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Ernst & Young

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REGISTRAR

DIRECTORS' REPORT AND ACCOUNTS

LINDUSTRIES LIMITED

30 SEPTEMBER 1989

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LINDUSTRIES LIMITED

DIRECTORS' REPORT

Directors: P J Harper (Chairman)
I Stewart
M G Taylor
N F Wilkinson

Secretary: N F Wilkinson

Registered Office: 34 Fettes Row, Edinburgh, EH3 6UT

The directors present their report and the audited accounts for the year ended 30 September 1989.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The company is a divisional holding company within the Hanson PLC group of companies. The principal subsidiaries and their activities are listed in note 11 to the accounts. All the subsidiaries have performed satisfactorily during the year.

During the period, the company sold St Albans Rubber Limited, the Barbour Campbell group of companies and the business assets of Delanair Limited.

SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS

There have been no material events subsequent to the end of the financial year which could have a material effect on the accounts.

The out look for 1990 continues to be favourable.

RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £32,111,319 and is dealt with as shown in the profit and loss account.

A dividend of £24,000,000 was paid during the year.

FIXED ASSETS

As part of a reorganisation of the Hanson PLC group:

- 1 The company's investments in William Warne Limited, Robert Morton DG Limited, H A Coombes Limited and Lindustries (RPA) Limited were exchanged for shares in Hanson Industrial (Engineering) Limited valued at £27,158,000.
- 2 The shares in Hanson Industrial (Engineering) Limited were in turn exchanged for shares in Hanson Industrial Limited valued at £27,158,000.
- 3 The shares in Hanson Industrial Limited were in turn exchanged for shares in Hanson Holdings (1) Limited valued at £27,158,000.
- 4 The company's total investment in Hanson Holdings (1) Limited was sold to Hanson PLC for a cash consideration of £27,158,000.

LINDUSTRIES LIMITED

DIRECTORS' REPORT

DIRECTORS

The directors of the company during the year ended 30 september 1989 were those listed above.

DIRECTORS' INTERESTS

None of the directors has any interest in the share capital or loan stock of the company or its subsidiaries.

Mr M G Taylor is a director of the ultimate holding company, Hanson PLC, in whose accounts his interests in that company are shown.

The interests of the other directors in the shares and the loan stock of the ultimate holding company are as follows:

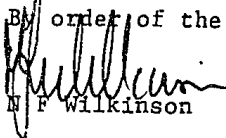
	Ordinary shares	
	30 September 1989	2 October 1988
P J Harper	164,644	208,856
I Stewart	96,466	63,466
N F Wilkinson	21,000	21,000

At 30 September 1989 and 2 October 1988 N F Wilkinson held £5,000 10% convertible loan stock.

AUDITORS

Ernst & Whinney merged their practice with Arthur Young on 1 September 1989 and now practise in the name of Ernst & Young. Accordingly they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board


N F Wilkinson

Secretary

28 November 1989

Ernst & Young

REPORT OF THE AUDITORS TO THE MEMBERS OF LINDUSTRIES LIMITED

We have audited the accounts set out on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 September 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Chartered Accountants

HULL

28 November 1989

LINDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1989

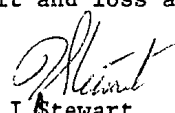
	Note	1989 £	1988 £
TURNOVER	2	9,501,425	13,641,059
OPERATING COSTS	3	9,998,258	13,977,224
		(496,833)	(336,165)
Other income	6	8,863,654	2,025,893
		8,366,821	1,689,728
Interest payable	7	377	80,932
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,366,444	1,608,796
Taxation	8	-	-
PROFIT BEFORE EXTRAORDINARY ITEMS		8,366,444	1,608,796
Extraordinary items	9	23,744,875	163,694
PROFIT FOR THE FINANCIAL YEAR		32,111,319	1,772,490
Dividend: ordinary - paid		24,000,000	-
RETAINED PROFIT FOR THE YEAR		£8,111,319	£1,772,490

Movements on reserves are set out in note 16.

LINDUSTRIES LIMITED

BALANCE SHEET - 30 SEPTEMBER 1989

	Note	1989 £	1988 £
FIXED ASSETS			
Tangible assets	10	58,014	75,861
Investments	11	1,800,196	6,302,243
CURRENT ASSETS			
Debtors	12	73,197,360	41,008,223
Investments		96,632	4,000,000
Cash at bank and in hand		152,074	523,316
		<u>73,446,066</u>	<u>45,531,539</u>
CREDITORS - amounts falling due within one year			
Trade and other creditors	13	35,211,924	21,397,229
NET CURRENT ASSETS		<u>38,234,142</u>	<u>24,134,310</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£40,092,352</u>	<u>£30,512,414</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	2,086,894	618,275
CAPITAL AND RESERVES			
Called up share capital	16	6,951,758	6,951,758
Share premium account		4,673,640	4,673,640
Profit and loss account	17	26,380,060	18,268,741
		<u>38,005,458</u>	<u>29,894,139</u>
		<u>£40,092,352</u>	<u>£30,512,414</u>


 I Stewart


 W F Wilkinson

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) Directors
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28 November 1989

LINDUSTRIES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 SEPTEMBER 1989

	1989 £	1988 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit on ordinary activities before taxation	8,366,444	1,534,700
Extraordinary items	23,744,875	(5,591)
Items not involving the movement of funds:		
Depreciation	22,860	21,485
Profit on sale of fixed asset investments	(25,319,117)	-
Profit on redemption of debentures	-	(1,655)
(Profit)/loss on sale of tangible fixed assets	1,431	(103,003)
Increase/(decrease) in provision for liabilities and charges	1,468,619	(93,057)
	<u>8,285,112</u>	<u>1,352,879</u>
OTHER SOURCES		
Proceeds of sale of tangible fixed assets	7,093	468,192
Group transfers of tangible fixed assets	35,491	-
Proceeds of disposal of fixed asset investments	30,559,533	-
	<u>38,887,229</u>	<u>1,821,071</u>
FUNDS APPLIED		
Purchase of fixed asset investment	738,369	-
Purchase of tangible fixed assets	49,028	36,659
Group transfers of tangible fixed assets	-	16,039
Repayment of term loans and debentures	-	1,451,390
Dividends paid	24,000,000	1,500,000
	<u>24,787,397</u>	<u>3,004,088</u>
INCREASE/(DECREASE) IN WORKING CAPITAL	<u>£14,099,832</u>	<u>£(1,183,017)</u>
Arising from movements in:		
Debtors	32,189,137	(3,979,749)
Creditors	(13,814,695)	4,824,947
Net liquid funds	(371,242)	(2,028,215)
Investments	(3,903,368)	-
	<u>£14,099,832</u>	<u>£(1,183,017)</u>

LINDUSTRIES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1989

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared under the historical cost convention.

(b) Depreciation

The cost of tangible fixed assets is written off by equal annual instalments over their expected useful lives as follows:

Leasehold property	Shorter of length of lease or 50 years
Motor vehicles	4 years
Fixtures and fittings	4 - 8 years

(c) Deferred taxation

Provision is made when required for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

(d) Consolidated accounts

The company is a wholly owned subsidiary of a body incorporated in Great Britain and advantage has been taken of s229(2) of the Companies Act 1985 in that consolidated accounts have not been prepared.

(e) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

(f) Pensions

The provisions of Statement of Standard Practice No 24 "Accounting for Pension Costs" have been adopted with effect from October 2, 1988. The company is a member of the Hanson Industrial Pension Scheme, a defined benefit plan. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

2 TURNOVER

Turnover comprises the invoice value of services supplied to subsidiary and fellow subsidiary companies, exclusive of VAT and is all derived from within the United Kingdom.

LINDUSTRIES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1989

3 OPERATING COSTS less operating income

	1989 £	1988 £
Employment costs (note 4)	273,257	135,949
Depreciation of tangible fixed assets	22,860	21,485
Other operating charges	9,702,141	13,819,790
	<u>£9,998,258</u>	<u>£13,977,224</u>

Other operating charges include auditors' remuneration amounting to £25,000 (1988 - £25,000).

4 EMPLOYMENT COSTS

	1989 £	1988 £
Wages and salaries	126,273	117,061
Social security costs	23,228	18,132
Pension costs	123,756	756
	<u>£273,257</u>	<u>£135,949</u>

The average number of persons, including directors, employed during the financial year, all of whom were employed in the UK, amounted to 6 (1988 - 6).

5 EMOLUMENTS OF DIRECTORS

Employment costs include emoluments of directors amounting to £135,713 (1988 - £79,627).

The emoluments, excluding pension contributions, are detailed as follows:

	1989 £	1988 £
Chairman	-	-
Highest paid director	<u>67,875</u>	<u>37,632</u>
Other directors in scale	Number of directors	
Not more than £5,000	1	1
£30,001 - £35,000	-	1
£40,001 - £45,000	1	-

LINDUSTRIES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1989

6 OTHER INCOME

	1989 £	1988 £
Income from shares in group companies	8,823,638	2,000,000
Other	40,016	25,893
	<u>£8,863,654</u>	<u>£2,025,893</u>

7 INTEREST PAYABLE

	1989	1988
Bank interest and other loans repayable within 5 years	-	80,932
Other	377	-
	<u>£377</u>	<u>£80,932</u>

8 TAXATION

There is no charge for taxation in the current year (1988 - £Nil) due to the availability of group relief for losses suffered by other members of the group.

9 EXTRAORDINARY ITEMS

	1989 £	1988 £
Profit on sale of fixed asset investments	25,206,414	110,250
Group company balances written off	39,363	59,035
Warranty provision re subsidiary	(1,500,000)	-
Pensions and other expenses incurred in connection with former subsidiary	(902)	(5,591)
	<u>£23,744,875</u>	<u>£163,694</u>

LINDUSTRIES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1989

10 TANGIBLE FIXED ASSETS

	Motor vehicles, fixtures and fittings £
Cost	
At 1 October 1988	126,402
Additions	49,028
Group transfers	(61,818)
Disposals	(17,046)
At 30 September 1989	<u>96,566</u>
Depreciation	
At 1 October 1988	50,541
Charge for period	22,860
Group transfers	(26,327)
Disposals	(8,522)
At 30 September 1989	<u>38,552</u>
Net book amounts at 30 September 1989	<u>£58,014</u>
1 October 1988	<u>£75,861</u>

11 FIXED ASSET INVESTMENTS

Subsidiaries:

	£
Cost	
At 1 October 1988	11,425,544
Additions	738,369
Disposals	(7,100,116)
At 30 September 1989	<u>5,063,797</u>
Amounts written off	
At 1 October 1988	5,123,300
Relating to disposals	(1,859,699)
30 September 1989	<u>3,263,601</u>
Net book amounts	
At 30 September 1989	<u>£1,800,196</u>
At 1 October 1988	<u>£6,302,244</u>

LINDUSTRIES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1989

11 FIXED ASSET INVESTMENTS (continued)

As part of a reorganisation of the Hanson PLC group, various companies were acquired from other group companies and ultimately sold to the parent company Hanson PLC. The values at which subsidiaries were acquired and disposed of were based upon net assets or the potential earnings of the relevant subsidiary. In establishing the valuations based on earnings, the directors considered all relevant factors including nature of business, earnings growth and valuations of similar businesses with stock exchange listings.

In the opinion of the directors the value of the company's investments in its subsidiaries is not less than the amount at which they are stated in the balance sheet.

The principal subsidiaries at 30 September 1989 were as follows:

Company	Country of incorporation and operation	Activity
Linen Thread International Corporation	Panama	Dormant
Industrias Alta Mar SA	Mexico) Products for
Industrial Del Fresno SA	Mexico) fishing
) industry

Linen Thread International Corporation is a wholly owned subsidiary. Industrias Alta Mar SA and Industrial Del Fresno SA are 75.9% owned.

The company also owns the following dormant UK subsidiaries:

H E (1983) Limited
Crawford Industrial Property Limited
Lindustries Exports Limited
Lindustries Management Services Limited
Cowlshaw Walker Limited
Slydang Limited
Porlester Limited
Ainsworth & Sons Limited
Uptonbond Limited
B & B Numeric Machining Co Limited
RMDG Limited
Lindustries (RM) Limited
Lindustries (RI) Limited
CCM Limited
Caton Limited
Eltico Mills Limited
Delmorgal Limited
Lindustries (D) Limited

12 DEBTORS

	1989 £	1988 £
Amount owed by ultimate holding company	49,735,515	-
Amounts owed by subsidiaries	-	30,400,651
Amounts owed by fellow subsidiaries	23,262,814	10,177,104
Other debtors and prepayments	199,031	430,468
	<u>£73,197,360</u>	<u>£41,008,223</u>

LINDUSTRIES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1989

13 TRADE AND OTHER CREDITORS

	1989 £	1988 £
Trade creditors	18,270	135,555
Amounts owed to subsidiaries	-	13,250,215
Amounts owed to fellow subsidiaries	34,941,641	7,789,947
Accruals	243,999	214,657
Other creditors	8,014	6,855
	<u>£35,211,924</u>	<u>£21,397,229</u>

14 PROVISION FOR LIABILITIES AND CHARGES

	£
At 1 October 1988	618,275
Paid during year	(31,381)
Charge to profit and loss account	<u>1,500,000</u>
At 30 September 1989	<u>£2,086,894</u>

15 DEFERRED TAXATION

No provision for deferred taxation at 30 September 1989 is required. Potential tax liabilities, which are not expected to crystallise in the foreseeable future, exist in respect of:

	1989	1988
Accelerated capital allowances	<u>£6,430</u>	<u>£4,550</u>

16 CALLED UP SHARE CAPITAL

At 30 September 1989 and 1 October 1988 the share capital of the company was:

	Authorised £	Allotted, called up and fully paid £
3.5% cumulative preference stock of £1 each	1,100,000	1,100,000
4.2% preferred ordinary stock of £1 each	1,100,000	1,100,000
Ordinary shares of 25p each	10,300,000	4,751,758
	<u>£12,500,000</u>	<u>£6,951,758</u>

LINDUSTRIES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1989

17 PROFIT AND LOSS ACCOUNT

	1989 £
At 1 October 1988	18,268,741
Retained profit for the year	8,111,319
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At 30 September 1989	£26,380,060
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18 CONTINGENT LIABILITIES

The company has guaranteed the performance of certain contracts entered into by Teddington Bellows Limited, a fellow subsidiary company. The total value of these contracts amounts to £1.75 million.

19 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Hanson PLC which is incorporated in Great Britain.

20 PENSION COMMITMENTS

The Company is a member of the Hanson Industrial Pension Scheme, a defined benefit plan which is funded by the payment of contributions to a separately administered trust fund.

The contributions to this scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The most recent valuations were conducted as at April 6, 1986 using the following main assumptions

Rate of return on investments	9% per annum
Rate of salary increases	8½% per annum
Pensions will be increased at the rates provided in the rules plus an additional 3% per annum.	

These valuations showed that the market value of the scheme assets at that date amounted to £69.1m, which represented 147% of the benefits that had accrued to members, after allowing for the effect of future increases in their earnings. The surplus, spread over the future working lifetime of the members included in the 1986 valuation, is equivalent to 7.6% of aggregate pensionable salaries. Accordingly, the member companies have suspended their contributions and thus have not contributed to the scheme during the year. The pension cost of 0.4% (£123,000), being the difference between the regular cost of providing pension benefits and the amortisation of the above surplus, has been recorded in the accounts of Lindustries Ltd.