

60043

London Brick Company

LIMITED

Report and Accounts
1976

66045/301.

London Brick Company Limited

2

Report and Accounts

for the year ended 31st December, 1976

Contents

- 4 Profile of the Group
- 6 Notice of Meeting
- 7 Group Products and Services
- 8 Board of Directors
- 9 Report of the Directors
- 12 Chairman's Statement
- 24 Consolidated Profit and Loss Account
- 25 Consolidated Balance Sheet
- 26 London Brick Company Limited Balance Sheet
- 27 Notes on Accounts
- 34 Supplementary Inflation Accounting Statement
- 36 Source and Application of Funds Statement
- 37 Report of the Auditors
- 38 Summary of Information—1967 to 1976
- 40 Stockholders

46

Brick Works

Hollow Clay Block Works

District Sales Offices

Roadheads

Netliner Depots

Operational Centres

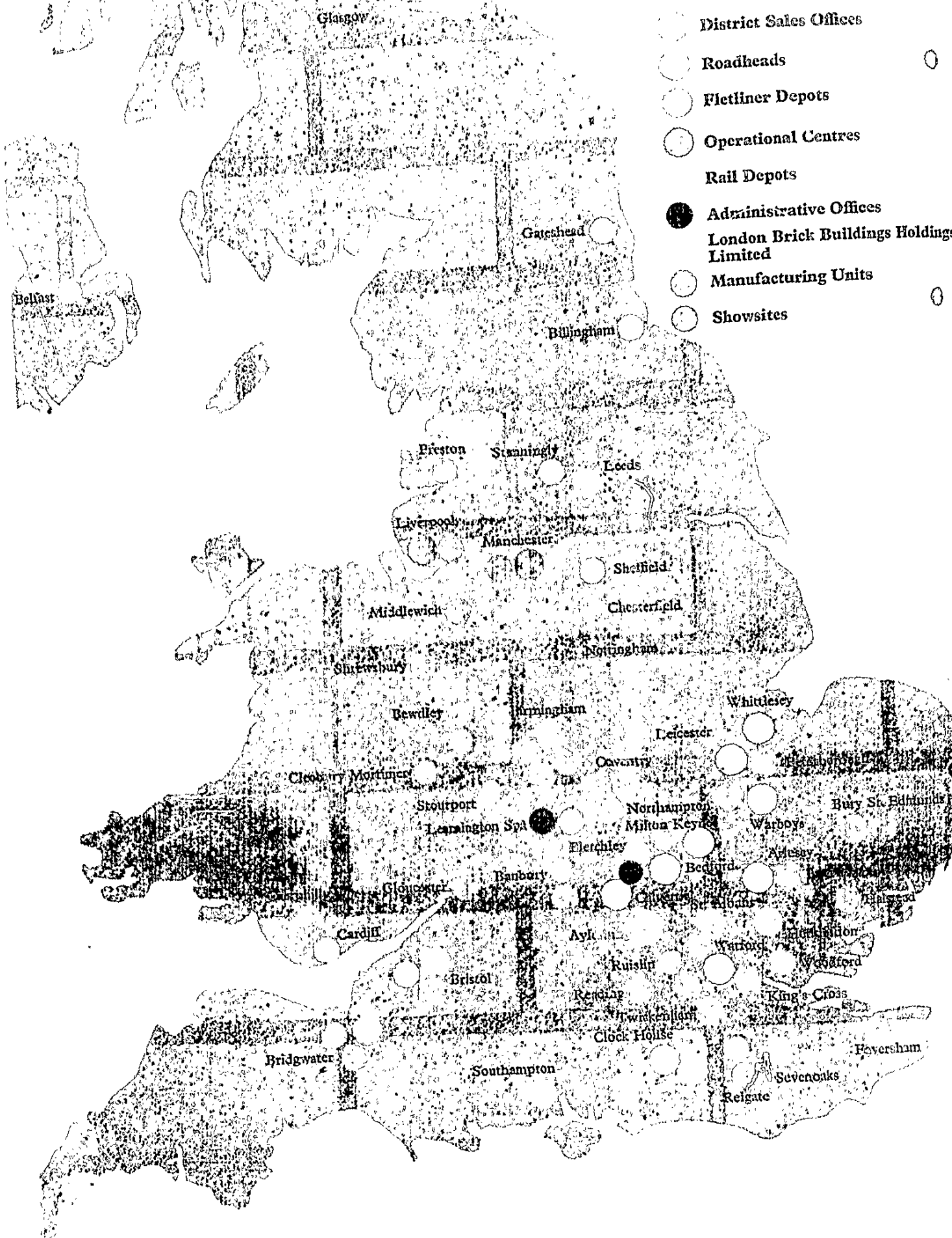
Rail Depots

Administrative Offices

**London Brick Buildings Holdings
Limited**

Manufacturing Units

Showsites



London Brick Group of Companies

London Brick Company Limited

Head Office: London Brick House, 12 York Gate, Regents Park, London, NW1 4QL.

Brick Works:
Bedford Group
Bletchley
Calvert
Peterborough Group
Whittlesey Group

District Sales Offices:
Aylesbury
Birmingham
Bristol
Bury St. Edmunds
Hoddesdon
Leeds
Nottingham
Sevenoaks
Southampton

Rail Depots:
Bristol
Cardiff
Sheffield
Teesside (Billingham)
Tyneside (Gateshead)
West Riding (Stanningley)

Hollow Clay Block Works:
Arlesey
Clock House
Warboys

Roadheads:
Birmingham
Bridgwater
Clock House

Fletliner Depots:
London - Kings Cross
Liverpool
Manchester

London Brick Land Development Limited

Administrative Office: Stewartby

Operational Centres:
Arlesey

Bedford
Milton Keynes

Northampton
Peterborough

London Brick Buildings Limited

Administrative Offices: Leamington Spa
London Brick Buildings

Banbury Squash Courts

Edgehill Finance

Manufacturing Units:
Alton Glasshouses - Bewdley
Banbury Buildings - Banbury
Banbury Commercial Buildings
- Coventry
Banbury Timber Products
- Cleobury Mortimer
Coates Fencing - Bridgwater
Johnson Floor - Ruislip
L. F. Knight - Reigate
Larchlap - Stourport
Longford Midland Concrete
- Coventry

Showsites:
Banbury
Belfast
Bewdley
Birmingham (North)
Birmingham (South)
Bridgwater
Bristol
Bury St. Edmunds
Caerphilly
Chesterfield
Coventry
Faversham
Glasgow
Gloucester
Halstead
Leeds

Showsites:
Leicester
Liverpool
Manchester
Middlewich
Northampton
Preston
Reading
Reigate
Ruislip
Shrewsbury
Southampton
St. Albans
Twickenham
Watford
Woodford

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 77th Annual General Meeting of London Brick Company Limited will be held at the Connaught Rooms, Great Queen Street, London, W.C.2, on Thursday, 19th May, 1977, at 12 noon, for the following purposes, namely:—

1. To receive and consider the Company's Accounts for the year ended 31st December, 1976, and the Reports of the Directors and of the Auditors;
2. To declare a Dividend;
3. To elect Directors;
4. To appoint Auditors.

Dated this 25th day of April, 1977.

By Order of the Board,
H. D. HOWE,
Secretary.

A Member entitled to attend and vote at this Meeting may appoint a proxy to attend on his behalf and on a poll to vote instead of such Member. A proxy need not also be a Member of the Company. A form of proxy is enclosed for use if desired.

In accordance with the requirements of The Stock Exchange there will be available for inspection during normal business hours at the Registered Office of the Company from the date of this Notice until the date of the Annual General Meeting:—

- (a) The Register of Directors' interests in accordance with Sec. 29 of the Companies Act 1967.
- (b) Copies of Directors' contracts of service with the Company.

The documents will also be available on the day and at the place of the Meeting from 11.45 a.m. until the conclusion of the Meeting.

Secretary: H. D. Howe, F.C.I.S.

Registered Office: London Brick House, 12 York Gate, Regents Park,
London, NW1 4QL.
Registered in London. Registered No. 66045.

Registrars: The General Agency & Trust Limited,
Granby House, 95 Southwark Street, London, SE1 0JA.

Group Products and Services

London Brick Company Limited

Facing bricks, common bricks, hollow clay building and floor blocks and field drain pipes.

Principal Subsidiary Companies

London Brick Land Development Limited

Industrial and domestic waste disposal.

London Brick Buildings Limited

Alton Glasshouses Limited

Alton glasshouses and sheds.

Banbury Buildings Limited

Garages, home extensions, conservatories, porches and replacement windows.

Banbury Commercial Buildings Limited

Commercial and agricultural prefabricated buildings.

Banbury Squash Courts Limited

Squash courts.

Coates Fencing Limited

Fencing, leisure houses and ornamental steelwork.

Edgehill Finance Company Limited

Loan finance for Banbury products.

Johnson Floor Company Limited

Industrial flooring.

Larchlap Limited

Wooden panel fencing.

Associated Companies

Tehran London Brick Company (incorporated in Iran) – 20% interest.

Banbury Union Manufacturing and

Construction Company (incorporated in Abu Dhabi) – 49% interest.

London Brick Company Limited

Board of Directors

Sir Ronald Stewart, Bt., D.L. (*Chairman and Managing Director*)

Jeremy Rowe, M.A., F.B.I.M. (*Deputy Chairman and Managing Director*)

M. O. Wright, F.C.A., A.C.M.A. (*Managing Director*)

James Bristow

E. H. Burton, C.Eng., M.I.C.E., M.R.T.P.I.

Michael W. Drown, B.A.

W. R. B. Fester

G. A. Hammond

D. H. Lawrence, D.F.H., C.Eng., F.I.Mech.E., M.I.E.E.

Kenneth McAlpine, D.L.

A. N. H. Meier

Mr. G. A. Hammond and Mr. Kenneth McAlpine having been appointed Directors by the Board now retire and, being eligible, offer themselves for re-election.

Mr. E. H. Burton and Mr. D. H. Lawrence retire from the Board by rotation and, being eligible, offer themselves for re-election.

Report of the Directors

Principal Activities

London Brick Company Limited is mainly engaged in the production and sale of bricks; building, partition and floor blocks; field drain pipes and other clay products.

London Brick Land Development Limited operates an industrial waste collection service and provides facilities to local authorities in the processing of household refuse and its disposal in the Company's worked-out pits.

London Brick Buildings Limited (formerly Banbury Buildings Holdings Limited) and its subsidiaries are mainly engaged in the production and sale of concrete, timber and aluminium buildings and other structures.

Investment in Abu Dhabi

London Brick Buildings Limited has entered into a joint venture with Union Trading and Contracting Company, a limited partnership incorporated in Abu Dhabi. A company, Banbury Union Manufacturing and Construction Company, in which London Brick Buildings Limited has a 49% interest, has been established to manufacture and market all types of buildings incorporating post and panel construction and other products of London Brick Buildings Limited.

Turnover, Profits and Dividends

Details of the results of the year are set out in the consolidated profit and loss account on page 24.

Analysis of Turnover and Trading Profits:

	Turnover	Trading Profits
	%	£'000
Clay products	78	9,327
Other products	20	782
Services, Farm Sales and Rents	2	219
		<u>10,328</u>

Profit and Dividends:

Profit attributable to Stockholders		4,296
From this profit the following dividends have been paid or are proposed		
Preference Stock	22	
Ordinary Stock		
Interim paid 5th January, 1977, at 1.1323p per unit (equivalent to 1.742p gross per unit)	664	
Proposed final payable 2nd July, 1977, at 1.7576p per unit (equivalent to 2.704p gross per unit)	1,029	1,715
Retained profit		<u>2,581</u>

London Brick Company Limited

Share Option Scheme

Options have been granted for 1,141,000 Ordinary Shares under the Scheme. Directors' interests are as follows:—

Sir Ronald Stewart, Bt.
Jeremy Rowe
M. O. Wright
James Bristow
E. H. Burton
Michael W. Drown
D. H. Lawrence
A. N. H. Meier

*Ordinary Shares of
25p each*
140,000
127,000
105,000
54,000
58,000
42,000
58,000
69,000

In January, 1976, 54,000 Ordinary Shares were issued at par following the exercise of an option under the provisions of the Scheme. The Shares were converted into £13,500 Ordinary Stock on issue.

Employees

The average weekly number of employees of the Group during the year was 9,074 and the aggregate remuneration paid to them was £31,421,000.

Exports

The Group exported goods to the value of £1,495,000.

Contributions

Contributions for charitable purposes during the year under Section 19, Companies Act, 1967, amounted to £11,573. In addition, £250 was contributed to The Economic League.

Directors

Mr. Derrick H. Robins resigned as a Director on 4th March, 1976.

Mr. G. A. Hammond was appointed a Director of the Company on 3rd March, 1977.

Mr. Kenneth McAlpine was appointed a Director of the Company on 31st March, 1977.

Mr. M. O. Wright was appointed a Managing Director on 31st March, 1977.

London Brick Company Limited

Directors' Interests

The table below shows all the Directors of the Company at the end of the financial year and separately their beneficial and non-beneficial interest in the Company's Stocks including those of their families. Non-beneficial interests are shown in parentheses.

	At 31st December, 1976			At 1st January, 1976 or date of appointment		
	Ordinary Stock £	Preference Stock £	Loan Stock £	Ordinary Stock £	Preference Stock £	Loan Stock £
Sir Ronald Stewart, Bt.	41,795 (28,845)	2,500 (7,700)	—	44,045 (28,845)	2,500 (7,700)	—
Jeremy Rowe	11,441	—	—	11,441	—	—
M. O. Wright	2,902	—	—	2,902	—	—
James Bristow	5,018	—	—	5,018	—	—
E. H. Burton	1,355	—	—	1,355	—	—
Michael W. Drown	562	—	—	562	—	—
W. R. B. Foster	1,875	—	—	1,875	—	—
D. H. Lawrence	4,764	—	96	4,764	—	96
A. N. H. Meier	1,362	—	—	1,237	—	—

A change in Directors' interests between 1st January and 31st March, 1977 is as follows:—

Sir Ronald Stewart, Bt. sold (beneficial) £7,500 Ordinary Stock.

At no time during the year has any Director had any material interest in a contract of significance in relation to the Company's business.

Auditors

Binder Hamlyn have signified their willingness to continue in office.

London Brick House,
12 York Gate,
Regents Park,
London, NW1 4QL.
31st March, 1977.

RONALD STEWART, *Chairman.*

JEREMY ROWE, *Deputy Chairman.*

Statement by the Chairman

Financial

Profits for 1976 were in excess of those of the previous year and established a new record for the Group. Turnover increased from £66,964,000 to £76,580,000, and for the first time the value of export sales exceeded £1,000,000. Profits before charging depreciation amounted to £12,141,000, compared with £11,340,000 for the previous year. After charging depreciation of £1,620,000 compared with £1,549,000, the profit before taxation was £10,521,000 compared with £9,791,000, an improvement of 7 per cent.

After providing corporation tax at 52% the profits after taxation amounted to £5,196,000, compared with £4,605,000 for the previous year.

It has been decided this year to make a provision against the cost of listed investments held by the Group. These investments were acquired because of a long-term interest in the companies concerned, and for this reason it was not considered necessary previously to write off any difference between cost and market value. As, however, such a difference has now existed for some time it is considered prudent to provide for such a difference, taking into account market values ruling shortly before the printing of these accounts. A provision of £900,000 has therefore been made and is shown in the profit and loss account on page 24 as an Extraordinary Item. After deducting this amount the profit attributable to stockholders amounted to £4,296,000 compared with £4,605,000 for the previous year.

Dividends due for the year on the Preference Stock amounted to £22,000. On the Ordinary Stock an interim dividend of 1-1323p per Ordinary Stock unit of 25p, amounting to £664,000, has been paid, and a final dividend for the year of 1-7576p per Ordinary Stock unit is recommended. This will absorb a further £1,029,000. The total dividend for the year on the Ordinary Stock therefore amounts to 2-8899p per unit and is the maximum amount permitted by the Treasury.

The retained profit for the year amounted to £2,581,000 and has been transferred to reserves.

Inflation Accounting

The Steering Group set up after the publication of the Sandilands Report has, during the year, produced a draft accounting standard (ED18) based upon the principles of Current Cost Accounting. A period of six months has been allowed for comments to be made on this exposure draft. It is likely that the final statement of standard accounting practice, when published, will differ from the draft, but nevertheless the Stock Exchange has recommended that companies should at least provide a supplementary inflation accounting statement based on the principles of Current Cost Accounting. Although this involves the preparation of a statement which is substantially different from that previously shown, the Stock Exchange recommendation has been followed in the preparation of the statement shown on pages 34 and 35.

London Brick Company Limited

13

Trading Year

Although profits before taxation constituted a new record and turnover showed a further increase, the gain would have been greater had not bad weather and more particularly the damaging effect of Government measures on housebuilding adversely affected brick deliveries in the closing months of the year. Once again our main market was hit by cuts in government spending in the public sector combined with the damaging effect of high interest rates in the private sector, and the stability for which the industry craves was once again denied us. Our vulnerability as a process industry to the cyclical nature of construction in this country is by now well known and has led us in recent years both to broaden our base in this country and to seek new markets overseas.

Monopolies Commission Report

Over seventy-six years we have built up the largest brickmaking operation in the world and the knowledge and experience we possess of the fletton process of brick manufacture is unique. The report of the Monopolies Commission into the supply of building bricks which came out in the summer of 1976 was of course mainly concerned with our own brickmaking operations and whilst its findings are now largely historic they do deserve some special comment in this year's statement.

It is, after all, not often that an organisation such as ours is subjected to such a searching and independent investigation taking over two years to complete and tracing the development of the Company over half a century and examining in detail its policies and performance over the last ten years. In these days of increasing public accountability the findings of the Commission are not only fascinating to those whose job it has been to develop the business but interesting and relevant to a wider audience of stockholders, employees, customers, those residing in our different works areas and the public at large. I would, therefore, like on this occasion to comment in some detail on the report and to try and relate some of their findings to our activities during the year and our plans for the future.

Before doing so I would make two observations. First we were impressed by the depth and thoroughness of the report and by the fairness and impartiality shown by the Commissioners and their staff in tackling such a complex and difficult task. There was nothing of a factual nature in the report with which we would disagree. Secondly, there must inevitably be a certain degree of conflict between the Commissioners who are seeking to establish where the public interest lies and your management whose job it is to expand the business in the best interest of stockholders and employees. It is however significant in our particular case how closely the view taken of the public interest accords with policies pursued by your Board for more commercial reasons and how, where some conflict does exist, as in the treatment of delivery charges, the opinion of the Commissioners was so finely balanced as to preclude their reaching a common judgement.

Monopoly of Fletton Bricks

Central to the Commission's findings is, of course, the fact that the Company supplies over forty per cent of the market for building bricks and that its dominance of fletton brickmaking has undoubtedly given it substantial additional market power. Stockholders will recall that this complete monopoly of fletton brickmaking is relatively recent and has been brought about by the acquisitions of Marston Valley Brick Company Limited in 1968, the fletton brickworks of Redland Limited in 1971 and those of Whittlesea Central Brick Company Limited in 1973. The Company saw the acquisition of these works as a sensible and logical step. It was confident that its efficiency could be further increased if the scale of its operations could be enlarged and it considered this to be necessary in order to meet competition from alternative materials and methods of building. The Commission concluded that the Company welcomed the opportunity to acquire its remaining competitors in fletton brickmaking but that there was no evidence that its present complete monopoly position was deliberately and specifically sought. Indeed it went further than this and suggested that they had no reason to doubt that in terms of fletton brick manufacture London Brick's efficiency was superior to that of its erstwhile competitors.

Production

The Commission was obviously impressed by the Company's experience and skill in the manufacture of fletton bricks and the steps it had taken both to build new works and to bring the efficiency of works that it had acquired up to its own overall standard of efficiency. They noted, however, that the Company had quite understandably kept in production older and higher cost works and that these had acted as a valuable buffer against the vagaries of the building cycle. After thoroughly examining the Company's record of investment in replacement plant and in evaluating the economics of building new works as against maintaining existing plant, the Commission recorded that they saw no grounds for criticism of the Company's recent investment performance or of its current strategy.

One aspect of this strategy in 1976 was the restarting of nightshifts at Ridgmont works in Bedfordshire and Hicks works at Peterborough. Another was the method adopted of rapidly boosting output by shuttling unburnt bricks from efficient low cost works such as Bletchley and Ridgmont and burning them at kilns elsewhere. By such means output during the year was raised by fourteen per cent without the necessity of reopening closed works. The wisdom of this was demonstrated later in the year when demand fell away sharply and the additional output was no longer needed.

Demand

The Commission were helped to judge the problems facing the brick industry by the fact that during the course of the enquiry the 1973 boom in housebuilding – the industry's largest market – gave way to the sharp recession experienced in 1974 and the recovery in 1975. In those three years overall housing starts oscillated from 329,000 in 1973 to 253,000 in 1974 and back to 323,000 in 1975. In the private sector the switchback was even more pronounced with starts of 216,000 in 1973, falling to

15

106,000 in 1974 and back to 150,000 in 1975. In these terms the total figure of 326,000 in 1976 appears relatively stable, but this masks a continuing rise in starts in the first half of the year, followed by a fall which gained momentum as the year progressed. The reasons for the change are not hard to discern and are all too familiar to the housing industry. Public sector housing did not escape the Government cuts announced in July and the even more savage measures that followed later in the year. As a result, in the second six months public sector starts fell dramatically. In the private sector, activity was maintained until the autumn but the announcement of the crisis hoist in minimum lending rate by a full 3 points in October and the clear implication that this would have on the Building Societies' ability to lend, shattered the confidence of housebuilders and led to a collapse in private housebuilding in the last few weeks of the year. As the Monopolies Commission pointed out, the brick industry has suffered more than perhaps any other producer of building materials from fluctuations in construction activity, not only because of the high proportion of bricks used in housing – the most cyclical sector – but because bricks are a starter material in the construction process and there is, therefore, little pre-warning of rapid changes in demand.

It pointed out that such fluctuations create additional costs and increase the risks of investment and concluded significantly that "there are no remedies short of a more stable climate for the industry for which Government has a special degree of responsibility".

Service

In a year in which our marketing organisation had some difficulty in meeting customers' full requirements over the summer period only to be faced by cancellation of orders and cutbacks in deliveries as the year progressed, it is again worthwhile to relate our performance in terms of service to the consumer to the evidence provided to the Commission and the conclusions drawn from it. The Commission was under no illusions as to the root cause of our inability at certain times to meet the full requirements of the trade. They had however to investigate whether at times when fletton bricks were in short supply, our sales staff sought to deal fairly with all our customers and in particular to provide a proper balance between bricks supplied direct to builders and those supplied through merchant channels. The Commission examined the procedures adopted by the Company and the evidence submitted by all sections of the building trade and found no criticism to make. In particular they nailed, once and for all, the totally unfounded allegation that the Company "dumped" bricks in distant and less profitable areas in times of low demand only to withdraw from these areas when demand was stronger nearer home. In fact, the evidence demonstrated conclusively that the Company has for many years supplied bricks on a regular basis to all areas of the United Kingdom, that they have long established Sales Offices and local delivery depots in all parts of the country, and that supplies to particular regions are quite unaffected by the overall demand for bricks at any particular time.

London Brick Company Limited

Apart from delivery service, the Commission was given evidence on the way in which the Company sought to maintain a good standard of brick quality in what is perhaps still the lowest cost component used in building. Figures given in the report showed that the number of complaints received in relation to bricks delivered were minimal.

Prices Whilst in 1976 the pace of wage inflation slackened, the inexorable rise in the cost of fuel and those other materials and services which we have to obtain in order to manufacture and distribute fletton bricks continued. As a consequence, price increases notified to the Price Commission had the effect of raising the average delivered cost of fletton bricks by seventeen per cent during the year. The Monopolies Commission, judging the London Brick price record over a twenty-year period, noted that the Company sought to achieve its profit objectives by increasing the volume and efficiency of its production rather than by raising prices and concluded that the Company had at no time exploited its monopoly position to charge excessive prices.

Distribution The one practice operated by the Company which was felt by a majority of the Commission to be against the public interest lay in the field of distribution. I say majority because even with this criticism, one member of the Commission felt sufficiently strongly to sign a note of dissent supporting the policy adopted by the Company. The practice related to the treatment of delivery charges in the compilation of the Company's delivered prices for bricks at distant points and whilst rather unimportant in commercial terms, is interesting in the broader context of seeking to decide where the common interest lies.

Before the War when London Brick was seeking to expand its markets throughout the country, a policy was adopted of seeking a lower return on the price of bricks delivered longer distances from the works from those delivered nearer home. This was unashamedly designed to establish wider markets for the fletton brick at a time when the "fletton" was not nationally accepted and when a few pence off the price could mean the difference between winning or losing an order. Those days have long since gone and for some years the sale of LBC bricks has been firmly established throughout the country at prices considerably below those of its competitors. The practice however of accepting some lower margin on bricks delivered over longer distances and balancing this by rather higher margins in bricks delivered nearer home has been maintained for rather different reasons. It was believed that, as fletton bricks are a basic material for building and particularly used in low cost housing, it was in the interest of both our builder and local authority customers engaged in brick construction to apply some element of levelling in the prices charged throughout the country. Secondly, it was felt that through maintaining a large volume of business at distant points we would gain the same additional benefit of economy of scale, both in our production and perhaps more important in our methods of distribution. So successful has in fact that policy been that in recent times the element of "subsidy"

London Brick Company Limited

17

on bricks delivered to distant points has been greatly reduced and now only represents a maximum of about 7% on the delivered price.

The Commission in deciding that this practice contravened the public interest stated that they had no wish to discourage London Brick's further penetration of the brick market, but thought that "the Company should, so far as it is reasonably practicable so to do, relate its transport charges to the customer to the cost of delivery to him". On the other hand, Mr. Ashford in his note of dissent argued that a policy of this kind would be likely to result in a restriction in competition in those areas of Great Britain where LBC's share of the market is today small and in an increase in LBC's dominance in those areas where LBC's share is already large. He concluded that the under-charging for transport on the scale at present practised by LBC was unlikely to lead to an inefficient use of national resources "in view of the inherent saving of energy and capital costs in the production of LBC's bricks".

I have discussed this particular issue at some length because it demonstrates, I believe, how difficult it is to establish where the common interest lies. In commercial terms, the adoption of the Commission's recommendation will have only a marginal impact on the Company's sales at distant points, and we shall of course co-operate with the Office of Fair Trading in bringing about the necessary changes in our pricing structure.

Brick Bank

Another matter on which the Commission suggested some action might be taken was in a study by Government of the desirability of setting up a "brick bank". This was a suggestion originally put forward by the Trade Unions with the laudable object of seeking to preserve greater continuity of employment in the brick industry. The idea, of course, is that in cyclical periods of reduced demand brickmakers should be assisted by Government in the financing of stocks which would be required when demand once again revived. The recommendation is at present being considered by Government. To our mind it treats the symptom rather than the disease and Government would be better employed as the largest client of the building industry in seeking to provide some greater continuity and stability in its demands on the industry rather than in seeking to ameliorate the ill-effects of the present instability. On perhaps a more practical note, if Government did wish to encourage brickmakers to stock ahead of requirements, a much simpler method would be, as I suggested in my speech last year, to exclude stock profits from assessing future reference levels in the compilation of the Price Code and thus provide the industry with an added incentive to take what is after all a normal commercial risk in carrying a very high stock of bricks.

Industrial Relations

In the field of industrial relations the Commission contented itself with summarising evidence submitted both by the Company and the Trade Unions on the state of relations in the industry. In their evidence the Unions suggested that there had been

an improvement in various aspects of their relations with management but the Commission warned the Company against any feeling of complacency on its side. We would agree with this because if close and effective relations are to be maintained, a continuing dialogue must take place between representatives of both sides, not only on matters relating purely to terms and conditions of employment, but on all major problems and opportunities confronting the industry.

One of the difficulties encountered in seeking to achieve this is that if higher management seek to talk directly to Trade Union officials and shop stewards, senior staff and middle management who are not at present unionised but who are vital to the success of the Company's operations, can often feel left out of day to day consultation. It is because of this that we are experimenting with new forms of regular consultation where representatives of senior staff can hear from executive directors on the overall progress of the Company and discuss with them matters of policy. In terms of the Bullock Committee Report on industrial democracy, it is perhaps worth mentioning that in the case of your own eight executive directors, they have between them some 173 years full time service with the Company - an average of 21 years per man - during which time they worked their way up to their present positions on the Board, and are therefore particularly well-qualified to understand the aspirations of employees and to balance these against the equally important rights of stockholders and the interest of the consumer, without whose continuing support we could not gain our livelihood.

Management

One of the aspects that concerned the Monopolies Commission was whether in the absence of competition within the fletton industry there was sufficient spur to the Company's management in seeking to improve service to the customer, reduce operating cost, develop new methods and products and generally to strive for greater efficiency. The Commission concluded "LBC claims that virtually all innovation in the fletton industry has originated within the Company. We have not been able to test these claims but have no reason to doubt them. We note innovations such as Selfstak and the development of the Fletliner service and its initiative in the design of 'new generation works'. We have noted also its methods of monitoring its external efficiency and the development of its operational and scheduling model for the efficient control and development of the Company's operation. We have already referred to LBC's general investment policy and performance. Our broad conclusion is that LBC is efficiently managed".

Profitability

The Monopolies Commission were satisfied that the Company had not used its monopoly position to make excessive profit out of fletton brickmaking. The report showed that in terms of capital employed on an historic basis, at no time over the last twenty years had the return exceeded 30% and that the average level of group profit had been 23%. In a significant passage the Commission stated that they were struck

by the consistency of the Company's profit record. "This suggests that the risks attached to LBC brickmaking activities are less than might be inferred from the vagaries of the brickmaking industry. The evidence indicates that LBC has not exploited its market power to raise prices at times when demand for bricks has been strong but has been able to use its market power to raise its prices in a recession so as to recover its profitability". Use of market power in this way is, I would contend, wholly legitimate. Not only does it safeguard the livelihood of those engaged in the industry and protects the interests of stockholders, but it ensures that the industry remains viable and that the customer continues to receive an efficient service in the supply of fletton bricks. The Commission had no criticism or additional comment to make.

Estates

For many years the Company has derived profits from one activity that is wholly divorced from fletton brickmaking and yet consequent upon it. I refer to our farming activities. The Company has been far-sighted over the years in its acquisition of clay-bearing land and its reserves have been augmented by the land acquired from the other fletton brickmakers. Indeed so extensive has this land bank become that the Company has been accused both of forcing its competitors out of business through their inability to obtain the Oxford clay from which fletton bricks are made and also preventing newcomers from entering the field. The Monopolies Commission after undertaking an independent geological investigation of the extent of fletton clay reserves concluded that neither accusation was true. There was no evidence to suggest that former competitors had "surrendered" to London Brick through shortage of mineral and that so far as untapped resources of Oxford clay were concerned, it would be perfectly possible for a new entrant to establish a footing in fletton brickmaking.

The clay reserves that the Company own provides a natural form of diversification, for they lie under agricultural land which is either let to tenant farmers or more usually farmed by our Estates Department. During 1976 a record acreage of cereals was harvested, but due to the drought yields were light. The transformation from drought to deluge in the autumn hindered cultivation and drilling and reduced the acreage of corn sown. The shortage of grass "keep" in the summer also meant that fodder had to be fed to our cattle earlier than is normally the case. The vagaries of the weather, therefore, provided a trying year for our farming activities.

London Brick Land Development

It is sometimes forgotten that the restoration of the Company's worked-out pits, the task performed by our subsidiary company London Brick Land Development, can profitably include the allocation of pits for future water storage. As the Monopolies Commission pointed out some 4,500 acres have been excavated over the years and digging for the valuable Oxford clay continues at a rate of 100 acres a year. There is therefore plenty of scope to redevelop worked-out pits for water storage in addition to reclamation being undertaken through our waste disposal activities. Indeed, as long ago as 1959 Company pits in Bedfordshire and Peterborough were investigated

for future water storage as a possible alternative to the creation of a new reservoir at Diddington. Had the choice fallen on them, some 2,000 acres of agricultural land at Diddington would have been saved from flooding. The importance of this alternative use was highlighted in last summer's drought when the Anglian Water Authority approached us on the likely need to draw off water from Stewartby Lake, the largest of our flooded pits and one already used for recreation. Certainly potential exists in the future for redevelopment of this kind and the creation of new reservoirs in fletton pits not already allocated for other uses would obviate the need to flood further agricultural land and provide new opportunities for development of leisure activities.

At present, however, the profits of London Brick Land Development are mainly derived from the service we provide in the treatment and disposal of waste. In 1976 both turnover and profit was helped by the addition of the first domestic waste disposal operation - namely the contract signed with Northamptonshire County Council. Under this our staff operate a transfer station at Northampton and LBLD "Easidispose" vehicles working on a shuttle service transport the compacted waste from the transfer station for disposal in a worked-out brick pit at Stewartby near Bedford. The vision displayed by the County Council in pioneering this project will, we believe, not only provide the residents of Northampton with an efficient long-term method of disposing of their domestic waste, but will lead to the eventual reclamation and return to agricultural use of derelict land.

Industrial waste disposal - also under the "Easidispose" banner - still provides the bulk of our waste disposal activities. At the end of the year we acquired a small company named Avenger Skips who operate an industrial waste disposal service in the Hitchin area. The acquisition of Avenger Skips will improve and expand our service in that area and allow us to step up the reclamation of a worked-out pit at Arlesey.

Our present day society continues to generate more waste and this has to be disposed of in a way that is both economic and environmentally acceptable. Waste disposal and particularly planning permission to operate new pits excites emotional and sometimes unjustified comment in the media and this often provokes local opposition to new schemes going through. This is perhaps understandable in view of the activities of some "cowboy" operators in the past. It is therefore all the more important to ensure that such operations are carried out by large and reputable companies who are publicly accountable and who have the technological resources to ensure that the best modern practice in the treatment and disposal of waste is adopted. Landfill operations, if properly undertaken, provide a long-term benefit to the community in restoring derelict land and provide, environmentally, a better solution than incineration which can itself be a cause of pollution. We believe that the re-use of our pits for waste disposal is just as much in the long-term public interest as the earlier extraction of Oxford clay for fletton brickmaking.

**London Brick
Buildings**

As the Monopolies Commission pointed out, whilst the activities of London Brick Land Development are a direct consequence of our main business of brickmaking, the acquisition of Banbury Buildings Holdings Limited in 1974 was designed to be complementary because it sought both to reduce the Company's dependence on the level of new housebuilding by entering the market for home improvements and at the same time to reduce the Company's dependence on the manual task of bricklaying by taking a stake in industrialised building. It therefore seemed a logical step in 1976 to change the name of the Banbury Holding Company to that of London Brick Buildings Limited.

This new title does not of course mean that we shall not continue to promote and publicise the various trade names of companies within Banbury. Such names as Alton Greenhouses, Larchlap and Coates Fencing, Knights, and Johnson Floors, have won for themselves over the years a reputation for quality and service, and it would be foolish to dispense with such valuable assets. Banbury has also become a well known trade name for garages, squash courts, and industrial buildings, and this will continue to be used.

During 1976 the sales of these different companies was to a larger or lesser extent affected by the growing squeeze on disposable incomes. Hardest hit were perhaps those whose products involved substantial outlay to the householder. There was a reduction in demand for garages, home extensions and fencing. On the other hand, the high cost of food in the shops helped to maintain the demand for greenhouses, and Alton with its unique position in this market made a substantial contribution to the overall profit. At Alton production has been improved and extended and the company now manufactures, markets and distributes all greenhouse units within the Group. In association with Alton, Banbury Timber Products at Cleobury Mortimer maintained a steady flow of timber components to our various manufacturing companies. In the leisure field Banbury Squash Courts had a satisfactory year, and 1976 marked our first venture into squash promotion in the UK when in April, Hunter Squash Clubs, in which we are the major shareholder, opened a complex of six Banbury squash courts at Norwich. This experiment into financing the commercial development of squash as opposed to just erecting the courts is already proving successful and will encourage us to look at further projects of this kind, both at home and abroad.

The downturn in the home market for some of the Banbury range of products has allowed us to rationalise production and to begin to group operating companies into a divisional structure. As part of this reorganisation, the production of Willan porches and replacement windows has been moved from Willenhall to new and improved premises at Banbury's Ironstone works, and a new Company, Banbury Display Centres Limited, has been set up to operate the well known Banbury show sites.

**Overseas
Activities**

Once again there has been a dramatic increase in export sales, and whilst this still only represents a fraction of total turnover it does represent a conscious effort on behalf of our management to extend overseas activities. Both the parent Company and London Brick Buildings must share the credit for this achievement.

Last year I spoke at some length of the establishment of our joint venture in Iran and of the formation of Tehran London Brick Company to build a new brickworks at Tehran. The new works, designed initially to produce 500,000 bricks per day, is now under construction at Kahrizak, 28 kilometres from Tehran, and is up to schedule. So far thirty-four loads of machinery and steelwork manufactured and assembled in our engineering works in England have been delivered safely to the site in Iran, and as a result of this export business our engineers in Peterborough and Bedford have been kept fully employed at a time when no new fletton works were being built at home. The new factory at Tehran will come on stream in the autumn of this year and will be the first plant abroad to use the London Brick system of manufacture. Our intention is to utilise the expertise and experience in brickmaking that we possess to help other developing countries to modernise their brick industries and in so doing sell both our skills and machinery.

Although London Brick Buildings overseas activities are obviously on a smaller scale, they are more widespread and are rapidly expanding. In August Banbury Union Manufacturing and Construction Company was set up in Abu Dhabi, the result of a joint venture with a local trading partner, to supply and erect Banbury concrete buildings in the Arab Emirates. In Saudi Arabia Banbury Commercial have supplied prefabricated concrete shells for a small housing contract in Jeddah and have now obtained a substantial follow-up order for a new training school. In the leisure field, Banbury Squash Courts have a majority shareholding in a new American company, Banbury Sportwall Incorporated, formed to supply and erect both squash and racketball courts for the American market. Racketball is an American game rather similar to squash where the ceiling as well as the walls are employed as a playing area and where the player uses a rather shorter racket. As with squash courts a racketball court naturally lends itself to the Banbury method of prefabricated construction. In order to maintain a continuing association with racketball promotion, Banbury Leisure Industries has also taken a stake in the commercial development of new complexes of courts at Richmond, Virginia, and Montgomery, Maryland. In addition Banbury Squash Courts has opened a sales office in Germany and is now beginning to gain some benefit from the use of its system of squash court construction through licencees in both Canada and South Africa.

At a time when construction demand in the United Kingdom is at a low ebb, the pioneering of these overseas projects has provided a spur to our management and helped to maintain employment in this country.

London Brick Company Limited

Tribute

Exporting is certainly not fun and those engaging in expanding our overseas sales deserve our encouragement and support. The great body of our employees continue however to be involved in our major manufacturing activities in this country, and because many of them have spent their working lives with this Company they are all too familiar with the problems posed by changes in Government policy to construction. They have as in the past been steadfast in their loyalty and support and deserve our gratitude. It is only by working together as a team and making the most of the skills that we possess that we can surmount our problems and continue to prosper.

Prospects

Trading in the opening weeks of the current year has been at a depressed level. Brick deliveries have been adversely affected both by the waterlogged condition of building sites and by the poor demand for new building. In the last few days there have been welcome signs of an improvement and the level of stockpiling has been somewhat reduced.

The continuing fall in Minimum Lending Rate and the consequent improvement in the flow of funds into the building societies gives us reason to hope that the climate for private housebuilding is now improving and that this will in due course be reflected in an improvement in private housing starts. If this is the case the heavy brick stocks accumulated over the winter period will stand us in good stead over the peak of the building season.

The unfavourable outlook for construction has prompted us to take a further step into the related field of home improvement. On 4th January an announcement was made that the Company was making an offer to acquire all the ordinary shares of The Croydex Company Limited, a manufacturer of rubber and plastic products for the home and garden. The offer was unanimously recommended to shareholders by the Directors of Croydex and they and certain other shareholders undertook to accept the offer in respect of their beneficial interests amounting to some 29% of the issued share capital. By 9th February, the date on which the offer closed, the Company owned or had received acceptances in respect of 93% of the total issued capital of Croydex and the offer became unconditional.

London Brick has given assurances that it intends to retain the independent trading identity and operations of Croydex under the existing management and to encourage and assist Croydex's continued growth and development. The terms and conditions of service of Croydex employees will remain unaltered and their pension rights will be fully safeguarded.

The acquisition of Croydex will further reduce the Company's dependence on the cyclical nature of new housebuilding and will broaden the service we can provide to the individual householder.

Consolidated Profit and Loss Account

for the year ended 31st December, 1976

	Note	£'000	£'000	1975 £'000	£'000
Turnover	2.		<u>76,580</u>		<u>66,984</u>
Trading Profit	3.		10,328		10,413
Loan Stock Interest			<u>930</u>		<u>930</u>
			9,398		9,483
Investment Income					
Listed		56		47	
Other, including Deposit Interest		<u>1,067</u>	<u>1,123</u>	<u>261</u>	<u>308</u>
Profit before Taxation			10,521		9,791
Taxation	6.		<u>5,325</u>		<u>5,186</u>
Profit after Taxation	7.		5,196		4,605
Extraordinary Item	8.		900		—
Profit attributable to Stockholders			<u>4,296</u>		<u>4,605</u>
Dividends	9.		1,715		1,559
Retained Profit	12.		<u>2,581</u>		<u>3,046</u>
Earnings per Ordinary Stock Unit of 25p—Basic	10.		8.83p		7.83p
—Fully diluted			7.86p		7.05p

Notes on Pages 27-33 form part of these accounts.

Consolidated Balance Sheet

at 31st December, 1976

	Note	£'000	£'000	£'000	1975 £'000	£'000
Capital Employed						
Issued Capital	11.		15,039		15,025	
Reserves	12.		19,014		16,433	
			<u>34,053</u>		<u>31,458</u>	
14% Convertible Unsecured						
Loan Stock 1984	13.		6,641		6,641	
Other Loans (over 5 years £22,000)			31		—	
Deferred Taxation	14.		7,515		6,128	
			<u>48,240</u>		<u>44,227</u>	
Employment of Capital						
Fixed Assets	20.		30,643		29,893	
Premium on Consolidation	15.		3,622		3,622	
Associated Companies	17.		444		98	
Listed Investments at Directors' Valuation						
Market Value £925,000 (£1,236,000)	1.		1,117		1,857	
Current Assets						
Stocks	1.		9,078		6,694	
Debtors			11,721		11,288	
Cash on Deposit			11,750		7,691	
Cash at Bank and in hand			104		158	
			<u>32,653</u>		<u>25,831</u>	
Current Liabilities						
Creditors		8,349		8,154		
Corporation Tax (£3,215,000 due						
January, 1978) (£4,909,000)		8,021		5,454		
Bank Overdraft		2,166		1,918		
Dividends		1,703		1,548		
		<u>20,239</u>		<u>17,074</u>		
			<u>12,414</u>		<u>8,757</u>	
			<u>48,240</u>		<u>44,227</u>	

This is the copy referred to in the Annexed Certificate 'B'.

..... *Ronald Stewart* Director.

RONALD STEWART, Chairman.

..... *Jeremy Rowe* Secretary.

JEREMY ROWE, Deputy Chairman.

Notes on Pages 27-33 form part of these accounts.

Balance Sheet

at 31st December, 1976

	Note	£'000	£'000	£'000	1975 £'000	£'000
Capital Employed						
Issued Capital	11.		15,039		15,025	
Reserves	12.		18,829		16,306	
			<u>33,868</u>		<u>31,331</u>	
14% Convertible Unsecured						6,641
Loan Stock 1984	13.		6,641			4,958
Deferred Taxation	14.		6,054			
			<u>46,563</u>		<u>42,930</u>	
Employment of Capital						
Fixed Assets	20.		27,296			26,987
Subsidiary Companies	16.		7,863			7,166
Associated Company	17.		334			98
Listed Investments at Directors' Valuation						1,857
Market Value £925,000 (£1,236,000)	1.		1,117			
Current Assets						
Stocks	1.		6,079		4,245	
Debtors			9,220		9,299	
Cash on Deposit			11,750		7,250	
Cash at Bank and in hand			23		21	
			<u>27,072</u>		<u>20,815</u>	
Current Liabilities						
Creditors		5,531		5,717		
Corporation Tax (£3,179,000 due					4,848	
January, 1978) (£4,842,000)		7,843			1,880	
Bank Overdraft		2,042			1,548	
Dividends		1,703				
		<u>17,119</u>		<u>13,993</u>		
			9,953			6,822
			<u>46,563</u>		<u>42,930</u>	

This is the copy referred to in the Annexed Certificate 'B'.

RONALD STEWART, Chairman.

Ronald Stewart Director

JEREMY ROWE, Deputy Chairman.

Jeremy Rowe Secretary.

Notes on Pages 27-33 form part of these accounts.

27

Notes on Accounts

1. Accounting Policies—1976

BASIS OF CONSOLIDATION. The group accounts consolidate the accounts of the Company and its subsidiaries for the year ended 31st December. The results of subsidiaries acquired during any year are included in the consolidated profit and loss account from their effective dates of acquisition. The difference between the consideration for such acquisitions and the book value of net tangible assets at the date of acquisition is shown as Premium on Consolidation.

TURNOVER is the amount invoiced by the Group, exclusive of VAT, for goods and services to outside customers after deduction of rebates and allowances.

DEFERRED TAXATION represents Corporation Tax, calculated by the deferral method, at the average tax rate for each year on the difference between profits stated in the account and those assessed to taxation. No provision has been made for Corporation Tax on surpluses on revaluation of assets in respect of any chargeable gains which would arise on the sale of those assets.

FIXED ASSETS. In 1967, all assets, other than mobile plant, were professionally valued. All subsequent additions are included at cost, less grants received, with the exception of certain assets acquired in 1971 which are at professional valuation. Depreciation is provided to write down all fixed assets to disposable values over their estimated useful lives.

LISTED INVESTMENTS are included at cost or lower Directors' Valuation, the latter taking account of any material difference between cost and current market values.

STOCKS are valued at the lower of cost or estimated net realisable value on a basis consistent with that used in previous years. Cost in relation to manufactured products is the cost of labour and materials with appropriate additions for overhead expenses.

FOREIGN EXCHANGE. Current assets and liabilities in foreign currencies are converted to sterling at the rates ruling at 31st December. Fixed assets are converted at the rates ruling at the time of purchase.

Notes on Accounts—continued

	1976 £'000	1975 £'000
2. Turnover consists of		
(a) Clay products	60,032	53,428
(b) Other products	15,180	12,648
(c) Services, Farm Sales and Rents	1,368	888
	<u>76,580</u>	<u>66,964</u>

	1976 £'000	1976 £'000	1975 £'000	1975 £'000
3. Trading Profit is arrived at after charging				
Emoluments of Directors of the Parent Company	11		13	
As Directors				
As Executives including contributions to pension scheme	145		126	
	<u>156</u>		<u>139</u>	
	(452)		452	
Provision for Brick Price Reduction	53		43	
Remuneration of Auditors	1,620		1,549	
Depreciation of Fixed Assets	344		342	
Hire of Plant and Machinery	17		58	
Bank Interest	<u>17</u>		<u>58</u>	
		1976		1975
4. Directors' Emoluments				
(excluding contributions to pension scheme)				
Chairman	£30,336		£27,410	
(After Tax £11,200)	<u>£30,336</u>		<u>£27,410</u>	

	Gross	After Tax		
Other Directors	up to £2,500	— to £2,000	2	5
	£10,001 to £12,500	£6,300 to £7,200	4	3
	£12,501 to £15,000	£7,200 to £8,000	1	1
	£17,501 to £20,000	£8,700 to £9,300	—	1
	£20,001 to £22,500	£9,300 to £9,800	1	—
	£22,501 to £25,000	£9,800 to £10,300	—	1
	£25,001 to £27,500	£10,300 to £10,700	1	—

The 'After Tax' figures are based on 1976/77 tax rates and allowances, assuming a married person with no children and no other source of income.

5. Employees' Emoluments			
The number of employees whose total remuneration (excluding contributions to pension scheme) exceeded £10,000 was as follows:—			
	1976	1975	
£10,001 to £12,500	1	—	

Notes on Accounts—continued

	1976 £'000	1975 £'000
6. Taxation on the profit of the year		
Corporation Tax		
Taxable profits @ 52%	4,094	5,298
Deferred Taxation @ 52%	1,239	(8)
Franked Investment Income @ 35%	19	16
	<u>5,352</u>	<u>5,306</u>
Adjustment in respect of previous years	(27)	(120)
	<u>5,325</u>	<u>5,186</u>
7. Profit after Taxation		
The profit dealt with in the accounts of London Brick Company Limited is	<u>5,138</u>	<u>4,508</u>
8. Extraordinary Item		
Provision to write down listed investments to Directors' Valuation	<u>900</u>	
9. Dividends		
On 8% (now 5.6% plus tax credit) Cumulative Preference Stock	8 22	22
On Ordinary Stock		
Interim paid 5th January, 1977		
1.1323p (1.029275p) per unit	664	602
Proposed Final of		
1.7576p (1.59835p) per unit	1,029	935
	<u>1,715</u>	<u>1,559</u>
10. Earnings per Ordinary Stock Unit have been calculated by dividing the profit after taxation and preference stock dividends, of £5,174,000 (£4,583,000) by the 58,554,000 Ordinary Stock Units.		
11. Capital—London Brick Company Limited		
Authorised		Issued
£'000		£'000
8% (now 5.6% plus tax credit)		
400 Cumulative Preference Stock fully paid		400
14,639 58,554,000 Ordinary Stock Units of 25p fully paid		14,639
6,961 27,846,000 Ordinary Shares of 25p		—
<u>22,000</u>		<u>15,039</u>

Under the terms of the Share Option Scheme sanctioned on 23rd May, 1974, options have been granted for 1,141,000 ordinary shares of 25p each exercisable at par between mid-October 1977 and mid-October 1981, or earlier on death of an option holder. An option for 54,000 shares was so exercised in January, 1976.

30

Notes on Accounts—continued

12. Reserves	Group		London Brick Company Limited	
	£'000	£'000	£'000	£'000
CAPITAL RESERVES				
at 1st January, 1976		1,313		1,313
REVENUE RESERVES				
at 1st January, 1976	15,120		14,993	
Retained Profit of the Year	2,581		2,523	
		<u>17,701</u>		<u>17,516</u>
CAPITAL AND REVENUE RESERVES				
at 31st December, 1976		<u>19,014</u>		<u>18,829</u>

13. 14% Convertible Unsecured Loan Stock 1984. This stock is convertible at the option of the Stockholder into Ordinary Stock of the Company in any of the years 1977 to 1984 at a rate of one ordinary unit of 25p for every 55p nominal of the stock. Otherwise it is repayable at par on 31st December, 1984. Full conversion would require the issue of 12,074,032 units of 25p.

14. Deferred Taxation	Group		London Brick Company Limited	
	1976 £'000	1975 £'000	1976 £'000	1975 £'000
Equalisation of capital allowances and depreciation	6,557	5,950	5,665	5,195
Other timing differences	(58)	(248)	(123)	(237)
Stock relief provision	1,024	359	512	—
Advance Corporation Tax	(8)	67	—	—
	<u>7,515</u>	<u>6,128</u>	<u>6,054</u>	<u>4,958</u>

Stock relief has been calculated on the increase in stock from 1st January, 1973 to the 31st December, 1976 on the basis that the legislation enacted in the 1975 Finance Act will be continued.

31

Notes on Accounts—continued

15. Premium on Consolidation represents the excess of the cost of acquisition of London Brick Buildings Limited over the net tangible assets acquired.

16. Subsidiary Companies	1976 £'000	1975 £'000
Shares at cost, less distribution of pre-acquisition profits and amounts written off	8,216	8,787
Amounts due from Subsidiaries	1,739	475
	<u>9,955</u>	<u>9,262</u>
Amounts due to Subsidiaries	2,092	2,096
	<u>7,863</u>	<u>7,166</u>

All subsidiary companies are wholly owned and incorporated in the United Kingdom. Details of the principal companies are given on page 7.

17. Associated Companies. Group investments consist of:	% of equity	Cost 1976 £'000	1975 £'000
Tehran London Brick Company	— 20%	334	98
Banbury Union Manufacturing and Construction Company	— 49%	110	—
Neither company has yet commenced to trade.		<u>444</u>	<u>98</u>

18. Capital Commitments	Group 1976 £'000	1975 £'000	London Brick Company Limited 1976 £'000	1975 £'000
Contracts placed for capital expenditure and not provided for in these accounts amounted to approximately	180	90	150	80
Expenditure authorised by the Directors but not contracted for, including £3,790,000 for the acquisition of shares in The Croydex Company Limited not already owned, and expenditure for a new brickworks at Clock House in Surrey, amounted to approximately	7,430	530	7,360	490

19. Contingent Liabilities

The Company has given Bank Guarantees not exceeding £1,300,000 covering contracts abroad and expenditure by overseas companies in which it has an investment.

Notes on Accounts—continued

20. Fixed Assets - Group

	<i>Land and Buildings</i>		<i>Works</i>	<i>Amenity</i>	<i>Mobile</i>	<i>Total</i>
	<i>Freehold</i>	<i>Leasehold*</i>	<i>Assets</i>	<i>Assets</i>	<i>Plant</i>	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1st January, 1976						
Professional Valuation—1967	3,273	—	14,935	854	—	19,062
Professional Valuation—1971	405	—	1,476	18	—	1,899
Cost	842	448	15,398	618	7,388	24,694
	<u>4,520</u>	<u>448</u>	<u>31,809</u>	<u>1,490</u>	<u>7,388</u>	<u>45,655</u>
Additions during year at cost	17	29	1,072	17	1,443	2,578
Disposals during year at valuation or cost	(6)	—	(273)	(24)	(567)	(870)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31st December, 1976						
Professional Valuation—1967	3,268	—	14,815	834	—	18,917
Professional Valuation—1971	404	—	1,476	18	—	1,898
Cost	859	477	16,317	631	8,264	26,548
	<u>4,531</u>	<u>477</u>	<u>32,608</u>	<u>1,483</u>	<u>8,264</u>	<u>47,363</u>
Total	<u>4,531</u>	<u>477</u>	<u>32,608</u>	<u>1,483</u>	<u>8,264</u>	<u>47,363</u>
Amounts written off						
At 1st January, 1976	239	81	11,631	231	3,580	15,762
Depreciation charge for year	37	23	894	27	639	1,620
Written back re disposals	—	—	(177)	(3)	(482)	(662)
	<u>276</u>	<u>104</u>	<u>12,348</u>	<u>255</u>	<u>3,737</u>	<u>16,720</u>
Total	<u>276</u>	<u>104</u>	<u>12,348</u>	<u>255</u>	<u>3,737</u>	<u>16,720</u>
Net Total at 31st December, 1976	<u>4,255</u>	<u>373</u>	<u>20,260</u>	<u>1,228</u>	<u>4,527</u>	<u>30,643</u>
Net Total at 31st December, 1975	<u>4,281</u>	<u>367</u>	<u>20,178</u>	<u>1,259</u>	<u>3,808</u>	<u>29,893</u>

Freehold Land includes farm buildings.

*Leases with more than 50 years to run: Cost £236,000. Written down value at 31st December, 1976, £222,000.

Leases with less than 50 years to run: Cost £241,000. Written down value at 31st December, 1976, £151,000.

Notes on Accounts—continued

Fixed Assets - London Brick Company Limited

	<i>Land and Buildings</i>		<i>Works</i>	<i>Amenity</i>	<i>Mobile</i>	<i>Total</i>
	<i>Freehold</i>	<i>Leasehold†</i>	<i>Assets</i>	<i>Assets</i>	<i>Plant</i>	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1st January, 1976						
Professional Valuation—1967	3,273	—	14,935	854	—	19,062
Professional Valuation—1971	405	—	1,476	18	—	1,899
Cost	840	232	12,695	476	6,328	20,571
	<u>4,518</u>	<u>232</u>	<u>29,106</u>	<u>1,348</u>	<u>6,328</u>	<u>41,532</u>
Additions during year at cost	17	—	425	17	1,265	1,724
Inter group transfers	—	—	—	—	(20)	(20)
Disposals during year at valuation or cost	(6)	—	(158)	(20)	(442)	(626)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31st December, 1976						
Professional Valuation—1967	3,268	—	14,815	834	—	18,917
Professional Valuation—1971	404	—	1,476	18	—	1,898
Cost	857	232	13,082	493	7,131	21,795
	<u>4,529</u>	<u>232</u>	<u>29,373</u>	<u>1,345</u>	<u>7,131</u>	<u>42,610</u>
Amounts written off						
At 1st January, 1976	238	9	11,027	230	3,041	14,545
Depreciation charge for year	37	4	743	26	505	1,315
Inter group transfers	—	—	—	—	(12)	(12)
Written back re disposals	—	—	(148)	(3)	(383)	(534)
	<u>275</u>	<u>13</u>	<u>11,622</u>	<u>253</u>	<u>3,151</u>	<u>15,314</u>
Net Total						
at 31st December, 1976	<u>4,254</u>	<u>219</u>	<u>17,751</u>	<u>1,092</u>	<u>3,980</u>	<u>27,296</u>
Net Total						
at 31st December, 1975	<u>4,280</u>	<u>223</u>	<u>18,079</u>	<u>1,118</u>	<u>3,287</u>	<u>26,987</u>

†Leases have more than 50 years to run.

Works Assets comprise works buildings, district offices and kilns (including sites), fixed and loose plant and machinery, etc.

Amenity Assets comprise dwellings, sports and club premises, canteens and hostels, including equipment.

Mobile Plant comprises works and estates mobile plant, lorries and other vehicles.

Supplementary Inflation Accounting Statement 1976

The supplementary statement follows the recommendation of The Stock Exchange but deals only with businesses within the U.K. The results and net assets of businesses overseas would not materially affect the information given below.

The historical cost figures in the statutory accounts have been adjusted to current cost using the most suitable currently available factors. Nevertheless, the information given should be regarded as no more than estimates of the magnitude of the adjustments necessary in money terms to restate the results and financial position reported in the statutory accounts in present-day values.

Fixed Assets and Depreciation

Fixed assets are required to be re-stated at their "value to the business" in current cost terms and the depreciation charge on those assets should be re-calculated accordingly.

Freehold and Leasehold Land and Buildings, including Works Buildings and Sites, Offices, Dwelling Houses and Welfare Premises were in the main professionally valued in 1967 and 1971. Depreciation is provided on historical costs or valuations of these assets, with the exception of Freehold Land which is written off as appropriated for clay extraction. The depreciation of this group of assets is insignificant and no adjustment is considered necessary. All other fixed assets, consisting of Plant and Machinery including Kilns, Mobile Plant and Other Equipment and representing 62% of the total historical cost or valuation, have been revalued by the application of appropriate Current Cost Accounting Indices published by the Central Statistical Office. Where possible specific asset indices have been used.

The values attributed to assets on the foregoing bases are shown below:—

	<i>Historical Cost Basis</i>			<i>Current Cost Accounting Basis</i>		
	Cost or Valuation £'000	Accumulated Depreciation £'000	Net Book Value £'000	Current Cost £'000	Accumulated Depreciation £'000	Net Book Value £'000
Land & Buildings	5,008	380	4,628	5,008	380	4,628
Works Assets:						
– Buildings and Sites	11,764	1,616	10,148	11,764	1,616	10,148
– Plant and Machinery	20,844	10,732	10,112	55,449	31,584	23,865
Amenity Assets:						
– Buildings and Sites	1,439	236	1,203	1,439	236	1,203
– Plant and Equipment	44	19	25	91	46	45
Mobile Plant	8,264	3,737	4,527	18,349	10,292	8,057
	47,363	16,720	30,643	92,100	44,154	47,946

Depreciation for the year on the current cost values is £3,263,000 and on the historical cost £1,620,000.

London Brick Company Limited and Subsidiary Companies

31

Cost of Sales

The cost of sales during the year has been re-computed at the average actual price levels of materials, wages and production overheads prevailing at the date of sale. This increases the cost of sales by £992,000.

Summary of Effects of Changes

	£'000	£'000
Historical Profit before Taxation		10,521
Less estimated adjustments above:		
Additional depreciation	1,643	
Additional cost of sales	992	2,635
Adjusted Profit before Taxation		<u>7,886</u>

Statement of Source and Application of Funds

	1976		1975	
	£'000	£'000	£'000	£'000
Source of Funds				
Profit before Taxation		10,521		9,791
Depreciation		1,620		1,549
Total Funds from Operations		12,141		11,340
Funds from Other Sources				
Increase in Ordinary Share Capital under Share Option Scheme		14		—
Loans—Short Term		31		—
		12,186		11,340
Application of Funds				
Dividends Paid	1,560		1,091	
Tax Paid	1,371		1,997	
Purchase, less Disposal, of Fixed Assets	2,370		952	
Purchase of Investments	506	5,807	98	4,138
		6,379		7,202
Increase/(Decrease) in Working Capital				
Increase/(Decrease) in Stocks	2,384		(1,470)	
Increase in Debtors	433		2,321	
(Increase) in Creditors	(195)		(2,251)	
Increase in Cash balances	3,757	6,379	8,602	7,202

Report of the Auditors

To the Members of London Brick Company Limited

In our opinion the accounts and notes set out on pages 24 to 33, which as in previous years have been prepared on the historical cost basis with certain fixed assets stated at valuation, together give, so far as concerns members of the holding company, a true and fair view of the state of affairs at 31st December, 1976 and of the profit for the year ended on that date of the Company and of the Group and comply with the Companies Acts 1948 and 1967. Details of the subsidiary and associated companies are given on page 7.

In our opinion the inflation accounting statement set out on pages 34 and 35 has been properly prepared on the bases stated therein.

We have examined the statement on page 36 which in our opinion gives a true and fair view of the source and application of the Group's Funds for the year ended 31st December, 1976.

BINDER HAMLYN,
Chartered Accountants.

8 St. Bride Street,
London, EC4A 4DA.

31st March, 1977.

Summary of Information 1967 to 1976

	1967	1968
	£'000	£'000
Turnover	<u>22,888</u>	<u>24,598</u>
Trading Profit and Sundry Income		
before depreciation and taxation	4,288	4,679
Depreciation	<u>630</u>	<u>738</u>
Profit before Taxation and Extraordinary Items	3,658	3,941
Taxation	1,438	1,654
Extraordinary Items less taxation	—	—
Minority Interest	<u>—</u>	<u>1</u>
Unappropriated Profit of the Year	2,220	2,286
Dividends on Preference Stock (Net)	—	—
(Gross)	<u>32</u>	<u>32</u>
Profit Attributable to Ordinary Stockholders	2,188	2,254
Dividends on Ordinary Stock (Net)	—	—
(Gross)	<u>2,048</u>	<u>2,119</u>
Profit of the Year Retained	<u>140</u>	<u>135</u>
Earnings per Ordinary Stock Unit of 25p	3.74p	3.85p
Dividend per Ordinary Stock Unit of 25p	3.50p	3.62p
Dividend cover	1.07	1.06
Capital Employed in £'000	16,780	24,681
Net Assets per Ordinary Stock Unit of 25p	27.97p	41.47p

Depreciation for the year 1967 includes transfers to capital reserves.

Extraordinary items are excluded from the calculation of earnings per Ordinary Stock Unit and dividend cover.

Earnings and Net Assets per Ordinary Stock Unit are calculated on the Issued Ordinary Capital of £14,638,500.

Net Assets exclude Deferred Taxation.

	1968	1969	1970	1971	1972	1973	1974	1975	1976
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
24,598	<u>24,598</u>	<u>25,462</u>	<u>27,485</u>	<u>36,023</u>	<u>41,164</u>	<u>45,456</u>	<u>45,095</u>	<u>66,964</u>	<u>76,580</u>
4,679	<u>4,679</u>	<u>3,397</u>	<u>4,599</u>	<u>7,556</u>	<u>8,538</u>	<u>10,087</u>	<u>4,130</u>	<u>11,340</u>	<u>12,141</u>
738	<u>738</u>	<u>920</u>	<u>925</u>	<u>922</u>	<u>955</u>	<u>1,160</u>	<u>1,460</u>	<u>1,549</u>	<u>1,620</u>
3,941	<u>3,941</u>	<u>2,477</u>	<u>3,674</u>	<u>6,634</u>	<u>7,583</u>	<u>8,927</u>	<u>2,670</u>	<u>9,791</u>	<u>10,521</u>
1,654	<u>1,654</u>	<u>988</u>	<u>1,503</u>	<u>2,582</u>	<u>3,067</u>	<u>4,223</u>	<u>1,537</u>	<u>5,186</u>	<u>5,325</u>
—	<u>—</u>	<u>(175)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>337</u>	<u>—</u>	<u>900</u>
1	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
2,286	<u>2,286</u>	<u>1,663</u>	<u>2,171</u>	<u>4,052</u>	<u>4,516</u>	<u>4,704</u>	<u>796</u>	<u>4,605</u>	<u>4,296</u>
—	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>
32	<u>32</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>32</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
2,254	<u>2,254</u>	<u>1,631</u>	<u>2,139</u>	<u>4,020</u>	<u>4,484</u>	<u>4,682</u>	<u>774</u>	<u>4,583</u>	<u>4,274</u>
—	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>922*</u>	<u>1,464</u>	<u>1,069</u>	<u>1,537</u>	<u>1,693</u>
2,119	<u>2,119</u>	<u>1,219</u>	<u>1,463</u>	<u>1,950</u>	<u>731</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
135	<u>135</u>	<u>412</u>	<u>676</u>	<u>2,070</u>	<u>2,831</u>	<u>3,218</u>	<u>(295)</u>	<u>3,046</u>	<u>2,581</u>
3.85p	<u>3.85p</u>	<u>2.48p</u>	<u>3.65p</u>	<u>6.87p</u>	<u>7.66p</u>	<u>8.00p</u>	<u>1.90p</u>	<u>7.83p</u>	<u>8.83p</u>
3.62p	<u>3.62p</u>	<u>2.08p</u>	<u>2.50p</u>	<u>3.33p</u>	<u>3.50p*</u>	<u>2.50p</u>	<u>1.83p</u>	<u>2.63p</u>	<u>2.89p</u>
1.06	<u>1.06</u>	<u>1.19</u>	<u>1.46</u>	<u>2.06</u>	<u>2.19 *</u>	<u>3.20</u>	<u>1.04</u>	<u>2.98</u>	<u>3.06</u>
24,681	<u>24,681</u>	<u>24,994</u>	<u>24,106</u>	<u>26,771</u>	<u>29,006</u>	<u>33,179</u>	<u>40,954</u>	<u>44,227</u>	<u>48,240</u>
41.47p	<u>41.47p</u>	<u>42.01p</u>	<u>42.19p</u>	<u>43.88p</u>	<u>46.18p*</u>	<u>48.50p</u>	<u>47.93p</u>	<u>53.04p</u>	<u>57.47p</u>

The large increase in capital employed arising in 1968 is accounted for primarily by the revaluation of fixed assets.

and dividend cover.

*1970 Final Dividend, net of imputed tax. Dividend per Ordinary Stock Unit and dividend cover calculated on gross equivalents.

total of £14,638,500.

Dividends per Ordinary Stock Unit and dividend cover for 1973 onwards are not directly comparable with prior years due to the change in the taxation system effective from 1st April, 1973.

Stockholders at 31st December, 1976

Holdings	Preference Stock	Ordinary Stock	Loan Stock
£			
1- 100	68	7,019	275
101- 500	171	11,392	1,018
501- 1,000	42	2,252	617
1,001- 5,000	23	1,230	654
5,001-10,000	7	73	43
over-10,000	9	127	78
	<u>320</u>	<u>22,093</u>	<u>2,685</u>

At 31st December, 1976 and on 31st March, 1977, no Stockholder had an interest of 10% or more in the Company's Ordinary Stock.

Income and Corporation Taxes Act, 1970

The Company is not a close company as defined by the Act.