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LONDON BRICK LANDFILL LIMITED

DIRECTORS' REPORT & ACCOUNTS

FOR THE YEAR ENDED 28 SEPTEMBER 1985



LONDON BRICK LANDFILL LIMITED

REPORT OF THE DIRECTORS
for the year ended 28 September 1985

The Directors' present their report and the accounts for the year ended 28 September 1985.

PRINCIPAL ACTIVITIES

The Company and its subsidiary companies operate waste collection and disposal services for industry and local authorities.

RESULTS AND DIVIDENDS

Details of the results of the year are set out in the profit and loss account on page 4. The directors do not propose the payment of a dividend.

REVIEW OF BUSINESS

The main business of the Company is providing the service of waste disposal to Local Authorities and of waste collection and disposal for commercial and industrial customers.

The major customer is the Greater London Council which is being abolished under the Local Government Act 1985. Its contracts are being taken over by the North London Waste Authority.

RESEARCH AND DEVELOPMENT

The Company continued with the development of Landfill Gas and considered further the commercial applications of this important new source of energy.

TANGIBLE FIXED ASSETS.

The details of fixed assets are summarised in note 6 on page 10.

DIRECTORS

The directors of the Company during the year under review were:

A.G.L. Alexander	(Chairman)
A.C. Cheyney	(Managing Director)
P.R. Spencer	
J.A. Smith	Appointed 2nd November 1984
G.E. Cooper	Appointed 2nd November 1984

J.T.S. Corbett was appointed on 2 November 1984 and resigned on 30 August 1985.

LONDON BRICK LANDFILL LIMITED

REPORT OF THE DIRECTORS
For the year ended 28 September 1985

DIRECTORS' INTERESTS

Mr. A.G.L. Alexander is a director of the ultimate holding company, Hanson Trust PLC, in whose accounts his interests in that company are shown. No director had any interest in the shares of the company nor any of its fellow subsidiaries. Interests of the other directors in the ordinary share capital of the holding company, Hanson Trust PLC were at 28 September 1985 (1984 Nil).

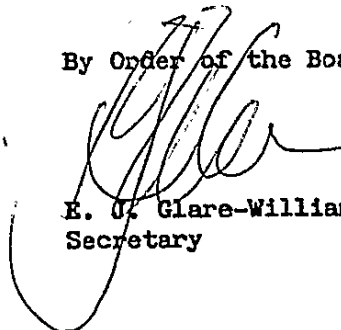
Option to Acquire

A.C. Cheyney	27,690
P.R. Spencer	19,998
J.A. Smith	19,998
G.E. Cooper	19,998

AUDITORS

Binder Hamlyn have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



E. J. Glare-Williams
Secretary

69-71 Bromham Road,
Bedford,
MK40 2BL

5th December 1985

REPORT OF THE AUDITORS TO THE MEMBERS OF

LONDON BRICK LANDFILL LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion, the financial statements which have been prepared on the basis of the accounting policies set out on pages 7 and 8 give a true and fair view of the state of the company's affairs at 28 September 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

R. H. Hamlyn
Chartered Accountants

8 St. Bride Street
London,
EC4A 4DA

5th December 1985

LONDON BRICK LANDFILL LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 28 September 1985

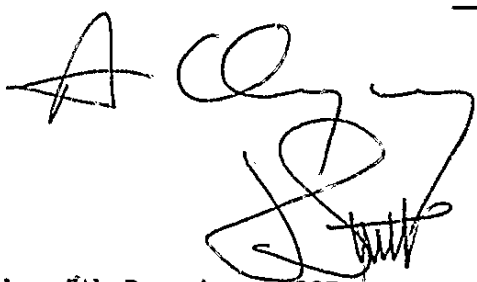
	Notes	1985		Nine months ended 29 September 1984	
		£	£	£	£
TURNOVER	1		10,691,852		7,692,581
Less: Provision	10/16		-		(636,484)
			<u>10,691,852</u>		<u>7,056,097</u>
Add: Provision	10/16		636,484		-
			<u>11,328,336</u>		<u>7,056,097</u>
Staff costs	2	1,888,915		1,407,009	
Depreciation	6	1,046,905		856,191	
Other operating charges	3	4,122,087	7,057,907	3,094,372	5,357,572
			<u>4,270,429</u>		<u>1,698,525</u>
OPERATING PROFIT					
Dividend received from subsidiary			-		12,372
			<u>4,270,429</u>		<u>1,710,897</u>
Interest payable to holding company			(880,450)		(82,238)
			<u>3,389,979</u>		<u>1,628,659</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION					
Tax (Charge)/Relief on Profit on Ordinary Activities	4		(249,369)		1,521,512
			<u>3,140,610</u>		<u>3,150,171</u>
PROFIT AFTER TAXATION AND BEFORE EXTRAORDINARY ITEM					
Extraordinary item	5		-		(1,713,998)
			<u>3,140,610</u>		<u>1,436,173</u>
PROFIT FOR FINANCIAL YEAR					
Dividend paid			-		(1,000,000)
			<u>3,140,610</u>		<u>436,173</u>
AMOUNT TRANSFERRED TO RESERVES	14				

The notes on pages 7 to 14 form part of these accounts.

LONDON BRICK LANDFILL LIMITED

BALANCE SHEET
at 28 September 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u>
		£	£
FIXED ASSETS			
Tangible Assets	6	9,156,340	8,632,117
Investment	7	<u>13,618</u>	<u>13,618</u>
		9,169,958	8,645,735
CURRENT ASSETS			
Debtors	8	3,266,156	2,438,118
Cash at bank and in hand		<u>1,114,989</u>	<u>472,054</u>
		4,381,145	2,910,172
CREDITORS: Amounts falling due within one year	9	<u>3,773,599</u>	<u>4,537,801</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>607,546</u>	<u>(1,627,629)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,777,504	7,018,106
CREDITORS: Amounts falling due after more than one year	10	--	636,484
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>1,687,505</u>	<u>1,432,233</u>
		<u>8,089,999</u>	<u>4,949,389</u>
CAPITAL AND RESERVES			
Called up Share Capital	12	100	100
Revaluation reserve	13	3,885,649	4,089,041
Profit and Loss Account	14	<u>4,204,250</u>	<u>860,248</u>
		8,089,999	4,949,389



A. C. Cheyney)

Directors

J. A. Smith)

Approved by the Board 5th December, 1985

The notes on pages 7 to 14 form part of these accounts

LONDON BRICK LANDFILL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 28 SEPTEMBER 1985

	<u>1985</u>		<u>Nine months ended</u> <u>29 September 1984</u>	
	£	£	£	£
SOURCE OF FUNDS				
FUNDS GENERATED FROM OPERATIONS				
Profit from ordinary activities before taxation		3,389,979		1,628,659
Adjustment for items not involving the movement of working capital				
Profit on disposal of fixed assets		(16,086)		(1,721)
Depreciation		1,046,905		856,191
Provision for liabilities and charges		<u>17,843</u>		<u>112,425</u>
		4,438,641		2,595,554
Sale of Fixed Assets		<u>132,359</u>		<u>73,879</u>
		4,571,000		2,669,433
APPLICATION OF FUNDS				
Expenditure against reclamation provision	11,940		83,261	
Repayment of loans to group companies	-			
Dividends paid	-		1,000,253	
Tax paid			1,500,000	
Purchase of fixed assets	399,397		164,543	
	<u>1,687,401</u>	<u>2,098,738</u>	<u>275,680</u>	<u>3,023,737</u>
INCREASE/(DECREASE) IN WORKING CAPITAL		<u>2,472,262</u>		<u>(354,304)</u>
COMPOSITION OF INCREASE/(DECREASE) IN WORKING CAPITAL				
Debtors	828,038		249,589	
Creditors	<u>1,001,289</u>	1,829,327	<u>(1,069,873)</u>	(820,284)
MOVEMENT IN NET LIQUID FUNDS				
Cash at bank and in hand		<u>642,935</u>		<u>465,980</u>
		<u>2,472,262</u>		<u>(354,304)</u>

LONDON BRICK LANDFILL LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28 September 1985

1. ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention.

Turnover

is the amount invoiced, exclusive of VAT, for goods and services to customers after deduction of trade discounts.

Deferred Taxation

represents corporation tax calculated on the liability basis deferred by accelerated capital allowances and other timing differences, where it is thought reasonably probable that an actual tax liability will arise in the foreseeable future. No provision is made for taxation on surpluses on revaluation of assets in respect of any chargeable gains unless sales are likely in the foreseeable future.

Tangible Fixed Assets

are included at cost, with the exception of those acquired from group companies which are shown at their original cost to the group or subsequent valuation, together with attributable depreciation. Grants received are deducted from the cost of the relevant assets.

Depreciation

is provided to write down all tangible fixed assets to disposable values over their estimated useful lives. Where tangible fixed assets are permanently taken out of use the residual balances are written off. The following table sets out for each major class of depreciable asset the depreciation rates applied on a straight line or reducing balance basis as appropriate :-

Land and Buildings:

Leasehold Buildings : Amortised over the unexpired period of the lease
Leasehold Land : Amortised on the basis of tonnage of material deposited in the year.

Plant and Machinery

Fixed : 5% - 33 $\frac{1}{3}$ % per annum on cost
Mobile : 14 $\frac{1}{4}$ % - 50% per annum on cost

Fixtures, Fittings, Tools and Equipment:

10% - 33 $\frac{1}{3}$ % per annum on cost.

Research and Development

expenditure is written off in the period in which it is incurred.

LONDON BRICK LANDFILL LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28 September 1985

Leasing

The rentals payable on all leases are charged to the Profit and Loss Account as incurred. Assets and the obligation to pay future rentals under finance leases, are not shown on the balance sheet as they are not material.

Reclamation Provision

The provision relates to the current cost of capping the pit areas in landfill reclamation, which usually involves the laying of clay over the completed area of landfill to a depth of one metre. The estimated current cost of capping based on the tonnage of landfill materials deposited in the period is charged against profits and credited to the provision, which is reviewed annually for its adequacy. Actual costs are charged against the provision when incurred.

Pension Contributions

The group contributes to a pension scheme for the benefit of all of its employees, operated by a fellow subsidiary, London Brick Company Ltd. The funds of the scheme are administered by Trustees, are separate from the group, and independent actuaries complete valuations every 3 years. In accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules and the augmentation of current pension from time to time. The cost of these is charged against profits when the contributions are made. When the contributions are not sufficient the capital cost of such augmentation is charged against the profits of the group for the year in which the increases are granted.

2 STAFF COSTS

	<u>1985</u>	9 months to <u>28 September</u>
	£	<u>1984</u>
		£
Wages and Salaries	1,604,040	1,207,949
Employers social security costs	140,803	101,467
Employers pension contributions	<u>144,072</u>	<u>97,593</u>
	<u>1,888,915</u>	<u>1,407,009</u>
Emoluments included above relating to directors amounted to	<u>115,782</u>	<u>27,548</u>
Emoluments to the Chairman	Nil	Nil
Emoluments to the Highest Paid Director	<u>30,862</u>	<u>14,878</u>
	Number	Number
Other Directors' Emoluments were within the following annual bands:		
Up to £5,000	-	3
£15,001 to £20,000	1	1
£20,001 to £25,000	2	-
The average weekly number of employees for the year was	144	138

LONDON BRICK LANDFILL LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28 September 1985

	<u>1985</u>	9 months ended 29 September <u>1984</u>
	£	£
3. OTHER OPERATING CHARGES :		
Includes		
Auditors' remuneration	17,500	12,000
Hire of Plant and Machinery	408,246	263,522
Lease Rentals	124,394	11,927
4. TAX (CHARGE)/RELIEF ON ORDINARY ACTIVITIES		
U.K. Corporation Tax @ 42.5% (1984 46.67%)	(1,286,510)	(1,360,362)
Deferred Taxation (Note 11)	(249,369)	464,218
Corporation Tax - Prior Year Adjustment	-	1,057,294
Group Relief	1,286,510	1,360,362
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	(249,369)	1,521,512
	<hr/>	<hr/>
In both years the chargeable profit has been group relieved free of consideration in accordance with group policy.		
5. EXTRAORDINARY ITEM		
Prior year charge for Deferred Taxation resulting from changes in the Finance Act, 1984.	<hr/>	<u>(1,713,998)</u>

LONDON BRICK LANDFILL LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28 September 1985

6. TANGIBLE FIXED ASSETS

	Land and Buildings Leasehold	Plant and Machinery	Fixtures Fittings Tools and Equipment	Total
	£	£	£	£
COST				
At 30 September 1984	5,887,340	6,758,101	165,329	12,810,770
Additions during year	97,253	1,440,367	120,375	1,657,995
Intra group transfers	12,845	84,377	(2,793)	94,429
Disposals during year	-	(602,241)	(25,328)	(627,569)
At Valuation 1983	4,250,000	-	-	4,250,000
At Cost	1,747,438	7,680,604	257,583	9,685,625
At 28 September 1985	<u>5,997,438</u>	<u>7,680,604</u>	<u>257,583</u>	<u>13,935,625</u>
DEPRECIATION				
At 30 September 1984	634,823	3,505,487	38,343	4,178,653
Charge for year	314,183	707,501	25,221	1,046,905
Intra group transfers	2,064	75,016	770	77,850
Written back re disposals	-	(510,362)	(13,761)	(524,123)
At 28 September 1985	<u>951,070</u>	<u>3,777,642</u>	<u>50,573</u>	<u>4,779,285</u>
NET BOOK AMOUNT				
At 28 September 1985	<u>5,046,368</u>	<u>3,902,962</u>	<u>207,010</u>	<u>9,156,340</u>
At 29 September 1984	<u>5,252,517</u>	<u>3,252,614</u>	<u>126,986</u>	<u>8,632,117</u>

Leaseholds have less than 50 years to run

The historical cost of assets shown at valuation in 1983 = Nil.

The charge for depreciation on the basis of historical cost would have been £843,513 (1984 £695,232).

LONDON BRICK LANDFILL LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28 September 1985
(continued)

	1985 £	1984 £
7. FIXED ASSET INVESTMENTS		
Investments in subsidiary companies		
Shares at cost	<u>£13,618</u>	<u>£13,618</u>
The principal operating subsidiaries are:		
Clear Waste Limited		
Easidispose Limited		
All subsidiary companies are wholly owned, operating and incorporated in England.		
Consolidated accounts are not presented as the Company is itself a wholly owned subsidiary of a Company incorporated in England.		
8. DEBTORS		
Trade Debtors		
Amounts owed by group companies	2,084,325	1,848,560
Parent company	819,754	-
Fellow subsidiaries	100	-
Subsidiary companies	314,342	554,146
Prepayments	46,925	27,457
Other	710	7,955
	<u>3,266,156</u>	<u>2,438,118</u>

LONDON BRICK LANDFILL LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28 September 1985

	1985 £	1984 £	
9. CREDITORS: Amounts falling due within one year			
Trade creditors	1,528,188	471,153	
Amounts owed to group companies :			
Parent	-	2,846,702	
Fellow subsidiaries	1,694,366	294,632	
Own subsidiaries	100	100	
Other creditors	3,049	47,945	
Taxation and Social Security	116,202	109,707	
Corporation tax payable	603	400,000	
Accruals and deferred income	333,091	367,562	
Reclamation provision (note 11)	98,000	-	
	<hr/>	<hr/>	
	3,773,599	4,537,801	
	<hr/>	<hr/>	
10. CREDITORS: Amounts falling due after more than one year			
Trade creditors	-	636,484	
	<hr/>	<hr/>	
11. PROVISIONS FOR LIABILITIES AND CHARGES			
	Deferred Taxation £	Reclamation Provision £	Total £
At 30 September 1984	1,078,299	353,934	1,432,233
Transfer from Profit and Loss Account	249,369	115,843	365,212
Payments during the year	-	(11,940)	(11,940)
Included in current liabilities		(98,000)	(98,000)
	<hr/>	<hr/>	<hr/>
At 28 September 1985	1,327,668	359,837	1,687,505
	<hr/>	<hr/>	<hr/>
The potential liability for taxation deferred by all timing differences:		1985 £	1984 £
Accelerated capital allowances		1,490,161	1,493,049
Other		(162,493)	(414,750)
		<hr/>	<hr/>
		1,327,668	1,078,299

LONDON BRICK LANDFILL LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28 September 1985

	1985	1984
	£	£
12. CALLED UP SHARE CAPITAL		
Authorised, allotted, called up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
13. REVALUATION RESERVE		
At 30 September 1984	4,089,041	
Transfer to Profit and Loss Account	(203,392)	
At 28 September 1985	<u>3,885,649</u>	
14. PROFIT AND LOSS ACCOUNT		
At 30 September 1984	860,248	
Retained Profit for the financial year	3,140,610	
Transfer from revaluation reserve	203,392	
At 28 September 1985	<u>4,204,250</u>	

A transfer is made between Revaluation Reserve and Profit and Loss Account of an amount equal to the amortisation in the period attributable to the landfill sites.

LONDON BRICK LANDFILL LIMITED

NOTES TO THE ACCOUNTS
for the year ended 28th September 1985
(continued)

15. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

	<u>1985</u>	<u>1984</u>
Contracts placed for capital expenditure and not provided for in these accounts	£352,000	£201,000
Capital expenditure authorised by the Directors but not contracted for	£189,335	£912,000
Commitments under leases for plant and machinery in the ordinary course of business are as follows:		
Payment within 1 year	201,107	11,779
2 - 5 years	474,076	45,968
Over 5 years	Nil	Nil
	<u>675,183</u>	<u>57,747</u>

16. CONTINGENT LIABILITIES

(i) Group bank indemnities:

The company and its subsidiaries have entered into a composite banking agreement granting the bank rights to set-off the companies' balances against the overdrafts of other companies within the Hanson Trust PLC Group, up to a limit of £5,000,000.

(ii) Contract dispute:

The company is in dispute with a major customer concerning the interpretation of a price review clause applicable with effect from 1 January 1984. If the customer's contention were to be wholly upheld at arbitration, the maximum liability for the period of 21 months ended 28 September 1985 would be £1,566,000 plus interest and Corporation Tax relief thereon would amount to approximately £692,000.

The directors have obtained leading Counsel's opinion and take the view that the customer's claim is unlikely to succeed. No provision has been made in the financial statements.

17. HOLDING COMPANY

The ultimate holding company of London Brick Landfill Limited is Hanson Trust PLC, incorporated in Great Britain.