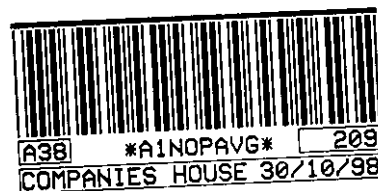


**NORTH EAST SLAG CEMENT LIMITED**  
**DIRECTOR'S REPORT AND ACCOUNTS**  
**31 DECEMBER 1997**

**Registered Number: 2854405**  
**Registered in England and Wales**



# **NORTH EAST SLAG CEMENT LIMITED**

## **DIRECTORS' REPORT AND ACCOUNTS 31 DECEMBER 1997**

### **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements of North East Slag Cement Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 1997.

### **REVIEW OF BUSINESS**

The principal activity of the Company and Group relates to the research and development, processing, marketing and sale of granulated blastfurnace slag for use in the Cement Industry, the Glass-Making Industry and the Abrasives Industry.

### **RESULTS AND DIVIDENDS**

The retained profit for the year after tax and minority interest was £6,075,000 (1996: £3,753,000). The directors recommend that no dividend (1996: £Nil) be paid and propose to transfer the profit to reserves. No significant changes to the business are expected to occur during 1998.

### **DIRECTORS AND THEIR INTERESTS**

The directors of the Company during the year were as follows:

JML Uren  
JE Beck  
AE Moore

All of the £1 ordinary shares of the Company are owned by JML Uren and the 1988 family Uren trust, consequently JML Uren is interested in the entire share capital of the Company.

On 22 November 1993 JML Uren made an interest free loan of £1.5m to the Company. This was repaid in full during the year (1996: £1.5m). The loan had no fixed repayment date and was not secured by any charges on the assets of the Company.

As at 31 December 1997, the following directors held options to purchase £1 ordinary shares:

<u>Director</u>	<u>Date Granted</u>	<u>Number of shares</u>	<u>Exercise price/share</u>	<u>Unexercised options at 1.1.97</u>	<u>Unexercised options at 31.12.97</u>
JE Beck	12.4.94	320,000	£1.00	320,000	320,000
	10.5.95	225,131	£3.35	225,131	225,131
AE Moore	10.5.95	340,707	£3.35	340,707	340,707

## **NORTH EAST SLAG CEMENT LIMITED**

### **DIRECTORS' REPORT AND ACCOUNTS 31 DECEMBER 1997**

#### **REPORT OF THE DIRECTORS (Continued)**

##### **DIRECTORS AND THEIR INTERESTS (Continued)**

All share options granted are exercisable, subject to the terms of the loan agreement, from the date granted to the earlier of one of the following events:

- 6 months after the director ceases to hold office
- 1 year after the director's death
- the winding up of the Company
- the director ceases to legally own the options

The shares of the Company are not openly traded and as such do not have a market price.

The directors have no other interests in shares or debentures of the Company such as would be required to be disclosed by the Companies Act 1985.

##### **RESEARCH AND DEVELOPMENT**

The Company carries out research and development on its own behalf to advance the marketability of its products.

##### **DONATIONS**

Charitable donations totalling £13,497 (1996: £6,058) were made in the year. Political donations totalling £575 (1996: £333) were made in the year to the Conservative Party and £12,500 (1996: £Nil) to the European Foundation.

##### **AUDITORS**

A resolution to re-appoint Price Waterhouse as auditors will be presented to the members at the Annual General Meeting in accordance with Section 385(2) of the Companies Act 1985.

By Order of the Board



AE Moore  
Secretary  
21 May 1998

## **NORTH EAST SLAG CEMENT LIMITED**

### **DIRECTORS' REPORT AND ACCOUNTS 31 DECEMBER 1997**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

*Price Waterhouse*



## **AUDITORS' REPORT TO THE SHAREHOLDERS OF NORTH EAST SLAG CEMENT LIMITED**

We have audited the financial statements on pages 5 to 25 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

### **Respective responsibilities of directors and auditors**

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1997 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Chartered Accountants  
and Registered Auditors  
London

21 May 1998

Offices at Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Hull, Leeds, Leicester, London, Manchester, Middlesbrough, Newcastle, Nottingham, St. Albans, Southampton and Windsor.

The partnership's principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9SY where a list of the partners' names is available for inspection.

The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

# **NORTH EAST SLAG CEMENT LIMITED**

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997**

		<u>Continuing Operations</u>	
	<u>Note</u>	<u>Year ended 31 December 1997</u>	<u>Year ended 31 December 1996</u>
		<u>£'000</u>	<u>£'000</u>
<b>TURNOVER</b>	2	52,016	44,823
Cost of sales		<u>(25,548)</u>	<u>(23,740)</u>
<b>GROSS PROFIT</b>		26,468	21,083
Distribution costs		(10,271)	(8,893)
Administrative expenses		<u>(5,921)</u>	<u>(5,711)</u>
<b>OPERATING PROFIT</b>	3	10,276	6,479
Interest receivable and similar income		290	326
Interest payable and similar charges	6	<u>(1,705)</u>	<u>(2,135)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		8,861	4,670
Taxation	7	<u>(2,536)</u>	<u>(635)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		6,325	4,035
Minority interests		<u>(250)</u>	<u>(282)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		6,075	3,753
<b>RETAINED EARNINGS AT THE BEGINNING OF THE YEAR</b>		<u>7,733</u>	<u>3,980</u>
<b>RETAINED EARNINGS AT THE END OF THE YEAR</b>		<u>13,808</u>	<u>7,733</u>

The accompanying notes on pages 9 to 25 form an integral part of these financial statements. The Group has no recognised gains or losses other than those included in the profit and loss account above.


# NORTH EAST SLAG CEMENT LIMITED

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	30,487	29,227
Goodwill	9	12,257	14,032
Investments	9	-	10
		<u>42,744</u>	<u>43,269</u>
<b>CURRENT ASSETS</b>			
Stocks	10	1,413	1,991
Debtors	11	9,731	8,438
Cash at bank and in hand		<u>6,259</u>	<u>5,818</u>
		17,403	16,247
<b>CREDITORS - amounts falling due within one year</b>	12	<u>(15,285)</u>	<u>(13,537)</u>
<b>NET CURRENT ASSETS</b>		<u>2,118</u>	<u>2,710</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		44,863	45,979
<b>CREDITORS - amounts falling due after more than one year</b>	13	(12,699)	(19,950)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	14	<u>(704)</u>	<u>(896)</u>
		<u>31,459</u>	<u>25,133</u>
<b>EQUITY CAPITAL AND RESERVES</b>			
Called up share capital	15	13,628	13,628
Share premium account	17	2,781	2,781
Profit and loss account	17	<u>13,808</u>	<u>7,733</u>
		30,217	24,142
Minority interests		<u>1,242</u>	<u>991</u>
		<u>31,459</u>	<u>25,133</u>

Approved by the Board on 21 May 1998

JML Uren  
Chairman



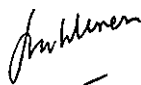
# NORTH EAST SLAG CEMENT LIMITED

## COMPANY BALANCE SHEET AT 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	10,759	9,360
Investments	9	<u>30,674</u>	<u>30,674</u>
		41,433	40,034
<b>CURRENT ASSETS</b>			
Stocks	10	243	164
Debtors	11	4,156	4,190
Cash at bank and in hand		<u>38</u>	<u>373</u>
		4,437	4,727
<b>CREDITORS - amounts falling due within one year</b>	12	<u>(21,492)</u>	<u>(14,854)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(17,055)</u>	<u>(10,127)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		24,378	29,907
<b>CREDITORS - amounts falling due after more than one year</b>	13	(3,262)	(10,557)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	14	<u>(263)</u>	<u>(294)</u>
		<u>20,853</u>	<u>19,056</u>
<b>EQUITY CAPITAL AND RESERVES</b>			
Called up share capital	15	13,628	13,628
Share premium account	17	2,781	2,781
Profit and loss account	17	<u>4,444</u>	<u>2,647</u>
		<u>20,853</u>	<u>19,056</u>

Approved by the board on 21 May 1998

JML Uren  
Chairman





# **NORTH EAST SLAG CEMENT LIMITED**

## **CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997**

	<u>Note</u>	<u>Year ended</u> <u>31 December 1997</u> £'000	<u>Year ended</u> <u>31 December 1996</u> £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	21	13,113	10,480
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		269	321
Interest paid		(1,662)	(2,154)
Dividend paid to equity minority in Group undertakings		-	(137)
Repayment of loan to associated undertaking		<u>10</u>	<u>-</u>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(1,383)	(1,970)
<b>TAX (PAID)/RECEIVED</b>		(1,234)	431
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(3,650)	(2,149)
Receipts from sales of tangible fixed assets		<u>443</u>	<u>45</u>
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>		(3,207)	(2,104)
<b>FINANCING</b>			
Bank loans repaid	23	(5,876)	(4,163)
Other loans repaid	23	<u>(1,500)</u>	<u>-</u>
<b>NET CASH OUTFLOW FROM FINANCING</b>		<u>(7,376)</u>	<u>(4,163)</u>
<b>(DECREASE)/INCREASE IN CASH</b>	23	<u>(89)</u>	<u>2,674</u>

# NORTH EAST SLAG CEMENT LIMITED

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

#### (a) Accounting convention

These accounts have been prepared in accordance with applicable accounting standards under the historical cost convention.

#### (b) Basis of consolidation

The consolidated financial statements include the results of North East Slag Cement Limited ("the Company") and all its subsidiary undertakings ("the Group").

#### (c) Fixed assets and depreciation

Depreciation is provided by the straight line method over the following periods:

Freehold buildings	- 25 years
Plant and equipment	- 4 to 25 years
Fixtures, fittings and office machines	- 4 years
Motor vehicles	- 4 years

#### (d) Research and development

All expenditure on research and development is charged to revenue as it is incurred.

#### (e) Pension costs

Contributions to pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company.

#### (f) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is capitalised and amortised over a period of ten years. Provision is made, where appropriate, for any permanent diminution in value.

#### (g) Stocks

Stocks are stated at the lower of cost, including appropriate overheads, and net realisable value.

## **NORTH EAST SLAG CEMENT LIMITED**

### **NOTES TO THE ACCOUNTS (Continued)**

#### **1 ACCOUNTING POLICIES (Continued)**

(h) Operating leases

Rentals under operating leases are charged to the profit and loss account as they fall due.

(i) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rate ruling at the date of transaction. Assets and liabilities in foreign currencies are translated at the balance sheet rate. Differences on exchange arising on translation are dealt with in the profit and loss account.

(j) Deferred taxation

Tax deferred or accelerated by the effect of timing differences is accounted for to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(k) Investments

Fixed asset investments and investments in group undertakings are stated at cost less provisions for permanent diminution in value.

#### **2 TURNOVER**

Turnover represents amounts invoiced in respect of goods provided during the year excluding value added tax and relates to one class of business reflecting sales made exclusively in the United Kingdom, where all of the Group's assets are located, with the exception of a subsidiary undertaking, Appleby Calumite Limited, which made sales overseas. The segmental reporting information required by the Statement of Standard Accounting Practice 25 - Segmental Reporting, has not been disclosed in respect of Appleby Calumite Limited as, in the opinion of the directors, such disclosure would be prejudicial to the interest of the Group.

# **NORTH EAST SLAG CEMENT LIMITED**

## **NOTES TO THE ACCOUNTS (Continued)**

### **3 OPERATING PROFIT**

Operating profit is stated after charging/(crediting) the following amounts:

	<u>1997</u> £'000	<u>1996</u> £'000
Staff costs (note 4)	4,962	4,647
Research and development	274	262
Operating lease rentals:		
- plant and machinery	124	131
- land and buildings	108	129
Depreciation	2,011	1,757
Amortisation of goodwill (note 9)	1,775	1,774
Auditors' remuneration		
- Group audit fees	42	40
- Company audit fees	13	9
- other amounts paid to the Group's auditors for non-audit services	37	90
Profit on sale of fixed assets	<u>(64)</u>	<u>(3)</u>

### **4 STAFF COSTS**

	<u>1997</u> £'000	<u>1996</u> £'000
Staff costs comprise:		
Wages and salaries	4,061	3,831
Social security costs	404	381
Other pension costs	<u>497</u>	<u>435</u>
	<u>4,962</u>	<u>4,647</u>

The average number of persons employed by the Group during the year was 170 (1996: 168) all of whom were employed in the United Kingdom.

# **NORTH EAST SLAG CEMENT LIMITED**

## **NOTES TO THE ACCOUNTS (Continued)**

### **5 DIRECTORS' EMOLUMENTS**

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Directors' salaries and fees	355	340
Contributions to defined contribution pension schemes	<u>22</u>	<u>22</u>
	<u>377</u>	<u>362</u>

The number of directors to whom retirement benefits are accruing are:

	<u>1997</u>	<u>1996</u>
Defined benefit pension scheme	<u>2</u>	<u>2</u>

During the year the Chairman who was also the highest paid director received £176,206 (1996: £169,296). No amounts were paid to or accrued in a pension scheme during the year (1996: £Nil).

### **6 INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Interest payable on bank loans repayable by instalments fully within 5 years	1,662	2,073
Amortisation of loan arrangement fees	<u>43</u>	<u>62</u>
	<u>1,705</u>	<u>2,135</u>

# NORTH EAST SLAG CEMENT LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 7 TAXATION

The taxation charge in the profit and loss account consists of:

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Corporation tax payable at 31.5% (1996: 33%)		
current year	2,859	1,496
prior year	(131)	(1,020)
Deferred taxation		
current year	(120)	151
prior year	<u>(72)</u>	<u>8</u>
	2,536	635
	<u>=====</u>	<u>=====</u>

### 8 TANGIBLE ASSETS

Group	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures, fittings and office equipment	Total
	£'000	£'000	£'000	£'000
<u>Cost or valuation</u>				
At 1 January 1997	4,327	34,783	605	39,715
Additions	46	3,466	138	3,650
Disposals	<u>(320)</u>	<u>(258)</u>	<u>(112)</u>	<u>(690)</u>
At 31 December 1997	4,053	37,991	631	42,675
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
<u>Accumulated depreciation</u>				
At 1 January 1997	594	9,443	451	10,488
Charge for the year	49	1,881	81	2,011
Disposals	<u>(36)</u>	<u>(163)</u>	<u>(112)</u>	<u>(311)</u>
At 31 December 1997	607	11,161	420	12,188
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
<u>Net book amount</u>				
At 31 December 1997	<u>3,446</u>	<u>26,830</u>	<u>211</u>	<u>30,487</u>
At 31 December 1996	<u>3,733</u>	<u>25,340</u>	<u>154</u>	<u>29,227</u>

# NORTH EAST SLAG CEMENT LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 8 TANGIBLE ASSETS (Continued)

Company

	Freehold land and <u>buildings</u> £'000	Plant, machinery and motor <u>vehicles</u> £'000	Fixtures, fittings and office <u>equipment</u> £'000	<u>Total</u> £'000
<u>Cost or valuation</u>				
At 1 January 1997	26	10,207	125	10,358
Additions	24	1,866	66	1,956
Disposals	<u>-</u>	<u>(65)</u>	<u>-</u>	<u>(65)</u>
At 31 December 1997	<u>50</u>	<u>12,008</u>	<u>191</u>	<u>12,249</u>
<u>Accumulated depreciation</u>				
At 1 January 1997	11	929	58	998
Charge for the year	5	475	36	516
Disposals	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>(24)</u>
At 31 December 1997	<u>16</u>	<u>1,380</u>	<u>94</u>	<u>1,490</u>
<u>Net book amount</u>				
At 31 December 1997	<u>34</u>	<u>10,628</u>	<u>97</u>	<u>10,759</u>
At 31 December 1996	<u>15</u>	<u>9,278</u>	<u>67</u>	<u>9,360</u>

# NORTH EAST SLAG CEMENT LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 9 INVESTMENTS

	Group <u>1997</u> £'000	Company <u>1997</u> £'000	Group <u>1996</u> £'000	Company <u>1996</u> £'000
Investments in subsidiary undertakings	-	30,674	-	30,674
Associated undertaking	-	-	-	-
Loans to associated undertaking	-	-	10	-
	-	30,674	10	30,674

The associated undertaking represents 50% of the £1 ordinary shares of The Purfleet Ship to Shore Conveyor Company Limited. The principal activity of this company, which is registered in England and Wales, is the provision of a conveyor system.

All the principal subsidiary undertakings, as shown below, are wholly owned, apart from Appleby Calumite Limited and Calumite SRO which are 51% owned.

<u>Company</u>	<u>Activity</u>	<u>Country of incorporation or registration and principal operation</u>
Civil and Marine Slag Cement Limited	Slag manufacturing	England and Wales
Appleby Group Limited	Slag manufacturing	England and Wales
Appleby Abrasives Limited*	Slag manufacturing	England and Wales
Appleby Calumite Limited*	Manufacture of glass making materials	England and Wales
Calumite SRO*	Manufacture of glass making materials	Czech Republic
Frodingham Cement Company Limited*	Slag manufacturing	England and Wales
Appleby Slag Company Limited*	Dormant	England and Wales
Rezincote Limited*	Dormant	England and Wales
Rezincote (1995) Limited*	Dormant	England and Wales
Slag Aggregates Limited*	Dormant	England and Wales

\* indirectly owned companies



# **NORTH EAST SLAG CEMENT LIMITED**

## **NOTES TO THE ACCOUNTS (Continued)**

### **9 INVESTMENTS (Continued)**

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Goodwill on acquisition of:		
Appleby Group Limited and subsidiaries	5,222	5,222
Civil and Marine Slag Cement Limited	<u>12,524</u>	<u>12,524</u>
	17,746	17,746
Accumulated amortisation brought forward	(3,714)	(1,940)
Amortisation charge for the year	<u>(1,775)</u>	<u>(1,774)</u>
Accumulated amortisation carried forward	(5,489)	(3,714)
Net book amount	12,257	14,032
	<u>          </u>	<u>          </u>

### **10 STOCKS**

	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>1997</u>	<u>1997</u>	<u>1996</u>	<u>1996</u>
	£'000	£'000	£'000	£'000
Consumable stores and spares	943	243	1,381	164
Raw materials	<u>470</u>	<u>-</u>	<u>610</u>	<u>-</u>
	1,413	243	1,991	164
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# **NORTH EAST SLAG CEMENT LIMITED**

## **NOTES TO THE ACCOUNTS (Continued)**

### **11 DEBTORS**

	Group <u>1997</u> £'000	Company <u>1997</u> £'000	Group <u>1996</u> £'000	Company <u>1996</u> £'000
Trade debtors	8,930	1,952	7,429	1,289
Amounts owed by group undertakings	-	1,458	-	1,939
Amounts owed by associated undertaking	10	-	13	-
Other debtors	12	124	15	190
Prepayments and accrued income	<u>779</u>	<u>622</u>	<u>981</u>	<u>772</u>
	<u>9,731</u>	<u>4,156</u>	<u>8,438</u>	<u>4,190</u>

Of prepayments and accrued income at 31 December 1997 the following amounts for the Group £493,177 (1996: £690,953) and Company £442,697 (1996: £596,724) fall due after more than one year.

### **12 CREDITORS - amounts falling due within one year**

	Group <u>1997</u> £'000	Company <u>1997</u> £'000	Group <u>1996</u> £'000	Company <u>1996</u> £'000
Current instalments due on loan (note 13)	4,762	4,762	4,887	4,887
Bank overdraft	609	609	79	79
Trade creditors	3,938	1,558	4,414	1,347
Amounts owed to group undertakings	-	13,801	-	8,033
Amounts owed to associated undertaking	24	-	5	-
Corporation tax	2,925	183	1,379	-
Other creditors including taxation and social security	690	99	515	84
Accruals and deferred income	<u>2,337</u>	<u>480</u>	<u>2,258</u>	<u>424</u>
	<u>15,285</u>	<u>21,492</u>	<u>13,537</u>	<u>14,854</u>

# NORTH EAST SLAG CEMENT LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 13 CREDITORS - amounts falling due after more than one year

	Group <u>1997</u> £'000	Company <u>1997</u> £'000	Group <u>1996</u> £'000	Company <u>1996</u> £'000
Bank and other loans repayable by instalments	12,699	3,212	19,950	10,463
Accruals and deferred income	<u>-</u>	<u>50</u>	<u>-</u>	<u>94</u>
	12,699	3,262	19,950	10,557
	<u><u>12,699</u></u>	<u><u>3,262</u></u>	<u><u>19,950</u></u>	<u><u>10,557</u></u>

Group <u>1997</u> £'000	Company <u>1997</u> £'000	Group <u>1996</u> £'000	Company <u>1996</u> £'000
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The loans are repayable as follows:

- within one year	4,762	4,762	4,887	4,887
- within one to two years	4,762	3,212	5,032	5,032
- within two to five years	7,937	-	13,418	3,931
- after five years	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
	17,461	7,974	24,837	15,350
	<u><u>17,461</u></u>	<u><u>7,974</u></u>	<u><u>24,837</u></u>	<u><u>15,350</u></u>

The loans disclosed above represent the balance repayable on the Group's £29.5 million bank loan facility and £3 million revolving credit facility, and a £1.5 million loan from JML Uren. Dependent upon the profitability of the Group, instalments on the bank loans payable in future years can become payable at an earlier date. At 31 December 1997 £17,461,000 (1996: £23,337,000) of the bank loan was outstanding.

The bank loans are secured by a fixed and floating charge on the assets of the Group. Interest rates are reset yearly in line with market rates.

During the year the £1.5m loan from JML Uren was repaid in full (1996: £1.5m). The loan had no fixed repayment date and was not secured by any charges on the assets of the Company.

# NORTH EAST SLAG CEMENT LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 14 DEFERRED TAXATION

The movement on the deferred tax provision during the year was:

	Group <u>1997</u> £'000	Company <u>1997</u> £'000	Group <u>1996</u> £'000	Company <u>1996</u> £'000
Opening balance	896	294	696	-
Charge for the year in the profit and loss account				
current year	(120)	(13)	151	294
prior year	(72)	(18)	8	-
Transfers	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>
Closing balance	<u>704</u>	<u>263</u>	<u>896</u>	<u>294</u>

The provision made and the full potential deferred tax liability of the Group and the Company are:

1997	<u>Provision made</u>		<u>Full potential liability</u>	
	Group <u>1997</u> £'000	Company <u>1997</u> £'000	Group <u>1997</u> £'000	Company <u>1997</u> £'000
Accelerated capital allowances	572	-	4,697	1,437
Short term timing differences	<u>132</u>	<u>263</u>	<u>132</u>	<u>263</u>
	<u>704</u>	<u>263</u>	<u>4,829</u>	<u>1,700</u>
1996	<u>Provision made</u>		<u>Full potential liability</u>	
	Group <u>1996</u> £'000	Company <u>1996</u> £'000	Group <u>1996</u> £'000	Company <u>1996</u> £'000
Accelerated capital allowances	748	-	4,555	1,220
Short term timing differences	<u>148</u>	<u>294</u>	<u>148</u>	<u>294</u>
	<u>896</u>	<u>294</u>	<u>4,703</u>	<u>1,514</u>

**NORTH EAST SLAG CEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (Continued)**

**15 SHARE CAPITAL**

	Number of £1 <u>Ordinary shares</u>	<u>Total</u> £'000
<u>Authorised</u>		
At 1 January 1997 and 31 December 1997	<u>15,628,275</u>	<u>15,628</u>
<u>Allotted, called up and fully paid</u>		
At 1 January 1997 and 31 December 1997	<u>13,628,275</u>	<u>13,628</u>

**16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1997</u> £'000	<u>1996</u> £'000
Profit for the financial year	<u>6,075</u>	<u>3,753</u>
Net increase to shareholders' funds	6,075	3,753
Opening shareholders' funds	<u>24,142</u>	<u>20,389</u>
Closing shareholders' funds	<u>30,217</u>	<u>24,142</u>

# **NORTH EAST SLAG CEMENT LIMITED**

## **NOTES TO THE ACCOUNTS (Continued)**

### **17 RESERVES**

	Share premium <u>account</u> £'000	Profit and <u>loss account</u> £'000	<u>Total</u> £'000
At 1 January 1997	2,781	7,733	10,514
Transfer from profit and loss account for the year	<u>-</u>	<u>6,075</u>	<u>6,075</u>
At 31 December 1997	<u>2,781</u>	<u>13,808</u>	<u>16,589</u>

As permitted by Section 230 of the Companies Act 1985, no profit and loss account has been presented for the Company. The movement in the Company's profit and loss account is:

	<u>Total</u> £'000
At 1 January 1997	2,647
Transfer from profit and loss account for the year	<u>1,797</u>
At 31 December 1997	<u>4,444</u>

## **NORTH EAST SLAG CEMENT LIMITED**

### **NOTES TO THE ACCOUNTS (Continued)**

#### **18 PENSION COMMITMENTS**

The Group operates a retirement benefit scheme providing benefits for the employees based on final pensionable pay. The assets of the scheme, THE C&M SLAG CEMENT LTD 1992 RETIREMENT BENEFIT SCHEME, are held separately from those of the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The actuarial assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, and the rate of increases of salaries.

The actuary has assumed that the investment returns will be 8% per annum and that salary increases will average 6% per annum.

The pension charge for the year was £497,430 (1996: £435,490).

The most recent valuation was as at 1 March 1996. As a result of this valuation the actuary recommended that the Company and employees should contribute at the rate of 15% and 4% respectively, with effect from 1 March 1996, plus death in service premium.

The Group also operates a money purchase scheme providing benefits for certain executives based on contributions paid. The assets of this scheme are also held separately from those of the Company.

# **NORTH EAST SLAG CEMENT LIMITED**

## **NOTES TO THE ACCOUNTS (Continued)**

### **19 COMMITMENTS UNDER OPERATING LEASES**

At 31 December the Group and Company are committed to making the following payments under operating leases:

	Group <u>1997</u> £'000	Company <u>1997</u> £'000	Group <u>1996</u> £'000	Company <u>1996</u> £000
Land and Buildings leases expiring:				
- between one and five years	55	21	53	21
- after five years	<u>73</u>	<u>19</u>	<u>73</u>	<u>19</u>
	128	40	126	40
Other leases expiring:				
- within one year	20	-	20	-
- between one and five years	<u>7</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>27</u>	<u>-</u>	<u>21</u>	<u>-</u>
	155	40	147	40
	<u>155</u>	<u>40</u>	<u>147</u>	<u>40</u>

### **20 CAPITAL COMMITMENTS**

At 31 December 1997 the Group and Company had authorised and contracted capital commitments totalling £242,427 (1996: £1,579,322) and £199,600 (1996: £1,345,814) respectively.



# NORTH EAST SLAG CEMENT LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### 21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1997</u> £'000	<u>1996</u> £'000
Operating profit	10,276	6,479
Profit on sale of tangible fixed assets	(64)	(3)
Depreciation	2,011	1,757
Amortisation	1,775	1,774
Decrease/(Increase) in stocks	578	(86)
Increase in debtors	(1,314)	(51)
(Decrease)/increase in creditors	<u>(149)</u>	<u>610</u>
Net cash inflow from operating activities	<u>13,113</u>	<u>10,480</u>

### 22 ANALYSIS OF CHANGES IN NET DEBT

	31 December <u>1996</u> £'000	Cash <u>Flows</u> £'000	Other <u>Changes</u> £'000	31 December <u>1997</u> £'000
Cash at bank and in hand	5,818	441	-	6,259
Bank overdraft	(79)	(530)	-	(609)
Bank loans due within one year	(4,887)	4,887	(4,762)	(4,762)
Bank loans due after one year	(18,450)	989	4,762	(12,699)
Other loans are after one year	<u>(1,500)</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
Net Debt	<u>(19,098)</u>	<u>7,287</u>	<u>-</u>	<u>(11,811)</u>

# **NORTH EAST SLAG CEMENT LIMITED**

## **NOTES TO THE ACCOUNTS (Continued)**

### **23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Increase in cash in the year	441	2,344
Cash (inflow)/outflow from increasing/repaying bank overdraft	<u>(530)</u>	<u>330</u>
	(89)	2,674
Cash outflow from repaying bank loans	5,876	4,163
Cash outflow from repaying other loans	<u>1,500</u>	<u>-</u>
Movement in net debt in the period	7,287	6,837
Net debt at 1 January	<u>(19,098)</u>	<u>(25,935)</u>
Net debt 31 December	<u>(11,811)</u>	<u>(19,098)</u>

### **24 SHAREHOLDERS AND RELATED PARTIES**

All of the £1 ordinary shares of North East Slag Cement Limited are owned by JML Uren the 1988 family Uren trust; consequently JML Uren is a related party and interested in the entire share capital of the Company and Group.

The Company and Group has taken advantage of paragraph 3 of the Financial Reporting Standard 8 - Related Party Disclosures, in not disclosing transactions with group undertakings.

On 22 November 1993 JML Uren made an interest free loan of £1.5m to the Company. This was repaid in full during the year (1996: £1.5m). The loan had no fixed repayment date and was not secured by any charges on the assets of the Company.