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TRANSFORMERS (WATFORD) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended 28 September 1985



BinderHamlyn 
CHARTERED ACCOUNTANTS

TRANSFORMERS (WATFORD) LIMITED

DIRECTORS' REPORT AND ACCOUNTS
for the year ended 28 September 1985

TRANSFORMERS (WATFORD) LIMITEDREPORT OF THE DIRECTORSfor the year ended 28 September 1985

The directors present herewith the audited accounts of the company for the year ended 28 September 1985.

PRINCIPLE ACTIVITIES

The company, through its wholly owned subsidiary London Brick Australia Pty Ltd, holds 19.99% of the ordinary shares in Brick & Pipe Industries Limited of Melbourne, Australia, manufacturers of clay bricks, stoneware pipes, ceramic roofing tiles, concrete blocks and operators of clay and sand quarries.

RESULTS

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

DIRECTORS

The Directors of the Company at 28 September 1985 were:

R A N Chiese)	appointed 27 September 1985
P J Turner)	appointed 27 September 1985

H D Howe and N E Robson resigned on 27 September 1985.

In accordance with the articles of association both directors retire and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

No director had any interest in the shares of the company. The interests of the directors who were in office at 28 September 1985, neither of whom are directors of the ultimate holding company, Hanson Trust PLC, in the issued ordinary share capital of that company are as follows:

	<u>SHARES HELD</u> At 28.9.85 and date of appointment	<u>OPTION TO BUY</u> At 28.9.85 and date of appointment
R A N Chiese	-	205,255
P J Turner	56,753	119,155

TRANSFORMERS (WATFORD) LIMITED

REPORT OF THE DIRECTORS

for the year ended 28 September 1985

(Continued)

AUDITORS

A resolution will be submitted at the Annual General Meeting to re-appoint Binder Hamlyn as Auditors.

By Order of the Board



W P DONALD F.C.A
Secretary

3 High Street
Rickmansworth
Herts WD3 1HP


5 December 1985

REPORT OF THE AUDITORS TO THE MEMBERS OF

TRANSFORMERS (WATFORD) LIMITED

We have audited the financial statements on pages 4 to 12 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 page 8, give a true and fair view of the state of affairs of the company and the group 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.



BINDER HAMLYN

Chartered Accountants

5 December 1985

8 St Bride Street
London, EC4A 4DA

TRANSFORMERS (WATFORD) LIMITED
AND SUBSIDIARY COMPANY
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
for the year ended 28 September 1985

	Notes	1985		9 months ended 29 September 1984	
		£	£	£	£
Other operating income			187,035		-
Other operating charges			(9,827)		(10,087)
Income from Fixed Asset Investments:					
- share of profits in a related company	2	2,011,329		1,098,743	
- interest on loan to related company		<u>46,057</u>	2,057,386	<u>59,103</u>	1,157,846
Other Interest Receivable:			6,078		12,896
- deposit interest			<u>(41,623)</u>		-
Interest payable					1,160,655
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3		2,199,049		<u>426,414</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	4		<u>941,677</u>		
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			1,257,372		734,241
EXTRAORDINARY ITEMS AFTER TAXATION	5		<u>474,988</u>		<u>380,348</u>
PROFIT FOR THE FINANCIAL YEAR	9		<u>£1,732,360</u> =====		<u>£1,114,589</u> =====

The notes on pages 8 to 12 form part of these accounts.

TRANSFORMERS (WATFORD) LIMITED
AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET

at 28 September 1985

	Notes	£	1985	£	£	1984	£
FIXED ASSETS INVESTMENTS							
Shares in related company	2		7,815,590			7,910,724	
Loans to related company	2		<u>-</u>			<u>1,027,641</u>	
				7,815,590			8,938,365
CURRENT ASSETS							
Debtors	6		3,664			562,620	
Cash at bank and in hand			<u>25,288</u>			<u>385,334</u>	
				28,952			947,954
CREDITORS: amounts falling due within one year:	7		<u>4,575,227</u>			<u>6,053,057</u>	
NET CURRENT LIABILITIES				<u>4,546,275</u>			<u>5,105,103</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>£3,269,315</u>			<u>£3,833,262</u>
CAPITAL AND RESERVES							
Called up share capital	8		475,000			475,000	
Profit and Loss account	9		<u>2,794,315</u>			<u>3,358,262</u>	
				<u>£3,269,315</u>			<u>£3,833,262</u>

Ran Chiese
R A N CHIESE)

P J TURNER)



) DIRECTORS

Approved by the Board -- 5 December 1985

The notes on pages 8 to 12 form part of these accounts.

TRANSFORMERS (WATFORD) LIMITEDBALANCE SHEETat 28 September 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u>
		£	£
FIXED ASSETS INVESTMENTS			
Shares in group company	10	5,461,969	5,461,969
Loan to group company		<u>-</u>	<u>1,162,026</u>
		5,461,969	6,623,995
CURRENT ASSETS			
Debtors	6	104	590,429
CREDITORS: amounts falling due within one year:	7	<u>4,357,484</u>	<u>6,027,420</u>
NET CURRENT LIABILITIES		<u>4,357,380</u>	<u>5,436,991</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£1,104,589</u>	<u>£1,187,004</u>
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	8	475,000	475,000
Profit and Loss account	9	<u>629,589</u>	<u>712,004</u>
		<u>£1,104,589</u>	<u>£1,187,004</u>
		=====	=====

 R A N CHIESE)
) DIRECTORS
 P J TURNER)

Approved by the Board - 5 December 1985

The notes on pages 8 to 12 form part of these accounts.

TRANSFORMERS (WATFORD) LIMITED
AND SUBSIDIARY COMPANY

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 28 September 1985

	£	1985	£	£	1984	£
SOURCE OF FUNDS						
<u>Funds generated from Operations</u>						
Profit on ordinary activities before taxation			2,199,049		1,160,655	
Adjustments for items not involving the movement of working capital:						
- Share of profit of a related Company			<u>2,011,329</u>		<u>1,098,743</u>	
			187,720		61,912	
<u>Funds from other sources</u>						
Dividend from related Company			438,933		305,537	
Conversion of Loan Notes			883,890		91,820	
(Losses)/Profits on exchange	(2,296,307)			694,771		
less attributable to investment in related company	<u>(2,333,893)</u>			<u>685,778</u>		
			<u>37,586</u>		<u>8,993</u>	
			1,548,129		468,262	
APPLICATION OF FUNDS						
Purchase of fixed asset investment in a related Company - shares			(883,890)		(91,820)	
Tax Paid			<u>(6,944)</u>		<u>(66,599)</u>	
			(890,834)		(158,419)	
INCREASE IN WORKING CAPITAL			£657,295		£309,843	
COMPOSITION OF INCREASE IN WORKING CAPITAL						
External Debtors			(21,477)		(18,023)	
Group Debtors			(537,459)		182,969	
External Creditors			10,073		(8,552)	
Group Creditors			<u>1,566,204</u>	1,017,341	-	156,394
Movements in net liquid funds			<u>(360,046)</u>		<u>153,449</u>	
			£657,295		£309,843	

TRANSFORMERS (WATFORD) LIMITED
AND SUBSIDIARY COMPANY

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.

Group Consolidation

The group accounts comprise a consolidation of the accounts of the parent company and its subsidiary made up to 28 September.

The group share of profits less losses of related companies is included on the equity accounting basis where significant commercial and financial influence exists and the group interest approximates to 20% or more. The company so treated is stated in Note 2.

Investments in related companies are included in the consolidated balance sheet at the group's share of the net assets of the related companies, less discount arising on acquisition.

A separate profit and loss account dealing with the results of the company only has not been presented as permitted under section 228 of the Companies Act 1985.

Currency Translation

On consolidation trading results, assets and liabilities are translated into sterling at the rates ruling at the year-end. All exchange differences are taken directly to reserves.

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.

**TRANSFORMERS (WATFORD) LIMITED
AND SUBSIDIARY COMPANY**

**NOTES TO THE ACCOUNTS
for the year ended 28 September 1985**

		<u>1985</u>			<u>1984</u>	
	£	Equity £	Loans £	£	Equity £	Loans £
2. FIXED ASSET INVESTMENTS						
(IN RELATED COMPANY)						
At 30 September 1984						
Share of net assets other than goodwill	9,000,863			7,639,555		
Discount on acquisition	<u>1,090,139</u>	7,910,724		<u>1,181,959</u>	6,457,596	
Convertible unsecured loan notes, at cost			1,027,641			1,045,512
(Loss)/Profit on Exchange (transferred to Profit and Loss Account)		(2,190,142)	(143,751)		611,829	73,949
Share of profits for year	2,011,329			1,098,743		
Tax on share of profit for year	(836,266)			(424,075)		
Share of extraordinary profits	<u>474,988</u>			<u>380,348</u>		
	1,650,051			1,055,016		
Dividends	<u>438,933</u>			<u>305,537</u>		
Share of profit retained in related company		1,211,118			749,479	
Conversion of 761,207 unsecured loan notes		<u>883,890</u>	(883,890)		<u>91,820</u>	(91,820)
At 28 September 1985						
Share of net assets other than goodwill	8,021,839			9,000,863		
Discount on acquisition	<u>206,249</u>	<u>7,815,590</u>		<u>1,090,139</u>	<u>7,910,724</u>	
Convertible unsecured loan notes, at cost			-			<u>1,027,641</u>

The cost of the equity investment in a related company amounted to £6,506,131 (1984: £5,495,910).

Name of Related Company	Country of Registration and operation	Holding	Proportion Held 1985	Proportion Held 1984
Brick & Pipe Industries Limited	Australia	Ordinary Shares Convertible Unsecured Loan Notes	19.99% -	19.99% 20.04%

The investments are listed on the Melbourne Stock Exchange and at the year end had a market value of:

Ordinary Shares	£13,433,658	(1984 £10,492,478)
Convertible Unsecured Loan Notes	NIL	(1984 £1,611,426)

The convertible unsecured loan notes were all converted into equity during July, 1985.

Post acquisition profits (less taxation) of Brick & Pipe Industries Limited have been included in these accounts to 31 March, 1985. The Company's share of profits retained by Brick & Pipe Industries Limited would be subject to further tax on distribution.

TRANSFORMERS (WATFORD) LIMITED
AND SUBSIDIARY COMPANY

NOTES TO THE ACCOUNTS

for the year ended 28 September 1985

	<u>1985</u> £	9 months to 29 September <u>1984</u> £
3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging:		
Directors' remuneration	NIL	NIL
Auditors' remuneration	1,634	1,172
	=====	=====
4. TAXATION CHARGE		
Corporation tax at 42.5% (1984 46.67%)	104,577	7,546
Less:		
Relief for overseas taxation	<u>6,223</u>	<u>7,546</u>
	98,354	-
Overseas taxation	<u>843,219</u>	<u>431,943</u>
	941,573	431,943
Deferred taxation (Note 7)	<u>-</u>	<u>(12,772)</u>
	941,573	419,171
Adjustments in respect of previous years:		
Relief for overseas taxation	<u>104</u>	<u>7,243</u>
	<u>£941,677</u>	<u>£426,414</u>
	=====	=====

Overseas taxation includes £836,266 (1984: £424,075) in respect of the group's share of the profit of a related company, (Note 2).

5. EXTRAORDINARY ITEMS AFTER TAXATION

Profit on sale of investments	-	642,335
Profit/(Loss) on disposal of fixed assets	59,026	(409,314)
Damages claim	25,156	-
Reduction in share of net assets of a subsidiary	(33,540)	-
Increase in valuation of Freehold Land & Buildings	<u>424,346</u>	<u>-</u>
	474,988	233,021
Attributable tax benefit	<u>-</u>	<u>147,327</u>
	<u>£474,988</u>	<u>£380,348</u>
	=====	=====

These items arise in the accounts of the related company and represent the company's share net of tax.

TRANSFORMERS (WATFORD) LIMITED
AND SUBSIDIARY COMPANY

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

	<u>Group</u> <u>£</u>	<u>1985</u> <u>Company</u> <u>£</u>	<u>Group</u> <u>£</u>	<u>1984</u> <u>Company</u> <u>£</u>
6. DEBTORS (all falling due within one year)				
Debtors	3,560	-	25,037	-
Amounts owed by group companies:				
Parent	-	-	537,583	537,583
Other fellow subsidiaries	<u>104</u>	<u>104</u>	<u>-</u>	<u>52,846</u>
	<u>£3,664</u>	<u>£104</u>	<u>£562,620</u>	<u>£590,429</u>
	=====	=====	=====	=====
7. CREDITORS: amounts falling due within one year				
Creditors	3,984	1,950	14,057	1,000
Amounts owed to group companies:				
Parent (unsecured loan)	4,209,976	4,209,976	5,986,445	5,986,445
Other fellow subsidiaries	210,245	-	-	-
Corporation tax payable	130,433	124,969	31,966	19,386
Deferred taxation *	<u>20,589</u>	<u>20,589</u>	<u>20,589</u>	<u>20,589</u>
	<u>£4,575,227</u>	<u>£4,357,484</u>	<u>£6,053,057</u>	<u>£6,027,420</u>
	=====	=====	=====	=====

* All timing differences: potential liability £20,589 (1984: £20,589).

	<u>1985</u>	<u>1984</u>
8. CALLED UP SHARE CAPITAL		
Authorised -		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
	=====	=====
Allotted, issued and fully paid		
475,000 ordinary shares of £1 each	<u>475,000</u>	<u>475,000</u>
	=====	=====

TRANSFORMERS (WATFORD) LIMITED
AND SUBSIDIARY COMPANY

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

9. PROFIT AND LOSS ACCOUNT

	<u>1985</u>	<u>Group</u>	<u>1984</u>	<u>1985</u>	<u>Company</u>	<u>1984</u>
	<u>£</u>		<u>£</u>	<u>£</u>		<u>£</u>
At 30 September 1984	3,358,262	1,548,902	712,004	551,309		
Retained Profit/(Loss) of						
the year	1,732,360	1,114,589	(82,415)	160,695		
Exchange fluctuation						
movement	(2,296,307)	694,771	-	-		
	<u>£2,794,315</u>	<u>£3,358,262</u>	<u>£629,589</u>	<u>£712,004</u>		
At 28 September 1985	£2,794,315	£3,358,262	£629,589	£712,004		

The exchange fluctuation reserve included in the closing balance above represents unrealised losses (1984 profits) on the net equity in Australia and amounts to £1,169,525 (1984 £1,126,782).

The (Loss)/profit dealt with in the accounts of
Transformers (Watford) Limited is

	(£82,415)	£160,695
	*****	*****

10. SUBSIDIARY COMPANY

London Brick Australia Pty Limited is a wholly owned subsidiary company and is incorporated in Australia (Victoria).

The investment in shares of London Brick Australia Pty Limited is stated at cost.

11. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Hanson Trust Plc incorporated in the United Kingdom.