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LONDON BRICK ENGINEERING LIMITED
(incorporated 22nd JUNE 1982)

DIRECTORS' REPORT AND ACCOUNTS
for the period from
22nd JUNE 1982 to
31st DECEMBER 1982



LONDON BRICK ENGINEERING LIMITED

DIRECTORS' REPORT
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982

1. The directors submit their report and the group accounts of London Brick Engineering Limited for the period from 22nd June 1982 to 31st December 1982.

2. PRINCIPAL ACTIVITIES OF THE COMPANY

The company was incorporated on 22nd June 1982.

In accordance with an agreement dated 5th July 1982 the company acquired the principal engineering interests of London Brick Public Limited Company for a sum of £1,916,754, which was satisfied by the issue of a corresponding number of ordinary shares of £1 each at par. On the same date the company acquired the whole of the issued share capital of Midland Structures Limited for a consideration of £37,625. The principal activities are those of general engineering particularly associated with the brick industry.

3. RESULTS AND DIVIDENDS

The loss for the period is set out in the consolidated profit and loss account on page 4. The directors recommend that no dividend be paid.

4. DIRECTORS

The directors of the company were appointed on 1st July 1982 and served throughout the period.

Jeremy Rowe, C.B.E., M.A., C.B.I.M., Chairman.
M.O. Wright, F.C.A., C.B.I.M., F.C.T., A.C.M.A.
D.H. Lawrence, D.F.H., C.Eng., F.I.Mech.E., M.I.E.E.
S. Barr-Hall, B.Sc., C.Eng., M.I.Mech.E.
I. Mills, B.Sc., M.Sc., GRAD. I.M.A., CERT. Dip. A.F.

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

5. DIRECTORS' INTERESTS

No director had any beneficial interest in the shares of the company.

Neither S. Barr-Hall nor I. Mills, not being directors of the holding company, had any interest in the shares of London Brick PLC.

6. DEVELOPMENTS DURING THE YEAR AND THE COMPANY'S POSITION AT 31st DECEMBER 1982

Since incorporation the company has reorganised its operations with a view to equating engineering capacity with existing demand.

7. FUTURE DEVELOPMENTS

The company will continue to seek opportunities overseas particularly in relation to developing countries which offer considerable potential.

LONDON BRICK ENGINEERING LIMITED

DIRECTORS' REPORT

for the period from 22nd JUNE 1982 to 31st DECEMBER 1982
(continued)

8. EVENTS SINCE THE YEAR END

Official notice was given in January of the closure of Marston Engineering Shops and the proposed redundancies within the Engineering Company due to the re-organisation. The cost of the closure and reorganisation is estimated to be £132,119.

The company anticipates the early completion of a three year contract for a turnkey brickwork project in Swaziland.

9. DISABLED PERSONS

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

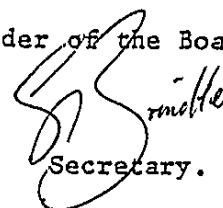
10. AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Binder Hamlyn as auditors.

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

24th March 1983.

By Order of the Board,


Secretary.

REPORT OF THE AUDITORS TO THE MEMBERS OF
LONDON BRICK ENGINEERING LIMITED

We have audited the accounts on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, give a true and fair view of the state of affairs of the company and the group at 31st December 1982 and of the loss and source and application of funds of the group for the period from 22nd June 1982 to 31st December 1982 and comply with the Companies Acts 1948 to 1981.

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

24th March 1983.

Roder Hamlyn
Chartered Accountants.

4.

LONDON BRICK ENGINEERING LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982

	<u>Notes</u>	£
TURNOVER		
	2	2,448,641
COST OF SALES		
GROSS PROFIT		(2,173,350)
		275,291
DISTRIBUTION COSTS		
		(9,498)
ADMINISTRATIVE EXPENSES		
		(108,136)
INTEREST RECEIVABLE		
		557
INTEREST PAYABLE		
		(33,086)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		125,128
TAX ON PROFIT ON ORDINARY ACTIVITIES		
	7	82,683
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		42,445
EXTRAORDINARY ITEM AFTER TAXATION		
	9	(132,119)
LOSS FOR THE PERIOD		(89,674)
DIVIDENDS		
	8	(89,674)
LOSS TRANSFERRED FROM RESERVES		-
		(£89,674)

The notes on pages 8 to 15 form part of these accounts.

LONDON BRICK ENGINEERING LIMITED

CONSOLIDATED BALANCE SHEET AT 31st DECEMBER 1982

	<u>Notes</u>	£	£
FIXED ASSETS			
Tangible assets	10		1,408,196
CURRENT ASSETS			
Stocks	14	1,115,759	
Debtors	15	666,861	
Cash at bank and in hand		<u>256</u>	
		1,782,876	
CREDITORS			
Amounts falling due within one year	16	(1,206,283)	
NET CURRENT ASSETS			<u>576,593</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,984,789
PROVISIONS FOR LIABILITIES AND CHARGES	17		<u>(157,709)</u>
NET ASSETS			£1,827,080
CAPITAL AND RESERVES			
Called up share capital			1,916,754
Profit and loss account	19		<u>(89,674)</u>
			£1,827,080

Signed on behalf of the Board

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) Directors

The notes on pages 8 to 15 form part of these accounts.

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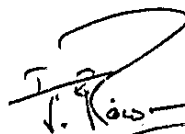
LONDON BRICK ENGINEERING LIMITED

BALANCE SHEET AT 31st DECEMBER 1982

	<u>Notes</u>	£	£
FIXED ASSETS			
Tangible assets	11		
Investments	12		984,396
			<u>37,625</u>
			1,022,021
CURRENT ASSETS			
Stocks	14	1,022,886	
Debtors	15	<u>344,602</u>	
		1,367,488	
CREDITORS			
Amounts falling due within one year	16	<u>(424,865)</u>	
NET CURRENT ASSETS			<u>942,623</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,964,644
PROVISIONS FOR LIABILITIES AND CHARGES	17		<u>(140,209)</u>
			£1,824,435
CAPITAL AND RESERVES			
Called up share capital	19		1,916,754
Profit and loss account			<u>(92,319)</u>
			£1,824,435

Signed on behalf of the Board

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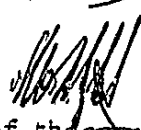


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The notes on pages 8 to 15 form part of these accounts.

LONDON BRICK ENGINEERING LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982

	£	£
SOURCE OF FUNDS		
Profit before tax and extraordinary item		125,128
Extraordinary item		(132,119)
Adjustments for items not involving the movement of funds:		
Depreciation		48,980
Provision for contraction and reorganisation of business		132,119
Profit on sale of tangible fixed assets		(433)
Transfer of taxation provisions from subsidiary on reorganisation:		
Corporation tax		1,407
Deferred taxation		20,000
TOTAL GENERATED FROM OPERATIONS		195,082
FUNDS FROM OTHER SOURCES		
Issue of shares on acquisition of assets from ultimate holding company on group reorganisation (Note 1)		1,916,754
Loan from ultimate holding company on acquisition of subsidiary (Note 2)		37,625
Proceeds from sale of tangible fixed assets		433
		2,149,894
APPLICATION OF FUNDS		
Purchase of tangible fixed assets		(1,457,176)
		£692,718
INCREASE/(DECREASE) IN WORKING CAPITAL		
Increase in stocks	1,115,759	
Increase in debtors	666,861	
Increase in creditors	(911,005)	
	871,615	
DECREASE IN NET LIQUID FUNDS	(178,897)	
		£692,718
Net assets acquired	Note 1	Note 2
	£	£
Tangible fixed assets	1,006,656	424,527
Stocks	1,053,753	71,848
Debtors	8,464	384,825
Cash	100	219
Creditors	(152,219)	(843,794)
	£1,916,754	£37,625
Discharged by		
Shares issued	1,916,754	-
Loan from ultimate holding company	-	37,625
	£1,916,754	£37,625

NOTES TO THE ACCOUNTS
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982

1. ACCOUNTING POLICIES

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary from 5th July 1982, the date of the group reorganisation and commencement of trading, until 31st December 1982.

Turnover

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

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, less recoverable advance corporation tax. No provision is made for taxation on surpluses on revaluation of assets in respect of any chargeable gains unless sales are likely in the foreseeable future.

Fixed assets

Upon the reorganisation and commencement of trading on 5th July 1982 assets previously held by the engineering division of the ultimate holding company, London Brick PLC, were transferred at their net book values. These are shown in the accounts at their original cost to the group (or subsequent valuation) together with related depreciation. All subsequent additions are included at cost, less grants received.

Depreciation

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

Freehold land	- Nil
Freehold buildings	- 2% per annum on cost or valuation
Fixtures, fittings, tools and equipment	- 10%-50% per annum on cost
Plant and machinery	- 7.5%-15% per annum on reducing balance or 10%-15% on cost

Research and development

Research and development expenditure is written off in the period in which it is incurred, unless its relationship to the revenue of a future period can be established with reasonable certainty, whereupon such expenditure will be amortised over an appropriate period of time.

Investments

Investments are included at cost.

LONDON BRICK ENGINEERING LIMITED

9.

NOTES TO THE ACCOUNTS
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982
(continued)

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are valued at the lower of cost or estimated net realisable value. Cost in relation to manufactured products is the cost of labour and materials with appropriate additions for overhead expenses.

2. TURNOVER

All turnover is within the United Kingdom.

3. PROFIT ON ORDINARY ACTIVITIES

Profit is stated after charging:	£
Directors' emoluments (Note 6)	12,203
Depreciation (Note 10)	48,980
Hire of plant and machinery	10,702
Auditors' remuneration	17,970
Bank interest payable	33,086
and after crediting:	
Interest receivable on intra group balances	557

4. EMPLOYEES

The average weekly number of employees during the year was made up as follows:

Office and management	74
General engineering	236
	<u> </u>

5. EMPLOYMENT COSTS

Employment costs during the year amounted to:	£
Wages and salaries	1,081,985
Social security costs	110,902
Other pension costs	81,941
	<u> </u>

6. DIRECTORS' AND EMPLOYEES' REMUNERATION

Particulars of directors' emoluments excluding pension contributions are:

Emoluments of chairman	Nil
Emoluments of highest paid director	£10,956
	<u> </u>

Number of other directors whose emoluments were within the range:

Nil to £5,000	3
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Number of other employees whose emoluments were more than £30,000

Nil

LONDON BRICK ENGINEERING LIMITED

NOTES TO THE ACCOUNTS
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982
(continued)

7. TAXATION

The taxation charge, based on the profit on ordinary activities of the period, comprises:

	£
Corporation tax at 52%	77,093
Transfer to deferred taxation	<u>5,590</u>
	<u>£82,683</u>

8. Of the group loss for the period £92,319 is dealt with in the accounts of the holding company.

The company has taken advantage of Section 149 (5) of the Companies Act 1948 by framing the profit and loss account as a consolidated profit and loss account.

9. EXTRAORDINARY ITEM

	£
Costs of closure of Marston Engineering Shops and associated reorganisation	275,248
Corporation tax relief thereon	<u>(143,129)</u>
	<u>£132,119</u>

LONDON BRICK ENGINEERING LIMITED

NOTES TO THE ACCOUNTS
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982
(continued)

10. TANGIBLE FIXED ASSETS - GROUP

	Freehold land and buildings	Fixtures, fittings, tools and equipment	Plant and machinery	Total
	£	£	£	£
Transfer on group reorganisation:				
Professional valuation 1967	192,245	-	78,353	270,598
Professional valuation 1977	248,300	-	-	248,300
Cost	<u>474,696</u>	<u>75,749</u>	<u>1,010,744</u>	<u>1,561,189</u>
	915,241	75,749	1,089,097	2,080,087
Additions at cost	6,498	6,937	8,700	22,135
Intra group transfers	2,586	292	1,677	4,555
Disposals	-	-	(2,510)	(2,510)
At 31st December 1982	<u>924,325</u>	<u>82,978</u>	<u>1,096,964</u>	<u>2,104,267</u>
Professional valuation 1967	192,245	-	78,353	270,598
Professional valuation 1977	248,300	-	-	248,300
Cost	<u>483,780</u>	<u>82,978</u>	<u>1,018,611</u>	<u>1,585,369</u>
	924,325	82,978	1,096,964	2,104,267
Amounts written off:				
Transfer on group reorganisation	95,884	35,670	517,350	648,904
Provided during period	7,415	3,537	38,028	48,980
Intra group transfers	421	44	232	697
Disposals	-	-	(2,510)	(2,510)
At 31st December 1982	<u>£103,720</u>	<u>£39,251</u>	<u>£553,100</u>	<u>£696,071</u>
Net book value				
At 31st December 1982	<u>£820,605</u>	<u>£43,727</u>	<u>£543,864</u>	<u>£1,408,196</u>

LONDON BRICK ENGINEERING LIMITED

NOTES TO THE ACCOUNTS
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982
(continued)

11. TANGIBLE FIXED ASSETS - COMPANY

	Freehold land and buildings	Fixtures, fittings, tools and equipment	Plant and machinery	Total
	£	£	£	£
Transfer on group reorganisation:				
Professional valuation 1967	192,245	-	78,353	270,598
Cost	<u>348,619</u>	<u>45,726</u>	<u>854,229</u>	<u>1,248,574</u>
	540,864	45,726	932,582	1,519,172
Additions at cost	-	4,570	8,610	13,180
Intra group transfers	<u>2,586</u>	<u>292</u>	<u>1,677</u>	<u>4,555</u>
At 31st December 1982	<u>543,450</u>	<u>50,588</u>	<u>942,869</u>	<u>1,536,907</u>
Professional valuation 1967	192,245	-	78,353	270,598
Cost	<u>351,205</u>	<u>50,588</u>	<u>864,516</u>	<u>1,266,309</u>
	543,450	50,588	942,869	1,536,907
Amounts written off:				
Transfer on group reorganisation	80,869	18,639	413,008	512,516
Provided during period	5,199	2,121	31,978	39,298
Intra group transfers	<u>421</u>	<u>44</u>	<u>232</u>	<u>697</u>
At 31st December 1982	<u>£86,489</u>	<u>£20,804</u>	<u>£445,218</u>	<u>£552,511</u>
Net book value				
At 31st December 1982	<u>£456,961</u>	<u>£29,784</u>	<u>£497,651</u>	<u>£984,396</u>

LONDON BRICK ENGINEERING LIMITED

13.

NOTES TO THE ACCOUNTS
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982
(continued)

12. SUBSIDIARY COMPANY

The company owns the whole of the issued share capital of Midland Structures Limited, incorporated in the United Kingdom and carrying on the business of the manufacture and erection of structural steel and general engineering.

The company's investment consists of:

Shares at cost

£37,625

13. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of London Brick PLC, the ultimate holding company, incorporated in the United Kingdom.

14. STOCKS

	<u>Group</u>	<u>Company</u>
	£	£
Stocks comprise:		
Raw materials and consumables	538,767	518,940
Work in progress	390,806	317,760
Finished goods and goods for resale	<u>186,186</u>	<u>186,186</u>
	<u>£1,115,759</u>	<u>£1,022,886</u>

15. DEBTORS

	<u>Group</u>	<u>Company</u>
	£	£
Debtors comprise:		
Trade debtors	130,936	9,323
Group debtors	471,224	310,698
Other debtors	32,833	4,112
Prepayments	<u>31,868</u>	<u>20,469</u>
	<u>£666,861</u>	<u>£344,602</u>

NOTES TO THE ACCOUNTS
for the period from 22nd JUNE 1982 to 31st DECEMBER 1982
(continued)

16. CREDITORS

	<u>Group</u>	<u>Company</u>
	£	£
Creditors (amounts falling due within one year) comprise:		
Bank overdraft	179,153	27,733
Trade creditors	120,062	13,448
Group creditors	596,985	94,596
Corporation tax	78,500	78,500
Other taxes and social security costs	18,778	-
Accruals	<u>212,805</u>	<u>210,588</u>
	<u>£1,206,283</u>	<u>£424,865</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Group</u>	<u>Company</u>
	£	£
Provisions comprise:		
Deferred taxation (Note 18)	25,590	8,090
Provision for contraction and reorganisation (Note 9)	275,248	275,248
Less:		
Taxation relief thereon (Note 18)	<u>143,129</u>	<u>143,129</u>
	<u>132,119</u>	<u>132,119</u>
	<u>£157,709</u>	<u>£140,209</u>

18. DEFERRED TAXATION

	<u>Group</u>	<u>Company</u>
	Potential liability (relief)	Potential liability (relief)
	£	£
Accelerated capital allowances	387,749	370,249
Other timing differences	<u>(143,129)</u>	<u>(143,129)</u>
	<u>£244,620</u>	<u>£227,120</u>
	25,590	8,090
	<u>(143,129)</u>	<u>(143,129)</u>
	<u>£117,539</u>	<u>£135,039</u>

LONDON BRICK ENGINEERING LIMITED

NOTES TO THE ACCOUNTS
 for the period from 22nd JUNE 1982 to 31st DECEMBER 1982
(continued)

19. SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted, issued and fully paid</u>
Ordinary shares of £1 each	£2,000,000	£1,916,754

20. CAPITAL COMMITMENTS

	<u>Group</u>	<u>Company</u>
	£	£
Authorised by the directors but not contracted for	38,157	16,507
Contracted for but not provided for	<u>1,350</u>	<u>Nil</u>

21. APPROVAL OF ACCOUNTS

These accounts were approved at a meeting of the Board held on 24th March 1983.