

BET Public Limited Company

3.1. BET Public Limited Company (BET) provides a wide range of services to industry and to consumers in the United Kingdom and overseas. Its principal activities lie in transport, industrial services, construction, electronics and leisure, and publishing. After the SGB Group and GKN Kwikform, BET is the third largest supplier of scaffolding services to the United Kingdom market (Table 2.4). Turnover in the year ended 31 March 1985 was £1,423 million, including about £695 million overseas. Profit on ordinary activities (at historical costs and before interest and taxation) was £128 million on average capital employed in the year to 31 March 1985 of £560 million.

History and development

3.2. BET, until 1985 The British Electric Traction Company PLC, was founded in 1896 with two interests:

- (a) passenger and freight transport; and
- (b) electricity generation and distribution.

3.3. BET first diversified outside its early principal activities in the 1920s following the compulsory purchase of its tramway leases. BET used the compensation payments to acquire a wide range of interests including several laundry and cleaning companies, a printing and publishing business and some Scottish gas manufacturing companies (which were themselves nationalised in 1947).

3.4. Following the nationalisation of its power interests in 1947, BET moved into several further areas which still form an important part of its activities. In 1949 BET purchased Eddison Plant Ltd, a plant hire business which became the first company in BET's construction group. Substantial additions were made following the sale of BET's bus interests in 1968, most notably with the acquisition of Boulton & Paul Ltd (providing building services including scaffolding), Grayston Ltd (plant hire including scaffolding), and J D White Ltd (craneage).

3.5. As a result of these and other developments,¹ BET had become (over a period of some 50 years) a group with widely diversified interests at home and overseas. Following changes in mid-1982 in its top management, an intensive review of the BET group's operations, structure and strategy was carried out. The decisions which emerged from that review were summarised in the following way in the Chairman's statement in the Annual Report and Accounts for 1982-83:

- (a) The diversity of BET's operations should be somewhat reduced, to focus more sharply on the development and expansion of a limited number of business sectors with good potential organic growth.

¹For a fuller description of developments up to mid-1982 see the MMC's February 1985 report on the proposed merger between The British Electric Traction Company PLC and Initial PLC (Cmnd 9444).

- (b) BET should, accordingly, speed up the disposal of businesses where profits are low, or are expected to become sub-standard, or which do not fit in with its long-term planning.
- (c) BET should undertake a more active acquisition programme to enhance its growth potential.
- (d) BET should make further sales of general investments, using the cash to invest in growth sectors of its managed businesses and to reduce borrowings.

3.6. As part of that strategy, BET decided to concentrate upon a limited number of business sectors of which it had long experience and which it consequently considered it understands well. In particular, it now focuses upon those service industries which it believes to have the greatest potential, and on correcting the imbalance of its geographical distribution. This latter policy has already involved substantial expansion overseas, particularly in the USA.

3.7. In pursuit of that strategy, BET has since 1983 made a substantial number of acquisitions and disposals. These included the acquisition in late 1985 of the crane company G W Sparrow & Sons PLC and its merger with BET's existing United Kingdom craneage interests in a new company, Grayston White and Sparrow Ltd.

3.8. The bid for SGB Group PLC is seen as a further step in the implementation of the strategy described above, BET having been active in the plant hire sector for more than 35 years and specifically in the access market for more than 15 years.

Construction interests

3.9. As a result of the reorganisations of 1983-84, BET's construction division activities are now held within two companies:

- (a) *BET Building Services PLC*. This operates primarily in the areas of joinery, steel construction, and sale of replacement windows, and has no overlap with any part of SGB.
- (b) *BET Plant Services PLC*. This contains all of the group's scaffolding and plant hire activities, together with the crane and forklift truck hire activities, and it is in these areas that the overlap with SGB exists.

3.10. BET's scaffolding and other access business has been built up mainly by acquisitions, rather than by organic growth. There were three origins to BET's scaffolding business:

- (a) *Grayston Scaffolding Ltd*. The Grayston scaffolding business consisted of a number of trading companies acquired or established between 1963 and 1981 – Grayston Scaffolding Ltd, Zig Zag Scaffolds Ltd (set up in 1977), Cornwall Scaffolding Ltd (acquired 1978), Scaffolding Supplies Ltd (1979), Tasker & Booth Ltd (1979), and Industrial Scaffolding Ltd (1981).
- (b) *Stephens and Carter Ltd*. This national hire and contract company was one element of the Boulton & Paul scaffolding business in the United Kingdom acquired in 1976. It did not make any substantial acquisitions in the period to 1984.

(c) *Aberdeen Scaffolding Ltd.* This company was acquired by BET in 1976, since when it has continued to be run as a separate company. It is a general access company with a specialist division for offshore work.

3.11. In 1983 the various interests in scaffolding and access equipment held through Boulton & Paul and Grayston were reorganised under the common management of a new intermediate holding company, BET Access PLC. UBM's scaffolding division was acquired in October 1984 and has been integrated into the management structure under BET Access, as has Spritebrand Ltd acquired in 1985. These companies now form part of the group headed by BET Plant Services PLC.

3.12. The other main divisions in the United Kingdom of BET Plant Services PLC are Eddison Plant Ltd (general construction plant and forklift trucks) and Grayston White and Sparrow Ltd (cranes).

3.13. A corporate structure chart showing BET Plant Services PLC's principal companies in the United Kingdom and overseas is at Appendix 3.1.

Structure and management

3.14. BET's activities are now organised in five divisions. These had a combined turnover of some £1,423 million in the year ended 31 March 1985, including about £695 million overseas. Over 45,000 persons were employed, almost half of this number overseas mostly in transport. All the other four divisions are predominantly home-based.

3.15. The relative importance of each division is indicated by Table 3.1, which shows the proportion of turnover, pre-tax profit on ordinary activities (ie disregarding return on general investments), and employees for each division.

TABLE 3.1 BET's divisions, as at 31 March 1985

Division	Turnover	Pre-tax profit*	per cent Employees	
			UK†	All†
Transport	36.9	27.9	10.6	51.5
Industrial services	13.8	19.6	15.7	8.4
Construction	16.3	18.7	36.0	17.3
Electronics & leisure	22.4	20.7	25.6	15.9
Publishing	10.6	12.5	11.8	6.8

Source: BET

* The balance of 0.6 per cent comprises other income and costs.

† The balances of 0.3 per cent and 0.1 per cent respectively consist of Head Office employees.

3.16. BET at present has 13 directors of whom seven are executive directors. All the executive directors, except the Finance Director, are chairmen of and are responsible for major subsidiary companies. Supporting the executive directors are a further eight executives based at Head Office, with responsibility either for the operations of smaller subsidiary companies or for central management functions. In all, there are approximately 100 employees at Head Office, compared with a total group workforce now around 45,000.

3.17. Although the BET executive meets regularly under the chairmanship of the Managing Director, it is essentially an advisory management group. The executive directors have direct responsibility through the Managing Director to BET's Board for the operations of their particular division.

3.18. The Boards of BET's principal subsidiaries generally consist of:

- (a) two or three BET executives, one of whom will be the Chairman (and, sometimes, Chief Executive);
- (b) a Chief Executive, normally designated Managing Director (who has day-to-day responsibility for the conduct of the subsidiary's operations), and other executives of the subsidiary; and
- (c) in most cases, one or two non-executive directors from outside BET.

3.19. Consistent with the strategy outlined in paragraph 3.5, there is now a greater degree of intervention by BET's executives in the subsidiaries' operations than was the case until 1982. Nonetheless, local executives retain substantial responsibility for, and discretion in the management of, their own companies.

3.20. The more formal elements of BET's central control are to be found in:

- (a) The preparation of annual plans. In the past, the initiative in the planning process lay very much with the operating subsidiaries: apart from the subsidiary's chairman, BET's central executives intervened very little in the preparation of plans. Now BET's executives have a clearer idea of their objectives for the group, and seek to ensure that those objectives are reflected in the plans of the operating subsidiaries.
- (b) Monthly reports based on a model.
- (c) The recently introduced group treasury function, under which the cash requirements of each subsidiary are monitored centrally in order to secure the best possible use of cash resources.

3.21. In addition to the more formal processes described above there is a significant degree of contact between Head Office and the local operating subsidiaries, particularly between the Chairman and Chief Executive of each subsidiary. The degree of contact will vary from case to case. The BET executives will take a closer interest in the activities of a subsidiary which is in difficulties, or which is in a phase of rapid expansion or change.

Activities of BET Plant Services

3.22. Prior to 1982, the access companies were run as autonomous units with relatively little central control and no coherent direction. That changed with the revision of the group's strategy some four years ago to concentrate upon a limited number of business sectors. The previous mode of operation was clearly inconsistent with that strategy and, to bring it into line, all BET's plant services functions were brought together under BET Plant Services PLC. The access companies were all grouped under BET Access PLC, a subsidiary of BET Plant Services PLC. It is BET Plant Services PLC's function to act as the intermediate holding company for the companies in the plant services division. BET Access PLC is effectively the operating division responsible for all non-mechanical access activities.

3.23. The operating subsidiaries of BET Access PLC are shown in the corporate structure chart at Appendix 3.1. Their principal activities comprise contract scaffolding, the hire and sale of scaffolding and other access equipment, the manufacture of ladders for the BET companies' own use and for hire and sale, and the manufacture of scaffolding fittings. Hire and sale is undertaken through a nationwide chain of some 47 depots. At 31 March 1985 the United Kingdom companies in BET Access PLC had 2,643 employees.

3.24. The turnover and estimated market shares in 1984 of BET's United Kingdom access industry activities are shown in the tables in Chapter 2.

3.25. Since the formation of BET Plant Services and BET Access the number of companies within the BET group offering scaffolding and other access services has continued to grow. To avoid duplication it was decided with effect from 1 April 1986 to restructure the BET Access PLC trading company activities. All hire and sale of access equipment is now carried out under the name of Stephens and Carter, all suspended platform business under the Stephens and Carter SP name, and all scaffold contracting under the name Grayston UBM Scaffolding. Aberdeen Scaffolding Ltd (which provides specialist access services to offshore oil platforms) and Industrial Scaffolding Ltd (which handles the BET other major project contracts) are not affected by these changes. Clima Holdings Ltd now acts as umbrella for all the manufacturing companies.

BET financial information

3.26. BET makes up its accounts to 31 March each year using the historical cost convention.¹ Table 3.3 summarises its group balance sheets at 31 March for each of the last five years.

TABLE 3.3 BET Public Limited Company: summarised group balance sheets

	<i>£ million</i>				
	1981	1982	31 March 1983	1984	1985
Tangible fixed assets and investments	447.5	502.3	582.4	600.8	469.8
Current assets less liabilities other than borrowings	27.8	35.3	0.9	(33.2)	82.3
Capital employed	475.3	537.6	583.3	567.6	552.1
Borrowings*	(77.8)	(123.5)	(156.9)	(86.8)	(162.4)
Net assets	397.5	414.1	426.4	480.8	389.7
Share capital and reserves	327.3	342.0	379.0	422.2	403.5
Minority interests	73.5	75.1	81.7	31.8	30.3
Intangible assets	(46.4)	(50.1)	(78.9)	(43.7)	(84.2)
	354.4	367.0	381.8	410.3	349.6
Deferred taxation†	43.1	47.1	44.6	70.5	40.1
Equity	397.5	414.1	426.4	480.8	389.7
Gross debt/equity ratio (%)	19.6	30.0	36.8	18.1	41.7

Source: BET.

* Borrowings consist of loan capital, other loans and overdrafts less cash and short-term investments.

† The increase in deferred taxation in 1984 was largely attributable to the corporation tax changes contained in the Finance Act 1984.

¹BET discontinued publishing current cost accounts after 1982-83.

3.27. Table 3.4 summarises BET's group profit and loss accounts for each of the last five years.

TABLE 3.4 BET Public Limited Company: summarised group profit and loss accounts

	<i>£ million</i>				
	1981	1982	31 March 1983	1984	1985
Turnover:					
Group	812.2	883.6	1,002.3	1,074.4	1,197.6
Share of associated companies	127.4	150.3	175.8	194.3	225.3
	<u>939.6</u>	<u>1,033.9</u>	<u>1,178.1</u>	<u>1,268.7</u>	<u>1,422.9</u>
Operating profit:					
Group	64.1	60.7	68.3	82.3	97.7
Share of associated companies	10.8	16.5	17.6	20.3	20.0
	<u>74.9</u>	<u>77.2</u>	<u>85.9</u>	<u>102.6</u>	<u>117.7</u>
Investment income	10.2	8.9	7.6	7.4	10.0
Profit before interest payable	85.1	86.1	93.5	110.0	127.7
Interest payable	(24.3)	(19.4)	(23.3)	(24.3)	(24.2)
Profit before taxation	60.8	66.7	70.2	85.7	103.5
Taxation	(13.1)	(31.6)	(19.2)	(24.0)	(35.2)
Profit after taxation	47.7	35.1	51.0	61.7	68.3
Minority interests	(8.5)	(8.7)	(10.0)	(5.3)	(5.2)
Extraordinary items*	(1.0)	(1.6)	(5.2)	(38.0)	(9.1)
Profit attributable to shareholders	38.2	24.8	35.8	18.4	54.0
Dividends	(11.5)	(12.2)	(15.2)	(24.6)	(29.2)
Retained profit	<u>26.7</u>	<u>12.6</u>	<u>20.6</u>	<u>(6.2)</u>	<u>24.8</u>
Earnings per deferred ordinary share before extraordinary items (pence)	26.2	17.4	27.1	28.9	30.7

Source: BET.

* Extraordinary items in 1984 include £37.6 million for deferred taxation as a result of the corporation tax changes contained in the Finance Act 1984.

3.28. Table 3.5 shows BET's returns on average capital employed and on net assets for each of the last five years.

TABLE 3.5 BET Public Limited Company: returns on average capital employed and net assets

	1981	1982	1983	1984	1985
Average capital employed (£m)	464.8	506.4	560.5	575.4	559.9
Profit before interest payable and tax (£m)	85.1	86.1	93.5	110.0	127.7
Return on average capital employed (%)	18.3	17.0	16.7	19.1	22.8
Average net assets (£m)	384.4	405.8	420.3	453.6	435.3
Profit before tax (£m)	60.8	66.7	70.2	85.7	103.5
Return on average net assets (%)	15.8	16.4	16.7	18.9	23.8

Source: MMC.

BET Plant Services financial information

3.29. BET Plant Services makes up its accounts to 31 March each year. Table 3.6 summarises its group historical cost balance sheets at 31 March 1984 and 1985.

TABLE 3.6 **BET Plant Services PLC: summarised balance sheets**

	<i>£ million</i>	
	31 March	
	1984	1985
Fixed assets	44.5	67.1
Current assets less liabilities other than borrowings	17.2	21.9
Capital employed	61.7	89.0
Borrowings*	(22.6)	(27.0)
Net assets	39.1	62.0
Share capital and reserves	29.2	46.2
Deferred taxation	9.9	15.8
	39.1	62.0
Debt/equity ratio (%)	57.8	43.5

Source: BET.

* Borrowings consist of loans and overdrafts less cash on hand.

3.30. Table 3.7 summarises BET Plant Services group profit and loss accounts for 1984 and 1985.

TABLE 3.7 **BET Plant Services PLC: summarised group profit and loss accounts**

	<i>£ million</i>	
	31 March	
	1984	1985
Turnover	70.7	100.0
Cost of sales	(47.2)	(68.7)
Gross profit	23.5	31.3
Other operating expenses	(19.0)	(23.3)
Operating profit	4.5	8.0
Investment income	—	0.4
Profit before interest payable	4.5	8.4
Interest payable	(2.2)	(3.1)
Profit before tax	2.3	5.3
Tax	0.6	(2.7)
Profit after tax	2.9	2.6
Minority interests	—	—
Extraordinary items	(7.9)	(3.3)
Profit attributable to shareholders	(5.0)	(0.7)
Dividends	(0.3)	(0.9)
Loss for year	(5.3)	(1.6)
Earnings per ordinary stock unit (pence)	NIL	NIL

Source: BET.

3.31. Table 3.8 shows BET Plant Services returns on average capital employed and on net assets for 1984 and 1985.

TABLE 3.8 **BET Plant Services PLC: return on average capital employed and net assets**

	1984	1985
Average capital employed (£m)	50.8	75.3
Profit before interest payable and tax (£m)	4.5	8.4
Return on capital employed (%)	8.9	11.2
Average net assets (£m)	30.4	50.6
Profit before tax (£m)	2.3	5.3
Return on average net assets (%)	7.6	10.5

Source: MMC.

BET Access financial information

3.32. Table 3.9 shows the turnover and profits of BET Access United Kingdom companies in the years 1983 to 1985.

TABLE 3.9 BET Access PLC: turnover and profits of United Kingdom companies

	<i>£ million</i>		
	<i>1983</i>	<i>Year to 31 March 1984</i>	<i>1985</i>
Turnover	44.6	49.5	61.3
Profit before interest and tax	0.9	3.4	3.6

Source: BET.

Notes:

1. Profits are shown after management charges but before interest.
2. For names of companies whose accounts are included in this table see Appendix 3.1.

3.33. At 31 March 1985 BET's issued share capital consisted of £713,000 of 6 per cent Cumulative Participating Preference Shares of £1 each, £1,326,000 of 8 per cent Non-Cumulative Preferred Ordinary Shares of £1 each, and £52.0 million of Deferred Ordinary Shares of 25p each. There were £7.0 million of Deferred Ordinary Share options outstanding. BET's most recent annual report stated that The Border and Southern Shareholders Trust PLC was interested in 10.93 per cent of the 8 per cent Non-Cumulative Preferred Ordinary Shares and 12.49 per cent of the 6 per cent Cumulative Participating Preference Shares. So far as was known, there was no other interest in the company's shares representing 5 per cent or more of the total votes exercised by any class of share.