customers, suppliers, employees and the wider community. The Company pursues its financial goals and longer term objectives without losing sight of the wider context in which its businesses operate.

Organisation structures, responsibilities and limits of authority are clearly defined throughout the Group.

Areas of business activity are regulated by the Board through the Chief Executive's Committee. Tenders for new business are reviewed by local tender committees and, above agreed levels, by the Group Tender Committee.

Strategic planning, budgeting and financial reporting policies are defined clearly in the Group Finance Manual. It applies to all operating units and is supplemented by appropriate local instructions. Monthly financial results are reported against budget and full year forecasts are made and are reviewed by the Board.

Investment decisions follow established procedures. These commence within the annual budget process in which projects and all capital events, whatever their nature, are individually identified according to approval requirements. In addition, total capital expenditure by each operation is monitored against budgets approved by the Board and major projects are subject to post completion reviews.

The Audit Committee reviews all significant judgements made in the Group's annual and half year accounts prior to Board approval and publication. The Committee provides for regular communication between the Board and the Group's external and internal auditors. It also receives reports on audit activity and approves the annual audit programme. It has power to seek external advice in any of its deliberations.

An Internal Audit function is located in each of Balfour Beatty and the other Group Companies. It is centrally coordinated by the Head of Group Audit and Risk Management, who has direct reporting lines to the Board and, in particular, to the Audit Committee. A programmed review of critical business processes and controls, covering operational matters as well as compliance with key financial controls, is carried out based on an assessment of the risks involved.

Borrowing, deposit, guarantee and bond facilities are negotiated centrally. Their use is monitored closely by local treasury managers who have functional reporting lines to the Group Treasurer. Foreign currency transaction exposures are hedged as soon as there are firm contractual commitments. Foreign exchange dealing is restricted to designated individuals and strictly separated from approval and settlement processes. Currency translation exposures are centrally managed.

Metals procurement, especially copper and aluminium for the cables businesses, is coordinated regionally. Where possible, quantities of metal are matched to customer orders at equivalent cost. To minimise the impact on profit of fluctuations in metals prices, controls are in place to monitor the quantity and cost of unmatched metals and take action, where appropriate, to keep exposures within narrow limits.

• Internal Control – Quality Assurance

The directors acknowledge that they are responsible for the Company's systems of internal financial control. The managers of the Group's operating units assess the effectiveness of the control environment in their areas and are responsible for the operation of key internal financial controls. This is confirmed in writing on an annual basis. The Audit Committee and the Board review this control framework and the associated detailed procedures at least once a year.

General Information

In 1996 the Group contributed £0·2 million to UK charities. The Company is not a close company for taxation purposes.

Safety and the Environment

Each of the Group Companies maintains and continuously refines its own detailed policies and procedures in respect of health and safety and environmental matters and annually reports on these matters to the Board in relation to its operations worldwide. Such policies and procedures incorporate the Group's policy on these matters set out in the Group's formal statement of Company Principles.

During 1996, the overall health and safety record of the Group further improved, principally due to the continued implementation, enhancement and operation of health and safety management systems, with assessment procedures and auditing systems to measure health and safety performance. Employees and managers are committed to continuous improvement of health and safety performance. Group Companies continue to provide technology, training and other resources to support and enable effective application of health and safety procedures. In 1996, BICC Cables received 20 awards from the Royal Society for the Prevention of Accidents. BICC Cables awards a Shield for Excellence in Health and Safety to the best performing facility. In 1996 it was awarded to Optical Fibres in the UK.

Balfour Beatty continues to develop its systems for environmental monitoring and reporting. Where practical, they have been linked with existing safety and quality management arrangements. These systems include the formal evaluation of environmental risk (including, where appropriate, contaminated land surveys and arrangements for waste disposal) as part of the overall risk assessment at tender stage. Training and research programmes are in place to further refine these systems.

The Group's worldwide cables business continues to develop and implement its environmental policy throughout its operating units. Action plans are in place for all relevant units to implement environmental management systems and to move towards certification to EN ISO 14001, an international standard. This builds on the attainment of BS 7750 by four units in the UK in 1996 and the design of procedures and documentation for compatibility with ISO standards by units in North America. Environmental management systems incorporate assessment of environmental effects and the implementation of environmental improvement projects, which are subject to internal review and external audit.

Environmental awareness training is also carried out in each of the Group's cable operating units, together with the training of in-house environmental auditors. An Environmental Forum, principally for BICC Cables' European operations, and an Environmental Management Work Council for North American operations, direct the sharing of information and development of best practice across their respective businesses. Technology programmes are being used to develop the Group's ability to meet future requirements of product stewardship, including collaboration with industrial partners and universities. New products are being developed to assist the Group's customers in meeting environmental aspects of market needs. Supplier evaluation also includes environmental considerations.

The Group's cables operations continue to work with industry associations at national and international levels in the development of environmental guidance applicable to the cable industry and in contributing towards the standards making process, again at national and international levels. Health and safety management systems and quality and environmental management systems are, typically, being integrated to improve performance and efficiencies.

The Board is satisfied that safety and environmental matters are given appropriate attention throughout the Group's operations.

Auditors

Arthur Andersen has indicated its willingness to continue as auditors.

Annual General Meeting

Special business to be put to the Annual General Meeting will be:

- An Ordinary Resolution to increase the authorised share capital of the Company by the creation of 203,457,786 ordinary shares of 50p each, equivalent to approximately 40% of the Company's existing authorised ordinary share capital. Following the Company's rights issue in 1996, the Board considers it desirable to have more ordinary shares available for allotment in appropriate circumstances, though it has no current intention to allot further share capital, other than in connection with the conversion of the Company's existing preference shares and the exercise of outstanding employee share options. (Resolution 5)
- An Ordinary Resolution to renew the directors' authority to allot shares with a maximum aggregate nominal amount of £69,878,481, representing one third of the Company's issued ordinary share capital as at 4 March 1997. This authority would replace the directors' existing authority that expires on 28 May 1997 and would itself expire at the conclusion of the Company's annual general meeting to be held in 2002 or, if earlier, on 30 April 2002. The Board has no current intention to allot relevant securities pursuant to this authority, other than in relation to any scrip dividend alternative which may be offered. (Resolution 6)
- A Special Resolution to renew the directors' power to allot shares for cash or to facilitate rights issues. This authority requires to be renewed annually and, other than in relation to shares issued by way of rights, will be restricted to a maximum aggregate nominal amount of £10,481,772, representing 5% of the Company's issued ordinary share capital as at 4 March 1997. This authority would expire at the conclusion of the Company's annual general meeting to be held in 1998 or, if earlier, on 31 July 1998. (Resolution 7)

By Order of the Board
S F Murray
Secretary
4 March 1997

Notice of Meeting

Notice is given that the fifty-second Annual General Meeting of BICC plc will be held at the Mandarin Oriental Hyde Park, 66 Knightsbridge, London SW1Y 7LA on Wednesday 30 April 1997 at 12.00 noon for the following purposes:

Routine Business

1 To receive and, if thought fit, adopt the directors' report and the accounts for the year ended 31 December 1996.

2 To declare a final dividend on the ordinary shares of the Company.

3 To re-elect Mr R A Henderson and Mr H M P Miles as directors.

4 To re-appoint auditors.

Special Business

5 To consider and, if thought fit, pass as an Ordinary Resolution:
THAT the authorised share capital of the Company be increased from £248,271,107 to £350,000,000 by the creation of 203,457,786 ordinary shares of 50p each.

6 To consider and, if thought fit, pass as an Ordinary Resolution:
THAT, subject to and conditional upon the passing of Resolution 5 set out in this Notice, the directors be authorised in the terms of paragraph (B)(i) of Article 11 of the Company's Articles of Association to allot relevant securities for the period beginning on 1 May 1997 and ending at the conclusion of the Company's annual general meeting to be held in 2002 or, if earlier, on 30 April 2002 and for such period the Section 80 Amount (as defined in paragraph (B)(iii) of that Article) shall be £69,878,481, such authority to replace the authority to allot relevant securities granted by an ordinary resolution passed at a general meeting of the Company held on 29 May 1992.

7 To consider and, if thought fit, pass as a Special Resolution:
THAT, subject to and conditional upon the passing of Resolutions 5 and 6 set out in this Notice, the directors be empowered in the terms of paragraph (B)(ii) of Article 11 of the Articles of Association of the Company to allot equity securities (pursuant to the authority granted by the passing of Resolution 6 set out in this Notice) for cash for the period beginning on 1 May 1997 and ending at the conclusion of the Company's annual general meeting in 1998 or, if earlier, on 31 July 1998 and for such period the Section 89 Amount (as defined in paragraph (B)(iii) of that Article) shall be £10,481,772.

By Order of the Board
S F Murray
Secretary
4 March 1997

Notes:

(i) Only persons entered on the register of members of the Company at 5.00 pm on the second day prior to the date of the Meeting or any adjournment of it shall (if otherwise entitled to do so) be entitled to attend and vote at the Meeting or any such adjournment. This is in compliance with paragraph 34 of the Uncertificated Securities Regulations 1995 and the Company's Articles of Association.

(ii) A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company. For holders of ordinary shares, a Form of Proxy is enclosed.

(iii) To be valid for the Meeting, any enclosed Form of Proxy should be completed, signed and lodged (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) with the Company's Registrars at the address set out in it no later than 48 hours before the time for which the Meeting is convened.

(iv) If approved, the final dividend on ordinary shares will be paid to holders of ordinary shares (other than in respect of ordinary shares for which elections are made for any scrip dividend alternative which may be offered) registered in the books of the Company on 12 May 1997. Warrants will be posted on 27 June 1997 payable on 1 July 1997. Share certificates for new shares will be posted on 30 June 1997 to shareholders who elect for any scrip dividend alternative which may be offered.

Compensation and Appointments Committee's Report

Membership

The Board's Compensation and Appointments Committee consists of all the non-executive directors, none of whom is involved in the day-to-day running of the Company. I chair the Committee in my capacity as non-executive Chairman of the Company and I invite the Chief Executive, Mr A W Jones, to join our meetings whenever appropriate. The Director of Personnel, Mr M Kirkman, is secretary to the Committee.

The Committee complied during 1996 with all the best practice provisions relating to remuneration committees set out in Greenbury's Code of Best Practice as reflected in the London Stock Exchange Listing Rules.

No person participates in decisions relating to his own remuneration or fees and this principle has applied throughout 1996.

Terms of Reference

Our principal terms of reference are to recommend appointments to the Board; to determine the Company's remuneration policy for its executive directors and senior managers; and to define the remuneration and conditions of service for each executive director.

Remuneration Policy

The Committee has given full consideration to the best practice provisions relating to remuneration policy, service contracts and compensation annexed to the London Stock Exchange Listing Rules.

Salary and annual incentive plan policies. The policy which we have determined in relation to the annual remuneration of executive directors and senior managers continues to be:

- to pay base salaries which reflect the size, performance and international complexity of the Group's businesses and the contribution of individual job-holders. We receive advice from external sources to help us assess the salary levels paid in comparable companies;
- to operate an **Annual Incentive Plan** which relates the payment of cash bonuses to pre-determined performance goals. Such goals are expressed as EPS targets for corporate directors and as a combination of EPS and profit and cash targets for those directors who have responsibility for specific businesses, except for Mr C E Painter who is resident in the USA and whose goals are expressed as profit and cash targets for BICC Cables Corporation. The maximum bonus for UK resident directors is 50% of base salary and no bonus is pensionable. For the year ended 31 December 1996, the only bonus earned was £89,900 by Mr Painter.

Long term benefits policy. After approval at the Annual General Meeting in April 1996, a **Long Term Incentive Plan** and related employee share ownership trust were established. The Plan is designed to reinforce the identity of interest between the Company's shareholders and senior management. Each of the executive directors, and a small number of senior managers, accepted invitations to participate in the 1996 cycle of the Plan.

For the 1996 cycle, the Company's total shareholder return performance is compared, by external advisers, over the three year period commenced 1 January 1996 with the total shareholder return of the companies in the FTSE 100 and in a smaller comparator group. The latter consists of Alcatel Cables SA, Delta plc, The General Electric Company, plc, GKN plc, LucasVarity plc, TI Group plc, Amec p.l.c. and Tarmac plc.

Each participant may be awarded up to a maximum of 50% of his average annual salary over the last 24 months of the three year performance period (75% in the case of Mr A W Jones) on the following scales:

FTSE 100		Smaller Comparator Group	
Position	% of salary	Position	% of salary
1–25	25*	1–2	25*
26–33	20	3	20
34–41	15	4	15
42–49	10	5	10
50–57	5	6	5
58–65	3	7	3
66 and over	0	8–9	0

* For Mr A W Jones the maximum percentage is 37.5% for each comparator group decreasing at the same rate as the above scales.

Each award will be paid half in cash and half in the form of a conditional allocation of ordinary shares in the Company. Such shares will normally be released two years after the date of the award and only if the participant continues to be employed by the Group.

The amount of each award will be determined after the announcement of the Company's preliminary results for 1998. Accordingly, for 1998, the maximum bonus under the **Annual Incentive Plan** will be reduced from the current maximum of 50% (75% for the Chief Executive).

Each executive director has also accepted an invitation to participate in the 1997 cycle of the **Long Term Incentive Plan** on the same basis as above, but with the performance period being the three years commenced 1 January 1997 and with Alcatel Cables SA being replaced by Siemens AG in the smaller comparator group.

In February 1996, in accordance with his original contract of employment and under the **executive share option scheme**, Mr A W Jones was granted an option over 153,404 shares at a price of 288.5p per share (as adjusted for the Company's rights issue in September 1996). He will be able to exercise this option only if the average earnings per ordinary share of the Company over the last three complete calendar years prior to exercise grows by at least 2.5% per annum or 7.5% more than any percentage increase in the Retail Price Index over the same period. The Committee had already decided that, after the approval of the **Long Term Incentive Plan** at the Annual General Meeting in April 1996, no participant in it would in future be granted options under the **executive share option scheme.**

Executive directors continue to participate in the **savings-related share option scheme.**

Service contracts. Each executive director has a notice period of 24 months in his service agreement. There is no provision in any of these agreements for pre-determined compensation in the event of early termination.

Compensation and Appointments Committee's Report continued

1997 Re-election of Directors

Each of Sir Robert Davidson and Lord Howe retires by rotation at the conclusion of the Annual General Meeting and neither will be seeking re-election.

Mr H M P Miles was appointed a non-executive director on 10 December 1996. Under the Articles of Association, he retires at the Annual General Meeting and, being eligible, offers himself for re-election. Mr Miles, as a non-executive director, does not have a service contract with the Group. Mr R A Henderson, who retires by rotation at the conclusion of the Annual General Meeting and, being eligible, offers himself for re-election, is an executive director and has a service contract with the Company with an unexpired term of two years.

Directors' Remuneration and Options

The first table which follows details the elements of the remuneration package earned by each director in 1996. The second table sets out the interests of the current directors and anyone who was a director in 1996 in options granted over ordinary shares in the Company. Except as disclosed above in respect of the Long Term Incentive Plan, in this second table or in Note 21(b) to the financial statements on page 46, no director had any interest in the share or loan capital of the Company or any subsidiary undertaking of it during the year.

Elements of Remuneration Package of each Director earned in 1996

	Basic salary £	Fees £	Benefits in kind £	Annual bonus £	Company pension contributions £	Total remuneration for 1996 £	Total remuneration for 1995 £
Sir Robin Biggam	94,231	–	5,177	–	30,490	129,898	487,781
A W Jones	377,094	–	10,219	–	41,163	428,476	285,718
Sir Peter Bonfield	–	5,923	–	–	–	5,923	20,000
E Clark	78,333	–	4,073	–	57,952	140,358	325,605
Sir Robert Davidson	–	20,000	–	–	–	20,000	20,000
M J Downie	194,096	–	13,336	–	63,857	271,289	–
R A Henderson	206,680	–	12,602	–	68,074	287,356	252,045
Lord Howe of Aberavon	–	20,000	–	–	–	20,000	20,000
P J Mason	21,725	–	506	–	2,292	24,523	284,729
H M P Miles	–	1,354	–	–	–	1,354	–
C E Painter	239,490	–	11,043	89,900	26,054	366,487	311,463
C R Reeves	–	20,000	–	–	–	20,000	20,000
U G Stark	–	20,000	–	–	–	20,000	11,667
Viscount Weir	–	100,000	–	–	–	100,000	50,000
M W Welton	191,555	–	9,968	–	63,062	264,585	–
P J L Zinkin	191,555	–	17,359	–	63,062	271,976	253,863
Total	1,594,759	187,277	84,283	89,900	416,006	2,372,225	2,342,871

Notes:

Company pension contributions: At the time of our report, no decision had been taken by the London Stock Exchange on the method to be used for the disclosure of pension entitlements earned by each director during the year.

Mr Painter, who is resident in the USA, is a member of BICC Cables Corporation's Pension, Retirement, Profit Sharing and Savings Plan and Supplemental Retirement Plan.

All other executive directors, with the exception of Mr A W Jones, accrue all their pension benefits from final salary schemes and no Company contributions are directly attributable to individual members. The figures quoted in this table therefore represent the appropriate proportion of contributions which, on actuarial advice, the Company pays on the total of all relevant salaries. Mr A W Jones' salary is subject to the Inland Revenue cap for pension purposes and, with effect from 1 October 1996, the Company contributes to a Funded Unapproved Retirement Benefit Scheme for him. The contribution paid in 1996 to this scheme (£31,407) is included in the column headed 'Company pension contributions'.

On Mr E Clark's retirement from the Board in April 1996 the Company injected a capital sum of £37,500 into the Senior Executive Pension Fund to produce a full age 62 pension based on his normal retirement date of November 1996. This sum is included in the column headed 'Company pension contributions'.

In all cases the only element of remuneration which is pensionable is basic salary.

Benefits in kind: Benefits in kind are calculated in terms of taxable values in the UK or, in the case of Mr Painter, in the USA.

Sir Robin Biggam: Sir Robin Biggam retired from the Board on 30 June 1996.

Sir Peter Bonfield: Sir Peter Bonfield retired from the Board on 16 April 1996.

Mr E Clark: Mr Clark retired from the Board on 16 April 1996.

Mr P J Mason: Mr Mason resigned from the Board on 31 January 1996.

Mr M J Downie: Mr Downie joined the Board on 1 January 1996.

Mr M W Welton: Mr Welton joined the Board on 1 January 1996.

Mr H M P Miles: Mr Miles joined the Board on 10 December 1996.

Options

	Number of options				Exercisable	
	At 1 January 1996*	Date granted	At 31 December 1996	Exercise price (p)*	from	to
Sir Robin Biggam	121,802	3 May 1989	121,802	457.9	May 1992	May 1999
	32,833	10 May 1990	32,833	375.8	May 1993	May 2000
	37,076	16 April 1991	37,076	417.7	April 1994	April 2001
	104,849	14 April 1992	104,849	305.0	April 1995	April 2002
A W Jones	204,538	13 April 1995	204,538	311.9	April 1998	April 2005
	–	29 February 1996	153,404	288.5	February 1999	February 2006
E Clark	25,424	16 September 1988	25,424	316.2	September 1991	September 1998
	18,005	3 May 1989	18,005	457.9	May 1992	May 1999
	3,091	*11 May 1990*	–	*349.3*	*August 1995*	*January 1996*
	96,398	16 April 1991	96,398	417.7	April 1994	April 2001
	63,545	14 April 1992	63,545	305.0	April 1995	April 2002
	1,231	*19 May 1992*	–	*243.6*	*August 1997*	*January 1998*
M J Downie	29,656	10 May 1990	29,656	375.8	May 1993	May 2000
	38,127	14 April 1992	38,127	305.0	April 1995	April 2002
	3,078	*19 May 1992*	*3,078*	*243.6*	*August 1997*	*January 1998*
	2,812	*12 May 1993*	*2,812*	*269.9*	*August 1998*	*January 1999*
	820	*18 May 1994*	*820*	*336.4*	*August 1999*	*January 2000*
	51,135	13 April 1995	51,135	311.9	April 1998	April 2005
R A Henderson	26,484	16 September 1988	26,484	316.2	September 1991	September 1998
	88,967	10 May 1990	88,967	375.8	May 1993	May 2000
	41,303	14 April 1992	41,303	305.0	April 1995	April 2002
	–	*8 May 1996*	*6,438*	*267.9*	*August 2001*	*January 2002*
P J Mason	122,723	6 October 1992	122,723	246.4	October 1995	October 2002
	92,042	26 April 1993	–	352.0	April 1996	April 2003
C E Painter	42,369	10 May 1990	42,369	377.6	May 1993	May 2000
	22,240	14 April 1992	22,240	305.0	April 1995	April 2002
	39,885	26 April 1993	39,885	352.0	April 1996	April 2003
	30,681	27 April 1994	30,681	438.1	April 1997	April 2004
M W Welton	17,385	21 April 1988	17,385	306.8	April 1991	April 1998
	31,772	14 April 1992	31,772	305.0	April 1995	April 2002
	1,847	*19 May 1992*	*1,847*	*243.6*	*August 1997*	*January 1998*
	15,340	27 April 1994	15,340	438.1	April 1997	April 2004
	15,340	13 April 1995	15,340	311.9	April 1998	April 2005
	2,012	*16 May 1995*	*2,012*	*257.2*	*August 2000*	*January 2001*
	–	*8 May 1996*	*2,575*	*267.9*	*August 2001*	*January 2002*
P J L Zinkin	23,301	3 May 1989	23,301	457.9	May 1992	May 1999
	12,928	10 May 1990	12,928	375.8	May 1993	May 2000
	2,061	*11 May 1990*	–	*349.3*	*August 1995*	*January 1996*
	19,067	16 April 1991	19,067	417.7	April 1994	April 2001
	76,254	14 April 1992	76,254	305.0	April 1995	April 2002
	1,847	*19 May 1992*	*1,847*	*243.6*	*August 1997*	*January 1998*
	1,661	*12 May 1993*	*1,661*	*269.9*	*August 1998*	*January 1999*
	512	*18 May 1994*	*512*	*336.4*	*August 1999*	*January 2000*
	–	*8 May 1996*	*2,575*	*267.9*	*August 2001*	*January 2002*

*As adjusted, on terms approved by the Inland Revenue, for the Company's September 1996 rights issue.

Options shown in italics were granted pursuant to the Company's UK all employee savings-related share option scheme.

The middle market price of the Company's ordinary shares on 31 December 1996 was 277p. During the year the price ranged from 246.5p to 359.5p.

No director exercised any option, nor did any option lapse unexercised, during the year, save that, of the options referred to above, those under the savings-related share option scheme granted on 11 May 1990 to Messrs Clark and Zinkin lapsed in January 1996 and granted on 19 May 1992 to Mr Clark lapsed in June 1996; and the option under the executive share option scheme granted on 26 April 1993 to Mr Mason lapsed in January 1996.

All interests at the dates shown are beneficial and there were no changes between 31 December 1996 and 4 March 1997.

Viscount Weir
Chairman
4 March 1997

Group profit and loss account

For the year ended 31 December	Notes	Before exceptional items 1996 £m	Exceptional items (Note 3) 1996 £m	Total 1996 £m	Before exceptional items 1995 £m	Exceptional items (Note 3) 1995 £m	Total 1995 £m
Turnover including share of sales of associated undertakings	1	4,668	–	4,668	4,362	–	4,362
Continuing operations		4,432	–	4,432	4,362	–	4,362
Acquisitions		236	–	236	–	–	–
Group share of sales of associated undertakings		(432)	–	(432)	(299)	–	(299)
Turnover		4,236	–	4,236	4,063	–	4,063
Continuing operations		4,085	–	4,085	4,063	–	4,063
Acquisitions		151	–	151	–	–	–
Cost of sales		(3,646)	(65)	(3,711)	(3,504)	(36)	(3,540)
Gross profit		590	(65)	525	559	(36)	523
Net operating expenses	2	(457)	–	(457)	(438)	(13)	(451)
Share of profits less losses of associated undertakings		31	–	31	29	–	29
Operating profit		164	(65)	99	150	(49)	101
Continuing operations		140	(65)	75	150	(49)	101
Acquisitions		24	–	24	–	–	–
Net loss on sale and termination of operations		–	–	–	–	(127)	(127)
Profit/(loss) before interest	2	164	(65)	99	150	(176)	(26)
Net interest payable and similar charges	4			(35)			(41)
Profit/(loss) on ordinary activities before taxation				64			(67)
Taxation	5			(38)			(33)
Profit/(loss) after taxation				26			(100)
Minority interests (including non-equity interests)	6			(23)			(16)
Profit/(loss) for the financial year				3			(116)
Dividends: Preference	7			(15)			(15)
Ordinary	7			(50)			(44)
Transfer from reserves				(62)			(175)
Adjusted earnings per ordinary share	8			13.0p			9.4p
Exceptional items after attributable taxation and minority interests	3			(16.2)p			(45.7)p
Loss per ordinary share	8			(3.2)p			(36.3)p
Dividends per ordinary share	7			12.41p			12.22p

Movements on reserves are set out in Note 18.

Statement of total recognised gains and losses

For the year ended 31 December	1996 £m	1995 £m
Profit/(loss) for the financial year	3	(116)
Exchange adjustments	(10)	2
Total recognised gains and losses for the year	(7)	(114)

Balance sheets

At 31 December	Notes	BICC Group 1996 £m	BICC Group 1995 £m	BICC plc 1996 £m	BICC plc 1995 £m
Fixed assets					
Tangible assets	9	629	669	133	130
Investments	10	87	131	528	570
		716	800	661	700
Current assets					
Stocks	11	390	462	111	103
Debtors – due within one year	12	844	867	152	151
– due after one year	12	112	66	31	15
Cash and deposits	13	334	265	144	89
		1,680	1,660	438	358
Creditors: amounts falling due within one year					
Borrowings	13	(206)	(306)	(7)	(2)
Other	14	(1,209)	(1,173)	(204)	(276)
Net current assets		265	181	227	80
Total assets less current liabilities		981	981	888	780
Creditors: amounts falling due after more than one year					
Borrowings	13	(156)	(205)	(31)	(37)
Minority redeemable capital	15	(52)	(59)	–	–
Other	14	(43)	(32)	–	–
Provisions for liabilities and charges	16	(124)	(152)	(50)	(44)
		(375)	(448)	(81)	(81)
		606	533	807	699
Capital and reserves					
Called-up share capital	17	212	179	212	179
Share premium account	18	322	183	322	183
Revaluation reserves	18	64	70	23	25
Other reserves	18	14	14	63	67
Goodwill reserve	18	(333)	(306)	–	–
Profit and loss account	18	219	285	187	245
Shareholders' funds		498	425	807	699
Equity interests		321	248	630	522
Non-equity interests		177	177	177	177
Minority equity interests		74	73	–	–
Minority non-equity interests		34	35	–	–
		606	533	807	699

On behalf of the Board

Viscount Weir
R A Henderson
Directors
4 March 1997

Weir
Ronald Henderson

Group cash flow statement

For the year ended 31 December	Notes	1996 £m	1995 £m
Net cash inflow from operating activities	26	258	264
Returns on investments and servicing of finance			
Interest received		20	14
Interest paid		(51)	(61)
Dividends paid:			
On preference shares		(15)	(8)
To minority shareholders		(27)	(18)
Net cash outflow from returns on investments and servicing of finance		(73)	(73)
Taxation		(24)	(41)
Capital expenditure and financial investment			
Capital expenditure		(118)	(84)
Disposal of tangible fixed assets		15	12
Investment in associated undertakings		(6)	(30)
Net cash outflow from capital expenditure and financial investment		(109)	(102)
Acquisitions and disposals			
Acquisitions of businesses	26	(50)	(6)
Disposals of businesses	26	57	13
Net cash inflow from acquisitions and disposals		7	7
Ordinary dividends paid		(42)	(51)
Cash inflow before use of liquid resources and financing		17	4
Management of liquid resources			
Increase in term deposits		(136)	(27)
Net cash outflow from management of liquid resources		(136)	(27)
Financing			
Issue of ordinary shares		174	–
Issue of shares to minority interests		3	1
New loans		41	107
Repayment of loans		(163)	(110)
Capital element of finance lease payments		(3)	(3)
Expenses paid in connection with share issues		(4)	–
Net cash inflow/(outflow) from financing		48	(5)
Decrease in cash in the period	26	(71)	(28)

Cash inflow/(outflow) before acquisitions and disposals of businesses*		10	(3)

*Defined as cash inflow before use of liquid resources and financing and before acquisitions and disposals of businesses.

Principal accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

1 **Basis of accounting**
The accounts have been prepared under the historical cost convention, modified for the revaluation of certain land and buildings, and comply with all applicable accounting standards and the Companies Act 1985.

The accounts have been restated to comply with FRS 1 Cash Flow Statements (Revised) and, accordingly, the format of the Group cash flow statement and related footnotes have been amended.

2 **Basis of consolidation**
The Group accounts include the accounts of the Company and its subsidiary undertakings, together with the Group's share of the results of associated undertakings.

Goodwill, being the excess of purchase price over the fair value of net tangible assets, is taken to reserves.

The Group's share of the net assets of contracting joint ventures, when it has a significant influence, is included under each relevant heading within the balance sheet.

3 **Foreign currencies**
The results of overseas subsidiary and associated undertakings are translated at average rates of exchange for the year. Assets and liabilities are translated at year end rates. Exchange differences on opening net assets less offsetting foreign currency loans and other hedging instruments are dealt with in reserves. All other exchange differences are dealt with in the profit and loss account.

4 **Turnover**
Turnover represents amounts invoiced to outside customers, except in respect of contracting activities where turnover represents the value of work carried out during the year including amounts not invoiced. Turnover is recognised on property developments when they are subject to substantially unconditional contracts for sale. Turnover excludes value added and similar sales-based taxes.

5 **Profit recognition on contracting activities**
Profit on individual contracts is taken only when their outcome can be foreseen with reasonable certainty, based on the lower of the percentage margin earned to date and that prudently forecast at completion, taking account of agreed claims. Full provision is made for all known or expected losses on individual contracts, taking a prudent view of future claims income, immediately such losses are foreseen. Profit for the year includes the benefit of claims settled on contracts completed in prior years.

6 **Research and development**
Research and development expenditure is written off in the year in which it is incurred.

7 **Tangible fixed assets**
Except for land, the cost or valuation of tangible fixed assets is depreciated over their expected useful lives, on a straight line basis at rates of 2.5% for buildings, or the life of the lease if less than 40 years, and 4% to 33% for plant and equipment.

Assets held under finance leases are treated as tangible fixed assets; depreciation is provided accordingly, and the deemed capital element of future rentals is included within borrowings. Deemed interest, calculated on a reducing balance basis, is charged as interest payable over the period of the lease. The rental costs arising from operating leases are charged against profit before interest as they arise.

8 **Investments**
Associated undertakings are included in the consolidated accounts at the Group's share of net tangible asset values, plus net loans due from such undertakings, less amounts written off. The excess of attributable net tangible assets of associated undertakings over their cost is included in the Group's revaluation reserve. Other Group investments and the Company's investments are stated at cost plus loans, less amounts written off.

9 **Stocks**
Stocks are valued at the lower of cost and net realisable value. Cost where appropriate includes a proportion of manufacturing overheads and interest costs of property development expenditure incurred during the construction period. Applications for progress payments are deducted from cost, with any excess included in other creditors as advance progress applications.

10 **Deferred taxation**
Deferred taxation is provided using the liability method. Timing differences arising from capital allowances are fully recognised since the directors consider such differences will reverse in the foreseeable future. Unrecovered advance corporation tax on dividends paid and proposed is deducted from UK deferred taxation up to a maximum amount equivalent to 20/33rds thereof, with the balance written off.

Provision is not made for taxation which would be payable if the retained profits of overseas subsidiary and associated undertakings were remitted to the UK, or which would arise on any excess of the sale proceeds over the cost of land and buildings if they were to be sold at their revalued amounts.

11 **Pensions**
Pension contributions are charged to the profit and loss account so as to spread the cost of providing pensions over employees' working lives with the Group.

Notes to the accounts

1 Segment analysis

(a) Performance by Group Company

	Turnover		Operating profit before exceptional items		Capital employed	
	1996 £m	1995 £m	1996 £m	1995 £m	1996 £m	1995 £m
Balfour Beatty	2,118	1,701	10	18	(128)	(110)
BICC Cables	1,294	1,376	94	79	483	498
BICC Cables Corporation	398	471	15	9	129	137
Metal Manufactures	724	709	37	41	189	209
BICC Developments	39	47	(7)	(7)	87	149
Other	95	58	15	10	16	34
	4,668	4,362	164	150	776	917
Net interest payable			(35)	(41)		
Profit before tax and exceptional items			129	109		
Net borrowings					(28)	(246)
Minority redeemable capital					(52)	(59)
Tax and dividends					(90)	(79)
					606	533

The effect of exceptional items on the performance by Group Company is set out in Note 3.
Acquisitions in 1996 all relate to Balfour Beatty.

(b) Performance by geographic origin

	Turnover		Operating profit before exceptional items		Capital employed	
	1996 £m	1995 £m	1996 £m	1995 £m	1996 £m	1995 £m
Europe	3,184	2,894	111	88	432	531
North America	642	670	6	8	125	152
Australasia	724	709	37	41	189	209
Other	118	89	10	13	30	25
	4,668	4,362	164	150	776	917

Turnover includes share of associated undertakings' turnover of £432m (1995: £299m) of which: in (a) above £250m (1995: £154m) relates to Balfour Beatty, £46m (1995: £41m) to BICC Cables and £75m (1995: £79m) to Metal Manufactures; in (b) above £294m (1995: £198m) relates to Europe and £75m (1995: £79m) to Australasia.

(c) Turnover by destination

	1996 £m	1995 £m
United Kingdom	2,052	1,803
Rest of Europe	634	664
North America	642	658
Australasia	532	531
Asia-Pacific	592	479
Other	216	227
	4,668	4,362

UK exports were £404m (1995: £348m).

2 Profit before interest

(a) Cost of sales and net operating expenses:

	Continuing operations £m	Acquisitions £m	1996 Total £m	1995 Total £m
Administrative expenses	244	11	255	244
Distribution expenses	202	–	202	207
Net operating expenses	446	11	457	451
Share of profits less losses of associated undertakings	26	5	31	29

In 1996, cost of sales includes exceptional items of £65m (1995: £36m). In 1995, administrative expenses and distribution expenses included exceptional items of £10m and £3m, respectively.

(b) Profit before interest is stated after charging:

	1996 £m	1995 £m
Depreciation	98	93
Hire charges for plant and equipment	51	47
Other operating lease rentals	35	35
Research and development expenditure	30	31
Auditors' remuneration, which for BICC plc was £0.4m (1995: £0.4m)	2	2

Fees paid to Arthur Andersen for non-audit services, including amounts not charged in profit before interest, amounted to £2.1m (1995: £1.1m) of which £1.5m (1995: £0.6m) was paid in the UK.

3 Exceptional items

	1996 £m	1995 £m
Exceptional items comprise:		
(a) Charged against operating profit:		
Rationalisation of cables businesses:		
Redundancy costs	(7)	(23)
Tangible fixed asset write-downs	(18)	(1)
Other costs and provisions	–	(10)
	(25)	(34)
Provisions against property development carrying values	(40)	(10)
Heathrow and TML contract provisions, net	–	(5)
	(65)	(49)
(b) Net profit/(loss) on sale and termination of operations:		
On sale of operations:		
Clarke Homes	–	(78)
Other businesses	–	(1)
	–	(79)
On termination of cables operations:		
Redundancy costs	–	(26)
Tangible fixed asset write-downs	–	(6)
Other costs and provisions	–	(16)
	–	(127)
	(65)	(176)

In 1996, the cost of rationalising the cables businesses arose in BICC Cables and the provisions against property development carrying values arose in BICC Developments. In 1996, sale of operations included £2m profit on the sale of Temco Ltd in BICC Cables and £2m loss, after charging goodwill of £2m, on the sale of Cofeal in Balfour Beatty.

In 1995, the total cost of reorganising the cables activities amounted to £82m of which £51m arose in BICC Cables and £31m in BICC Cables Corporation. Of the remaining exceptional items, £83m arose in Balfour Beatty (including Clarke Homes £78m), £10m in BICC Developments and £1m in Other. The loss on sale of operations was after charging goodwill of £54m of which £44m related to Clarke Homes and £9m to BRN Holdings.

Exceptional items have reduced the Group tax charge by £5m (1995: £7m) and minority interests by £nil (1995: £4m).

4 Net interest payable and similar charges

	1996 £m	1995 £m
Bank loans and overdrafts	40	48
Finance leases	3	3
Other loans	3	1
Minority redeemable preference dividends	5	5
	51	57
Interest receivable and similar income	(16)	(16)
	35	41

5 Taxation

	1996 £m	1995 £m
UK		
Corporation tax at 33%	40	25
Double taxation relief	(9)	(6)
	31	19
Deferred taxation	(11)	(8)
Advance corporation tax written (back)/off	(4)	5
	16	16
Associated undertakings	5	3
	21	19
Overseas		
Main charge	11	6
Associated undertakings	6	8
	17	14
	38	33

Taxation has been reduced by prior year adjustments of £5m (1995: £nil). The overseas tax charge has suffered from unrelieved losses after interest in certain overseas countries.

6 Minority interests

	1996 £m	1995 £m
Minority equity interests	21	14
Minority non-equity interests	2	2
	23	16

7 Dividends

	1996		1995	
	Per share p	Amount £m	Per share p	Amount £m
On ordinary shares:				
Interim payable	3.91	14	3.91	14
Final proposed	8.50	36	8.31	30
	12.41	50	12.22	44
On preference shares:				
Paid	4.3000	8	4.3236	8
Payable	4.3000	7	4.3000	7
	8.6000	15	8.6236	15

Comparative figures for dividends per ordinary share, including the 1996 interim dividend, have been adjusted for the September 1996 rights issue.

8 Loss per ordinary share

The calculation of the loss per ordinary share is based on the profit for the financial year, after charging preference dividends, divided by the weighted average number of ordinary shares in issue during the year of 375.3m (1995: 353.7m). Comparative figures for earnings per ordinary share have been adjusted for the September 1996 rights issue.

On a 'nil distribution' basis, the loss per ordinary share would increase by 1.0p to 4.2p (1995: 1.5p decrease to 34.8p).

Adjusted earnings per ordinary share before exceptional items have been disclosed to give a clearer understanding of the Group's underlying trading performance.

Notes to the accounts

9 Tangible fixed assets

(a) Movements

	BICC Group				BICC plc			
	Land and buildings £m	Plant and equipment £m	Assets in course of construction £m	Total £m	Land and buildings £m	Plant and equipment £m	Assets in course of construction £m	Total £m
Cost or valuation:								
At 1 January 1996	321	1,091	30	1,442	69	239	2	310
Exchange adjustments	(23)	(66)	(2)	(91)	–	–	–	–
Additions	7	72	40	119	1	20	6	27
Disposals	(6)	(50)	–	(56)	(1)	(3)	–	(4)
Transfers	2	23	(25)	–	–	–	–	–
Businesses acquired	8	34	–	42	–	–	–	–
Businesses sold	(1)	(5)	–	(6)	–	–	–	–
At 31 December 1996	308	1,099	43	1,450	69	256	8	333
Depreciation:								
At 1 January 1996	60	713	–	773	15	165	–	180
Exchange adjustments	(4)	(44)	–	(48)	–	–	–	–
Charge for the year	8	90	–	98	2	18	–	20
Disposals	(2)	(42)	–	(44)	–	–	–	–
Asset write-downs	4	16	–	20	–	–	–	–
Businesses acquired	–	26	–	26	–	–	–	–
Businesses sold	–	(4)	–	(4)	–	–	–	–
At 31 December 1996	66	755	–	821	17	183	–	200
Net book value at 31 December 1996	242	344	43	629	52	73	8	133
Net book value at 31 December 1995	261	378	30	669	54	74	2	130

The net book value of assets held under finance leases was £14m (1995: £15m) for the Group and £1m (1995: £2m) for BICC plc, with related depreciation provided in the year of £1m (1995: £2m) for the Group and £1m (1995: £1m) for BICC plc.

(b) Analysis of net book value of land and buildings

	BICC Group		BICC plc	
	1996 £m	1995 £m	1996 £m	1995 £m
Freehold	223	247	42	43
Long leasehold – over 50 years unexpired	15	12	10	11
Short leasehold	4	2	–	–
	242	261	52	54

(c) Valuations

Land and buildings include the following amounts at valuation:	Year of valuation	BICC Group 1996 £m	BICC Group 1995 £m	BICC plc 1996 £m	BICC plc 1995 £m
	1991	74	77	55	56
	1992	34	40	–	–
	1993	1	1	–	–
Total at valuation		109	118	55	56
Depreciation		(14)	(12)	(9)	(7)
Net book value		95	106	46	49

Original cost, and depreciation based on cost, of land and buildings included at valuation:

	BICC Group		BICC plc	
	1996 £m	1995 £m	1996 £m	1995 £m
Original cost	79	84	41	42
Depreciation based on cost	(29)	(28)	(18)	(16)
Net	50	56	23	26

10 Investments

Principal subsidiary and associated undertakings are shown on page 49.

(a) **BICC Group**

	Associated undertakings £m	Other £m	Total £m
Cost or valuation:			
At 1 January 1996	53	19	72
Exchange adjustments	(3)	–	(3)
Retained profits	5	–	5
Additions	19	–	19
Disposals and transfers	(13)	–	(13)
At 31 December 1996	61	19	80
Loans due from investments:			
At 1 January 1996	170	–	170
Exchange adjustments	(1)	–	(1)
Movements	(6)	–	(6)
At 31 December 1996	163	–	163
Provisions:			
At 1 January 1996	(96)	(15)	(111)
Provisions for retained losses	(45)	(2)	(47)
Disposals and transfers	2	–	2
At 31 December 1996	(139)	(17)	(156)
Net book value at 31 December 1996	85	2	87
Net book value at 31 December 1995	127	4	131

The original cost of the Group's investments in associated undertakings was £31m (1995: £25m).

The Group has a one-third interest in Spitalfields Holdings Ltd, which is developing a 13-acre site adjacent to the City of London, scheduled to be completed beyond the year 2000. The Group's share of the development expenditure to 31 December 1996 of £30m (1995: £59m) is included above, net of the exceptional provision made in 1996.

The Group's share of net borrowings of associated undertakings supported by the Group and BICC plc were £40m (1995: £31m), of which £31m (1995: £31m) were in respect of property developments.

(b) **BICC plc**

	Subsidiary undertakings £m	Associated undertakings £m	Other £m	Total £m
Cost:				
At 1 January 1996	1,208	1	11	1,220
Additions	9	3	–	12
At 31 December 1996	1,217	4	11	1,232
Loans due from investments:				
At 1 January 1996	368	21	–	389
Movements	(15)	36	–	21
At 31 December 1996	353	57	–	410
Provisions against investments:				
At 1 January 1996	(189)	–	(10)	(199)
Movements	(7)	(50)	–	(57)
At 31 December 1996	(196)	(50)	(10)	(256)
Loans due to investments:				
At 1 January 1996	(840)	–	–	(840)
Movements	(18)	–	–	(18)
At 31 December 1996	(858)	–	–	(858)
Net book value at 31 December 1996	516	11	1	528
Net book value at 31 December 1995	547	22	1	570

Notes to the accounts

11 Stocks

	BICC Group 1996 £m	BICC Group 1995 £m	BICC plc 1996 £m	BICC plc 1995 £m
Contract work in progress	61	58	1	2
Progress applications	(25)	(33)	–	–
Net contract balances	36	25	1	2
Development land and work in progress	46	81	41	24
Manufacturing work in progress	76	85	19	18
Raw materials and consumables	76	78	20	23
Finished goods and goods for resale	156	193	30	36
	390	462	111	103

Development land and work in progress includes completed developments of £2m (1995: £20m) and interest capitalised on developments of £3m (1995: £6m).

12 Debtors

	BICC Group 1996 £m	BICC Group 1995 £m	BICC plc 1996 £m	BICC plc 1995 £m
Amounts falling due within one year:				
Trade and other debtors	625	619	74	76
Due from subsidiary undertakings	–	–	66	46
Due from associated undertakings	19	25	5	8
Due from joint ventures	4	2	–	–
Recoverable on contracts	97	82	–	–
Contract retentions	53	45	2	1
Pension prepayments	–	12	–	12
Prepayments and accrued income	35	28	5	8
Due on disposals	–	54	–	–
Deferred taxation (see Note 16)	11	–	–	–
	844	867	152	151
Amounts falling due after more than one year:				
Trade and other debtors	27	22	14	14
Contract retentions	35	44	1	1
Pension prepayments	50	–	16	–
	112	66	31	15
	956	933	183	166

13 Borrowings

	BICC Group 1996 £m	BICC Group 1995 £m	BICC plc 1996 £m	BICC plc 1995 £m
Loans secured on properties 1997 to 2000	5	6	–	–
Unsecured borrowings:				
7.6% US$ notes 1999	58	64	–	–
Deutschmark fixed rate loans 6.5% to 7.5% (1999–2003)	34	41	23	27
Other fixed rate loans (1997–2004)	16	21	10	12
Committed floating rate loan	–	50	–	–
US$ commercial paper	37	146	–	–
Australian $ commercial paper	40	48	–	–
Bank overdrafts	35	29	5	–
Other short-term loans	116	85	–	–
	341	490	38	39
Finance leases	21	21	–	–
	362	511	38	39
Cash and deposits	(93)	(159)	(2)	(43)
Term deposits	(241)	(106)	(142)	(46)
Net borrowings/(cash)	28	246	(106)	(50)

Term deposits represent cash on deposit for periods in excess of 24 hours.

Borrowings are repayable in the following periods:

	BICC Group 1996 £m	BICC Group 1995 £m	BICC plc 1996 £m	BICC plc 1995 £m
Amounts falling due after more than one year:				
Over five years				
– by instalments	23	44	11	20
– other than by instalments	5	–	–	–
Two to five years	119	123	17	15
One to two years	9	38	3	2
Amounts falling due within one year	206	306	7	2
	362	511	38	39
Borrowings comprise:				
Bank borrowings	174	178	38	39
Other borrowings and finance leases	188	333	–	–
	362	511	38	39

Unutilised committed borrowing facilities expiring beyond 12 months amount to £470m (1995: £414m).

Group borrowings repayable by instalments, any part of which is repayable after five years, are £47m (1995: £56m).

Cash, deposits and term deposits include the Group's share of amounts held by contracting joint ventures of £37m (1995: £28m).

14 Other creditors

	BICC Group 1996 £m	BICC Group 1995 £m	BICC plc 1996 £m	BICC plc 1995 £m
Amounts falling due within one year:				
Trade and other creditors	496	502	44	61
Advance progress applications	161	198	2	6
Due to subsidiary undertakings	–	–	16	68
Due to associated undertakings	7	4	–	–
Corporate taxation	44	33	18	26
VAT, payroll taxes and social security	57	43	12	13
Dividends on ordinary shares	50	44	50	44
Dividends on preference shares	7	7	7	7
Accruals and deferred income	349	306	22	15
Due on acquisitions	38	36	33	36
	1,209	1,173	204	276
Amounts falling due after more than one year:				
Trade and other creditors	30	32	–	–
Due on acquisitions	13	–	–	–
	43	32	–	–

Amounts due on acquisitions include accrued interest of £6m (1995: £4m).

15 Minority redeemable capital

BICC plc has entered into an agreement to acquire the non-voting preferred shares of a subsidiary undertaking with a dividend rate of 9% at their paid-up value of £33m (1995: £40m) by 1999.

BICC plc has guaranteed the preference shares of a subsidiary undertaking with dividend rates between 5.5% and 6.3% redeemable in 1998 at their paid-up value of £19m (1995: £19m) at the option of the holder.

16 Provisions for liabilities and charges

(a) BICC Group

	Deferred taxation £m	Reorganisation provisions £m	Other provisions £m	Total £m
At 1 January 1996	(5)	78	79	152
Charged in year	(11)	9	11	9
Exchange adjustments	(1)	(7)	(3)	(11)
Utilised	–	(44)	(15)	(59)
Businesses acquired	6	–	16	22
Transfer to debtors	11	–	–	11
At 31 December 1996	–	36	88	124

Other provisions principally comprise overseas pension and employment obligations and contract and insurance provisions.

(b) BICC plc

	Deferred taxation £m	Advance corporation tax £m	Other provisions £m	Total £m
At 1 January 1996	5	(3)	42	44
Charged in year	2	(1)	14	15
Utilised	–	–	(9)	(9)
At 31 December 1996	7	(4)	47	50

The provision for UK deferred taxation is based on a corporation tax rate of 33%.

Advance corporation tax of £4m (1995: £8m) has been written off in BICC Group to date and is available for offset against tax on future UK profits.

The BICC Group provision for deferred taxation comprises:

	1996 UK £m	1996 Overseas £m	1995 UK £m	1995 Overseas £m
Excess of taxation allowances over depreciation	11	(3)	14	12
Unrelieved trading losses	–	(4)	(3)	(6)
Other, including short-term timing differences	(17)	2	(11)	(11)
	(6)	(5)	–	(5)
	(11)		(5)	

The full potential deferred taxation liability is not significantly different from the amount provided in the balance sheet.

Notes to the accounts

17 Share capital

	Authorised 1996 £m	Authorised 1995 £m	Issued and fully paid 1996 £m	Issued and fully paid 1995 £m
Ordinary shares of 50p each – authorised 493m (1995: 493m) issued 419m (1995: 354m)	247	247	210	177
Cumulative convertible redeemable preference shares of 1p each	2	2	2	2
	249	249	212	179

The preference shares are convertible at the option of the holder into new BICC plc ordinary shares at an effective conversion price of 475p per ordinary share, subject to adjustment in certain circumstances and as adjusted for the September 1996 rights issue. They are redeemable on 1 July 2020 at £1 each and carry no voting rights except in certain limited circumstances. Holders are entitled to a preferential dividend equivalent to a gross payment of 10.75p per preference share per annum, payable half yearly. On a liquidation of BICC plc, holders are entitled to receive the sum of £1 per preference share, together with any arrears or accruals of preference dividend, in priority to any payment on any other class of share.

	Number of ordinary shares	Cash consideration £m
Ordinary shares issued during the year credited as fully paid:		
Rights issue*	64,497,272	174.1
Share options exercised	52,497	0.1
Scrip dividends	583,990	–
Preference shares converted	2,129	–
Personal Equity Plans	46,433	0.1
	65,182,321	174.3

*In September 1996 BICC plc offered these shares by way of rights to ordinary shareholders at 270p per share on the basis of 2 new ordinary shares for every 11 ordinary shares held.

At 31 December share options outstanding were as follows:

Year of issue	Subscription prices*	Normally exercisable in periods to	Number of ordinary shares 1996	Number of ordinary shares 1995*
Savings-related				
1990	349.3p	January 1996	–	1,474,581
1991	349.3p	January 1997	563,093	1,373,733
1992	243.6p	January 1998	1,758,987	2,151,586
1993	269.9p	January 1999	1,887,717	2,221,156
1994	336.4p	January 2000	1,570,307	1,932,631
1995	257.2p	January 2001	1,531,033	1,990,090
1996	267.9p	January 2002	2,634,574	–
Executive				
1986	335.2p	April 1996	–	28,594
1987	306.8p	April 1997	105,221	105,221
1988	306.8p	April 1998	502,668	502,668
1988	316.2p	September 1998	233,059	233,059
1989	457.9p	May 1999	195,937	195,937
1990	375.8p	May 2000	1,158,614	1,158,614
1990	377.6p	May 2000	201,253	201,253
1990	383.3p	May 2000	10,592	10,592
1991	417.7p	April 2001	586,866	586,866
1992	305.0p	April 2002	1,229,550	1,251,790
1992	246.4p	October 2002	122,723	122,723
1993	352.0p	April 2003	511,336	603,378
1994	438.1p	April 2004	850,861	850,861
1995	311.9p	April 2005	1,428,677	1,437,881
1996	288.5p	February 2006	153,404	–
1996	344.2p	April 2006	595,708	–

*As adjusted, on terms approved by the Inland Revenue, for the September 1996 rights issue.

On 29 February 1996 options were granted over 153,404 ordinary shares under the BICC executive share option scheme, at 288.5p per share, and these are normally exercisable in the period from February 1999 to February 2006. On 17 April 1996 options were granted over 595,708 ordinary shares also under this scheme, at 344.2p per share, and these are normally exercisable in the period from April 1999 to April 2006.

On 8 May 1996 options were granted over 2,806,291 ordinary shares under the BICC savings-related share option scheme, at 267.9p per share, and these are normally exercisable in the period from August 2001 to January 2002.

18 Reserves

(a) BICC Group reserves

	Share premium account £m	Revaluations: Tangible fixed assets £m	Revaluations: Investments in associated undertakings £m	Other £m	Goodwill £m	Profit and loss account £m
At 1 January 1996	183	43	27	14	(306)	285
Premium on shares issued, net of expenses	139	–	–	–	–	–
Retained loss for the year	–	–	1	–	–	(63)
Exchange adjustments	–	(1)	(3)	–	–	(6)
Goodwill	–	–	–	–	(29)	2
Transfers	–	(3)	–	–	2	1
At 31 December 1996	322	39	25	14	(333)	219
		64				

(b) BICC plc reserves

	Share premium account £m	Revaluation of tangible fixed assets £m	Other £m	Profit and loss account £m
At 1 January 1996	183	25	67	245
Premium on shares issued, net of expenses	139	–	–	–
Retained loss for the year	–	–	–	(47)
Exchange adjustments	–	–	–	(17)
Transfers	–	(2)	(4)	6
At 31 December 1996	322	23	63	187

The profit and loss account of BICC plc is wholly distributable.

Under s230(3) of the Companies Act 1985, no profit and loss account is presented for BICC plc. The profit for the financial year dealt with in the accounts of the parent company was £18m (1995: £12m loss).

At 31 December 1996, cumulative goodwill written off amounted to £499m (1995: £472m).

(c) Reconciliation of movements in shareholders' funds

	1996 £m	1995 £m
Profit/(loss) for the financial year	3	(116)
Dividends	(65)	(59)
	(62)	(175)
Other recognised gains and losses, net	(10)	2
Ordinary share capital subscribed	172	2
Goodwill	(27)	54
	73	(117)
Opening shareholders' funds	425	542
Closing shareholders' funds	498	425

Notes to the accounts

19 Acquisitions

	Consid-eration and costs £m	Fair value of assets acquired £m	Goodwill £m
British Rail Infrastructure companies	53	30	23
BICC Phillips Inc minority interest	7	1	6
	60	31	29

On 3 April 1996 the Group acquired three British Rail Infrastructure companies. The total consideration including expenses was £53m of which £32m was paid on completion. On 29 March 1996 the Group acquired the outstanding minority interest in its Canadian subsidiary BICC Phillips Inc for £7m. The Group has used acquisition accounting to account for these purchases. Adjustments have been made to reflect the fair value of assets of the British Rail Infrastructure companies acquired as follows:

	Net tangible assets acquired £m	Fair value adjust-ments £m	Fair value of assets acquired £m
Fixed assets	16	–	16
Stocks	8	–	8
Debtors	79	31	110
Creditors	(70)	–	(70)
Provisions, including deferred taxation	(2)	(20)	(22)
Net borrowings	(12)	–	(12)
	19	11	30

Fair value adjustments, which include, principally, recognition of the pension fund surplus, related deferred taxation and provisions for known liabilities, are provisional estimates which will be revised if necessary in 1997.

The results of the British Rail Infrastructure companies are included within Balfour Beatty (see Note 1). One of these companies was treated as an associated undertaking until November 1996, when the Group acquired the shares it did not previously control. Meaningful comparative results for these companies are not available.

20 Employees

	1996 £m	1995 £m
Employee costs during the year amounted to:		
Wages and salaries	828	710
Social security costs	85	77
Other pension costs	9	7
	922	794

The above analysis excludes the redundancy costs reported within exceptional items in Note 3.

	1996	1995
The average number of employees was as follows:		
Balfour Beatty	20,402	16,115
BICC Cables	10,662	10,860
BICC Cables Corporation	2,547	3,131
Metal Manufactures	3,492	3,527
BICC Developments	4	13
Other	453	442
	37,560	34,088

21 Directors' emoluments and interests

(a) Directors' emoluments

	1996 £m	1995 £m
The remuneration of directors of BICC plc was:		
Non-executive directors' fees	0.187	0.142
Executive directors' remuneration		
– salary and benefits	1.679	1.760
– performance related bonus	0.090	0.053
Pensions	0.416	0.388
	2.372	2.343

Save as disclosed in the Compensation and Appointments Committee's Report on pages 31 to 33, no grants of executive options were made to directors in 1996.

Directors' emoluments, excluding pension contributions and rights granted under share option schemes, were within the following bands in respect of duties discharged wholly or mainly in the UK:

	1996	1995		1996	1995
£385,001 to £390,000	1	–	£185,001 to £190,000	–	1
£365,001 to £370,000	–	1	£95,001 to £100,000	2	–
£275,001 to £280,000	–	1	£80,001 to £85,000	1	–
£255,001 to £260,000	–	1	£45,001 to £50,000	–	1
£245,001 to £250,000	–	1	£20,001 to £25,000	1	–
£215,001 to £220,000	1	–	£15,001 to £20,000	4	4
£205,001 to £210,000	2	–	£10,001 to £15,000	–	1
£200,001 to £205,000	1	–	£5,001 to £10,000	1	–
£190,001 to £195,000	–	1	Up to £5,000	1	–

The current Chairman's salary was £75,000 since appointment.

The previous chairman's salary up to his retirement in 1996 was £99,408 (1995: £365,551) and the contribution in respect of his pension was £30,490 (1995: £122,230). In 1995, the previous chairman was also the highest paid director. In 1996, the highest paid director's salary was £387,313 and the contribution in respect of his pension was £41,163.

(b) Directors' interests

The interests (other than in the form of options or under the BICC Long Term Incentive Plan) of the directors and their immediate families in the share capital of BICC plc and its subsidiary undertakings during the year are set out below.

Holdings	At 1 January 1996		At 31 December 1996	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Lord Howe of Aberavon	1,333	–	1,575	–
A W Jones	2,318	–	2,819	–
R A Henderson	1,527	650	2,865	650
C R Reeves	1,619	833	1,913	833
Viscount Weir	1,472	–	1,653	–
P J L Zinkin	650	325	768	325

'Preference shares' means the cumulative convertible redeemable preference shares in BICC plc (see Note 17).

All interests at the dates shown are beneficial and there were no changes between 31 December 1996 and 4 March 1997.

Further details of directors' emoluments and interests are set out on pages 31 to 33.

22 Pensions

The Group, through trustees, operates a number of pension schemes throughout the world, the majority of which are of the defined benefit type and are funded. In addition, the Group contributes to a number of union operated schemes.

Contributions are determined in accordance with independent actuarial advice.

The total cost to the Group was £9m (1995: £7m), of which £9m (1995: £7m) related to overseas schemes.

At the date of the latest valuations of the principal defined benefit schemes, the market value of the assets of those schemes amounted to £1,452m. The actuarial value of those assets exceeded the benefits which had accrued to members after allowing for expected future increases in earnings. The latest actuarial valuation of the main UK scheme was carried out by independent actuaries at 5 April 1996 using the projected unit method and disclosed a surplus of assets over past service liabilities of 16%, which is being used to improve benefits for members and to reduce company contributions over a period of 10 years. The principal actuarial assumptions of the main UK scheme are for new investment returns to exceed inflation by 4.5% and for dividends to grow at the rate of inflation.

The excess of cumulative amounts paid to schemes over pension costs charged in the accounts of £50m is included in debtors (1995: £12m), of which £34m arose in 1996 on the acquisition of the British Rail Infrastructure companies.

23 Commitments

Capital expenditure authorised and contracted for which has not been provided for in the accounts amounted to £52m (1995: £25m) in the Group and £13m (1995: £14m) in BICC plc.

Operating lease rentals payable in 1997 (1996) comprise:

	1996		1995	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
BICC Group				
Leases terminating:				
Within one year	3	5	3	6
Between one and five years	8	13	6	12
In five years or more	6	–	8	–
	17	18	17	18
BICC plc	2	2	3	2

24 Contingent liabilities

Contingent liabilities, which are not expected to give rise to any material loss, include:

	BICC Group		BICC plc	
	1996 £m	1995 £m	1996 £m	1995 £m
Guarantees of subsidiary undertakings and other support	–	–	167	287

In addition, the Group and BICC plc have supported the borrowings of certain associated undertakings as set out in Note 10 and the capital of subsidiary undertakings as set out in Note 15.

BICC plc and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of associated undertakings. BICC plc has guaranteed the property lease commitments of former subsidiary undertakings currently amounting to £1.9m per annum terminating between 2005 and 2010.

A claim has been lodged by Eurotunnel plc against TML, the consortium involved in building the Channel Tunnel of which the Group is a 10% member. Having taken appropriate legal advice, the claim is considered to be without substance.

Metal Manufactures Ltd has received tax assessments totalling Australian $32m relating to a sale and lease back transaction entered into in 1988. The assessments disallow expenditure deducted in the company's tax returns. Legal and taxation advice supports the treatment of the transaction adopted by the company and accordingly no specific provision has been made.

25 Related party transactions

The Group recharges the BICC Group Pension Fund with the costs of administration and advisers' fees borne by the Group amounting to £1.6m in 1996 (1995: £1.7m).

The Group supports the borrowings of certain associated undertakings as set out in Note 10.

In 1996 the Group's cables businesses sold goods and services to and purchased goods from associated undertakings amounting to £20m and £30m respectively (1995: £12m and £23m). The Group provided services under construction contracts to, and received technical and management fees from, associated undertakings and joint ventures amounting to £4m (1995: £7m). These transactions occurred in the normal course of business at market rates and terms. In addition, the Group procured equipment and labour on behalf of certain joint ventures which were recharged to the joint ventures at cost with no mark-up. Amounts due to and from associated undertakings and joint ventures are set out in Notes 12 and 14.

Notes to the accounts

26 Notes to the cash flow statement

(a) Net cash inflow from operating activities comprises:

	1996 £m	1995 £m
Operating profit before exceptional items	164	150
Depreciation	98	93
Share of profits less losses of associated undertakings	(31)	(29)
Dividends from associated undertakings	21	13
Profit on disposal of fixed assets	(1)	–
Exceptional items	(35)	(4)
Working capital (increase)/decrease:		
Stocks	54	28
Debtors	7	(55)
Other creditors and provisions	(19)	68
Net cash inflow from operating activities	258	264

The net cash inflow from operating activities includes £35m (1995: £4m) outflow relating to the exceptional provision for reorganising the Group's cables activities made in 1995 and the similar provision made in 1996.

(b) Reconciliation of net cash flow to movement in net borrowings and minority redeemable capital:

	Cash and deposits and overdrafts £m	Term deposits £m	Borrowings (including finance leases) £m	Sub-total net borrowings £m	Minority redeemable capital £m	Total £m
At 1 January 1996	130	106	(482)	(246)	(59)	(305)
Cash flow	(71)	136	125	190	–	190
Acquisitions of businesses	–	–	(4)	(4)	–	(4)
Exchange adjustments	(1)	(1)	34	32	7	39
At 31 December 1996	58	241	(327)	(28)	(52)	(80)

(c) Acquisitions of businesses:

	1996 £m
Net assets acquired:	
Tangible fixed assets	16
Stocks	8
Debtors	110
Creditors	(70)
Provisions	(22)
Borrowings (including finance leases)	(4)
Minority interests	1
	39
Goodwill	29
	68
Satisfied by:	
Cash consideration	42
Cash, deposits and overdrafts acquired	8
Cash outflow	50
Deferred consideration	18
	68

Acquisitions contributed £36m to the net cash inflow from operating activities in 1996.

(d) Disposals of businesses:

	1996 £m
Net assets disposed of:	
Tangible fixed assets	2
Stocks	1
Due on disposals	54
Creditors	(2)
	55
Profit on sale, before goodwill	2
	57
Satisfied by:	
Cash consideration	57
Cash inflow	57

Principal subsidiary and associated undertakings

At 31 December 1996	Country of incorporation or registration	Group equity holding %	Total issued share capital (Note ii) £m
Balfour Beatty			
Balfour Beatty Ltd*†			
Balfour Beatty Civil Engineering Ltd			
Balfour Beatty Construction Ltd	Scotland		
Balfour Beatty Inc	USA		
Balfour Beatty International Ltd			
Balfour Beatty Rail Ltd			
Balfour Kilpatrick Ltd	Scotland		
Connect Roads Ltd*		47.5	0.3
Devonport Management Ltd*		29.9	1.0
Dutco Balfour Beatty LLC	Dubai	49.0	–
Eastern Infrastructure Maintenance Company Ltd			
Haden Building Services Ltd*			
Heery International Inc	USA		
PT Balfour Beatty Sakti	Indonesia	49.0	0.6
South East Infrastructure Maintenance Company Ltd			
Yorkshire Link (Holdings) Ltd*		50.0	3.0
BICC Cables			
BICC Cables Ltd*†			
BICC Cables, Energia y Comunicaciones SA (Note v)	Spain	82.7	
BICC CAFCA Ltd**	Zimbabwe	73.8	
BICC Ceat Cavi Srl*	Italy		
BICC KWO Kabel GmbH	Germany		
CEL-CAT Fabrica Nacional de Condutores Eléctricos SARL**	Portugal	50.7	
Dubai Cable Company (Pte) Ltd	UAE	40.0	6.3
Optical Fibres* (Note vi)		50.0	
BICC Cables Corporation			
BICC Cables Corporation†	USA		
BICC Phillips Inc	Canada		
Metal Manufactures (Note vii)			
Metal Manufactures Ltd**† (Note viii)	Australia	61.2	
Metal Manufactures International Holdings Pty Ltd	Australia		
Metal Manufactures New Zealand Ltd	New Zealand		
Optical Waveguides Australia Pty Ltd	Australia	50.0	–
Vinidex Tubemakers Pty Ltd	Australia	50.0	1.4
BICC Cables Asia-Pacific (Note ix)			
BICC Cables Asia-Pacific Pte Ltd	Singapore		
Power Cables Malaysia Sdn Bhd	Malaysia	40.0	1.9
BICC Developments			
BICC Developments Ltd*			
BICC Property Investments Ltd*			
Spitalfields Holdings Ltd		33.3	31.6
Other			
Andover Controls Corporation	USA		
BICC Finance BV	Holland		
BICC Holdings Australia Ltd	Australia		
BICC Overseas Investments Ltd			
BICC USA Inc	USA		
Bruton Investments Ltd			
Delphian Insurance Company Ltd*	Isle of Man		
Fielden & Ashworth Ltd			
Guinea Investments Ltd			
London Bridge Developments Ltd*			
Mayfair Place Investments Ltd			
Thames Power Ltd* (Note x)		50.0	–

Notes

(i) Subsidiary and associated undertakings whose results did not, in the opinion of the directors, materially affect the profit or the assets of the Group are not shown. †indicates a principal group company.
(ii) Total issued share capital is shown for associated undertakings.
(iii) Unless otherwise stated, 100% of the equity capital is owned and companies are registered in England. The principal operations of each company are conducted in its country of incorporation.
(iv) *indicates held directly by BICC plc and ** indicates that the equity capital is listed on an overseas stock exchange.
(v) 17.3% of the equity capital in BICC Cables, Energia y Comunicaciones SA ('CEC') is held by the vendor management of CEC and is subject to options for sale of the shares to BICC plc.
(vi) Optical Fibres is dealt with on a consolidated basis in the Group accounts and, in accordance with the Partnerships and Unlimited Companies (Accounts) Regulations 1993, separate accounts are not published.
(vii) All equity capital (other than that of Metal Manufactures Ltd) is held by, and the interest shown is that of, Metal Manufactures Ltd.
(viii) The Group's equity holding in Metal Manufactures Ltd will reduce to 55.0% on the conversion of its outstanding convertible preference capital. Conversion is at the option of the holder and any share not converted by 31 March 1999 will automatically convert on that date.
(ix) 50.0% of the Group's equity holding in BICC Cables Asia-Pacific Pte Ltd is held by Metal Manufactures Ltd. The interest shown in Power Cables Malaysia Sdn Bhd is that of BICC Cables Asia-Pacific Pte Ltd.
(x) Thames Power Ltd owns 51.0% of the equity capital in Barking Power Ltd.

Principal joint ventures and consortia

The Group carries out a number of its larger construction contracts in joint venture or consortium with other contractors so as to share resources and risk. The principal construction projects in progress, which the Group proportionately consolidates, are given below:

	Group interest %	
BCJ – airport passenger terminal	20.0	– Hong Kong
Cairo Wastewater Contract	18.0	– Egypt
Cardiff Bay Barrage	65.0	– Wales
Highland Water projects	16.0/25.0	– Lesotho
Jubilee Line, Contract 102	50.0	– London, UK
Lantau and airport railway	50.0	– Hong Kong
North East Corridor Project	50.0	– USA
Pergau Hydro Electric Project	50.0	– Malaysia
Tuen Mun highway	49.0	– Hong Kong

Directors' responsibilities for the accounts

The following statement, which should be read in conjunction with the auditors' report which follows, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 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 Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 34 to 49, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors' report

To the members of BICC plc

We have audited the financial statements on pages 34 to 49 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 37. We have also examined the disclosures relating to the emoluments and share options of directors which form part of the report to shareholders by the Compensation and Appointments Committee on pages 31 to 33.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the 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 circumstances of the Company and of the Group, 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 affairs of the Company and of the Group at 31 December 1996 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
London
4 March 1997

Report by the auditors to BICC plc on Corporate Governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on page 28 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion
With respect to the directors' statement on internal financial control on page 28 and going concern on page 8, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion the directors' statements on page 28 appropriately reflect the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Arthur Andersen

Arthur Andersen
Chartered Accountants
London
4 March 1997

Group five year summary

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Profits					
Turnover (including share of associates)	4,668	4,362	3,973	3,918	3,647
Operating profit – before exceptional items	164	150	178	144	147
Exceptional items and net profit/(loss) on sale and termination of operations	(65)	(176)	3	–	(42)
Profit/(loss) before interest	99	(26)	181	144	105
Net interest payable	(35)	(41)	(50)	(42)	(45)
Profit/(loss) before tax	64	(67)	131	102	60
Capital employed					
Shareholders' funds	498	425	542	341	383
Minority interests	108	108	107	110	109
Convertible capital bonds	–	–	–	177	177
Net borrowings and minority redeemable capital	80	305	299	190	162
	686	838	948	818	831
Cash flow					
Cash inflow/(outflow) before acquisitions and disposals of businesses	10	(3)	(136)	27	44
Statistics					
Adjusted earnings per ordinary share*	13.0p	9.4p	18.2p	15.1p	15.3p
(Loss)/earnings per ordinary share	(3.2)p	(36.3)p	19.2p	15.1p	2.2p
Dividends per ordinary share	12.41p	12.22p	14.28p	18.82p	18.82p
Operating profit before exceptional items: turnover	3.5%	3.4%	4.5%	3.7%	4.0%
Operating profit before exceptional items: average capital employed	22%	17%	20%	17%	18%
Gearing – net borrowings and minority redeemable capital/shareholders', bondholders' and minority shareholders' funds	13%	57%	46%	30%	24%

*Adjusted earnings per ordinary share before exceptional items and net profit/(loss) on sale and termination of operations have been disclosed to give a clearer understanding of the Group's underlying trading performance.

Comparative figures for earnings and dividends per ordinary share have been adjusted for the September 1996 rights issue.

Shareholder information

Analysis of ordinary shareholders

Classification of size of shareholding
at 31 December 1996

	Number of shareholders		Millions of shares	
	Total	%	Total	%
1 to 1,000	14,739	57.4	6.8	1.6
1,001 to 10,000	10,054	39.2	21.8	5.2
10,001 to 50,000	394	1.5	9.5	2.3
50,001 to 100,000	94	0.4	7.0	1.7
100,001 to 200,000	127	0.5	18.4	4.4
Over 200,000	253	1.0	355.7	84.8
	25,661	100.0	419.2	100.0

Classification by shareholder type
at 31 December 1996

Individuals	21,149	82.4	24.9	5.9
Banks and nominee companies	3,739	14.5	374.4	89.3
Insurance companies	40	0.2	5.2	1.3
Pension funds	7	0.1	4.6	1.1
Investment companies	75	0.3	0.9	0.2
Other shareholders	651	2.5	9.2	2.2
	25,661	100.0	419.2	100.0

Number of shareholders at 31 December 1995: 30,948

Financial calendar

1997	
30 April	Annual General Meeting
1 July	Preference dividend payable
1 July*	Final 1996 ordinary dividend payable
13 August*	Announcement of 1997 half year results
1998	
1 January	Preference dividend payable
2 January*	Interim 1997 ordinary dividend payable

*Provisional dates

Personal Equity Plans (PEPs)

The BICC General PEP and the BICC Single Company PEP are open to existing and prospective shareholders in BICC plc. Further information concerning the BICC PEPs is available from the plan manager, Halifax Investment Services Limited, a member of IMRO, Trinity Road, Halifax HX1 2RG. Telephone: 0800 371769.

Share dealing service

The Company has established an execution only share dealing service, through Cazenove & Co, for private investors who wish to buy or sell BICC plc's shares. Further details can be obtained from:

The BICC Group Share Dealing Service
Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN
Telephone: 0171 606 1768

Dividend mandates

If you wish dividends to be paid directly into a bank or building society account you should contact the Registrars for a dividend mandate form.

Dividends paid in this way will be paid through the Bankers Automated Clearing System (BACS).

Share price

For capital gains tax purposes the market value on 31 March 1982 of BICC plc's ordinary shares of 50p each was 307.3p per share. This has been adjusted for the 1-for-5 rights issue in June 1992 and the 2-for-11 rights issue in September 1996.

Registered number:
395826

Registered office:
Devonshire House
Mayfair Place
London W1X 5FH
Telephone: 0171 629 6622
Fax: 0171 409 0070

Stockbrokers:
Cazenove & Co
Hoare Govett

Registrars:
The Royal Bank of Scotland plc
Registrars
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh
EH11 4BR
Telephone:
General enquiries:
0131 523 6666
Company specific enquiries:
0131 523 6688/6092

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BICCGroup