

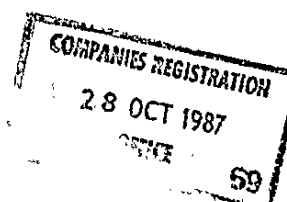
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PIONEER AGGREGATES (U.K.) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

for the year ended
30 June 1986



PIONEER AGGREGATES (U.K.) LIMITED

DIRECTORS

N.J. Nolan
T.B.M. Holcroft
E.C. McCarthy
F.S.C. Manson
J.R. Taylor

SECRETARY

A.L.H. Thomas

REGISTERED OFFICE

Pioneer House
Northolt Road
South Harrow
Middlesex HA2 OEY

AUDITORS

Binder Hamlyn
8 St. Bride Street
London EC4A 4DA

BANKERS

Lloyds Bank plc

PIONEER AGGREGATES (U.K.) LIMITED

REPORT OF THE DIRECTORS
for the year ended 30 June 1986

The directors present their report and accounts for the year ended 30 June 1986.

1. PRINCIPAL ACTIVITY

The principal activity of the company is the processing and sale of aggregates.

2. RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend payment of a dividend for the year.

3. BUSINESS REVIEW

The company benefitted from an increase in demand for its products and this, coupled with improved efficiency resulting from major capital works at two of its quarries, contributed to the improved result. The company continues to seek out opportunities for future growth.

4. DIRECTORS

The directors of the company during the year ended 30 June 1986 were:-

N.J. Nolan
T.B.M. Holcroft
E.C. McCarthy
F.S.C. Manson
J.R. Taylor

None of the directors had at 30 June 1986 or 1 July 1985 a notifiable interest in the shares or debentures of the company, its holding companies or subsidiaries.

5. FIXED ASSETS

Changes in tangible fixed assets are set out in note 6 to the accounts.

6. EMPLOYEES AND EMPLOYMENT OF DISABLED PERSONS

The company makes every effort to ensure that disabled people receive equal opportunities and are not discriminated against on the grounds of their disability.

PIONEER AGGREGATES (U.K.) LIMITED

3.

REPORT OF THE DIRECTORS
for the year ended 30 June 1986
(continued)

The company is committed to the involvement of employees in the activities and well being of the company. This is achieved by meetings and site visits, publication of an internal newsletter (Pioneer News U.K.) and by active encouragement of the activities of the Pioneer Mixconcrete Sports and Social Club.

7. AUDITORS

Binder Hamlyn offer themselves for re-appointment in accordance with Section 384(1) Companies Act 1985.

By Order of the Board,


Secretary

5 December 1986

REPORT OF THE AUDITORS TO THE MEMBERS OF
PIONEER AGGREGATES (U.K.) LIMITED

We have audited the financial statements on pages 5 to 16 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 at 30 June 1986 and of the result and source and application of funds of the company for the year then ended and comply with the Companies Act 1985.

Bmi Hardy.

5 December 1986

Chartered Accountants

PIONEER AGGREGATES (U.K.) LIMITED

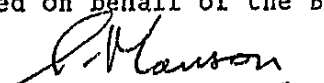
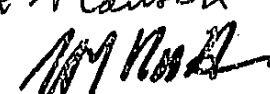
PROFIT AND LOSS ACCOUNT
for the year ended 30 June 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
Turnover		25,455,763	23,902,915
Change in stocks of finished goods		(86,607)	240,602
Other operating income		<u>97,193</u>	<u>131,384</u>
		<u>25,466,349</u>	<u>24,274,901</u>
Raw materials and consumables		(2,737,406)	(3,179,337)
Other external charges		(2,818,181)	(3,037,196)
Staff Costs	3	(3,159,576)	(3,290,125)
Depreciation		(2,703,800)	(2,365,246)
Other operating charges		<u>(9,999,225)</u>	<u>(9,852,655)</u>
		<u>(21,418,188)</u>	<u>(21,724,559)</u>
Trading profit		4,048,161	2,550,342
Income from shares in group companies		98,655	-
Income from fixed asset investments		629	629
Other interest receivable and similar income		-	101
Interest payable and similar charges		<u>(3,348,000)</u>	<u>(3,519,364)</u>
Profit/(loss) on ordinary activities before taxation	2	799,445	(968,292)
Tax charge on profit/(loss) on ordinary activities	4	<u>(761,713)</u>	<u>(369,696)</u>
Profit/(loss) on ordinary activities after taxation transferred to/(from) reserves	14	£ 37,732 =====	£ (1,337,988) =====

PIONEER AGGREGATES (U.K.) LIMITEDBALANCE SHEET AT 30 JUNE 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
FIXED ASSETS			
Intangible assets	5	369,247	410,641
Tangible assets	6	30,452,368	31,097,068
Investments	7	<u>3,046,574</u>	<u>11,706,736</u>
		<u>33,868,189</u>	<u>43,214,445</u>
CURRENT ASSETS			
Stocks	8	2,373,302	2,245,391
Debtors	9	8,512,125	8,735,138
Cash at bank and in hand		<u>2,955,335</u>	<u>16,324</u>
		13,840,762	10,996,853
CREDITORS (amounts due within one year)	10	<u>(16,387,537)</u>	<u>(25,003,781)</u>
NET CURRENT LIABILITIES		<u>(2,546,775)</u>	<u>(14,006,928)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		31,321,414	29,207,517
CREDITORS (amounts due after one year)	11	(28,704,252)	(26,704,253)
PROVISION FOR LIABILITIES AND CHARGES	12	<u>(813,497)</u>	<u>(737,331)</u>
NET ASSETS		<u>£1,803,665</u> =====	<u>£1,765,933</u> =====
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Revaluation reserve	14	1,943,088	2,057,052
Profit and loss account	14	<u>(139,425)</u>	<u>(291,121)</u>
		<u>£1,803,665</u> =====	<u>£1,765,933</u> =====

Signed on behalf of the Board

 ,
 , Directors

PIONEER AGGREGATES (U.K.) LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended 30 June 1986

	<u>1986</u> £	<u>1985</u> £
Funds generated from operations:		
Profit/(Loss) from ordinary activities	799,445	(968,292)
Net adjustments to tangible fixed assets	<u>2,671,639</u>	<u>2,260,710</u>
Total generated from operations	3,471,084	1,292,418
Group relief received/(paid)	<u>(685,500)</u>	<u>523,024</u>
Net funds generated from operations	<u>2,785,584</u>	<u>1,815,442</u>
Fixed assets acquired:		
Group transfers	253,851	-
Tangible assets	2,445,014	4,624,942
Development (disposal)/expenditure	(41,394)	115,885
Disposal proceeds from sale of tangible fixed assets	(221,928)	(363,542)
Regional development grants credited	<u>(449,998)</u>	<u>(113,697)</u>
	<u>1,985,545</u>	<u>4,263,588</u>
Income from shares in group companies	<u>(8,660,162)</u>	<u>-</u>
(Reduced)/additional working capital:		
Stocks	127,911	298,352
Debtors	(223,013)	4,644,161
Creditors (excluding corporation tax)	<u>6,616,292</u>	<u>(7,388,409)</u>
	<u>6,521,190</u>	<u>(2,445,896)</u>
Total funds (received)/applied	<u>(153,427)</u>	<u>1,817,692</u>
Surplus funds/(external finance)	<u>£2,939,011</u> =====	<u>£ (2.250)</u> =====
Application of surplus funds:		
Increase/(decrease) in liquid funds	<u>£2,939,011</u> =====	<u>£ (2.250)</u> =====

PIONEER AGGREGATES (U.K.) LIMITEDNOTES TO THE ACCOUNTS
for the year ended 30 June 1986

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

(a) Accounting convention

These accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings,

(b) Depreciation

Depreciation and amortisation is provided on a straight line basis so as to write off fixed assets over their estimated useful lives at the following rates:-

Freehold buidings	-	2% to 6.6% per annum
Long leasehold properties	-	2% per annum
Short leasehold properties	-	over the period of the lease
Plant and equipment	-	fixed 6.6% to 10% per annum
	-	mobile 20% per annum
Motor vehicles	-	20% per annum

No depreciation is provided on non-mineral bearing freehold land.

(c) Depletion

Depletion on mineral bearing land is provided on the basis of aggregates extracted, to write the assets down to residual value over their useful lives.

(d) Deferred taxation

Provision is made for deferred taxation at the current rate to the extent that the directors are of the opinion that a liability is likely to crystallise in the foreseeable future.

(e) Stocks

Stocks are stated at the lower of cost, on a first in first out basis and net realisable value.

(f) Development expenditure

Development costs, representing expenditure on aggregate sites as not yet operational, are carried forward until planning permission is granted, at which time they are re-allocated to tangible fixed assets. Costs are written off or provided for when sites are unlikely to become operational.

PIONEER AGGREGATES (U.K.) LIMITED

NOTES TO THE ACCOUNTS
for the year ended 30 June 1986
(continued)

2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1986</u>	<u>1986</u>
	£	£
After charging:-		
Hire of plant and machinery	738,009	814,236
Directors' emoluments (note 3)	92,944	64,469
Interest payable on bank and other borrowings repayable within five years -		
Group	3,348,000	3,516,520
Other	-	2,844
Group management charges	1,010,384	628,455
	=====	=====
After crediting:-		
Profit on sale of fixed assets	32,161	104,536
	=====	=====

3. DIRECTORS' EMOLUMENTS AND PARTICULARS OF EMPLOYEES

	<u>1986</u>	<u>1985</u>
Directors' emoluments amounted to:		
Remuneration as executives	£92,944	£64,469
	=====	=====

Directors' remuneration, excluding pension contributions, is as follows:

	<u>1986</u>	<u>1985</u>
Chairman	Nil	Nil
Highest paid director	£36,276	£34,120
	=====	=====

Other directors' remuneration is within the following bands:

	<u>Number</u>	<u>Number</u>
£0 - £5,000	1	3
£10,001 - £15,000	-	2
£20,001 - £25,000	1	-
£30,001 - £35,000	1	-
	=====	=====

The average number of persons employed by the company during the year was:

Category	<u>1986</u>	<u>1985</u>
Production staff	225	246
Administration and sales staff	64	82
	289	328
	===	===

NOTES TO THE ACCOUNTS
for the year ended 30 June 1986
(continued)

3. DIRECTORS' EMOLUMENTS AND PARTICULARS OF EMPLOYEES (continued)

	£	£
Staff costs were:		
Wages and salaries	2,857,849	2,954,895
Social security costs	274,403	287,454
Other pension costs	<u>27,324</u>	<u>47,776</u>
	<u>£3,159,576</u>	<u>£3,290,125</u>
	=====	=====

4. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>1986</u>	<u>1985</u>
	£	£
U.K. corporation tax @ 38.75% (1985-43.75%)	-	-
Transfer to/(from) deferred tax	76,166	(12,812)
Group relief @ 35% (1985-35%)	655,791	278,839
Prior year adjustments - group relief	<u>29,756</u>	<u>103,669</u>
Taxation charge	<u>£761,713</u>	<u>£369,696</u>
	=====	=====

5. INTANGIBLE FIXED ASSETS

	<u>Development expenditure</u>
	£
Cost:	410,641
At 1 July 1985	23,490
Additions	<u>(64,884)</u>
Disposals	<u>£369,247</u>
At 30 June 1986	
Provisions for diminution in value:	-
At 1 July 1985 and at 30 June 1986	<u>-</u>
Net book value:	£369,247
At 30 June 1986	=====
At 30 June 1985	<u>£410,641</u>
	=====

NOTES TO THE ACCOUNTS
for the year ended 30 June 1986
(continued)

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold property Long leases £	Short leases £	Plant machinery and equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 July 1985	19,793,176	676,078	7,297,633	13,172,896	557,163	41,496,946
Additions	610,313	-	8,113	1,732,765	93,823	2,445,014
Disposals	(155,000)	-	(5,037)	(485,856)	(91,684)	(737,577)
Group transfers	279,907	-	106,323	(110,027)	(60,456)	215,747
Regional development grants	-	-	-	(449,998)	-	(449,998)
At 30 June 1986	<u>20,528,396</u>	<u>676,078</u>	<u>7,407,032</u>	<u>13,859,780</u>	<u>498,846</u>	<u>42,970,132</u>
Depreciation/ amortisation						
At 1 July 1985	1,238,328	7,021	1,624,848	7,238,951	290,730	10,399,878
Charge for the year	555,207	34	852,491	1,220,067	76,001	2,703,800
Disposals	(10,412)	-	(2,488)	(448,170)	(86,740)	(547,810)
Group transfers	(1,563)	-	28,115	(43,398)	(21,258)	(38,104)
At 30 June 1986	<u>1,781,560</u>	<u>7,055</u>	<u>2,502,966</u>	<u>7,967,450</u>	<u>258,733</u>	<u>12,517,764</u>
Net book value						
At 30 June 1986	<u>£18,746,836</u>	<u>£669,023</u>	<u>£4,904,066</u>	<u>£5,892,330</u>	<u>£240,113</u>	<u>£30,452,368</u>
At 30 June 1985	<u>£18,554,848</u>	<u>£669,057</u>	<u>£5,672,785</u>	<u>£5,933,945</u>	<u>£266,433</u>	<u>£31,097,068</u>

PIONEER AGGREGATES (U.K.) LIMITED

NOTES TO THE ACCOUNTS
for the year ended 30 June 1986
(continued)

6. TANGIBLE FIXED ASSETS (continued)

The cost or valuation figure at 30 June 1986 for land and buildings is represented by:-

	<u>Freehold land and buildings</u> £	<u>Long leases</u> £	<u>Short leases</u> £	<u>Total</u> £
Valuation in 1983	2,168,000	300,000	1,622,500	4,090,500
At cost	<u>18,360,396</u>	<u>376,078</u>	<u>5,784,532</u>	<u>24,521,006</u>
	<u>£20,528,396</u>	<u>£676,078</u>	<u>£7,407,032</u>	<u>£28,611,506</u>

The net book value of freehold land and buildings comprise:-

	<u>1986</u> £	<u>1985</u> £
Freehold land	18,421,901	18,130,621
Freehold buildings	<u>324,935</u>	<u>424,227</u>
	<u>£18,746,836</u>	<u>£18,554,848</u>

Certain freehold land and buildings, long and short leasehold properties were revalued on the basis of an open market valuation for existing use at 30 June 1983. If the properties had not been revalued they would have been included at the following amounts:-

	<u>Freehold land and buildings</u> £	<u>Long leases</u> £	<u>Short leases</u> £	<u>Total</u> £
Cost	19,572,654	400,302	6,582,224	26,555,180
Depreciation based on cost	<u>1,654,188</u>	<u>7,055</u>	<u>1,973,407</u>	<u>3,634,650</u>
Net book value	<u>£17,918,466</u>	<u>£393,247</u>	<u>£4,608,817</u>	<u>£22,920,530</u>

	<u>1986</u> £	<u>1985</u> £
Capital commitments:		
Contracted for	36,686	808,785
Authorised but not contracted for	<u>1,235,986</u>	<u>2,195,370</u>
	<u>£1,272,672</u>	<u>£3,004,155</u>

PIONEER AGGREGATES (U.K.) LIMITED

NOTES TO THE ACCOUNTS
for the year ended 30 June 1986
(continued)

7. FIXED ASSET INVESTMENTS	Shares in group companies £	Other invest- ments £	Total £
Cost less amounts written off			
At 1 July 1985	12,139,364	2,233	12,141,597
Less dividends received in the year	(8,660,162)	-	(8,660,162)
	3,479,202	£2,233	£ 3,481,435
Provisions for diminution in value			
At 1 July 1985 and 30 June 1986	434,861	-	434,861
Net book value			
At 30 June 1986	£3,044,341	£2,233	£3,046,574
	=====	=====	=====
At 30 June 1985	£11,704,503	£2,233	£11,706,736
	=====	=====	=====

The company's principal subsidiaries, both of which are wholly owned and incorporated in Great Britain, are as follows:-

Mold Tarmacadam Company Limited
Pioneer Marine Aggregates Limited

Consolidated accounts have not been prepared as the company is itself a wholly owned subsidiary of a body corporate, incorporated in Great Britain.

In the opinion of the directors the investments in subsidiaries are worth not less than the amount stated in the balance sheet.

8. STOCKS	1986 £	1985 £
Raw materials and consumables	611,305	396,787
Finished goods and goods for resale	1,761,997	1,848,604
	£2,373,302	£2,245,391
	=====	=====

PIONEER AGGREGATES (U.K.) LIMITED

14.

NOTES TO THE ACCOUNTS
for the year ended 30 June 1986
(continued)

9. DEBTORS	<u>1986</u> £	<u>1985</u> £
Trade debtors	2,824,649	3,226,786
Amounts owed by group companies (see below)	4,983,167	5,148,286
Other debtors	614,857	254,398
Prepayments and accrued income	<u>89,452</u>	<u>105,668</u>
	£8,512,125	£8,735,138
	=====	=====
	<u>1986</u> £	<u>1985</u> £
Amounts owed by group companies represent:-		
Amounts owed by subsidiaries	3,972,171	27,272
Amounts owed by holding company and fellow subsidiaries	<u>1,010,996</u>	<u>5,121,014</u>
	£4,983,167	£5,148,286
	=====	=====
10. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)	<u>1986</u> £	<u>1985</u> £
Trade creditors	2,405,781	2,212,699
Amounts owed to group companies (see below)	12,788,951	21,691,722
Corporation tax	18,653	18,606
Other creditors	31,052	28,672
Other taxes	44,004	52,223
Accruals and deferred income	<u>1,099,096</u>	<u>999,859</u>
	£16,387,537	£25,003,781
	=====	=====
Amounts owed to group companies represent:-	<u>1986</u> £	<u>1985</u> £
Amounts owed to subsidiaries	1,847,231	6,675,800
Amounts owed to holding companies and fellow subsidiaries	<u>10,941,720</u>	<u>15,015,922</u>
	£12,788,951	£21,691,722
	=====	=====

NOTES TO THE ACCOUNTS
for the year ended 30 June 1986
(continued)

11. CREDITORS (AMOUNTS DUE AFTER ONE YEAR)	<u>1986</u>	<u>1985</u>
Amounts owed to group companies:		
Holding companies	£28,704,252 =====	£26,704,253 =====
12. PROVISION FOR LIABILITIES AND CHARGES		Deferred taxation £
At 1 July 1985		737,331
Transfer from profit and loss account		<u>76,166</u>
At 30 June 1986		£813,497 =====

The deferred taxation balance at 30 June 1986 is made up as follows:-

	<u>Provided</u>		<u>Potential</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
Accelerated capital allowances	1,678,860	1,636,829	1,678,860	1,636,829
Deferred tax on revaluation surplus	-	-	4,892,850	5,193,850
Tax losses	-	-	-	-
Other timing differences	<u>(865,363)</u>	<u>(899,498)</u>	<u>(865,363)</u>	<u>(899,498)</u>
	£ 813,497 =====	£ 737,331 =====	£5,706,347 =====	£5,931,181 =====
13. CALLED UP SHARE CAPITAL			<u>1986 and 1985</u>	
Authorised				
Ordinary shares of £1 each			£2,000	=====
Allotted and fully paid:				
Ordinary shares of £1 each			£2	=====

PIONEER AGGREGATES (U.K.) LIMITED

NOTES TO THE ACCOUNTS
for the year ended 30 June 1986
(continued)

14. RESERVES

	<u>Revalua- tion reserve</u> £	<u>Profit and loss account</u> £
At 1 July 1985	2,057,052	(291,121)
Profit for the year	-	37,732
Transfer of depletion charge attributable to unrealised surplus on fixed asset revaluation	<u>(113,964)</u>	<u>113,964</u>
At 30 June 1986	£1,943,088 =====	£(139,425) =====

No provision has been made for the additional U.K. taxation that would accrue if the land and buildings were disposed of at their revalued amounts. The potential liability is disclosed in note 12.

15. COMMITMENTS ON BEHALF OF GROUP COMPANIES

The company has guaranteed amounts owing to the ultimate holding company by its holding company and certain fellow subsidiaries. The company is also party to a cross guarantee with its holding company in respect of bank accounts in the name of Pioneer Concrete Group. At 30 June 1986 the group account was overdrawn in the group's books to the extent of £638,690 (1985 - £132,283).

16. ULTIMATE HOLDING COMPANY

Pioneer Concrete Services Limited (incorporated in Australia) is regarded by the directors as being the company's ultimate holding company.

17. APPROVAL OF ACCOUNTS

These accounts were approved at a directors' meeting held on 5 December 1986.