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BICC plc
Annual Report & Accounts
1997

BICC Group

Financial Highlights

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 communications, power, transport and the built environment.

For the year ended 31 December	1997 £m	1996 £m
Turnover	**4,478**	4,668
Operating profit		
Balfour Beatty	**42**	10
BICC Cables	**43**	94
BICC Cables Corporation	**17**	15
Metal Manufactures	**26**	37
BICC Developments	**(10)**	(7)
Other Businesses	**18**	15
	136	164
Exceptional items	**(140)**	(65)
(Loss)/profit before interest	**(4)**	99
(Loss)/profit before taxation	**(30)**	64
Earnings per ordinary share (pre-exceptional)	**10.1p**	13.0p
Loss per ordinary share	**(19.5p)**	(3.2p)
Dividends per ordinary share	**8.00p**	12.41p

Chairman's Statement

1997 did not meet our expectations. We had hoped to make further progress by following through on the partial recovery seen in 1996, but in the event profit before exceptional items, at £110 million, was some 15% lower than the £129 million achieved in the previous year.

Better results in other parts of the Group, particularly in Balfour Beatty, which is performing very well, could not compensate for the very adverse effect of continuing and serious overcapacity and poor prices in most parts of the European energy and general cable markets. The overall situation has not been helped by the continuing strength of sterling.

We have reacted strongly to this difficult situation by taking further radical action to improve our competitive position. During the year we took £45 million out of our cost base. In addition, we have merged our activities in Germany with NKF and halved our joint capacity there; in Italy, we are severely rationalising operations; in the UK, the agreement recently announced with Delta plc will improve rod mill loading, extract us from the construction cable market, and strengthen our utility cable business. We are also disposing of some smaller non-core businesses.

Although the net cash cost of all these initiatives is roughly neutral it does result in an exceptional item of £140 million, to cover provisions and the write-down of assets (including £18 million in Metal Manufactures), and this produces a loss before tax of £30 million (1996 profit £64 million).

In Asia-Pacific, where some of our new investment programme to supply the infrastructure for the telecom and power distribution markets is directed, the recent unexpected deterioration in the economic scene will, in the short term, delay the growth we had planned but at the present stage of our development, our direct exposure to the region is limited.

In the light of the extremely difficult market conditions we have encountered and the radical action we have therefore taken, we believe it is only prudent to reduce the dividend to a level from which we can move forward in the future. A final dividend of 4.0p is therefore proposed, giving a total distribution for the year of 8.0p.

As to prospects for 1998, we expect the first half of the year will continue to be challenging for our cable operations but in the latter part of the year we anticipate seeing evidence of the results of the action we have taken. At Balfour Beatty, which represents about half of our turnover, we expect the recent improvement to continue. BICC Developments has now largely eliminated the overhang of the property portfolio from our balance sheet, and we expect our activities at Barking Power and Andover Controls to continue to prosper.

We have greatly reduced our exposure to those substantial parts of the cable market which offer little possibility of acceptable profits or growth. In the longer term, I believe the radical actions we have taken will see us emerging from an extremely difficult period as a stronger and better focused Group, with good prospects of enhancing shareholder value.

Weir

Viscount Weir Chairman

Chief Executive's Review

Alan Jones Chief Executive

1997

The Group's 1997 profits, before exceptional items and tax, were £110 million, down £19 million on 1996. Earnings per share before exceptional items reduced from 13.0p to 10.1p.

The profits were adversely affected by the difficulties in the European cables businesses, where our fundamental restructuring and cost reductions should show benefit in the second half of 1998. The continued strength of sterling has made life difficult for some of our higher margin businesses where we have responded with new products and further development of our marketing strength in Europe.

To sharpen our focus for the future, the Communications group has been separated from the Energy cables group with new management, with the intention of developing this business in growing markets.

Balfour Beatty on the other hand has improved productivity and margins leading to substantially improved profits of £42 million, up from £10 million last year, and with a promising outlook for the future.

In North America profits improved but Metal Manufactures in Australia continued to operate in a constrained market where the promised recovery has been very slow to materialise and where the changes in Asia-Pacific have made exporting more difficult.

The ongoing concentration on tight management of cash has resulted in a net debt figure of £180 million. This was better than planned after capital expenditure of £147 million increased from last year in those areas we seek to develop.

Balfour Beatty

There has been a continuation of the improvement evident at the half year. The steady improvement in the margins of the UK building and building services companies, through productivity and improved customer service, can be seen in the results. This sector of Balfour Beatty's business comprises approaching £1 billion of sales and in the present UK market conditions further improvements in margins can be expected

The rail businesses which we acquired in 1996 have been integrated with Balfour Beatty's existing rail operations giving total annual turnover in excess of £400 million. The process of increasing productivity in the acquired businesses continues. Our objective is to ensure these operations can be sufficiently competitive to retain share of Railtrack's business while reducing the costs to Railtrack and providing Balfour Beatty with an adequate return.

In new construction, the rail business is working in the US and Hong Kong internationally while in the UK the focus is on positioning Balfour Beatty to win a share of the increased expenditure planned on rail projects such as the West Coast Main Line, London Underground and hopefully the link to the Channel Tunnel.

The UK civil engineering business is performing satisfactorily and, with final settlements of the long outstanding TML and Heathrow contracts at the levels anticipated, now faces a less uncertain outlook in profit terms. With adequate workload from existing major projects in the short term, the key to medium-term success is converting current prospects into projects for 1999 and beyond.

On the international front, the major projects group has been strengthening its regional businesses in order to capitalise on the long-standing business experience and support of these businesses in Hong Kong, the Philippines, Indonesia, Dubai and Turkey. In the US, the general contracting business which has been a loss maker has been closed and Balfour Beatty is now focusing successfully on the profitable major civil engineering sector.

In the Private Finance Initiative, we are still in the process of finalising the two hospital projects in Durham and Edinburgh. We remain confident that the negotiations will be completed in the next few months. These will then add to the concessions previously won on the road and waste-to-energy projects. If successfully brought to a conclusion, the hospitals will bring the total of contracting and related work won through the PFI to £470 million.

Balfour Beatty should continue, as it proceeds with its reorganisation, to deliver improving margins by increasing customer, project and geographic focus.

Cables

There have been major changes in the European cables market. Our customers have been subject to pressures arising from deregulation, privatisation and reduction in government expenditure, and this has led to difficulties and changes in the energy cables businesses. Some £25 million of the profit decline was due to Germany and Italy. For example in Italy ENEL placed very low call-offs in the second half and virtually zero call-offs in the last quarter.

We have therefore taken a series of actions that represent a rapid and fundamental restructuring of the European energy cables business. During 1997 BICC's costs in this business have been reduced by approximately £45 million. In August 1997, a joint venture was created with NKF in Germany as part of which two large factories are being closed. The restructuring is continuing with significant downsizing and reorganisation in Italy and the UK. In Italy the number of employees has been reduced by 30%. A further stage in this process was announced recently in which we will exchange assets in a group of businesses with Delta plc and close a number of factories.

As we stated at the time of announcing the transaction with Delta, there is a large exceptional charge reflecting this series of actions but the overall results of these actions will be approximately cash neutral for the Group.

Early indications for 1998 show some improvement in volumes but the full effect of the action programmes will not come through until the second half of 1998.

In supertension cables, the order book is back to more normal levels after the shortfall experienced during the first part of 1997. The business should increase its profitability as we continue during 1998 with the investment programme to upgrade the facilities to enable us to participate to a greater extent in the growing international submarine power cable market.

We are continuing to upgrade the quality and breadth of the services that we offer to the power utilities throughout Europe, as we seek to differentiate ourselves through a wider range of services in this competitive area.

In communications, we have now separated the business from Energy cables under the responsibility of a new Managing Director whom we recruited during 1997. This is a rapidly growing market, covering both telecommunication and data and its average growth is in excess of 12% per annum. There is strong competition but we have continued our investment programme in this sector. Optical fibre prices have adjusted downwards following the end of a phase of world shortage.

We are seeking to deliver a broader service offering to our wide range of customers and to that end reached an agreement with

CIENA from the US during the year and are investing in other product and systems developments. The business is in an important development stage. We intend to improve our market position in Europe with an aggressive and co-ordinated marketing effort during 1998 based upon a more integrated European strategy than previously pursued.

Results in Asia-Pacific, as a result of the economic difficulties, have not met our expectations during 1997. We are, however, still at a relatively early stage of our investment programme with our operational manufacturing capability confined to PCM in Malaysia and the new Brand-Rex plant in the Philippines. We remain committed to the region but continue to review our programme as the economic situation develops.

In North America, BICC Cables Corporation returned improved results. The utility business, which has a strong market position, continued to perform well and our industrial and Brand-Rex businesses, under new management, are repositioning themselves, strengthening their marketing and improving their efficiency in order to increase their profitability levels.

Metal Manufactures' profits fell to £26 million as the domestic economy showed only patchy recovery and the decline in demand from Asia-Pacific adversely impacted exports. In communications cables, a slowdown in call-offs from both Telstra and Optus had a marked downward effect on profitability.

Other Activities

Andover Controls and Barking Power both increased their contributions to the Group's profits in 1997.

Further progress was made in disposing of property developments including the Queens Arcade Retail Centre in Cardiff. Planning clearance has been given for the LIFFE development in Spitalfields enabling LIFFE to commence development on the site in 1998. The capital tied up in our development portfolio at December 1997 is down to £68 million.

Outlook

The rapid and fundamental restructuring of our European energy cables business has removed those businesses in which we had decided not to invest. We have retained the utility power cables businesses and very high power cables in which we are sustaining our investment supported by suitable technical development. This parallels our position in North America where we have sustained our businesses in similar product areas following the rationalisation in 1996. We are also strengthening our specialist industrial cables businesses.

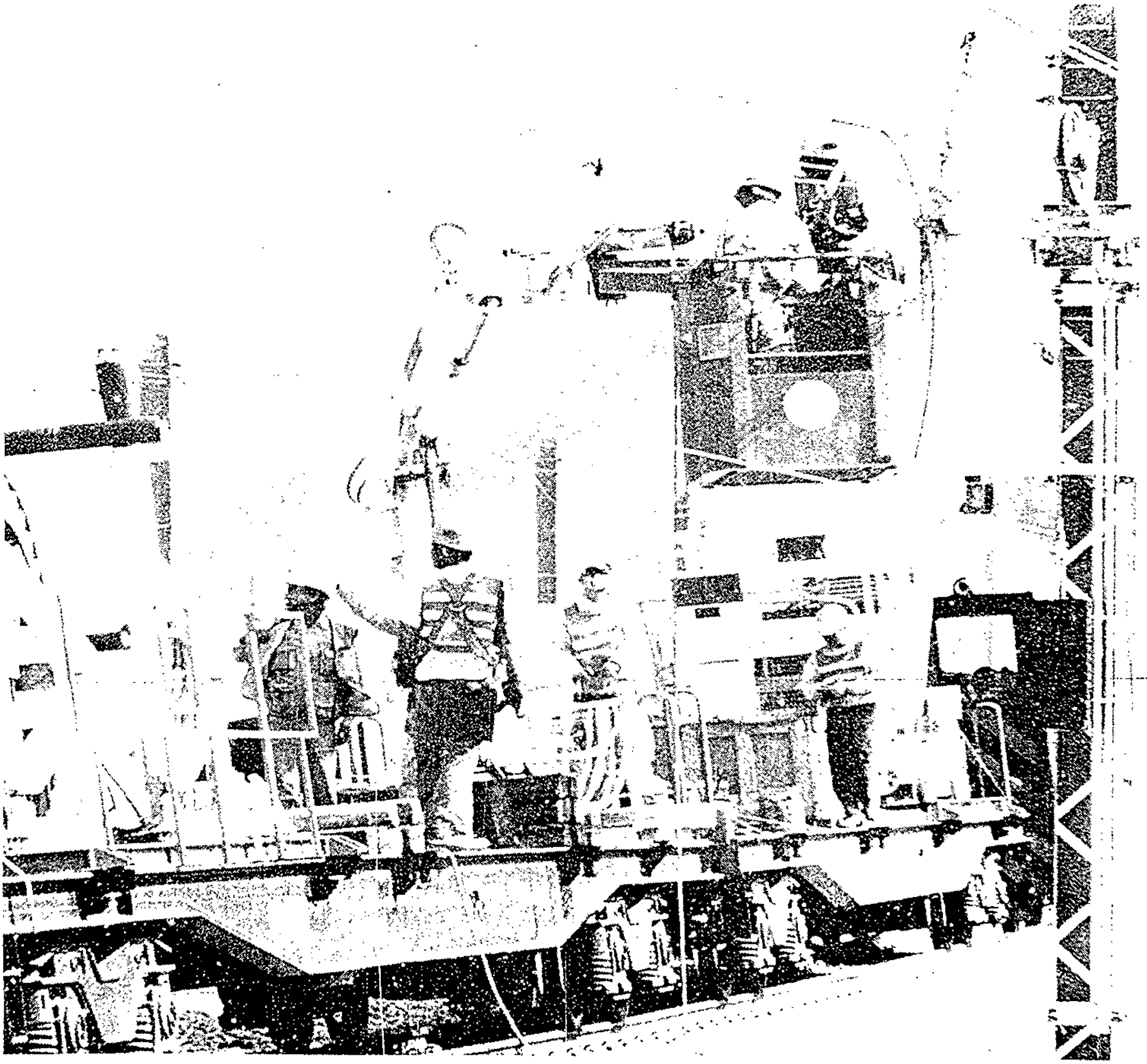
The main restructuring programmes in cables will not benefit the first half results but will bring improved results in the second half if present market levels continue.

In Australia we have taken action to improve the business but as for last year we need improvement in economic conditions to achieve any significant improvement in performance.

In Balfour Beatty the new major project organisation will be focusing on developing the business worldwide. We see strong growth in the business overall as productivity and levels of customer service continue to improve.

Alan Jones Chief Executive

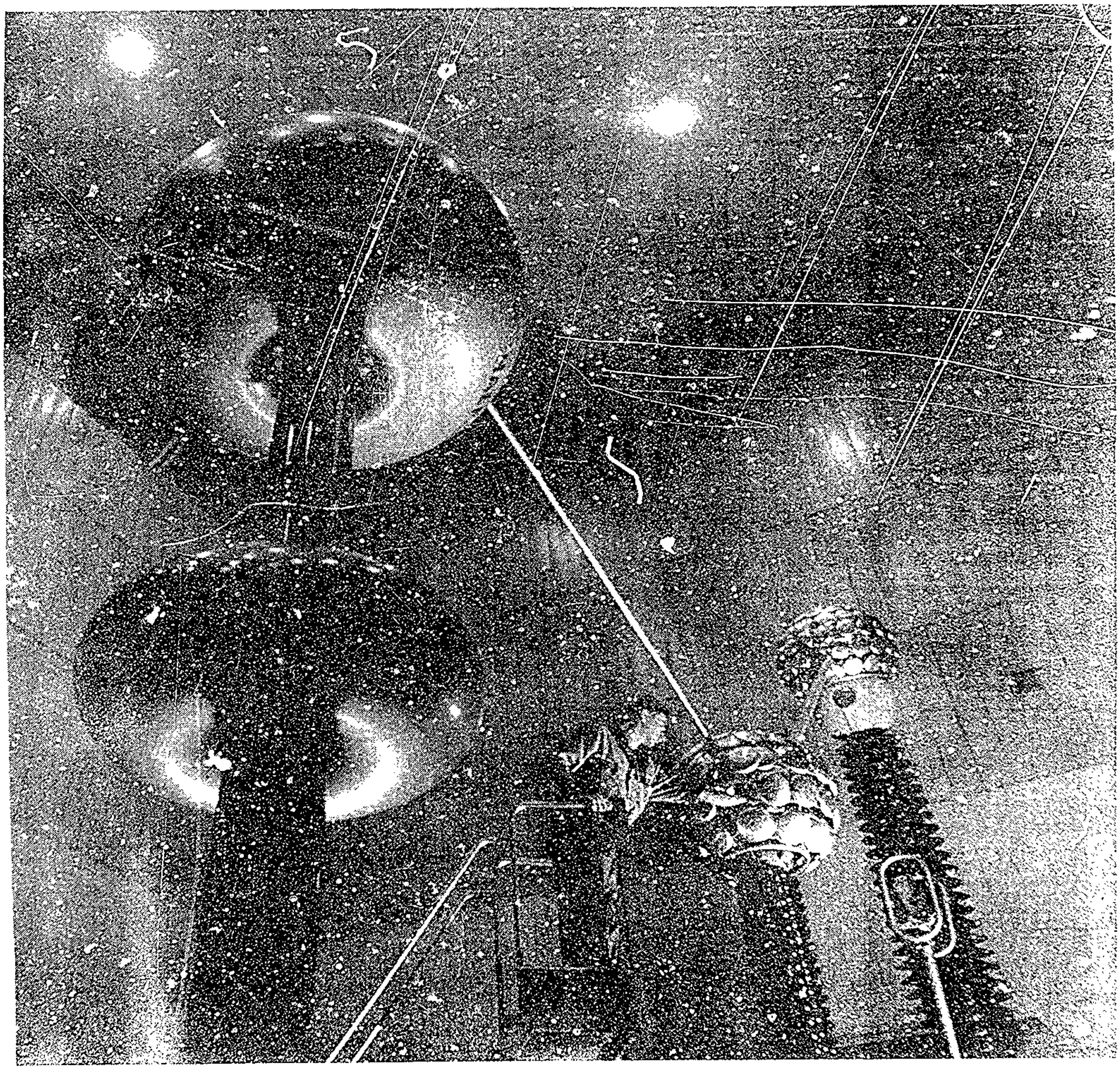
Balfour Beatty's rail engineering and maintenance business is being reshaped to ensure that it is well placed to take advantage of the growing opportunities presented by the ambitious new build, upgrade and maintenance programme in the UK and a growing array of rail developments around the world.



Balfour Beatty has consolidated its international project management expertise and resources into a single organisational unit, which will be deployed to satisfy major project customers across the world.

BICC has created, over time, strong positions in essential products and technologies to service the fast-changing data and telecommunications markets. Through new management, joint ventures and additional investments, we are now expanding the capabilities of these businesses to match developing customer requirements.

BICC is in the process of radically restructuring its European energy cables interests. The results of this process will be a strengthening focus on the international power utility markets and on some selected industrial sectors while enhancing our product and service offer.



Financial Review

Ronald Henderson Finance Director

Performance

The Group's operating profit, before exceptional items fell by 15% to £110 million, as the adverse effects of the overcapacity in the European energy markets resulted in substantial losses in both our German and Italian businesses. The restructuring of our business to meet changing markets has resulted in £140 million of exceptional costs as we close and consolidate businesses, eliminate unprofitable products, continue the reduction of our cost base and write down assets.

The exceptional charge comprises £62 million of fixed asset write-downs in Europe and Australia, and £80 million of redundancy and rationalisation costs. It is anticipated that as proceeds from transactions and realisations of fixed assets and working capital are received, the overall result will be approximately cash neutral for the Group.

As a result of rationalisation, sales will reduce in a full year by approximately £200 million. This reduction is all in products and businesses which are underperforming at present and, in our view, are likely to continue so to do. In addition we are increasing sales in our retained businesses, particularly to European power utilities.

Cash Flow and Net Debt

Better than anticipated cash flow together with the beneficial effect of stronger sterling on the translation of overseas debt resulted in net debt at the end of year of £180 million. This was achieved despite the continuation of our investment programme involving £147 million capital expenditure, primarily in optical, data and supertension products.

Progress in working capital reduction has continued in 1997, including a modest benefit from lower metal prices which would increase if current metal prices are sustained.

In addition, we paid £32 million on acquisitions, primarily completed in previous years, comprising payments for BICC Cables España, and a further instalment for the Rail Units acquired in 1996.

The year end net debt should be viewed as the normal cyclical annual low point in 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.

Treasury Policy

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. Our policy is to manage the Group's net asset currency exposure within pre-determined ranges using local currency borrowings, forward contracts and currency swaps.

The benefit of this policy has been to limit the adverse translation effect on the Group's assets to £20 million in 1997, despite sterling's strong appreciation against all major currencies and the majority of the Group's assets being overseas.

During 1997, we refreshed our medium-term bank facility and at the year end had unutilised committed borrowing facilities amounting to £542 million, of which £399 million expire in 2000 or beyond.

Currency

Short-term exchange exposures are substantially hedged. However, sterling's 20% appreciation against the German Mark and other European currencies has reduced the competitiveness of our UK manufactured products, with inevitable adverse consequences in terms of profitability and employment.

In Asia-Pacific, the dramatic currency falls since mid 1997 have led to a slow down in expenditure in our markets in the second half of the year and has reduced exports from Australia to certain Asia-Pacific countries. Group Sales in Asia-Pacific in 1997 fell overall by £114 million compared to 1996.

Taxation

The charge for the year, before exceptional items, was £36 million, an effective rate of 33%. The recent reduction in UK Corporation Tax and the elimination of unrelieved losses in Germany and Italy should allow further reduction in the on-going effective rate. The Group has unrelieved losses to utilise in several territories. At 31 December 1997, the Group has unrelieved ACT to carry forward of £13 million.

Pensions

The Group's principal UK pension funds remain in surplus despite the elimination of the tax credits in 1997. During the year, £3 million was contributed to one of the funds although no net charge was made to the profit and loss account while the net surplus is amortised. The next major valuation is due in 1999. The position will, however, be reviewed later in 1998 to establish whether charges to the profit and loss account will need to be resumed.

Year 2000 Programme

We are continuing to review the potential impact on our businesses of the IT issues arising from the year 2000 and we are instigating remedial work where required. Reviews have been undertaken in all business units with the progress of the programme being monitored centrally. Many of the Group's systems and processes are already compliant and the Group expects all material tasks identified to be completed in time.

Going Concern

The Directors, having made appropriate enquiries, consider it reasonable to assume 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

Cardiff Bay Barrage. A £94 million project to construct a 1.1 kilometre long barrage in Cardiff, South Wales. This will create a 200 hectare lake as a focus for development in the city.

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

	1997 £m	1996 £m
Sales	**2,202**	2,118
Operating profit	**42**	10

Overview

In 1997, Balfour Beatty's profits improved by £32 million to £42 million. There were three major contributing factors: the benefits of a more selective approach to bidding contracts began to show through in achieved profit margins; the benefits arising from an increasing attention to productivity and costs; and the eradication of losses, particularly in the USA. Satisfactory outcomes were achieved for both the final Channel Tunnel settlement and the Heathrow Express contract, both of which had been appropriately anticipated in previous years' accounts.

In the marketplace, UK infrastructure expenditure was again depressed, with the new Labour government making further cuts to the road programme. The UK building and building services market showed further signs of improvement however and progress continues, albeit slowly, in the government's Private Finance Initiative. Investment in rail transportation in the UK and overseas continued to grow.

Market-led reorganisation continued, with the Balfour Beatty group's key resources for bidding and executing major projects being combined in a new management unit. This will ensure that the appropriate resources can be deployed on behalf of major clients at key leverage points on a fully international basis. A new operating unit, Balfour Beatty Capital Projects, was created to manage the group's involvement in the growing privately financed project market around the world.

Further progress was made in reorganising the former British Rail infrastructure units acquired in 1996 and integrating them with the other rail engineering activities within the group to create a full-service, new build, renewal and maintenance service portfolio.

A new joint venture, First Philippine Balfour Beatty, has been formed to operate in the promising Philippines market.

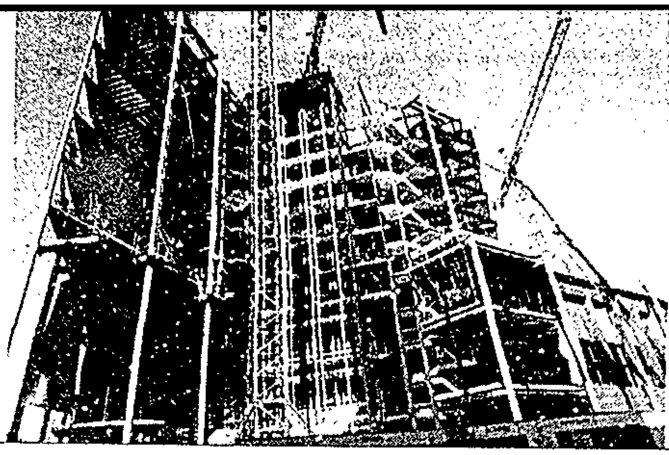
Operations

In the UK civil engineering market, new project availability declined once again from an already weak base. However, a number of quoting and bidding opportunities are now being pursued, most notably those arising from major rail developments.

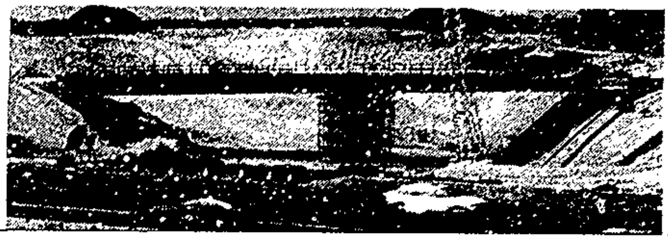
The £102 million widening scheme for Junctions 8-10 of the M25 motorway around London was completed successfully. Many of the innovative management techniques used in this project are now being implemented on other projects.

The civil engineering and tunnelling works for the Heathrow Express were also successfully completed during the year. This project has seen an especially close co-operative approach between client and contractor. Progress on Contract 102 of the Jubilee Line continued satisfactorily, despite the exceptionally challenging nature of the engineering work involved, particularly at the new Westminster underground station. The Cardiff Bay Barrage scheme in South Wales is now nearing completion with flooding of the cofferdam fully achieved.

Our highways maintenance work in Hampshire, Surrey and Buckinghamshire for the Highways Agency progressed well.



The new headquarters building for ABN AMRO at Spitalfields, adjacent to the City of London. A £50 million joint venture project.



Balfour Kilpatrick last year completed installation of the electrical and mechanical services for the new Pfizer research building.

The £220 million A1/M1 Link project is one of the largest Design, Build, Finance and Operate road schemes let under the UK government's Private Finance Initiative.

In **Capital Projects**, the three, secured DBFO road schemes – A1/M1 Link, the A50 and A30/A35 – all progressed satisfactorily. Progress continues towards the financial close of two major hospital developments, the £195 million Royal Infirmary in Edinburgh and the £70 million North Durham Hospital. A contract for a new waste-to-energy plant for Dundee Energy Recycling Limited, in which BICC has a 20% equity interest, was also secured under the UK government's Private Finance Initiative.

In **power engineering**, major projects at Iggesund and Seal Sands were taken to completion. During the year, the decision was taken no longer to tender for full turnkey power projects, but instead to provide selected contract and engineering services to such projects, as appropriate.

In the **USA**, particularly good progress was made in major projects. Significant awards included the seismic reinforcement of the Golden Gate Bridge in San Francisco, the I95 interstate highway improvement in Connecticut and a number of road construction jobs in Texas. General construction work in the US, which has contributed losses in recent years, has now been discontinued.

In **Asia-Pacific**, the major hydro-electric scheme at Pergau in Malaysia was completed. First Philippine Balfour Beatty was awarded the civil works and overhead lines for a new power station in the Philippines, the company's first major project.

The latest stage in the massive project to build the main terminal building at Chek Lap Kok Airport in Hong Kong was handed over to the client on schedule. This project is now nearing completion.

Balfour Beatty Sakti, the group's joint venture in Indonesia, had a satisfactory year, with several substantial projects in progress. Balfour Beatty Sakti and Balfour Kilpatrick in joint venture are now working on a £75 million overhead power line.

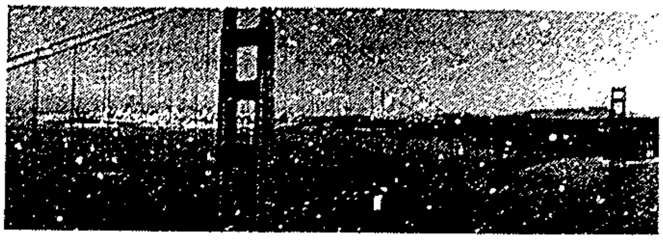
Elsewhere, progress continued on the new library in Alexandria and other projects being undertaken by Dutco Balfour Beatty, the group's joint venture in the Gulf.

A joint venture project to build a £26 million power station in Cyprus was also started during the year as was a road project in Kazakhstan.

Profits in the **UK building and building services** businesses are improving in line with the targets set in 1996. This is the result of major improvements in marketing and productivity in a market strengthening in some parts of the country.

A wide range of sizeable building contracts was won during the year, including major works for MEPC, the property development group, the Inland Revenue, the Post Office and ISL, the international electronics company. The group continues to be particularly successful in securing assignments for complex building and refurbishment. November saw the successful topping out of the £50 million headquarters building for ABN AMRO at Spitalfields, adjacent to the City of London.

The US and European operations of Heery, the group's project and management contracting arm, were integrated during the year. Several prestigious contracts, including the redevelopment of Lords Cricket Ground in London were successfully progressed.



In late 1997, Balfour Beatty was awarded a US$30 million contract to retrofit San Francisco's Golden Gate Bridge to withstand earthquakes of up to 8.2 on the Richter scale.

The building services operations performed well and have a substantial and growing order book.

In mechanical engineering, Haden Young's performance was improved by selective tendering in an increasingly favourable market. Major projects for the British Library in London and the Ministry of Agriculture, Fisheries and Food in Yorkshire were completed. Haden's order book now stands at record levels.

In facilities management and maintenance, performance was satisfactory in an increasingly competitive marketplace.

In railway engineering, profits from the UK maintenance business were satisfactory. A great deal of new work is now being bid in this sector. The reorganisation and capital investment programme for this business has continued vigorously since the acquisition in 1996. A significant amount of specialist rail plant was acquired, while many major research and development projects are being carried out in partnership with Railtrack. Particular emphasis is currently being placed on advanced switches and crossings.

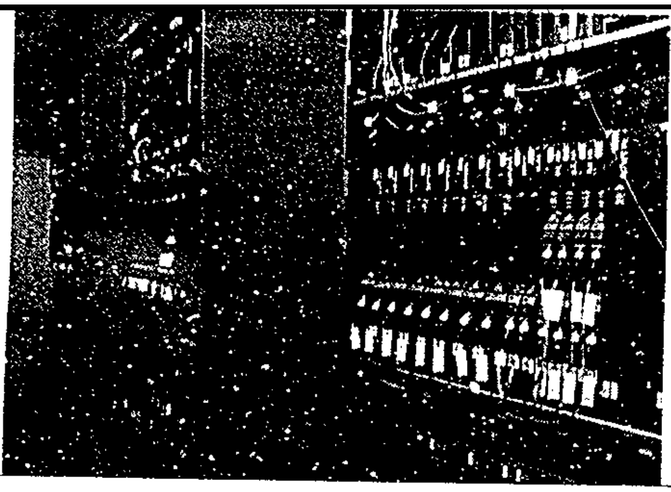
The major trackwork and catenary project for Amtrak in the USA progressed satisfactorily. Similar projects for the fast rail link being constructed in conjunction with the new Chek Lap Kok Airport in Hong Kong are also proceeding well.

Outlook

In the UK infrastructure market, we see diminished opportunities in the road programme but tendering opportunities are improving in the rail sector. The UK government's Private Finance Initiative continues to be an important source of major project work. Balfour Beatty has had some success in the road, health and power sectors and is pursuing more opportunities to continue to exploit its natural strengths in [illegible] sector.

The gradual improvement in the UK building and building services market, which began in 1996, continued in 1997, albeit patchily. 1998 is expected to see a continuation of this trend. The emphasis will remain on margin improvements through selective bidding, increased efficiencies, cost controls and productivity gains.

The group is becoming ever more selective in its approach to international projects and markets, in particular looking to exploit its core civil and railway engineering skills and to further develop its permanent regional joint ventures within the context of its new major projects organisation.



BICC is supporting the installation, commissioning and training of CIENA's dense wavelength division multiplexing equipment for Cable and Wireless.

Edward Astle Managing Director, BICC Communications

BICC Cables markets, designs, manufactures and installs energy and communication cables and cable systems. It serves markets throughout Europe and selected territories elsewhere. Through its joint venture with Corning it is a leading manufacturer of optical fibre.

BICC Cables

	1997 £m	1996 £m
Sales	**1,179**	1,294
Operating profit	**43**	94

Overview

BICC Cables profits fell from £94 million in 1996 to £43 million in 1997. This was due to four main factors: the decline in energy cables prices, particularly in power distribution but also in other energy markets, largely as a result of structural overcapacity; ENEL, the predominant customer in Italy, ordered at greatly reduced levels, causing significant losses in BICC Ceat Cavi; the strength of sterling adversely affected UK export sales and, particularly in the construction cable market, has led to increased low price import penetration; some price erosion also adversely affected performance in the optical businesses although these markets continued to grow.

In June, the energy and communications businesses of BICC Cables were separated for management purposes. This reflects the very different market environments and management challenges inherent in each. Edward Astle, formerly a main board director at Cable and Wireless, was brought in as Managing Director of the newly-created BICC Communications. Michael Downie has responsibility for BICC Cables Energy.

Operations

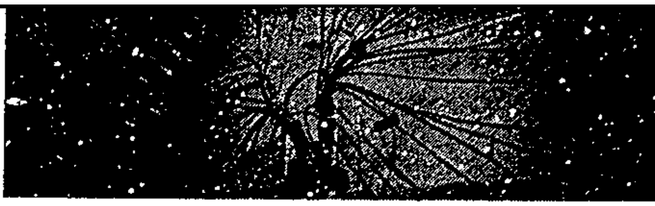
Communications

1997 saw further strong growth in the markets for optical fibre and for data and telecommunications cable and systems. There was also further progress in the development of a liberalised, deregulated, European telecommunications market. Many new entrants are being attracted to this market and changing investment behaviour is evident from the ex-PTTs, whether privatised or preparing for their newly-competitive marketplace. This is both creating pressure on prices and leading to increased demands for systems and services support, creating new opportunities for innovative suppliers.

In **Optical Fibres**, BICC's joint venture with Corning at Deeside, the major investment programme to increase capacity continued and sales increased. The year saw significant new fibre capacity come on stream around the world, changing the balance between market supply and demand for the time being.

In **cables and cable systems**, a more co-ordinated approach amongst BICC's European operations is being adopted, which is reflecting customer and market trends. BICC continued to improve its position with a number of PTTs. New contract awards reconfirmed BICC as the principal supplier to the Telefonica companies in Spain and South America. BICC Communications also provides 100% of BT's metallic telecommunications requirements (up from 40%) and has increased its share of the associated installation activity. This partnership arrangement involves new standards of customer care and service with over 600 cables per day being cut to length and despatched within 24 hours to locations throughout the UK.

BICC also achieved major successes with new market entrants. In December, BICC Communications won a three-year contract with the newly-formed Cable and Wireless Communications for exclusive supply of optical and metallic cable solutions for its nationwide UK telecommunications and cable television networks. Other contracts with new communication network providers were signed with ArCor in Germany, ENEL in Italy, ESAT in Ireland, Retevision in Spain and A 2000 in Holland.



BICC Brand-Rex's Millennium structured wiring system is a market leader in Europe. A new factory was opened during 1997 in the Philippines to service the Asia-Pacific market.

BICC is a pioneer in the use of optical technology in overhead power lines as utilities around the world seek to exploit the communications potential of their grid structure.

BICC also made significant advances in developing its systems capability. In June, an agreement was signed to work in partnership with CIENA Corporation of the USA, the worldwide leader in dense wavelength division multiplexing (DWDM) to service selected European customers. This technology enables telecommunications carriers to greatly increase fibre bandwidth, improve network reliability and enhance the provision of new broadband services.

The first contract under this agreement saw BICC support the installation, commissioning and training of CIENA's DWDM equipment on three routes for Cable and Wireless linking transatlantic cables to London and its UK Network Control Centre.

New product development was also accelerated including Whitelines, a cable system specifically designed for metropolitan area networks, and new products incorporating optical fibre in overhead lines being launched.

In data cables, Brand-Rex had a difficult year, with its high proportion of UK export sales adversely affected by the strength of the pound. While profits fell back somewhat as a result, investment for the future continued with new product introductions, manufacturing expansion and further strengthening of the distribution network based on the continuing success of the Millennium system brand. A new factory, to service the Asia-Pacific market, was commissioned at Subic Bay in the Philippines during the year. The customer base for structured wiring systems was further developed with important new contracts won for the Shanghai Stock Exchange, the Inland Revenue and Zeneca.

Speciality cable sales continued to grow, most notably in the shipping sector to customers in the USA and in China.

Energy Cables

In 1997, the European energy cables market was characterised by structural overcapacity and falling prices. Market conditions were particularly acute in Germany and Italy, where profits fell by £25 million from the previous year.

In response, a series of actions has been taken which represents a rapid and fundamental restructuring of our European energy cables business. During 1997, BICC's costs in this business have been reduced by approximately £45 million. In August 1997, a joint venture was announced with NKF in Germany, as part of which two large factories are being closed. The restructuring has continued with significant downsizing and reorganisation in Italy and the UK. In Italy, the numbers employed have been reduced by more than 30%.

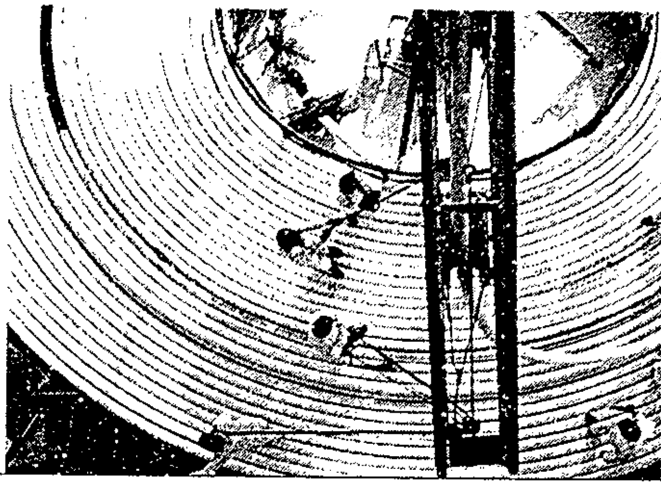
In the UK, BICC announced in February 1998 an exchange deal with Delta plc, whereby it disposed of its UK construction and building wire business and acquired Delta's power utilities, accessories and elastomeric cables businesses, subject to the approval of the Office of Fair Trading. In a separate transaction, BICC acquired Delta's copper rod mill and enamelled wire business.

These transactions and the five subsequent facility closures in the businesses retained by BICC will substantially reduce capacity in over-supplied market sectors and also strengthen BICC's position in the UK energy cables markets in which it will remain.

European Power Distribution

In Italy, ENEL, the state energy company, halved its order volumes from 1996 levels for the first nine months of the year. It placed no substantial orders at all in the last quarter. In the lead up to ENEL's privatisation, new management has

Michael Downie Managing Director, BICC Cables Energy



A major investment programme is under way at BICC Supertension and Subsea Cables at Erith in Kent. This will add a second vertical continuous vulcanisation line and a capability to produce long-length submarine cables.

reworked its five-year expenditure programme, delayed projects and radically cut inventory. As a result, severe losses were incurred by BICC Ceat Cavi. In response, the Italian workforce has been reduced by some 400 people (over 30%). While the Italian government has borne a significant proportion of the cost of redundancies, some of these have fallen to BICC.

In Germany, power distribution cable prices fell by some 45% from their 1996 levels. In August, BICC announced the formation of a joint venture with NKF of the Netherlands (Kaiser KWO Kabel), which acquired the businesses, assets and personnel of both BICC's and NKF's energy and metallic telephone cables operations in Germany.

Subsequent rationalisation will result in the joint venture being concentrated on a single power utility cable factory and a single metallic telephone cable factory. The full costs of this rationalisation have been taken as exceptional. Other German manufacturers have been and are now looking at comparable capacity and cost reductions.

In Spain and Portugal, volumes and prices remained relatively stable, although some deterioration was evident in late 1997 and early 1998.

In the UK, power distribution cable demand increased. BICC is concentrating on the development of alliance supply arrangements with its principal customers. Such long-term agreements with East Midlands Electricity and Yorkshire Electricity are already in place with others being pursued.

The world market for **supertension cables** and for submarine power cables is growing steadily. BICC's facility at Erith, currently the subject of an investment plan to expand capacity in both product areas, has a substantial order book won in 1997, for both UK-based and export customers, including several installations in Singapore and two major installations in Barcelona. We are investing to sustain our technology strengths and this business should continue to deliver good profits to the Group.

In **components**, new product introductions and increasing exports have seen improving performance in 1997.

Construction and Industrial Cables

UK sales volumes increased marginally in 1997 but there was price erosion and increasing import penetration stimulated by the strength of sterling. The construction and building wire business is being divested to Delta plc. At Pyrotenax, sales of mineral insulated cables declined. A major marketing campaign is now reversing this trend. In the UK industrial sector, business is being focused largely on oil and gas installations, transit and instrumentation cables.

In Spain, demand was stable and the market remains strong.

The Dubai Cable Company had another excellent year in a growing market. During 1997, the Abu Dhabi government took a 35% interest in this business, which will help facilitate further expansion and new product introductions. The new factory in Egypt will come on stream during 1998.

Outlook

In UK power cables, the higher factory loadings and better efficiencies which will be achieved following the Delta transactions will improve BICC's prospects and performance in this competitive market. Capacity for rod and wire will also have been brought into line with projected demand.

Carl Painter Chairman & CEO,
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 the supply of power cable to the North American utility and industrial markets. It also manufactures control, instrumentation, data communication and other speciality cable types.

Outlook (BICC Cables continued)
In Germany, the beneficial effects of the joint venture with NKF will see losses being progressively reduced through the year.

In Italy, the reduced cost base, together with a resumption of orders from ENEL, will improve the situation in 1998.

In both Germany and Italy we have a recovery in prices but some weakening in Spain.

1998 should see further growth in all of BICC Communications' market sectors. The company is investing for this growth, while at the same time adapting and developing its product and service offer to match the requirements of its fast changing marketplace.

BICC Cables Corporation

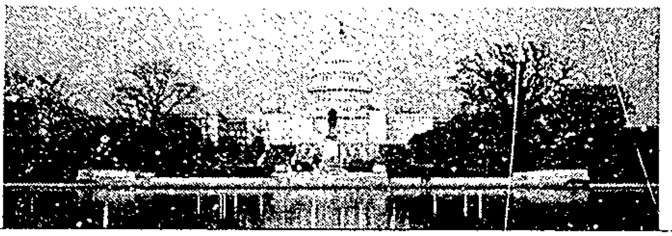
	1997 £m	1996 £m
Sales	**382**	398
Operating profit	**17**	15

Overview
Profits in the Group's North American power and speciality cables business increased by 13% to £17 million in 1997. Good progress was made in the utilities sector with improved factory loadings and efficiencies and further development of strategic customer alliances. BICC Brand-Rex had a more mixed year, with strong performances in some markets offset by setbacks in others. In the industrial market, progress was disappointing, with the complex reorganisation of manufacture at Marion, Indiana continuing following the closure of the Brockville, Ontario plant in 1996.

Towards the end of the year, the industrial cables operations at Marion became part of BICC Brand-Rex with a view to exploiting the potential customer and product synergies which exist between these operations.

During the year, there were a number of senior management changes aimed at creating a team to concentrate on growth following the major restructuring exercises of 1996 and their aftermath in 1997.

Operations
In the utility market, progress was good, despite the unsettling effects of impending utility deregulation, with most customers still involved in major strategic appraisals and repositioning programmes. BICC is seeking to capitalise further on its already strong market position by offering value added services such as materials management, just-in-time



BICC Pyrotenax cabling is installed at the Capitol Building in Washington, USA. Mineral insulated cables are increasingly specified for public buildings where safety is of critical importance.

BICC Cables Corporation supplies a range of power cable products and associated services for Northern States Power, in the USA.

delivery and distribution and specialised engineering and technical expertise. This involves a growing number of long-term customer alliances which offer improved opportunities for mutual profit through cost-cutting, greater efficiencies from better loaded plants and a more stable pricing environment.

The proportion of business transacted through these relationships grew in 1997 and alliance arrangements now exist with Arizona Public Services, San Diego Gas and Electric, Con Edison of New York, Consumers Power, Wisconsin Electric Power Company, PECO Energy and Pennsylvania Light and Power, amongst others. The development of similar arrangements with selected Canadian utilities is being pursued.

BICC continues to benefit from its in-house polymer capability, which gives the company both market leadership in materials science and development and significant raw material cost advantages.

BICC Brand-Rex's business in the military and aerospace sectors continued to grow, as did sales for Original Equipment Manufacturers and also in the transit and marine markets. In all cases, the company's first-class product range and technical capabilities are being supplemented by an increasing emphasis on cable assemblies, which helps differentiate BICC Brand-Rex in the market. In some other sectors, most notably data cables, there has been price erosion, which has held back profits.

Following the closure of the factory at York, Pennsylvania, production is now concentrated at the Willimantic, Connecticut and Jackson, Tennessee facilities. 1997 saw the arrival of a new president for BICC Brand-Rex.

It was a disappointing year for the **industrial cables** business. There was some market improvement, but efforts were largely focused on the continuing task of integrating selected product lines from Brockville to Marion to create a strongly competitive factory in terms of quality, cost and service. With this process largely complete, market and product strategies for selected sectors are now in the process of finalisation under the new management arrangements. Market prospects in both the US and Canada are good.

BICC Pyrotenax enjoyed a year of satisfactory progress. The commercial wiring market for essential circuits for fire and safety requirements in public buildings grew and the company enjoyed successful expansion in Canada and, particularly, the USA. In the industrial market, the revival of investment in the petrochemical industry in western Canada provided good business opportunities.

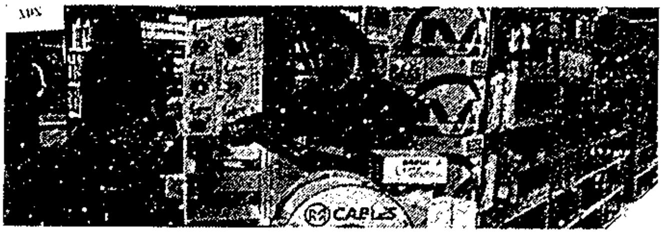
Outlook

The uncertainty in the US utility market will continue, but BICC is targeting further market share growth through selective alliances. The company will also continue to develop its route-to-market strategy to respond to the material supply outsourcing arrangements preferred by a growing number of utilities.

In BICC Brand-Rex, there are good prospects for sales and profit growth as the integration with the industrial business progresses. In data communications, a number of options are being examined within the context of the BICC Group's overall strategic development plan for this business.

1998 will see the completion of the restructuring of the management team, which began in 1997.

Glenn Dudley Managing Director, Metal Manufactures



A major loyalty marketing programme helped to boost sales volumes and margins in the electrical merchandising business.

Metal Manufactures is one of Australia's leading industrial groups. It manufactures energy and communication cables, copper rod, copper and copper alloy tubes and PVC pipes and fitting systems. It is also the leading manufacturer of optical fibre in Australia in joint venture with Corning and has a nationwide network of electrical wholesaling businesses.

Metal Manufactures

	1997 £m	1996 £m
Sales	557	724
Operating profit	26	37

Overview

Profits in Australasia fell to £26 million in 1997. The three principal factors were: the absence of any meaningful recovery in the new housing construction sector upon which a significant proportion of Metal Manufactures' business depends; a downturn in exports to the Asia-Pacific region; and a reduction in the level of optical fibre and cable call-offs by the Australian telecommunications companies.

Operations

In **communication cables**, both Telstra and Optus continued the development of their respective networks but at a slower pace than in recent years. Nevertheless, Telstra did continue its nationwide digital system upgrade programme and Metal Manufactures was awarded, by Optus, single supply for the Sydney to Brisbane link.

Although several export contracts from the Asia-Pacific region were secured during the first half of the year, the second-half devaluation of many ASEAN currencies has seen a serious downturn in export opportunities.

In **Optical Waveguides Australia**, the optical fibre joint venture with Corning, a slowdown in the roll-out of both Telstra and Optus Vision's pay television networks and the fall-off in exports saw reduced profits.

In **data communications**, the domestic market grew and Communication Products expanded its presence in key sectors. MM DataCom is already the largest supplier of data communications cable to the Australian networking market.

In **energy cables**, the expected recovery in housing and construction failed to materialise and export volumes reduced with the problems in Asia-Pacific. Manufacture is now being consolidated into a single site at Liverpool, N.S.W., excluding Pyrotenax, and a major programme of cost reduction and reorganisation is in hand.

In **New Zealand** cables, markets were subdued and prices softened. Strategic customer alliances in both power and telecommunications will secure long-term business and facilitate the provision of various value-added services.

MM Kembla Products had a successful year with improving profit and cash performance. Wire and rod selling prices improved both in Australia and elsewhere and good progress was made in manufacturing processes and marketing performance. Copper Systems also performed well, despite pricing pressures on its full range of tubes, fittings, assemblies and accessories.

In **electrical merchandising**, the profit progress of recent years continued, with a major loyalty marketing programme helping to boost sales volumes and margins in a very competitive environment.

In **Vinidex**, the plastic tube-makers, profits were flat. The business, under a new management team, is being repositioned and new products are being introduced to the market.

The Posco Centre in Seoul, South Korea is totally automated by Andover Controls' 'Infinity' system.

Peter Zinkin Director, Planning & Development

Outlook (Metal Manufactures continued)

In 1998, some improvement in operating performance is expected, driven principally by the anticipated recovery in the housing sector, signs of which were apparent at the end of 1997. Uncertainty in Asia-Pacific will continue. Future demand in the domestic communications market remains somewhat unclear.

BICC Developments

	1997 £m	1996 £m
Sales	**54**	39
Operating profit	**(10)**	(7)

1997 losses were higher than recent years as a result of the sale of our interest in the Queens Arcade Shopping Centre in Cardiff. Substantial progress was made in the disposal of the Group's residual property interests.

Planning applications for the London International Financial Futures & Options Exchange at Spitalfields were approved in late 1997. This will result in the sale of a substantial proportion of the Spitalfields site. In addition, sales were agreed or completed for the Oracle Development in Reading, Lawn House and Bowling House in Wandsworth, Portland Mall in Kilmarnock, and the Charroterie Mills in Guernsey. The capital remaining in BICC Developments has now been reduced to £68 million.

Andover Controls and Barking Power

	1997 £m	1996 £m
Sales	**104**	95
Operating profit	**18**	15

Profits from the Group's 25% interest in Barking Power Limited, and Andover Controls, the designer and manufacturer of computer-based building management and control systems, rose to £18 million in 1997.

Andover Controls had another year of good progress, increasing both sales and profits by more than 15%. In North America, the main influences were an increasing propensity for telecommunications customers to purchase integrated systems for remote facilities and regional hubs, and increasing demand for turnkey services in the pharmaceutical sector.

Andover continued to develop partnership relationships with key customers. In Europe, for example, Andover systems are installed in many Marks & Spencer stores while Anchor Trust, England's largest housing association, has initiated 16 pilot sites as a precursor to developing standard Andover system solutions for its 800 UK locations. In the Asia-Pacific region, a 50% sales improvement was achieved and healthy expansion was also achieved in South America.

Andover continued to invest for future growth with an 18% increase in Research and Development expenditure, primarily for the Continuum product family. Continuum, which was introduced in January 1998, features a number of new and upgraded system features.

Barking Power continued to benefit from advantageous spot gas prices in a buoyant electricity market.

Directors

Malcolm Bates Michael Miles Christopher Reeves Udo Stark

Viscount Weir † * #
Chairman
Age 64. Hon.F.Eng. A Director since 1977 and appointed Chairman in 1996. He is also chairman of The Weir Group and a director of St James' Place Capital, Canadian Pacific and formerly a director of the Bank of England and British Steel.

Alan Jones
Chief Executive
Age 58. 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.

Edward Astle
Managing Director, BICC Communications
Age 43. A graduate of INSEAD. A non-executive director of Motiv Systems. Appointed a Director in January 1998 having joined the Company in 1997. Formerly an executive director of Cable and Wireless.

Malcolm Bates † * #
Age 63. A Director since July 1997. Also non-executive chairman of Pearl Group, London Life and Premier Farnell, a member of the Industrial Development Advisory Board and a Governor of the University of Westminster. Formerly deputy managing director of GEC, chairman of the Engineering Deregulation Task Force and a member of the Private Finance Panel. Currently a special adviser to the Paymaster General, HM Treasury.

Michael Downie
Managing Director, BICC Cables Energy.
Age 47. An engineering graduate and chartered accountant. A Director since January 1996. He became Managing Director of BICC Cables in 1994, following eight years as Finance Director. He joined the BICC Group in 1977. Prior to joining BICC, he worked for Price Waterhouse and Shell UK.

Ronald Henderson
Finance Director
Age 52. 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 a member of the Auditing Practices Board.

Michael Miles OBE † * #
Age 61. 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 51. 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 62. A Director since 1982. He is also deputy chairman of Merrill Lynch International and a member of the chairman's office in the parent company, Merrill Lynch & Co Inc, a director of Cornhill Insurance and other companies and City University Treasurer.

Udo Stark † * #
Age 50. A Director since June 1995. He is also chairman of AGIV, the international engineering 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 51. 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 44. 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 director
* 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.

BICC Group Structure

The BICC Gr ,p 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.

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 International* Balfour Beatty Construction Balfour Beatty Rail Heery International *To 31 March, 1998	Haden Building Services Balfour Kilpatrick Balfour Beatty Inc Balfour Beatty Capital Projects Balfour Beatty Major Projects** **From 1 April, 1998
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.	BICC Brand-Rex BICC Fibre in Overhead Lines BICC Network Systems – Network Systems, U – BICC Comunicaciones – BICC KWO Optical Fibres	BICC Cables Energy, UK BICC Ceat Cavi, Italy BICC Cables España, Spain BICC Celcat, Portugal Kaiser KWO Kabel, Germany Dubai Cables Company, UAE BICC CAFCA, Zimbabwe
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 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 manufactures energy and communication cables, copper rod, copper and copper alloy tubes and PVC pipes and fitting systems. It is also the leading manufacturer of optical fibre in Australia, in joint venture with Corning, and has a nationwide network of electrical wholesaling businesses.	MM Cables Vinidex Tubemakers Optical Waveguides Australia MM Electrical Merchandising MM Kembla Products MM Industrial Products	
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.	Andover Controls Barking Power	
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.		
BICC Cables Asia-Pacific BICC Cables Asia-Pacific was established in 1994 to co-ordinate 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.		

Financial Contents

Directors' Report

For the year ended 31 December 1997

Activities

The Chairman's Statement on page 2, the Chief Executive's Review on pages 3 to 5, the Financial Review on pages 10 and 11 and the Operating Review on pages 12 to 21 report on the principal activities of the Group, its operations during 1997 and future developments in its businesses.

Dividends

The directors recommend a final dividend on ordinary shares of 4.0p (net) per share, making, with the interim dividend of 4.0p, a total dividend for 1997 of 8.0p (net). Preference dividends totalling 10.75p (gross) per preference share have been paid for 1997.

Post Balance Sheet Events

Details of post balance sheet events are set out in Note 26 on page 45.

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 Technology Centres working in communications, energy cables and construction technology. The scale of R&D work for communication systems and related areas has been increased substantially during 1997. The R&D programmes in the Technology Centres and in the cable operating units of the Group are co-ordinated by a worldwide cables technology board. A number of projects are sponsored at universities and research institutes on three continents together with research studentships and a scheme to fund selected feasibility studies of new technologies and concepts proposed by universities.

Balfour Beatty undertakes a range of development initiatives throughout its businesses, which are supported by one of the Group's Technology Centres and by links with selected universities. These now include a growing series of process improvement projects complemented by the Agile Construction Initiative with the University of Bath.

The high quality of technical work in the Group is reflected by the large number of collaborative R&D projects which are receiving funding from the European Commission and from the UK and Australian governments and cover both cables and construction.

Details of the Group's 1997 R&D expenditure are given in Note 2(c) on page 36.

Directors

Brief biographical details of the present directors of the Company are set out on page 22.

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 on page 44 and, in respect of options over such share capital, in the Compensation and Appointments Committee's Report on page 31.

Employment

The Group operates in many different environments and believes that employment practices are most successful when designed to fit the needs of individual businesses. While common principles underpin the Group's employment practices, responsibility for their further development and implementation lies largely with individual business units.

Group publications covering business performance, major new projects, sales initiatives and technological developments keep employees informed about the activities of the Group worldwide. Individual units use a variety of methods, including briefing groups, consultative meetings, local newspapers and joint working parties to involve employees in their businesses and to seek their contribution to their continuous improvement. The European Consultative Forum, established within BICC Cables as a voluntary arrangement under the European Directive on Work Councils, meets at least annually and plans have been agreed for the training of its members, with European Union financial support.

Opportunities are advertised widely across the Group. As the Group becomes more internationally established, units in one country play an important part in the training of employees in new operations in another. Sir William Barlow Scholarships, the Group's well-established scheme for the development of engineers, were awarded this year to employees in Balfour Beatty in the UK, BICC Cables España, and Metal Manufactures in New Zealand.

Five of the ten trustees of the BICC Group Pension Fund are member nominated and the Group, with support from Fund members, has opted out of the member nominated trustee provisions of the Pensions Act (1995) so that our existing arrangements can continue. In addition, a Pensions Liaison Committee provides a forum for member representatives to discuss pension matters with management and Fund advisers.

Profit-related pay schemes operate in a number of the Group's businesses, and in the UK many employees participate in the savings-related share option scheme.

The Board accepts its responsibility to ensure that disabled people, whether applicants or employees, are considered for opportunities within the Group solely on the basis of their aptitudes and abilities and that retraining is available to people who become disabled.

Share Capital
Details of share capital issued by the Company during 1997 are set out in Note 17 on page 42.

As at 3 March 1998, 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.	39,553,678 shares	9.4%
Deutsche Morgan Grenfell Group plc	45,361,882 shares	10.8%
Franklin Resources, Inc.	62,153,111 shares	14.8%

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. At 31 December 1997 the year end creditor days of the Company were 28.

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 1997.

The Board's statement as to going concern is set out in the Financial Review on page 11. The auditors' report on compliance with the Code is set out on page 49.

The Board and its Committees
The Board comprises seven executive directors and five non-executive directors.

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 22. The remit of the former is described below and that of the latter in its report on page 29. 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. This Manual also includes policies on information security and financial risk management. The Manual 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 project re 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 Balfour Beatty and each of the other Group Companies. It is centrally co-ordinated 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. In selected high risk areas, spot checks are also conducted.

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 co-ordinated 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 1997 the Group contributed £0.1 million to UK charities. The Company is not a close company for taxation purposes.

Safety and the Environment

The Board receives regular reports from Group Companies on safety and environmental matters and reviews annual reports from them each year. Group Companies maintain and refine their own policies as appropriate to their own businesses and regulatory regimes. Such policies and procedures incorporate the Group's policy on these matters set out in the Group's formal statement of Company Principles. Training and communications programmes have been extended in 1997. The Board is satisfied that safety and environmental matters are given due attention throughout the Group's operations.

Balfour Beatty has further developed its systems for safety and environmental assessment and reporting as part of its quality and risk management programmes. Most operating companies have achieved RoSPA Level 3 QSA performance.

The Group's worldwide cables businesses continue to develop and integrate their environmental and safety management systems and achieve international standards certification. BICC Cables now hold thirteen certifications to ISO14001, Environmental Management Systems, including the only one in the Middle East (Dubai Cable Company) and the first three in Spain (BICC General Cables). All businesses exchange best practice information and co-operate in technology programmes with industrial partners and universities to develop materials and products to meet customers' environmental requirements.

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 renew the directors' authority to allot shares with a maximum aggregate nominal amount of £69,999,899 representing approximately one third of the Company's issued ordinary share capital as at 3 March 1998. This authority would replace the existing directors' authority and would expire at the conclusion of the Company's Annual General Meeting to be held in 2003 or, if earlier, on 29 April 2003. 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 5)
- A Special Resolution to renew the directors' power to allot shares for cash or to facilitate rights issues. This power 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 £10,499,984, representing approximately 5% of the Company's issued ordinary share capital as at 3 March 1998. This power would expire at the conclusion of the Company's Annual General Meeting to be held in 1999 or, if earlier, on 29 July 1999. (Resolution 6)

By Order of the Board

S F Murray
SFMurray
Secretary
3 March 1998

Notice of Meeting

Notice is given that the fifty-third Annual General Meeting of BICC plc will be held at the Mandarin Oriental Hyde Park, 66 Knightsbridge, London SW1Y 7LA on Wednesday 29 April 1998 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 1997.

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

3. To re-elect Viscount Weir, Mr E M Astle, Mr M R Bates, Mr C R Reeves and Mr P J L Zinkin as directors.

4. To re-appoint auditors.

Special Business

5. To consider and, if thought fit, pass as an Ordinary Resolution: THAT 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 30 April 1998 and ending at the conclusion of the Company's Annual General Meeting to be held in 2003 or, if earlier, on 29 April 2003 and for such period the Section 80 Amount (as defined in paragraph (B)(iii) of that Article) shall be £69,999,899, such authority to replace the authority to allot relevant securities granted by Resolution 6 passed at the Annual General Meeting of the Company held on 30 April 1997.

6. To consider and, if thought fit, pass as a Special Resolution: THAT, subject to and conditional upon the passing of Resolution 5 set out in this Notice, the directors be empowered in the terms of paragraph (E)(ii) of Article 11 of the Company's Articles of Association to allot equity securities pursuant to the authority granted by that Resolution wholly for cash for the period beginning on 30 April 1998 and ending at the conclusion of the Company's Annual General Meeting to be held in 1999 or, if earlier, on 29 July 1999 and for such period the Section 89 Amount (as defined in paragraph (E)(iii) of that Article) shall be £10,499,984.

By Order of the Board

S F Murray
Secretary
3 March 1998

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 accordance with paragraph 34 of the Uncertificated Securities Regulations 1995 and Article 61 of 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, a 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 11 May 1998. Warrants will be posted on 29 June 1998 payable on 1 July 1998. Share certificates for new shares will be posted on 30 June 1998 to shareholders who elect for any scrip dividend alternative which may be offered. CREST participants will have the new shares credited to their CREST stock accounts on the payment date.

Notice of Meeting

Notice is given that the fifty-third Annual General Meeting of BICC plc will be held at the Mandarin Oriental Hyde Park, 66 Knightsbridge, London SW1Y 7LA on Wednesday 29 April 1998 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 1997.

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

3. To re-elect Viscount Weir, Mr E M Astle, Mr M R Bates, Mr C R Reeves and Mr P J L Zinkin as directors.

4. To re-appoint auditors.

Special Business

5. To consider and, if thought fit, pass as an Ordinary Resolution: THAT 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 30 April 1998 and ending at the conclusion of the Company's Annual General Meeting to be held in 2003 or, if earlier, on 29 April 2003 and for such period the Section 80 Amount (as defined in paragraph (B)(iii) of that Article) shall be £69,999,899, such authority to replace the authority to allot relevant securities granted by Resolution 6 passed at the Annual General Meeting of the Company held on 30 April 1997.

6. To consider and, if thought fit, pass as a Special Resolution: THAT, subject to and conditional upon the passing of Resolution 5 set out in this Notice, the directors be empowered in the terms of paragraph (B)(ii) of Article 11 of the Company's Articles of Association to allot equity securities pursuant to the authority granted by that Resolution wholly for cash for the period beginning on 30 April 1998 and ending at the conclusion of the Company's Annual General Meeting to be held in 1999 or, if earlier, on 29 July 1999 and for such period the Section 89 Amount (as defined in paragraph (E)(iii) of that Article) shall be £10,499,984.

By Order of the Board

S F Murray
Secretary
3 March 1998

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(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 accordance with paragraph 34 of the Uncertificated Securities Regulations 1995 and Article 61 of 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.

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Compensation and Appointments Committee's Report

MEMBERSHIP

The Board's Compensation and Appointments Committee consists of all the non-executive directors, none of whom has involvement 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 1997 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 1997.

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 Policy

Our policy in relation to the annual salary of directors and senior managers is 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.

Long Term Incentive Plan

Directors, and some senior managers, participate in a Long Term Incentive Plan under which the Company's total shareholder return performance is compared, by external advisers, over a three year period with the total shareholder return of the companies in the FTSE 100 and in a smaller comparator group.

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). Any award will be paid half in cash and half in the form of a conditional allocation of ordinary shares in the Company, such shares normally being released two years after the date of the award.

Each executive director, except Mr Astle, currently participates in three cycles of the Long Term Incentive Plan: any award under the first cycle will be made after the announcement of the Company's preliminary results for 1998. Mr Astle participates in the plan for the 3 year period commencing 1 January 1998.

Since the Annual General Meeting in April 1996 approved the introduction of the Long Term Incentive Plan, no participant in it has been granted options under the executive share option scheme. Executive directors continue to participate in the savings-related share option scheme.

Annual Incentive Plan

Each director participates in an annual plan which relates the payment of non-pensionable cash bonuses to pre-determined performance goals. For UK resident directors such goals are expressed as EPS targets for corporate directors and as a combination of EPS and profit and cash targets for those with responsibility for specific businesses. The goals for Mr Painter, who is resident in the USA, are expressed as profit and cash targets for BICC Cables Corporation. For the year ended 31 December 1997, the only bonuses earned were £79,093 by Mr Painter and £53,750 by Mr Welton.

For 1998, the Committee has decided that the maximum bonus potential for the UK resident directors, including the Chief Executive, should be 40% of base salary and for Mr Painter 60% of base salary.

In the Circular to Shareholders dated 11 March 1996, which proposed the introduction of the Long Term Incentive Plan, we indicated that the Chief Executive would not participate in an annual plan from 1 January 1998. However, having carefully considered both developments in market practice since 1996 and the particular importance today of achieving short term improvements in the Company's performance, we have decided to reintroduce an annual incentive scheme for the Chief Executive on the same terms as for other UK based executive directors.

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.

1998 RE-ELECTION OF DIRECTORS

Mr M R Bates was appointed a non-executive director on 8 July 1997. Mr E M Astle was appointed a director on 13 January 1998. Under the Articles of Association, they both retire at the Annual General Meeting and, being eligible, each offers himself for re-election. Mr Bates, as a non-executive director, does not have a service contract with the Group. Mr E M Astle is an executive director and has a service contract with the Company with an unexpired term of two years. Viscount Weir, Mr C R Reeves and Mr P J L Zinkin retire by rotation and, being eligible, offer themselves for re-election. Viscount Weir's appointment as chairman is for a fixed period of three years from 1 July 1996, terminable by the Company on six months' notice. Mr Reeves is a non-executive director and has no service contract. Mr Zinkin 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 1997. The second table shows the increase in accrued pension during the year for each UK director. The third table sets out the interests of the current directors and anyone who was a director in 1997 in options granted over ordinary shares in the Company. Except as disclosed above in respect of the Long Term Incentive Plan, in this third table or in Note 21 to the financial statements on page 44, 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 1997

	Basic salary £	Fees £	Benefits in kind £	Annual bonus £	Total remuneration for 1997 £	Total remuneration for 1996 £
M R Bates	–	10,000	–	–	10,000	–
Sir Robert Davidson	–	6,667	–	–	6,667	20,000
M J Downie	213,257	–	13,501	–	226,758	207,432
R A Henderson	223,389	–	12,829	–	236,218	219,282
Lord Howe of Aberavon	–	6,667	–	–	6,667	20,000
A W Jones	390,000	–	10,446	–	400,446	387,313
H M P Miles	–	20,000	–	–	20,000	1,354
C E Painter	241,604	–	13,148	79,093	333,845	340,433
C R Reeves	–	20,000	–	–	20,000	20,000
U G Stark	–	20,000	–	–	20,000	20,000
Viscount Weir	–	150,000	–	–	150,000	100,000
M W Welton	214,832	–	13,116	53,750	281,698	201,523
P J L Zinkin	210,501	–	16,905	–	227,406	208,914
Former directors – retired in 1996	–	–	–	–	–	209,968
Total	1,493,583	233,334	79,945	132,843	1,939,705	1,956,219

Notes:

- The Total Remuneration for 1997 excludes Company pension contributions: the table below adopts the format now required by the London Stock Exchange for the disclosure of pension entitlements earned in 1997. Remuneration for 1996 has been restated without Company pension contributions.
- The basic salaries of Mr Downie, Mr Henderson, Mr Welton and Mr Zinkin include non-pensionable supplements averaging 4.6% of the figures in the first column. These supplements, which are paid to all UK executives, including directors, who were members of the Group Pension Fund before 1 January 1995, have been offset by increases in the percentage contribution paid by each individual to the Fund and by reductions in Company contributions so that the effect on Company costs is neutral. Total remuneration for 1997 includes twelve months of supplements while that for 1996 includes two months of supplements.
- 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.
- Viscount Weir's fees for 1997 reflect a full year as Chairman. His 1996 fees reflect six months as Deputy Chairman and six months as Chairman.
- Mr M R Bates joined the Board on 8 July 1997. Sir Robert Davidson and Lord Howe of Aberavon retired from the Board on 30 April 1997.

Pensions Benefits earned by each Director in 1997

	Accrued deferred pension at 31 December 1997	Increase in accrued pension during 1997	Transfer value at 31 December 1997 of the increase in accrued pension
	£pa	£pa	£
M J Downie	78,535	6,549	70,000
R A Henderson	63,508	6,992	72,000
A W Jones	3,850	1,402	20,000
M W Welton	94,459	8,306	101,000
P J L Zinkin	64,067	6,064	58,000

Notes:

- The accrued deferred pension shown is that which would be paid annually from the Group Pension Fund on retirement based on service to 31 December 1997. The increase in accrued pension during the year excludes any increase for inflation. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less directors' contributions. Directors have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.
- Mr C E 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. In 1997 the Company's contribution to these plans was £27,823 (£26,054 in 1996).
- Mr A W Jones' salary is subject to the Inland Revenue cap for pension purposes and since 1 October 1996 the Company has contributed to a Funded Unapproved Retirement Benefit Scheme for him. In 1997 the Company's contribution was £122,003 (£31,407 for the three months from 1 October 1996 to 31 December 1996).

Options

	Number of options				Exercisable	
	At 1 January 1997	Date granted	At 31 December 1997*	Exercise price (p)	from	to
A W Jones	204,538	13 April 1995	204,538	311.9	April 1998	April 2005
	153,404	29 February 1996	153,404	288.5	February 1999	February 2006
E M Astle (appointed 13 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
	–	*23 May 1997*	*1,631*	*208.0*	*August 2000*	*January 2001*
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
	6,438	*8 May 1996*	*6,438*	*267.9*	*August 2001*	*January 2002*
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*
	2,575	*8 May 1996*	*2,575*	*267.9*	*August 2001*	*January 2002*
	–	*23 May 1997*	*2,156*	*208.0*	*August 2002*	*January 2003*
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
	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*
	2,575	*8 May 1996*	*2,575*	*267.9*	*August 2001*	*January 2002*
	–	*23 May 1997*	*975*	*208.0*	*August 2000*	*January 2001*

* or date of appointment if later.

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 1997 was 172p. During the year the price ranged from 144.5p to 293p.

No director exercised any option, nor did any option lapse unexercised, during the year. All interests at the dates shown are beneficial and there were no changes between 31 December 1997 and 3 March 1998 except that the options referred to above under the savings-related share option scheme granted on 19 May 1992 to Messrs. Downie, Welton and Zinkin, lapsed in January 1998.

Viscount Weir
Chairman
3 March 1998

Group Profit and Loss Account

For the year ended 31 December	Notes	Before exceptional items 1997 £m	Exceptional items (Note 3) 1997 £m	Total 1997 £m	Before exceptional items 1996 £m	Exceptional items (Note 3) 1996 £m	Total 1996 £m
Turnover including share of sales of associated undertakings	1	4,478	–	4,478	4,668	–	4,668
Group share of sales of associated undertakings		(339)	–	(339)	(432)	–	(432)
Turnover		4,139	–	4,139	4,236	–	4,236
Cost of sales		(3,595)	(20)	(3,615)	(3,646)	(65)	(3,711)
Gross profit		544	(20)	524	590	(65)	525
Net operating expenses	2	(432)	–	(432)	(457)	–	(457)
Share of profits less losses of associated undertakings	2	24	–	24	31	–	31
Operating profit		136	(20)	116	164	(65)	99
Fundamental restructuring costs		–	(122)	(122)	–	–	–
Net profit on sale of operations		–	2	2	–	–	–
(Loss)/profit before interest	2	136	(140)	(4)	164	(65)	99
Net interest payable and similar charges	4			(26)			(35)
(Loss)/profit on ordinary activities before taxation				(30)			64
Taxation	5			(25)			(38)
(Loss)/profit after taxation				(55)			26
Minority interests (including non-equity interests)	6			(11)			(23)
(Loss)/profit for the financial year				(66)			3
Dividends: Preference	7			(15)			(15)
Ordinary	7			(34)			(50)
Transfer from reserves				(115)			(62)
Adjusted earnings per ordinary share	8			10.1p			13.0p
Exceptional items after attributable taxation and minority interests	3			(29.6)p			(16.2)p
Loss per ordinary share	8			(19.5)p			(3.2)p
Dividends per ordinary share	7			8.00p			12.41p

Movements on reserves are set out in Note 18.

Statement of Total Recognised Gains and Losses

For the year ended 31 December	1997 £m	1996 £m
(Loss)/profit for the financial year	(66)	3
Exchange adjustments	(20)	(10)
Total recognised gains and losses for the year	(86)	(7)

Balance Sheets

At 31 December	Notes	BICC Group 1997 £m	BICC Group 1996 £m	BICC plc 1997 £m	BICC plc 1996 £m
Fixed assets					
Tangible assets	9	568	629	136	133
Investments	10	95	87	519	528
		663	716	655	661
Current assets					
Stocks	11	319	390	88	111
Debtors – due within one year	12	853	844	185	152
– due after one year	12	117	112	41	31
Cash and deposits	13	232	334	57	144
		1,521	1,680	371	438
Creditors: amounts falling due within one year					
Borrowings	13	(200)	(206)	(4)	(7)
Other	14	(1,144)	(1,209)	(176)	(204)
Net current assets		177	265	191	227
Total assets less current liabilities		840	981	846	888
Creditors: amounts falling due after more than one year					
Borrowings	13	(182)	(156)	(25)	(31)
Minority redeemable capital	15	(30)	(52)	–	–
Other	14	(33)	(43)	–	–
Provisions for liabilities and charges	16	(138)	(124)	(68)	(50)
		(383)	(375)	(93)	(81)
		457	606	753	807
Capital and reserves					
Called-up share capital	17	212	212	212	212
Share premium account	18	323	322	323	322
Revaluation reserves	18	64	64	21	23
Other reserves	18	12	14	63	63
Goodwill reserve	18	(334)	(333)	–	–
Profit and loss account	18	86	219	134	187
Shareholders' funds		363	498	753	807
Equity interests		186	321	576	630
Non-equity interests		177	177	177	177
Minority equity interests		65	74	–	–
Minority non-equity interests		29	34	–	–
		457	606	753	807

On behalf of the Board

Viscount Weir
R A Henderson
Directors
3 March 1998

Weir
Ronald Henderson

Group Cash Flow Statement

For the year ended 31 December	Notes	1997 £m	1996 £m
Net cash inflow from operating activities	27	198	258
Returns on investments and servicing of finance			
Interest received		14	20
Interest paid		(46)	(51)
Dividends paid:			
On preference shares		(15)	(15)
To minority shareholders		(14)	(27)
Net cash outflow from returns on investments and servicing of finance		(61)	(73)
Taxation		(40)	(24)
Capital expenditure and financial investment			
Capital expenditure		(147)	(118)
Disposal of tangible fixed assets		6	15
Investment in associated undertakings		(3)	(6)
Net cash outflow from capital expenditure and financial investment		(144)	(109)
Acquisitions and disposals			
Acquisitions of businesses	27	(32)	(50)
Disposals of businesses	27	7	57
Net cash (outflow)/inflow from acquisitions and disposals		(25)	7
Ordinary dividends paid		(49)	(42)
Cash (outflow)/inflow before use of liquid resources and financing		(121)	17
Management of liquid resources			
Decrease/(increase) in term deposits		134	(136)
Net cash inflow/(outflow) from management of liquid resources		134	(136)
Financing			
Issue of ordinary shares		–	174
Issue of shares to minority interests		–	3
Minority interests repaid		(2)	–
New loans		109	41
Repayment of loans and minority redeemable capital		(84)	(163)
Capital element of finance lease payments		(3)	(3)
Expenses paid in connection with share issues		–	(4)
Net cash inflow from financing		20	48
Increase/(decrease) in cash in the period	27	33	(71)

Cash (outflow)/inflow before acquisitions and disposals of businesses*		(96)	10

* Defined as cash (outflow)/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.

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 20/31ths 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 1997 £m	Turnover 1996 £m	Operating profit before exceptional items 1997 £m	Operating profit before exceptional items 1996 £m	Capital employed 1997 £m	Capital employed 1996 £m
Balfour Beatty	2,202	2,118	42	10	(120)	(128)
BICC Cables	1,179	1,294	43	94	421	483
BICC Cables Corporation	382	398	17	15	145	129
Metal Manufactures	557	724	26	37	154	189
BICC Developments	54	39	(10)	(7)	68	87
Other	104	95	18	15	21	16
	4,478	4,668	136	164	689	776
Net interest payable			(26)	(35)		
Profit before tax and exceptional items			110	129		
Net borrowings					(150)	(28)
Minority redeemable capital					(30)	(52)
Tax and dividends					(52)	(90)
					457	606

The effect of exceptional items on the performance by Group Company is set out in Note 3.

(b) Performance by geographic origin	Turnover 1997 £m	Turnover 1996 £m	Operating profit before exceptional items 1997 £m	Operating profit before exceptional items 1996 £m	Capital employed 1997 £m	Capital employed 1996 £m
Europe	3,196	3,184	78	111	358	432
North America	644	642	26	6	148	125
Australasia	557	724	26	37	154	189
Other	81	118	6	10	29	30
	4,478	4,668	136	164	689	776

Turnover includes share of associated undertakings' turnover of £339m (1996: £432m) of which: in (a) above £154m (1996: £256m) relates to Balfour Beatty, £59m (1996: £46m) to BICC Cables and £68m (1996: £75m) to Metal Manufactures; in (b) above £234m (1996: £294m) relates to Europe and £68m (1996: £75m) to Australasia.

(c) Turnover by destination	1997 £m	1996 £m
United Kingdom	2,173	2,052
Rest of Europe	507	634
North America	638	642
Australasia	476	532
Asia-Pacific	478	592
Other	206	216
	4,478	4,668

UK manufacturing exports were £379m (1996: £404m).

2. Loss before interest

(a) Net operating expenses comprise:	1997 £m	1996 £m
Administrative expenses	254	255
Distribution expenses	178	202
Net operating expenses	432	457

(b) Share of profits less losses of associated undertakings

Share of profits less losses of associated undertakings are after charging project-related non-recourse finance costs of £10m (1996: £11m)

(c) Loss before interest is stated after charging:	1997 £m	1996 £m
Depreciation	89	98
Hire charges for plant and equipment	42	51
Other operating lease rentals	39	35
Research and development expenditure	29	30
Auditors' remuneration, which for BICC plc was £0.4m (1996: £0.4m)	2	2

Fees paid to Arthur Andersen for non-audit services, including amounts not charged in profit before interest, principally relating to tax advice and investigative work, amounted to £1.3m (1996: £2.1m) of which £0.9m (1996: £1.5m) was paid in the UK.

3. Exceptional items

	1997 £m	1996 £m
Exceptional items comprise:		
(a) Charged against operating profit:		
Rationalisation of cables businesses:		
Redundancy costs	(5)	(7)
Tangible fixed asset write-downs	(15)	(18)
	(20)	(25)
Provisions against property development carrying values	–	(40)
	(20)	(65)
(b) Fundamental restructuring costs:		
Tangible fixed asset write-downs	(47)	–
Redundancy and other restructuring costs	(75)	–
	(122)	–
(c) Net profit on sale of operations	2	–
	(140)	(65)

In 1997, the fundamental restructuring costs, of which £15m occurred in associated undertakings, arose in BICC Cables. The costs of rationalisation of cables businesses arose in Metal Manufactures (£18m) and in BICC Cables Corporation (£2m).

In 1996, the cost of rationalising the Cables businesses arose in BICC Cables and provisions against property development carrying values arose in BICC Developments.

In 1997, the profit on sale of operations arose in BICC Cables.

In 1996, sale of operations included £2m profit on the sale of Temco Ltd in BICC Cables and £2m loss on the sale of other businesses in Balfour Beatty, after charging goodwill of £2m.

Exceptional items have reduced the Group tax charge by £11m (1996: £5m) and minority interests by £5m (1996: nil).

4. Net interest payable and similar charges

	1997 £m	1996 £m
Bank loans and overdrafts	30	40
Finance leases	2	3
Other loans	3	3
Minority redeemable preference dividends	4	5
	39	51
Interest receivable and similar income	(13)	(16)
	26	35

5. Taxation

	1997 £m	1996 £m
UK		
Corporation tax at 31.5% (1996: 33%)	11	40
Double taxation relief	(8)	(9)
	3	31
Deferred taxation	4	(11)
Advance corporation tax written off/(back)	9	(4)
	16	16
Associated undertakings	5	5
	21	21
Overseas		
Current taxation	11	11
Deferred taxation	(10)	–
	1	11
Associated undertakings	3	6
	4	17
	25	38

In 1997, taxation has not been significantly affected by prior year adjustments (1996: £5m reduction). The overseas tax charge has suffered from unrelieved losses after interest in certain overseas countries.

6. Minority interests

	1997 £m	1996 £m
Minority equity interests	9	21
Minority non-equity interests	2	2
	11	23

7. Dividends

	1997 Per share p	1997 Amount £m	1996 Per share p	1996 Amount £m
On ordinary shares:				
Interim payable	4.00	17	3.91	14
Final proposed	4.00	17	8.50	36
	8.00	34	12.41	50
On preference shares:				
Paid	4.30	8	4.30	8
Payable	4.30	7	4.30	7
	8.60	15	8.60	15

8. Loss per ordinary share

The calculation of the loss per ordinary share is based on the loss for the financial year, after charging preference dividends, divided by the weighted average number of ordinary shares in issue during the year of 419.5m (1996: 375.3m).

On a 'nil distribution' basis, the loss per ordinary share would decrease by 2.2p to 17.3p (1996: 1.0p increase to 4.2p).

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

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 1997	308	1,099	43	1,450	69	256	8	333
Exchange adjustments	(15)	(50)	(2)	(67)	–	–	–	–
Additions	5	85	48	138	2	28	8	38
Disposals	(6)	(88)	–	(94)	(1)	(8)	–	(9)
Transfers	5	15	(20)	–	–	3	(3)	–
At 31 December 1997	297	1,061	69	1,427	70	279	13	362
Depreciation:								
At 1 January 1997	66	755	–	821	17	183	–	200
Exchange adjustments	(2)	(38)	–	(40)	–	–	–	–
Charge for the year	7	82	–	89	2	18	–	20
Disposals	(6)	(67)	–	(73)	(2)	(6)	–	(8)
Asset write-downs	22	40	–	62	2	12	–	14
At 31 December 1997	87	772	–	859	19	207	–	226
Net book value at 31 December 1997	210	289	69	568	51	72	13	136
Net book value at 31 December 1996	242	344	43	629	52	73	8	133

The net book value of assets held under finance leases was £13m (1996: £14m) for the Group and £1m (1996: £1m) for BICC plc, with related depreciation provided in the year of £2m (1996: £1m) for the Group and £1m (1996: £1m) for BICC plc.

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

	BICC Group		BICC plc	
	1997 £m	1996 £m	1997 £m	1996 £m
Freehold	191	223	40	42
Long leasehold – over 50 years unexpired	16	15	11	10
Short leasehold	3	4	–	–
	210	242	51	52

(c) Valuations

Land and buildings include the following amounts at valuation:

	Year of valuation	BICC Group		BICC plc	
		1997 £m	1996 £m	1997 £m	1996 £m
	1991	74	74	54	55
	1992	32	34	–	–
	1993	1	1	–	–
Total at valuation		107	109	54	55
Depreciation		(19)	(14)	(12)	(9)
Net book value		88	95	42	46

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

	BICC Group		BICC plc	
	1997 £m	1996 £m	1997 £m	1996 £m
Original cost	77	79	41	41
Depreciation based on cost	(32)	(29)	(20)	(18)
Net	45	50	21	23

10. Investments

Principal subsidiary and associated undertakings are shown on page 47.

(a) BICC Group

	Associated undertakings £m	Other £m	Total £m
Cost or valuation:			
At 1 January 1997	61	19	80
Exchange adjustments	(8)	(1)	(9)
Retained losses	(13)	–	(13)
Additions	44	–	44
Disposals and transfers	(4)	(1)	(5)
At 31 December 1997	80	17	97
Loans due from investments:			
At 1 January 1997	163	–	163
Exchange adjustments	(1)	–	(1)
Movements	(15)	–	(15)
At 31 December 1997	147	–	147
Provisions:			
At 1 January 1997	(139)	(17)	(156)
Provisions for retained losses	(10)	–	(10)
Disposals and transfers	17	–	17
At 31 December 1997	(132)	(17)	(149)
Net book value at 31 December 1997	95	–	95
Net book value at 31 December 1996	85	2	87

The original cost of the Group's investments in associated undertakings was £67m (1996: £31m).

In 1997, a joint venture was created with NKF (Kaiser KWO Kabel) which acquired the Group's and NKF's energy and metallic telephone cables business in Germany. The Group contributed fixed assets and stocks totalling £30m to the joint venture which is included above in additions.

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 1997 of £29m (1996: £30m) is included above, net of provisions.

The Group's share of net borrowings of associated undertakings supported by the Group and BICC plc was £4m (1996: £40m).

(b) BICC plc

	Subsidiary undertakings £m	Associated undertakings £m	Other £m	Total £m
Cost:				
At 1 January 1997	1,217	4	11	1,232
Additions	–	2	–	2
Disposals and transfers	(117)	–	(1)	(118)
At 31 December 1997	1,100	6	10	1,116
Loans due from investments:				
At 1 January 1997	353	57	–	410
Movements	(99)	2	–	(97)
At 31 December 1997	254	59	–	313
Provisions against investments:				
At 1 January 1997	(196)	(50)	(10)	(256)
Movements	1	(1)	–	–
At 31 December 1997	(195)	(51)	(10)	(256)
Loans due to investments:				
At 1 January 1997	(858)	–	–	(858)
Movements	211	(7)	–	204
At 31 December 1997	(647)	(7)	–	(654)
Net book value at 31 December 1997	512	7	–	519
Net book value at 31 December 1996	516	11	1	528

11. Stocks

	BICC Group		BICC plc	
	1997 £m	1996 £m	1997 £m	1996 £m
Contract work in progress	61	61	1	1
Progress applications	(45)	(25)	–	–
Net contract balances	16	36	1	1
Development land and work in progress	21	46	13	41
Manufacturing work in progress	73	76	17	19
Raw materials and consumables	70	76	19	20
Finished goods and goods for resale	139	156	33	30
	319	390	88	111

12. Debtors

	BICC Group		BICC plc	
	1997 £m	1996 £m	1997 £m	1996 £m
Amounts falling due within one year:				
Trade and other debtors	623	625	98	74
Due from subsidiary undertakings	–	–	74	66
Due from associated undertakings	20	19	4	5
Due from joint ventures	10	4	–	–
Recoverable on contracts	94	97	–	–
Contract retentions	50	53	2	2
Prepayments and accrued income	37	35	7	5
Deferred taxation (see Note 16)	19	11	–	–
	853	844	185	152
Amounts falling due after more than one year:				
Trade and other debtors	41	27	21	14
Contract retentions	27	35	1	1
Pension prepayments (see Note 22)	49	50	19	16
	117	112	41	31
	970	956	226	183

13. Borrowings

	BICC Group		BICC plc	
	1997 £m	1996 £m	1997 £m	1996 £m
Loans secured on properties 1998 to 2000	3	5	–	–
Unsecured borrowings:				
7.6% US$ notes 1999	61	58	–	–
Deutschmark fixed rate loans 6.5% to 7.5% (1999–2003)	30	34	20	23
Other fixed rate loans (1998–2004)	66	16	8	10
US$ commercial paper	43	37	–	–
Australian $ commercial paper	51	40	–	–
Bank overdrafts	28	35	1	5
Other short-term loans	83	116	–	–
	365	341	29	38
Finance leases	17	21	–	–
	382	362	29	38
Cash and deposits	(129)	(93)	(28)	(2)
Term deposits	(103)	(241)	(29)	(142)
Net borrowings/(cash)	150	28	(28)	(106)

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

Borrowings are repayable in the following periods:

	BICC Group		BICC plc	
	1997 £m	1996 £m	1997 £m	1996 £m
Amounts falling due after more than one year:				
Over five years				
- by instalments	19	23	5	11
– other than by instalments	5	5	–	–
Two to five years	80	119	18	17
One to two years	78	9	2	3
Amounts falling due within one year	200	206	4	7
	382	362	29	38
Borrowings comprise:				
Bank borrowings	180	174	29	38
Other borrowings and finance leases	202	188	–	–
	382	362	29	38

Unutilised committed borrowing facilities expiring beyond 12 months amount to £448m (1996: £470m).

Group borrowings repayable by instalments, any part of which is repayable after five years, are £79m (1996: £47m).

Cash, deposits and term deposits include the Group's share of amounts held by contracting joint ventures of £29m (1996: £37m).

14. Other creditors

	BICC Group 1997 £m	BICC Group 1996 £m	BICC plc 1997 £m	BICC plc 1996 £m
Amounts falling due within one year:				
Trade and other creditors	493	496	52	44
Advance progress applications	175	161	–	2
Due to subsidiary undertakings	–	–	21	16
Due to associated undertakings	–	7	–	–
Corporate taxation	30	44	20	18
VAT, payroll taxes and social security	50	57	12	12
Dividends on ordinary shares	34	50	34	50
Dividends on preference shares	7	7	7	7
Accruals and deferred income	342	349	25	22
Due on acquisitions	13	39	5	33
	1,144	1,209	176	204
Amounts falling due after more than one year:				
Trade and other creditors	26	30	–	–
Due on acquisitions	7	13	–	–
	33	43	–	–

Amounts due on acquisitions include accrued interest of £2m (1996: £6m).

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 £30m (1996: £33m) by 1999.

16. Provisions for liabilities and charges

(a) BICC Group

	Deferred taxation £m	Reorganisation provisions £m	Other provisions £m	Total £m
At 1 January 1997	–	36	88	124
Charged in year	(8)	55	17	64
Businesses acquired	(4)	–	–	(4)
Exchange adjustments	2	(1)	(2)	(1)
Utilised	2	(44)	(11)	(53)
Transfer to debtors	8	–	–	8
At 31 December 1997	–	46	92	138

Other provisions principally comprise overseas pension and employment obligations and contract and insurance provisions. The provision for UK deferred taxation is based on a corporation tax rate of 31%.

Advance corporation tax of £13m (1996: £4m) has been written off to date and is available for offset against tax on future UK profits.

The provision for deferred taxation, included in debtors, comprises:

	1997 UK £m	1997 Overseas £m	1996 UK £m	1996 Overseas £m
Excess of taxation allowances over depreciation	10	(1)	11	(3)
Unrelieved trading losses	–	(4)	–	(4)
Other, including short-term timing differences	(16)	(8)	(17)	2
	(6)	(13)	(6)	(5)
	(19)		(11)	

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

(b) BICC plc

	Deferred taxation £m	Advance corporation tax £m	Other provisions £m	Total £m
At 1 January 1997	7	(4)	47	50
Charged in year	1	(1)	32	32
Utilised	–	–	(14)	(14)
At 31 December 1997	8	(5)	65	68

17. Share capital

	Authorised 1997 £m	Authorised 1996 £m	Issued and fully paid 1997 £m	Issued and fully paid 1996 £m
Ordinary shares of 50p each – authorised 696m (1996: 493m) issued 420m (1996: 419m)	**348**	247	**210**	210
Cumulative convertible redeemable preference shares of 1p each	**2**	2	**2**	2
	350	249	**212**	212

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. 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.		
Share options exercised	**5,356**	–
Scrip dividends	**416,931**	–
Preference shares converted	**107**	–
Personal Equity Plans	**35,904**	**0.1**
	458,298	**0.1**

At 31 December share options outstanding were as follows:

Year of issue	Subscription prices	Normally exercisable in periods to	Number of ordinary shares 1997	Number of ordinary shares 1996
Savings-related				
1991	349.3p	January 1997	–	563,093
1992	243.6p	January 1998	**1,096,618**	1,758,987
1993	269.9p	January 1999	**1,583,756**	1,887,717
1994	336.4p	January 2000	**1,255,916**	1,570,307
1995	257.2p	January 2001	**1,234,342**	1,531,033
1996	267.9p	January 2002	**2,120,296**	2,634,574
1997	208.0p	January 2003	**3,761,947**	–
Executive				
1987	306.8p	April 1997	–	105,221
1988	306.8p	April 1998	**470,894**	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	**1,106,682**	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	**558,264**	586,866
1992	305.0p	April 2002	**1,105,641**	1,229,550
1992	246.4p	October 2002	**122,723**	122,723
1993	352.0p	April 2003	**397,819**	511,336
1994	438.1p	April 2004	**728,140**	850,861
1995	311.9p	April 2005	**1,312,093**	1,428,677
1996	288.5p	February 2006	**153,404**	153,404
1996	344.2p	April 2006	**526,677**	595,708
1997	231.0p	May 2007	**766,000**	–

On 1 May 1997 options were granted over 800,000 ordinary shares under the BICC executive share option scheme, at 231p per share, and these are normally exercisable in the period from May 2000 to May 2007.

On 23 May 1997 options were granted over 3,948,799 ordinary shares under the BICC savings-related share option scheme, at 208p per share, and these are normally exercisable in the periods from August 2000 to January 2001 and from August 2002 to January 2003.

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 1997	322	39	25	14	(333)	219
Premium on shares issued, net of expenses	1	–	–	–	–	–
Retained profit/(loss) for the year	–	–	8	–	–	(123)
Exchange adjustments	–	(1)	(5)	(2)	–	(12)
Goodwill	–	–	–	–	(1)	–
Transfers	–	(2)	–	–	–	2
At 31 December 1997	323	36	28	12	(334)	86

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 1997	322	23	63	187
Premium on shares issued, net of expenses	1	–	–	–
Retained loss for the year	–	–	–	(56)
Exchange adjustments	–	–	–	1
Transfers	–	(2)	–	2
At 31 December 1997	323	21	63	134

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 loss for the financial year dealt with in the accounts of the parent company was £7m (1996: £18m profit).

At 31 December 1997, cumulative goodwill written off amounted to £500m (1996: £499m).

(c) Reconciliation of movements in shareholders' funds

	1997 £m	1996 £m
(Loss)/profit for the financial year	(66)	3
Dividends	(49)	(65)
	(115)	(62)
Other recognised gains and losses, net	(20)	(10)
Ordinary share capital subscribed	1	172
Goodwill	(1)	(27)
	(135)	73
Opening shareholders' funds	498	425
Closing shareholders' funds	363	498

19. Acquisitions

	Consideration and costs £m	Fair value of assets acquired £m	Goodwill £m
Devonport Royal Dockyard	1	9	(8)
British Rail Infrastructure companies	-	(7)	7
Others	5	3	2
	6	5	1

In March 1997, the Group acquired an interest in the business of Devonport Royal Dockyard subscribing £1m equity capital. In connection with this transaction, Devonport Management Limited was reorganised and the Group's shareholding reduced from 29.9% to 24.5%. Adjustments totalling £7m, of which £4m relates to the pension fund surplus, and £7m to provisions for other identified liabilities, less £4m provision for deferred taxation, have been made to the provisional fair value of assets of the British Rail Infrastructure companies acquired in 1996. The Group acquired a 40% interest in First Philippine Balfour Beatty Inc for £5m. The Group has used acquisition accounting to account for these transactions.

20. Employees

	1997 £m	1996 £m
Employee costs during the year amounted to:		
Wages and salaries	802	828
Social security costs	84	85
Other pension costs	9	9
	895	922

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

	1997	1996
The average number of employees was as follows:		
Balfour Beatty	21,164	20,402
BICC Cables	9,982	10,662
BICC Cables Corporation	2,352	2,547
Metal Manufactures	3,398	3,492
BICC Developments	2	4
Other	482	453
	37,380	37,560

At 31 December 1997, the total number of Group employees was 36,675 (1996: 38,010).

21. Directors' emoluments and interests

(a) Directors' emoluments

	1997 £m	1996 £m
The remuneration of directors of BICC plc was:		
Non-executive directors' fees	0.233	0.187
Executive directors' emoluments		
– salary and benefits	1.574	1.679
– performance related bonus	0.133	0.090
Money purchase pension contributions	0.150	0.057
	2.090	2.013

As disclosed in the Compensation and Appointments Committee's Report on pages 29 to 31, no grants of executive options were made to directors in 1997. No share options were exercised by directors in 1997. In 1997, the highest paid director's emoluments were £400,446 (1996: £387,313), the company made money purchase pension contributions on his behalf of £122,003 (1996: £31,407), and at 31 December 1997 his accrued pension benefit was £3,850 per annum (1996: £2,398 per annum).

(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 1997 Ordinary shares	At 1 January 1997 Preference shares	At 31 December 1997* Ordinary shares	At 31 December 1997* Preference shares
E M Astle (appointed 13 January 1998)	–	–	3,770	–
M R Bates	–	–	5,000	–
A W Jones	2,819	–	13,936	–
R A Henderson	2,865	650	5,499	650
C R Reeves	1,913	833	14,913	833
Viscount Weir	1,653	–	1,653	–
P J L Zinkin	768	325	2,768	325

*or date of appointment if later.

'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 1997 and 3 March 1998 except in the case of Mr Jones and Mr Henderson who acquired 64 and 43 ordinary shares respectively on 2 January 1998 by way of scrip dividends.

Further details of directors' emoluments, pension benefits and interests are set out on pages 29 to 31.

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 (1996: £9m), of which £9m (1996: £9m) 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 £1,463m. 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 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 £49m is included in debtors (1996: £50m).

23. Commitments

Capital expenditure authorised and contracted for which has not been provided for in the accounts amounted to £30m (1996: £52m) in the Group and £17m (1996: £13m) in BICC plc.

Annual operating lease commitments comprise:

	1997		1996	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
BICC Group				
Leases terminating:				
Within one year	2	4	3	5
Between one and five years	6	16	8	13
In five years or more	12	1	6	–
	20	21	17	18
BICC plc	6	2	2	2

24. Contingent liabilities

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

	BICC Group		BICC plc	
	1997 £m	1996 £m	1997 £m	1996 £m
Guarantees of subsidiary undertakings and other support	–	–	232	167

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

24. Contingent liabilities continued

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 £2m per annum terminating between 2005 and 2010.

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. In 1997, Australian $14m was paid in respect of these assessments and is included in debtors. 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 £1.7m in 1997 (1996: £1.6m).

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

In 1997, the Group's cables businesses sold goods and services to and purchased goods from associated undertakings amounting to £15m and £16m respectively (1996: £20m and £30m). The Group provided services under construction contracts to, and received technical and management fees from, associated undertakings and joint ventures amounting to £4m (1996: £4m). 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.

26. Post balance sheet events

On 12 February 1998, the Group announced that it is to dispose of its UK business in construction and building wire to Delta plc. At the same time, in exchange, the Group will acquire Delta's power utilities, accessories and elastomeric cables business. On completion of this transaction, which is conditional upon clearance from the Office of Fair Trading, the Group will pay consideration to Delta of approximately £5m. In a separate transaction, the Group acquired Delta's copper rod mill and its enamelled wire business for approximately £18m. No material further charge is expected to be incurred as a consequence of these transactions.

27. Notes to the cash flow statement

(a) Net cash inflow from operating activities comprises:

	1997 £m	1997 £m	1996 £m	1996 £m
Operating profit before exceptional items		136		164
Depreciation		89		98
Share of profits less losses of associated undertakings		(24)		(31)
Dividends from associated undertakings		15		21
Profit on disposal of fixed assets		(2)		(1)
Exceptional items – cash expenditure		(33)		(35)
Working capital decrease/(increase):				
Stocks	31		54	
Debtors	(35)		7	
Other creditors and provisions	21		(19)	
		17		42
Net cash inflow from operating activities		198		258

(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 1997	58	241	(327)	(28)	(52)	(80)
Cash flow	33	(134)	(38)	(139)	16	(123)
Exchange adjustments	10	(4)	11	17	6	23
At 31 December 1997	101	103	(354)	(150)	(30)	(180)

(c) Acquisitions of businesses:

	1997 £m	1996 £m
Net assets acquired:		
Tangible fixed assets	–	16
Investments	12	–
Stocks	1	8
Debtors	(3)	110
Creditors	(2)	(70)
Provisions	(3)	(22)
Borrowings (including finance leases)	–	(4)
Minority interests	–	1
	5	39
Due on acquisitions	26	–
Goodwill	1	29
	32	68
Satisfied by:		
Cash consideration	32	42
Cash, deposits and overdrafts acquired	–	8
Cash outflow	32	50
Deferred consideration	–	18
	32	68

In 1997, cash consideration includes £26m deferred consideration on acquisitions completed in previous years.

(d) Disposals of businesses:

	1997 £m	1996 £m
Net assets disposed of:		
Tangible fixed assets	–	2
Investments	5	–
Stocks	–	1
Due on disposals	–	54
Creditors	–	(2)
	5	55
Profit on sale, before goodwill	2	2
	7	57
Satisfied by:		
Cash consideration	7	57
Cash inflow	7	57

Principal Subsidiary and Associated Undertakings

At 31 December 1997	Country of incorporation or registration	Group equity holding %	Total issued share capital (Note ii) £m
Balfour Beatty			
Balfour Beatty Ltd•†			
Balfour Beatty Capital Projects 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	1.0
Devonport Royal Dockyard Ltd		24.5	5.3
Dundee Energy Recycling Ltd•	Scotland	20.0	0.3
Dutco Balfour Beatty LLC	Dubai	49.0	–
First Philippine Balfour Beatty Inc	Philippines	40.0	4.1
Haden Building Management Ltd			
Haden Young Ltd			
Heery International Inc	USA		
PT Balfour Beatty Sakti	Indonesia	49.0	0.3
Yorkshire Link (Holdings) Ltd•		50.0	3.0
BICC Cables			
BICC Cables Ltd•†			
BICC Cables, Energia y Comunicaciones SA (Note v)	Spain	96.8	
BICC CAFCA Ltd••	Zimbabwe	73.8	
BICC Ceat Cavi Srl	Italy		
BICC Celcat, Cabos de Energia e Telecomunicações, SA••	Portugal	50.7	
Dubai Cable Company (Pte) Ltd	UAE	30.0	6.6
Kaiser KWO Kabel Energie GmbH & Co	Germany	50.0	41.7
Kaiser KWO Kabel Telekom GmbH & Co	Germany	50.0	17.6
Optical Fibres• (Note vi)		50.0	
BICC Cables Corporation			
BICC Cables Corporation†	USA		
BICC Cables Canada 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	1.2
BICC Cables Asia-Pacific (Note ix)			
BICC Cables Asia-Pacific Pte Ltd	Singapore		
BICC Brand-Rex Inc	Philippines		
Power Cables Malaysia Sdn Bhd	Malaysia	40.0	1.3
BICC Developments			
BICC Developments Ltd•			
BICC Property Investments Ltd•			
Spitalfields Holdings Ltd		33.3	31.6

	Country of incorporation or registration	Group equity holding %	Total issued share capital (Note ii) £m
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) 3.2% 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 BICC Brand-Rex Inc and 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 %	
Chek Lap Kok – airport terminal building	20.0	– Hong Kong
Bibliotecha Alexandrina	40.0	– Egypt
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

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 32 to 47, 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 32 to 47 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 35. We have also examined the disclosures relating to the emoluments, share options, Long Term Incentive Plan interests and pension benefits of the directors which form part of the report to shareholders by the Compensation and Appointments Committee on pages 29 to 31.

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 1997 and of the Group's loss 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
3 March 1998

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 26 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 pages 26 and 27 and going concern on page 11, 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 26 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
3 March 1998

Group Five-year Summary

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Profits					
Turnover (including share of associates)	**4,478**	4,668	4,362	3,973	3,918
Operating profit – before exceptional items	**136**	164	150	178	144
Exceptional items	**(140)**	(65)	(176)	3	–
(Loss)/profit before interest	**(4)**	99	(26)	181	144
Net interest payable	**(26)**	(35)	(41)	(50)	(42)
(Loss)/profit before tax	**(30)**	64	(67)	131	102
Capital employed					
Shareholders' funds	**363**	498	425	542	341
Minority interests	**94**	108	108	107	110
Convertible capital bonds	**–**	–	–	–	177
Net borrowings and minority redeemable capital	**180**	80	305	299	190
	637	686	838	948	818
Cash flow					
Cash (outflow)/inflow before acquisitions and disposals of businesses	**(96)**	10	(3)	(136)	27
Statistics					
Adjusted earnings per ordinary share*	**10.1p**	13.0p	9.4p	18.2p	15.1p
(Loss)/earnings per ordinary share	**(19.5)p**	(3.2)p	(36.3)p	19.2p	15.1p
Dividends per ordinary share	**8.00p**	12.41p	12.22p	14.28p	18.82p
Operating profit before exceptional items: turnover	**3.0%**	3.5%	3.4%	4.5%	3.7%
Operating profit before exceptional items: average capital employed	**21%**	22%	17%	20%	17%
Gearing – net borrowings and minority redeemable capital/shareholders', bondholders' and minority shareholders' funds	**39%**	13%	57%	46%	30%

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

Shareholder Information

Analysis of ordinary shareholders

Classification of size of shareholding
at 31 December 1997

	Number of shareholders		Millions of shares	
	Total	%	Total	%
1 to 1,000	13,597	58.4	6.2	1.5
1,001 to 10,000	8,915	38.3	20.1	4.8
10,001 to 50,000	368	1.6	8.2	1.9
50,001 to 100,000	99	0.4	7.4	1.8
100,001 to 200,000	99	0.4	14.8	3.5
Over 200,000	199	0.9	363.0	86.5
	23,277	100.0	419.7	100.0

Classification by shareholder type
at 31 December 1997

Individuals	19,935	85.6	24.2	5.8
Banks and nominee companies	2,745	11.8	380.3	90.6
Insurance companies	17	0.1	4.7	1.1
Pension funds	12	0.1	3.1	0.8
Investment companies	74	0.3	0.9	0.2
Other shareholders	494	2.1	6.5	1.5
	23,277	100.0	419.7	100.0

Number of shareholders at 31 December 1996: 25,661

Financial calendar
1998

29 April	Annual General Meeting
1 July	Preference dividend payable
1 July*	Final 1997 ordinary dividend payable
12 August*	Announcement of 1998 half year results

1999

1 January	Preference dividend payable
4 January*	Interim 1998 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 Halifax Investment Services Limited, Trinity Road, Halifax HX1 2RG. Telephone: 0800 371759. Halifax Investment Services Limited (HISL) is approved as a plan manager by the Inland Revenue and is regulated by the Investment Management Regulatory Organisation (IMRO). HISL is a member of the Halifax Group.

Share dealing service
The Company has established an execution only postal 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.

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