

**BAGGERIDGE**  
**BRICK**  
PLC



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COMPANIES HOUSE

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Annual Report

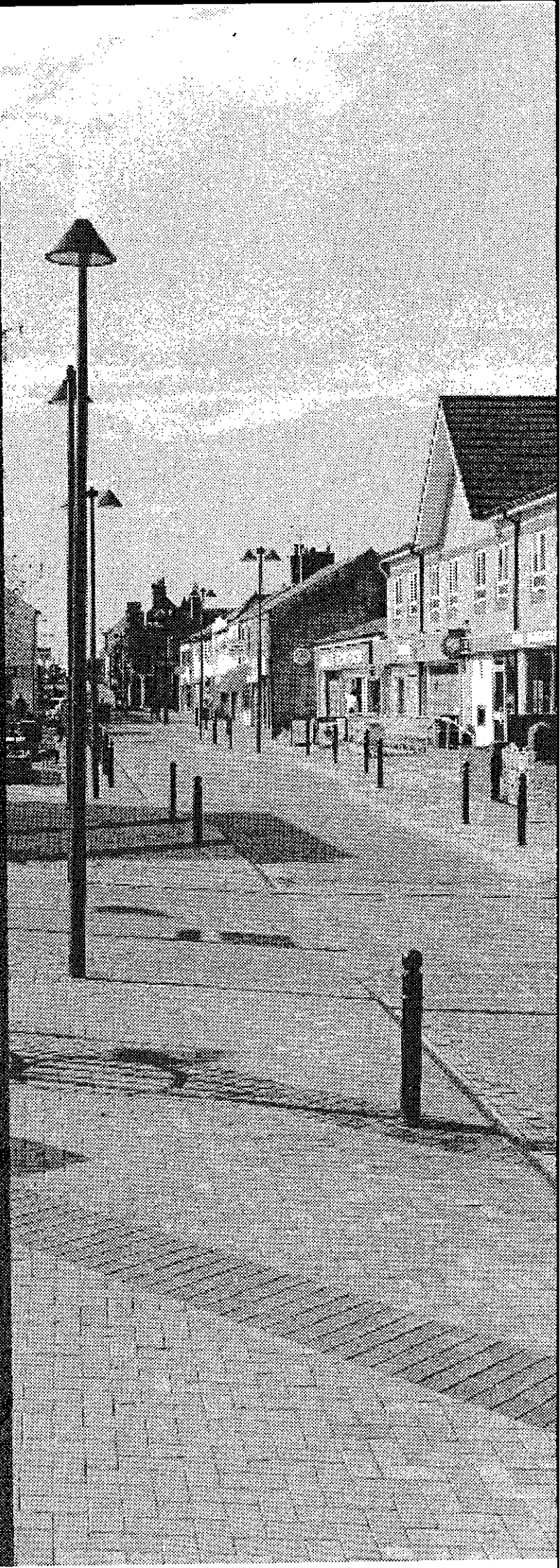
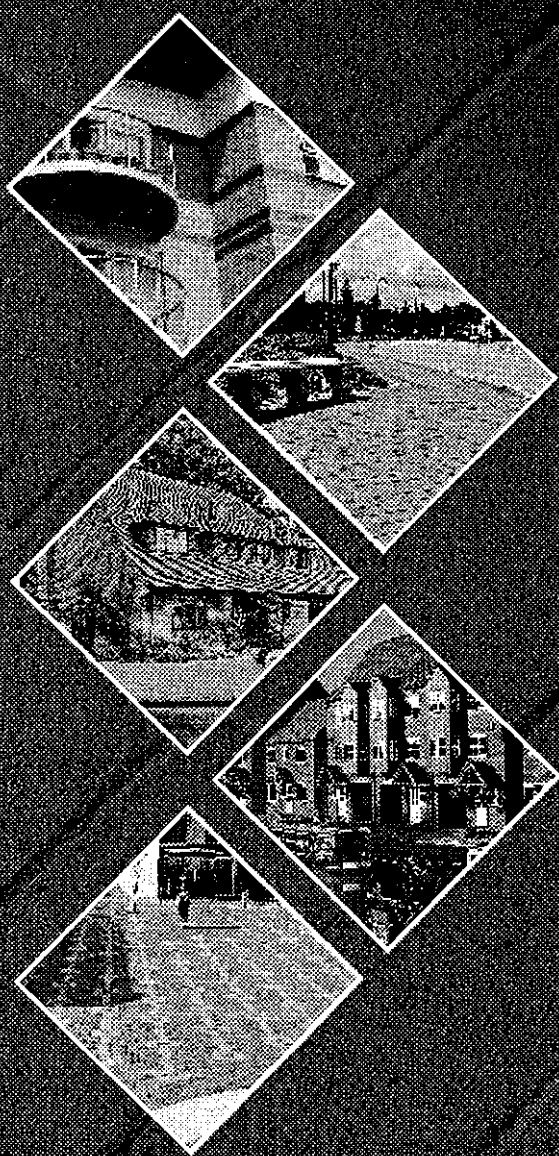
1998-99

Baggeridge Brick Plc

Registered No 386775

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## Year in Brief

	1999 £'000	1998 £'000
Turnover	44,041	39,383
Operating profit	6,602	6,120
Profit before taxation	5,832	5,282
Profit after taxation	4,069	3,770
Net cash inflow before financing and investing	4,912	4,618
Capital expenditure	2,209	2,197
Average capital employed	41,472	39,232
Earnings per share	9.94p	9.22p
Dividends per share	4.5p	4.0p
Net assets per share	103.6p	98.2p



## Chairman's Statement

I am pleased to report a further year of progress which saw profits increase for the third consecutive year. Profit before tax increased to £5.83 million, a rise of 10 per cent over last year. Earnings per share, following a return to a more normal effective tax rate of 30 per cent, were up 8 per cent at 9.94 pence. Total dividends per share for the year have been raised 12.5 per cent to 4.5 pence.

Turnover increased 12 per cent to £44.04 million.

This, in part, reflects a full year's contribution from the Rudgwick factory, acquired in September 1998. Prices were modestly ahead of last year and this was achieved in a year during which the national demand for bricks and, indeed, UK housing starts were below those of the previous year.

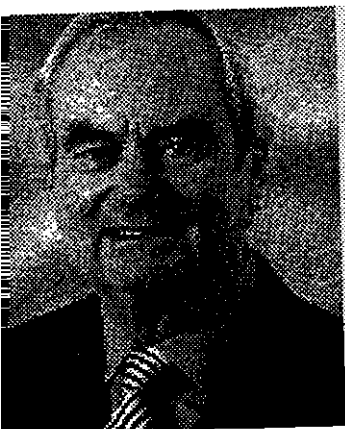
I am able to report that the acquisition of Rudgwick has been earnings enhancing in this its first year with us.

Construction activity over the year has been greater in the South of the country and more particularly the South-East and the location and products from Rudgwick, which is in West Sussex, have enabled us to increase sales in this important market. The improvements in sales volumes from our other six factories has generally been confined to those products aimed at the higher quality housing and paving markets whilst other sectors have been broadly in line with last year.

Production levels were lower than last year as some factories were closed for an extended period earlier in the year. As a consequence, stocks were reduced by approximately 10 million bricks over the year.

Landsource revenues and operating profit were lower than last year. We faced continuing regulatory delays at Kingsbury and this meant there was no landfill





*“The prospect of continued growth, low inflation, high levels of employment, rising real incomes coupled with excellent affordability should provide the conditions for growth in our core markets.”*

contribution from this site during the year. Landfill matters are necessarily subject to planning and other regulatory issues, but we remain confident that it will continue to be a valuable long term income source.

Operating cash flows improved by £1.39 million over last year to £9.40 million and resulted in gearing of 16 per cent, down from 24 per cent last year.

I referred earlier to the fall in housing starts. It is therefore pleasing to note that over recent months there has been a month-on-month improvement over last year in these numbers. Higher house prices, net reservations and the level of site visitors seem to indicate a strengthening market. House prices, of course, are a function of supply and demand and a number of recent reports highlight the shortage of available properties, particularly in the South-East.

Economic conditions are much more stable now than when I reported twelve months ago. The prospect of continued growth, low inflation, high levels of employment, rising real incomes coupled with excellent affordability should provide the conditions for growth in our core markets. The Company, with its efficient factories and enhanced product range, is poised to take full advantage of these conditions.

I should like to thank all employees for their continued enthusiasm and dedication and their contribution to the continued growth of the Company.

**Peter Ward,**

*Chairman*

14th December 1999

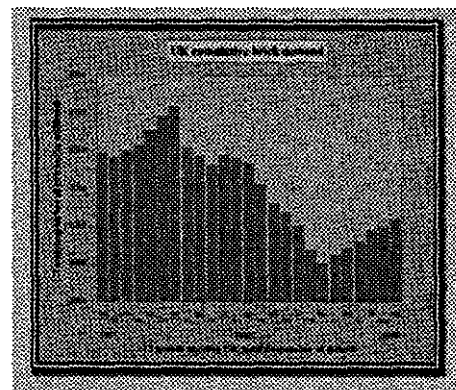


## Managing Director's Review

*"I look forward to the new millennium with some confidence."*

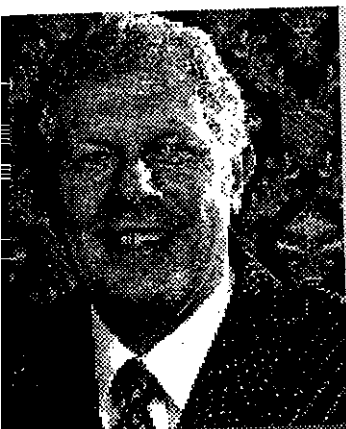
Bearing in mind the widespread publicity given to the 'booming' house market and the reported increase in house prices over the last year shareholders may be surprised to learn that the official statistics showed a decline in UK housing starts for the year ended 30th September 1999. As a result national despatches of bricks in that period reduced by some two per cent. Against this background the 10 per cent increase in the Company's profitability was encouraging and reflected both the success of the Rudgwick acquisition in 1998 and the continuing drive to improve quality, efficiency and customer service.

A year ago fears over the Asian economy, with talk of 'meltdown' and similar emotive terms, were having a marked effect on both consumer and business confidence. This affected the housing market and also caused some decline in commercial activity in the first part of our year.



Source: Brick Development Association.

Cumulative UK despatches of bricks for the 12 months ended 31st March 1999 were 2.9 billion against more than 3.1 billion for the corresponding period in the previous year. This represented the low point in the cycle. However, all the major housebuilders reported a significant surge in site activity in the Spring and I am pleased to report that as a result of the subsequent increase in brick despatches the moving annual total has increased each month since March so that the annual total to 30th September had recovered by two per cent.



*Below:* Over one million "Randompave", red brindled and blue pavers were supplied for landscaping at the new Trafford Centre, Manchester (Architect: Derek Lovejoy Partnership)



## Managing Director's Review

Although there has been a recovery the new build market remains relatively subdued compared with second-hand property. The major housebuilders have suggested that this is in part due to delays in gaining planning permission for new developments. There are also clear disparities between the housing market in the South and South-East and other parts of the country. Despite this most forecasts suggest that there will be some increase in private housing activity over the coming year as the improvement in the market spreads to the Midlands and North.

I have referred to the success of the Rudgwick acquisition, which took place shortly before the end of the previous financial year. I have been delighted with the progress which has been made at this factory in our first full year, which has resulted in a significant improvement in firing efficiency and, in turn, an increase in the proportion of prime quality bricks. We are investing in a number of projects to broaden the Rudgwick product range and I am sure that the benefits from this will show in the future.

We shall continue to seek other opportunities to expand our product range and seek new markets.

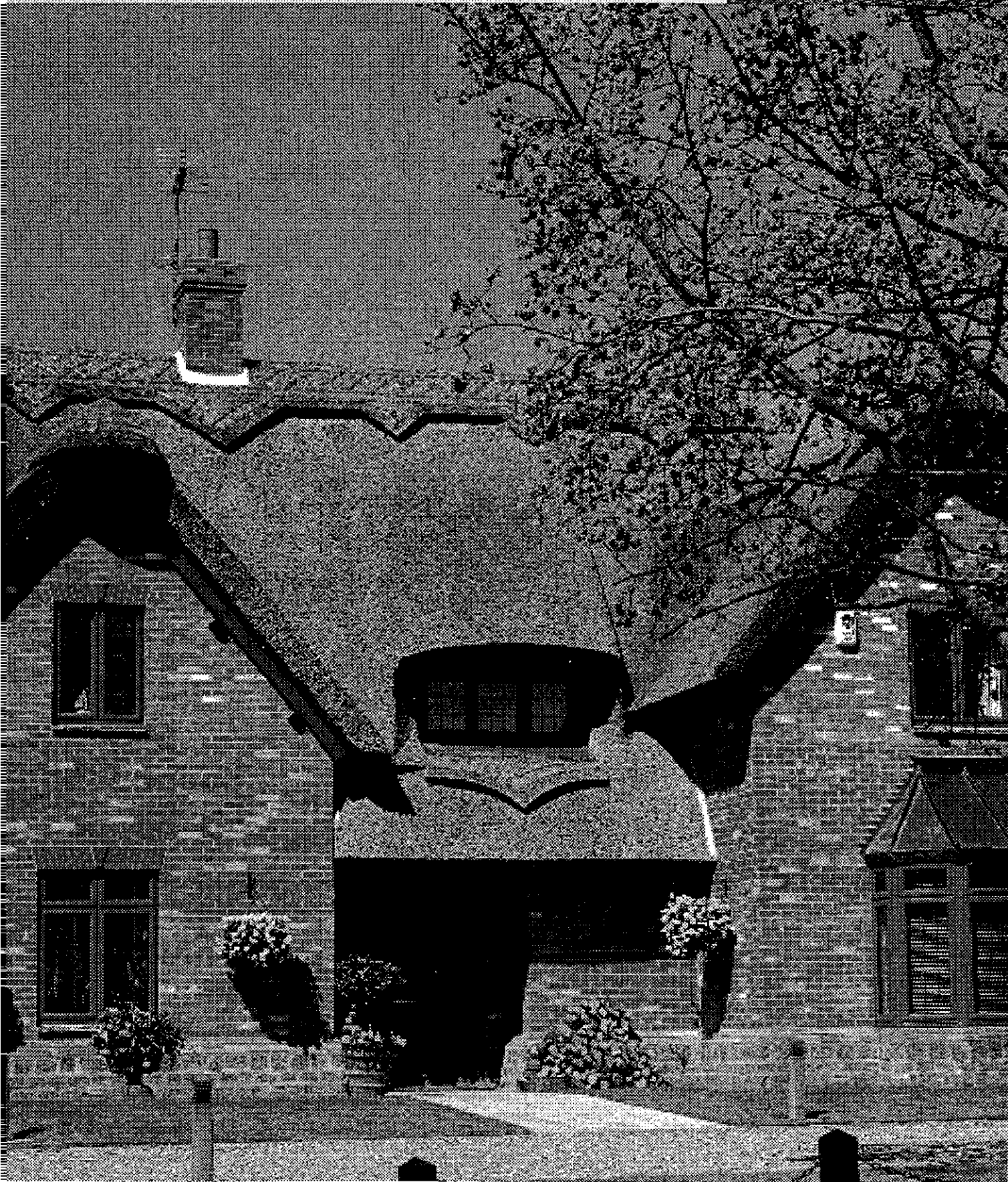
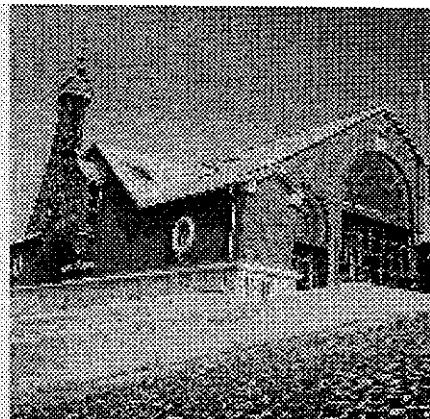
Over the past year we have devoted a great deal of resource to the installation of new computer systems. I am pleased to report that this has been achieved without any significant disruption to our activities. Not only do the new systems enable us to offer an improved customer service but we also anticipate gaining considerable benefit from the enhanced reporting facilities incorporated into the system. We have also launched our corporate web site which will enable potential customers and investors throughout the world to review our product range, request technical information and contact our sales office. I believe this is an exciting new opportunity and it is already providing benefits. We shall be developing this facility further over the next year.

I have made reference in the past to our commitment to continuous improvement in all aspects of our performance, which include quality, the environment and energy. This all has to be managed whilst striving to improve margins.

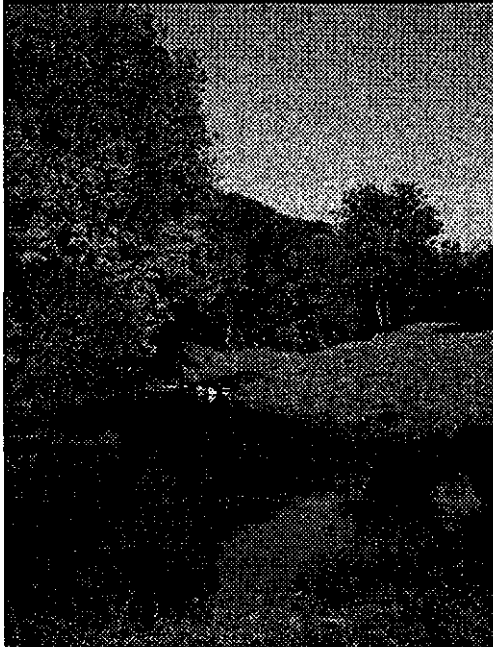


*Right:* The new RNLI building in Blackpool, featuring Stenna Red bricks from Kingsbury.

*Below:* Executive house featuring Reclaimed Shire bricks at Stanford on Avon, Northants (Francis Jackson Homes).



## Managing Director's Review



This new water feature at Himley was created in consultation with the local planning authority as part of a water management scheme and is an example of the Company's sensitive approach to the environment.

We are continually having to deal with new legislation, European standards and new codes of practice. The proposed energy tax, which is only one example, will require a further reduction in our energy consumption to minimise this additional imposition. This is despite an average 50 per cent reduction over the last 15 years in fuel consumption per 1000 bricks produced. I am confident that the improved information from our updated computer systems and our management style of delegated responsibility will encourage and empower further our employees who are continually making great strides in managing Baggeridge in an ever changing and very competitive environment.

Demand so far in our current financial year is running ahead of last year and augurs well for the future. One must have some regard to the upward trend of interest rates and, although there has been little sign that the increases over the last few months have had any significant effect on activity, if the trend continues some effect will be felt. Notwithstanding this, our market remains stable, national stock levels are well below their peak and I look forward to the new millennium with some confidence.

**Alan Baxter**

*Managing Director*

14th December 1999

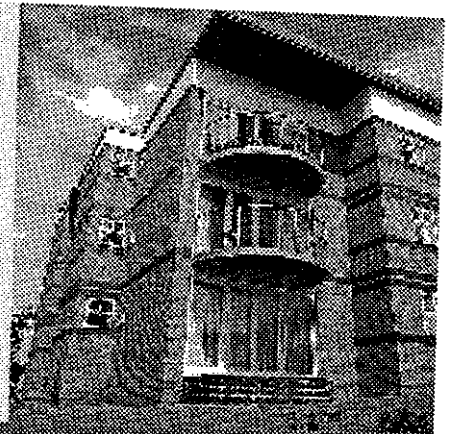
**Right:** Mr Charles Harrison (right), from Rudgwick, receiving from Barry Pearson, Marketing Manager, the Company's contribution of £1,000 towards his sponsored trek across the Sahara Desert in aid of a local hospice. The Company actively supports local charitable initiatives.





*Right:* Residential flats at Coburg Dock, Liverpool.  
(Betam Properties)

*Below:* Canalside development at Stourport on Severn.  
(Keyside Developments)



## Directors and Advisers

### **President:**

The Right Honourable  
The Earl of Dudley

### **Directors:**

The Honourable P. A. Ward  
(*Chairman*)  
A. M. Baxter (*Managing Director*)  
R. J. Edwards  
C. M. Fisher  
J. O. Gough M.B.E.  
A. T. Grieve  
M. P. Haines  
A. E. G. Ward

### **Associate Directors:**

B. G. Hughes  
J. M. Sharpe

### **Secretary:**

J. M. Southall

### **Registered Office:**

Gospel End, Sedgley, Dudley  
West Midlands, DY3 4AA  
Registered No. 386775 (England)

### **Website:**

[www.baggeridge.co.uk](http://www.baggeridge.co.uk)

### **Factories:**

Hartlebury, Nr. Kidderminster, Worcestershire  
Kingsbury, Nr. Tamworth, Staffordshire  
Rudgwick, Nr. Horsham, West Sussex  
Sedgley, Nr. Dudley, West Midlands  
Waresley, Nr. Kidderminster, Worcestershire

### **Registrars:**

Computershare Services Plc  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol, BS99 7NH

### **Auditors:**

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Birmingham

### **Solicitors:**

Taylor Joynson Garrett  
London

### **Stockbrokers:**

Dresdner Kleinwort Benson  
London



## Directors' Biographies

### **The Honourable P. A. Ward**

*(Non-executive)*

Chairman of the Board and member of the Audit Committee and the Remuneration and Nominations Committee. Aged 73, he was appointed to the Board in 1953 and became Chairman in 1964. He has also served as a director of a number of other public and private companies.

### **A. M. Baxter**

Managing Director. Aged 55, he joined the Company in 1984 and became Managing Director in 1985. He has spent his working life in the brick industry and is President of the British Ceramic Confederation and a director of the Brick Development Association Limited.

### **R. J. Edwards**

Commercial Director. Aged 51, he joined the Company in 1987 and was appointed a Director in 1992.

### **C. M. Fisher** *(Non-executive)*

Member of the Audit Committee and the Remuneration and Nominations Committee. Aged 49, he was appointed to the Board in 1996. He is a non-executive director of John Mowlem and Company plc and Travis Perkins plc and the former chairman of Sharpe & Fisher plc.

### **J. O. Gough M.B.E.**

*(Non-executive)*

Member of the Audit Committee and Chairman of the Remuneration and Nominations Committee. Aged 67, he was appointed to the Board in 1983. He is a non-executive director of Welding Industry Holdings Limited and Concrete Fabrications Limited.

### **A. T. Grieve** *(Non-executive)*

Chairman of the Audit Committee and member of the Remuneration and Nominations Committee. Aged 71, he was appointed a Director in 1964. He is Chairman of The Jerwood Foundation and a non-executive director of a number of other companies.

### **M. P. Haines**

Finance Director. A Chartered Accountant, aged 50, he joined the Company in 1985 and was appointed to the Board in 1986.

### **A. E. G. Ward** *(Non-executive)*

Member of the Audit Committee and the Remuneration and Nominations Committee. Aged 38, he was appointed to the Board in 1988 and is a director of Chesterton Structured Finance Limited.



## Report of the Directors

To be presented at the fifty-sixth Annual General Meeting of the Company to be held at the Birmingham Chamber of Commerce and Industry, Chamber of Commerce House, 75 Harborne Road, Birmingham, B15 3DH on Tuesday 15th February 2000.

The Directors submit the Annual Report and Financial Statements of the Company for the year ended 30th September 1999.

### Activities

The principal activity of the Company is the manufacture and sale of clay bricks and paving products. In addition the Company sells airspace for landfill. A review of the development of the business is contained in the Chairman's Statement and the Managing Director's Review.

### Fixed assets

The Directors are of the opinion that, on an existing use basis, the aggregate market value of the Company's property interests is in excess of the value included in the balance sheet.

### Profit and dividend

The profit for the year, after taxation, amounted to £4,069,000 (1998: £3,770,000). The Directors recommend a final dividend of 3.60 pence per share (1998: 3.15 pence) payable on 16th February 2000 to shareholders on the register at the close of business on 14th January 2000. This, together with the interim dividend of 0.90 pence per share (1998: 0.85 pence) paid on 5th August 1999, will make a total dividend of £1,843,000 (1998: £1,636,000).

### Directors

The following were Directors of the Company throughout the financial year; they had interests in the shares of the Company as follows:

	At 30th September 1999		At 1st October 1998	
	Beneficially held	Not Beneficially held	Beneficially held	Not Beneficially held
The Honourable P. A. Ward	758,417	—	757,825	—
A. M. Baxter	525,468	—	523,947	—
R. J. Edwards	69,521	—	69,521	—
C. M. Fisher	10,000	—	10,000	—
J. O. Gough	83,500	—	83,500	—
A. T. Grieve	903,233	11,351,320	903,233	11,351,320
M. P. Haines	188,553	—	188,553	—
A. E. G. Ward	4,921,416	—	4,921,416	—

Mr P. A. Severn also served as a Director until his resignation on 17th November 1998. 4,881,276 shares included within the beneficial interests of Mr A. E. G. Ward are also included in the non-beneficial interests of Mr A. T. Grieve and include a joint interest, with other beneficiaries, in 3,115,800 shares held in trust for the children of The Honourable P. A. Ward referred to on page 18.

The Directors retiring by rotation are The Honourable P. A. Ward, Mr A. T. Grieve and Mr C. M. Fisher, all of whom will offer themselves for re-election at the Annual General Meeting. None of these Directors has a service agreement with the Company. Although Article 110 of the Company's Articles of Association at present provides that one third of the Directors shall retire by rotation at each Annual General meeting, the provisions with regard to rounding mean that in some circumstances a Director may serve for four years before re-election is required. In addition, Article 92 of the Articles, in common with Table A of the Companies Act, exempts a Managing Director from rotational retirement. In order to comply with the spirit of the Combined Code on Corporate Governance it is proposed that the Articles of Association of the Company should be amended as set out on page 39 to the effect that all Directors shall be required to retire by rotation at the third Annual General Meeting after their appointment or re-appointment. Resolution 9 to be proposed at the Annual General Meeting will give effect to these amendments and in anticipation of this Mr A. M. Baxter will offer himself for re-election at the Annual General Meeting. Details of Mr Baxter's service agreement are set out on page 19.

#### **Purchase of own shares (Resolution 6)**

The authority granted by shareholders for the Company to acquire its own shares will expire at the conclusion of the Annual General Meeting. Although the Board has no intention at present to exercise such authority the Directors consider that this power should be renewed for a further year pursuant to Section 166 of the Companies Act 1985. No purchase will take place unless the Directors are of the opinion that it is in the best interests of the shareholders.

#### **Power to issue share capital (Resolutions 7 and 8)**

Section 80 of the Companies Act 1985 ("the Act") limits the powers of the Directors to allot shares and certain other securities of the Company without express authority in the Articles of Association or from the shareholders in general meeting. The authority may not be effective for more than five years. The purpose of Resolution 7 is to renew the existing authority for the Directors to allot shares up to an aggregate nominal amount of £1,717,532 being the current balance of the authorised but unissued share capital of the Company.

The Companies Act 1985 provides that, unless the Directors are otherwise empowered, shares to be issued for cash must first be offered to existing shareholders. Section 95 of that Act provides for Directors to be given this authority by the members. Resolution 8 to be submitted to the Annual General Meeting will, if passed, renew the Directors' authority to allot shares for cash up to an aggregate nominal value of £514,123, representing 5 per cent of the current nominal value of the issued share capital of the Company, without first offering such shares to existing shareholders. This authority, which will expire at the conclusion of the following Annual General Meeting, will give the Directors the ability to make small issues of shares for cash, should suitable opportunities arise, without the necessity of seeking prior approval from shareholders.

#### **Corporate governance**

##### **Compliance**

In June 1998, the Stock Exchange published the Principles of Good Governance and Code of Best Practice ("the Combined Code") which embraces the work of the Cadbury, Greenbury and Hampel Committees and became effective in respect of accounting periods ending on or after 31st December 1998.

The Board of Directors have complied throughout the year with the Combined Code except where described below.

## Report of the Directors

### Board of Directors

The Board of Directors comprises five Non-Executive Directors, including the Chairman, and three Executive Directors including the Managing Director. Brief Biographical details of each of the Directors appear on page 11.

*The non-executive Directors have experience, gained from commercial backgrounds, which enables them to make a valid contribution to the Company. The Board acknowledges that Provision A.3.2 of the Combined Code calls for the majority of non-executive directors to be free from any business or other relationship which could materially interfere with the exercise of their independent judgment and is satisfied that, although the share interests of some of the non-executive Directors are substantial, these help to align their interests with those of shareholders generally and do not prejudice the integrity or independence of those individuals. Accordingly, in the opinion of the Board all the non-executive Directors are able to exercise the independence of judgment called for under the Combined Code. Mr A. T. Grieve has acted throughout the year as senior independent director, other than the Chairman.*

The appointment of additional or replacement Directors is a matter for consideration by the Board. The Board does not consider that limitation on the period of service of Directors, other than as provided in the Articles of Association, is appropriate to the circumstances of the Company.

The Board meets regularly throughout the year, and is responsible for overall strategy, investment and funding. It reviews the trading of the Company and performance against targets.

The Board are supported by the Executive Board, chaired by the Managing Director, the meetings of which are attended by the Executive Directors, the Associate Directors and the Non-Executive Directors. The Executive Board is responsible for the implementation of the agreed strategy, monitoring routine performance and formulating proposals for the future development of the Company.

### Committees of the Board

#### Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises Mr J. O. Gough (Chairman), and a further four non-executive Directors. It meets when required and formulates remuneration packages to recruit and retain the services of Directors of requisite calibre and experience to maintain and develop the Company. The Board has not established a separate Nomination Committee as suggested by Provision A.5.1 of the Combined Code but combines such functions within the terms of reference of this Committee.

#### Audit Committee

The Audit Committee comprises Mr A. T. Grieve (Chairman), and a further four non-executive Directors. It meets at least twice a year and receives reports from the auditors who also attend meetings. The Committee reviews the annual and interim financial statements and considers the impact of actual and proposed changes to accounting regulations that may affect the Company and reviews statutory and external compliance requirements and internal control procedures. The Committee also reviews the independence and objectivity of the auditors and advises the Board on their appointment and on their remuneration for both audit and non-audit work.

#### Directors' remuneration

The Board Report on Remuneration on pages 19 to 22 describes the Company's remuneration policy and the extent of its compliance with the Combined Code.



### Relations with shareholders

The Company maintains a dialogue with both its private and institutional shareholders. Individual shareholders are made welcome at the annual general meeting where they have the opportunity to meet and ask questions of the Directors, including the Chairman, as well as the Chairmen of the Audit Committee and the Remuneration and Nominations Committee.

### Accountability and internal controls

In their letter of 10th December 1998 the London Stock Exchange announced that it would be permissible for directors to limit their statement of compliance with paragraph 12.43A of the Listing Rules, so far as it concerned internal control, to the internal financial controls, pending the publication of the final report of the Internal Control Working Party of the Institute of Chartered Accountants in England and Wales (the "ICAEW"). On 27th September 1999 the ICAEW published "Internal Control - Guidance for Directors on the Combined Code" (the "Turnbull Guidance") and The London Stock Exchange stated that full compliance with paragraph 12.43A of the Listing Rules would be required in respect of accounting periods ending on or after 23rd December 2000. The Directors are taking steps to review the Company's internal control and risk assessment procedures in the light of the Turnbull Guidance to ensure that the Company will be able to conform with the formal requirements envisaged in the Turnbull Guidance. In the meantime, the Directors have restricted their comments to internal financial controls in line with the letter of 10th December 1998.

The Board has overall responsibility for the systems of internal financial control within the Company and for reviewing the effectiveness of the Company's systems of internal financial controls. Although no system of internal financial control can provide absolute assurance against any material misstatement or loss, the systems are designed to provide the Directors with reasonable assurance that any material financial problems would be identified on a timely basis and dealt with appropriately.

The key features of the internal financial control systems are as follows:

- An organisation structure with clear reporting lines and authority levels;
- Comprehensive annual budgets for each operating unit are prepared centrally in conjunction with local management and are agreed by the Board before adoption;
- Actual performance is monitored by means of weekly trading statements and full monthly management accounts;
- Variances against budget are discussed with operating management at monthly review meetings, salient matters from which form the basis of monthly reports to the Board;
- A number of key functions such as treasury management, taxation and insurance are controlled centrally in accordance with policy discussed and agreed by the Board.

The effectiveness of the system of internal financial controls has been reviewed by the Board for the period from the commencement of the financial year to the date of approval of these financial statements.

### Treasury management

The Company considers the main treasury risks relate to the adequacy of funding and interest rate fluctuations. There is no significant exposure to currency risk as only a small proportion of the Company's foreign sales and purchases are transacted in currencies other than sterling. The Board reviews the policy for management of these risks and approves new banking facilities.

## Report of the Directors

Liquidity is managed such that the Company has adequate facilities including sufficient committed facilities, with an appropriate maturity profile, to meet forecast requirements. The Company reviews borrowing requirements by reference to its medium term plans and arranges facilities as required. At 30th September 1999 the Company had undrawn committed facilities of over £6 million of which more than £5 million expires in more than one year.

Interest rate exposure is managed by the use of fixed rate and floating rate debt. Currently, no derivative products are in use. At 30th September 1999 30 per cent of the Company's borrowings was at fixed rates. The Company reviews interest rate exposure on borrowings and may take out appropriate financial instruments to manage interest rate exposures.

As the Company has only limited exposure to foreign currencies no derivative products to hedge against currency fluctuations are in place.

### **Going concern**

The Directors consider that the Company has adequate resources for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the financial statements.

### **Employment policies**

The Company recognises the importance of employee consultation and contact. Employees are made aware of developments within the business by means of regular meetings involving representatives of all levels of management. Eligible employees are invited to participate from time to time in the Company's savings related share option schemes in accordance with the rules thereof.

It is the policy of the Company to give appropriate consideration to the employment and training of disabled persons wherever they possess the skills necessary for the development of the business, and every effort is made to retain the services of employees who become disabled during employment.

### **Health and safety**

The Company has established a procedure for monthly works safety inspections, the results of which are reviewed at bi-monthly meetings of Works Safety Committees established for each location. This programme is supplemented by risk surveys carried out by external specialist consultants.

In addition to the foregoing there is regular oral and written communication with employees on safety matters. There is an ongoing safety training programme for all employees including group sessions. The induction training programme for all new employees emphasises all safety considerations relative to the Company's operations.

All safety incidents are fully investigated and where appropriate employees are made aware of the circumstances relating thereto in order to minimise the chances of any recurrence.

All employees have been informed of the Board's policy that under no circumstances are safety considerations to take second place to production expediency.

### **Environment**

The Company operates a comprehensive Environmental Management System which applies to all its locations including the Head Office. This started with the preparation of a preliminary environmental review, which assessed the existing environmental performance of each location, and a management manual setting out detailed responsibility for every aspect of environmental management and the subsequent internal audit review of the system.



The system is reviewed on a regular basis by a committee chaired by the Managing Director. Relevant information is disseminated to employees by an Environmental Newsletter and the Board receives monthly reports on environmental matters. In June 1998 the Company was granted registration under the Eco Management and Audit Scheme in respect of the Hartlebury site. This is a European initiative and involved a series of measures, audited and independently validated by an independent verifier, covering issues such as control of waste, raw materials use, energy consumption and other environmental matters. The Company was the first brickmaker in the United Kingdom to be so registered.

#### **Year 2000**

The Directors have been aware of the potential risks arising from the advent of the Year 2000. Potential problem areas include computer systems, process machinery and the inability of suppliers and customers to operate effectively. New computer systems implemented over the past two years have taken full account of the need to safeguard against such problems. In addition, a comprehensive review of process machinery was carried out and there was full liaison with suppliers and customers. Notwithstanding this, contingency plans have been made to try to minimise the effect of any unforeseen eventualities which may affect the Company or the companies with which it trades. Based on these preparations and the results of a review by external consultants the Directors believe that the risk of any significant business disruption arising from the advent of the year 2000 is low. Costs directly attributable to Year 2000 issues have not been material.

#### **Donations**

Charitable donations amounted to £8,000 and there were no political donations.

#### **Payment of suppliers**

The Company does not comply with any specific creditor payment code but it is the Company's policy to abide by the terms of settlement agreed with suppliers, provided they have complied with their obligations thereunder. Outstanding creditors at 30th September 1999 represented an average credit period of 45 days.

#### **Capital gains tax**

The market value of the Company's shares at 31st March 1982, as adjusted for subsequent scrip issues, was 6.5 pence per share.

#### **Auditors**

The Company's auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution concerning their appointment and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

**J. M. Southall**

Secretary

14th December 1999

*J. M. Southall*

Registered Office:

Gospel End

Sedgley, Dudley

West Midlands DY3 4AA



## Other Information

### Interests of Directors and substantial shareholders

There were no changes in the interests of Directors in the shares of the Company between 30th September 1999 and 4th January 2000.

According to information available to the Directors at 4th January 2000 shareholders, other than Directors, holding 3 per cent or more of the issued share capital are as follows:

Baring Tribune Investment Trust plc	9.6%
Coutts & Co. AG	5.5%
Britannic Assurance Plc	9.6%
Imperial Pensions Nominees	4.3%

Interests of Mr A. T. Grieve and Mr A. E. G. Ward, both of whom had interests of more than 3 per cent of the issued share capital, are set out in the Directors' Report and were unchanged at 4th January 2000.

In addition to the above, beneficiaries of part of the P. A. Ward family trusts had interests amounting to 3,642,752 shares, which are also included within the non-beneficial interests of Mr A. T. Grieve and 3,115,800 of which are included within the beneficial interests of Mr A. E. G. Ward.



## Board Report on Remuneration

This report, setting out the remuneration policy and giving details of each Director's remuneration, has been prepared in compliance with Paragraph 12.43A(c) of the Listing Rules of the London Stock Exchange.

The Board is responsible for setting the overall policy to be adopted on Directors' remuneration with the Remuneration and Nominations Committee then applying the policy when setting individual remuneration packages. The Board considers that it has complied with the best practice provisions of the Combined Code with respect to Directors' remuneration.

### Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises Mr J. O. Gough (Chairman), together with The Honourable P. A. Ward, Mr A. T. Grieve, Mr A. E. G. Ward and Mr C. M. Fisher, and the Company Secretary is secretary to the Committee. The Committee consults the Managing Director, who may be invited to attend meetings. It is the policy of the Board, through this Committee, to formulate packages to recruit and retain the services of Directors of requisite calibre and experience to maintain and develop the Company.

### Remuneration

#### Executive Directors

The Committee aims to ensure that remuneration packages offered are competitive and are designed to attract, retain and motivate executive directors and senior executives of the right calibre.

The Company has introduced performance related reward policies which are designed to reduce the proportion of fixed remuneration and provide for a proportion of incentive pay dependent on results. In this way shareholders and employees share in success.

The remuneration of the Executive Directors is determined by the Committee after due consideration taking into account the earnings in comparable companies, the experience and expertise of the individuals concerned and their performance. The elements of remuneration include a basic salary, annual and long term incentive scheme payments and other benefits such as a company car, pension contributions and life and health assurance.

#### Non-Executive Directors

The Non-Executive directors do not participate in, or vote on, any decisions regarding their remuneration. They do not have service contracts or participate in any bonus, pension or share option schemes of the Company.

#### Service agreements

Non-Executive Directors do not have contracts of service. Each Executive Director has a contract of service with the Company. Mr A. M. Baxter and Mr M. P. Haines have contracts entered into in 1998 under which the basic period of notice was reduced to two years. The period of notice required in the event of a change in control of the Company is increased to three years. However, the compensation formula included in the contracts includes a mitigation clause the effect of which would be to reduce any payment in respect of the unfulfilled period of the contract by a percentage depending on the age of the executive at the time of termination. Mr R. J. Edwards has a service agreement with the Company terminable on two years' notice on either side. The Committee believe that these arrangements are reasonable bearing in mind previous agreements and the need to retain and encourage the Executive Directors to develop long term strategies for the Company.



## Board Report on Remuneration

However, in view of the Combined Code the Committee will, other than in exceptional circumstances, restrict notice periods for any new appointments to one year.

### Incentive schemes

The Company operates an annual bonus scheme under which Executive Directors can earn up to 50 per cent of annual salary depending on profitability targets set by the Remuneration Committee based on a formula which takes account of the overall UK brick market for the year. In addition there is an incentive scheme for Executive Directors aimed at identifying their interests with those of investors in achieving growth in the earnings per share of the Company. This scheme provides for a payment of up to 35 per cent of salary by reference to growth in the Company's earnings per share over a three year period; the maximum payment only becomes payable if the growth in earnings per share over the three years exceeds RPI by 10 per cent or more. No amount is payable if compound growth in earnings does not exceed RPI. The entitlement for each Director is based on a notional pool equivalent to 35 per cent of his basic salary at the commencement of each three year period and the amount ultimately payable is based on the audited results for the third year after establishment of the pool. The potential incentive earnings for each Director under the long term incentive scheme are as follows:

	Potential long term incentive earnings in the years ending		
	30th September 2000	30th September 2001	30th September 2002
A. M. Baxter	£0 to £42,000	£0 to £43,750	£0 to £44,975
M. P. Haines	£0 to £32,235	£0 to £33,600	£0 to £34,650
R. J. Edwards	£0 to £21,525	£0 to £22,750	£0 to £23,450

The remuneration of Directors who served during the year was as follows:

	Salary and fees £'000	Annual bonus scheme £'000	Long term incentive £'000	Benefits £'000	Total 1999 £'000	Total 1998 £'000
<b>Executive Directors</b>						
A. M. Baxter	125	32	40	10	207	159
M. P. Haines	96	25	30	12	163	125
R. J. Edwards	65	17	20	8	110	83
P. A. Severn	8	-	-	6	14	84
<b>Non-Executive Directors</b>						
The Hon P. A. Ward	50	-	-	4	54	54
C. M. Fisher	15	-	-	-	15	13
A. T. Grieve	20	-	-	16	36	25
J. O. Gough	20	-	-	-	20	17
A. E. G. Ward	13	-	-	11	24	11
	412	74	90	67	643	571

In addition to the above Mr P. A. Severn received a termination payment of £61,000.

### Share options

The Company operates both Executive and Save as You Earn Share Option Schemes in which Executive Directors participate. Options granted to Directors over ordinary shares of 25p under these schemes are set out below.

#### Executive share option schemes

Participating Director	At 1st October 1998	Granted during the year	Lapsed during the year	At 30th September 1999	Exercise Price	Date from which exercisable	Expiry Date
A. M. Baxter	77,400	–	(77,400)	–	155p	24.01.92	24.01.99
	83,600	–	–	83,600	137p	08.06.97	08.06.04
	–	130,000	–	130,000	98p	20.01.02	20.01.06
M. P. Haines	15,300	–	(15,300)	–	155p	24.01.92	24.01.99
	41,800	–	–	41,800	137p	08.06.97	08.06.04

The mid-market price of the shares at 30th September 1999 was 106.5p and the range during the year was 70p to 115.5p.

#### Savings related share option scheme

	30th September 1999		1st October 1998	
	Weighted Average Exercise Price	Ordinary Shares of 25p each	Weighted Average Exercise Price	Ordinary Shares of 25p each
A. M. Baxter	108p	4,364	115p	3,575
M. P. Haines	108p	4,364	115p	3,575

Options were granted during the year to both Mr Baxter and Mr Haines over 789 shares at a subscription price of 76p per share.

#### Pensions

	Age at 30th September 1999	Increase in accrued annual pension during the period (excl inflation) £	Total accrued annual pension at 30th September 1999 £	Directors' contributions during the year £
A. M. Baxter	55	3,839	73,263	6,062
R. J. Edwards	50	1,113	12,658	3,119
M. P. Haines	49	3,094	33,062	4,654
P. A. Severn	49	1,128	14,799	3,075

All of the above are members of the Baggeridge Brick PLC Pension and Life Assurance Scheme. Pension entitlement is calculated only on the basic salary element of remuneration. The accrued pension shown above is that which has been earned to date and would be payable annually on retirement at normal retirement age which, for Mr Baxter and Mr Haines is 60, while for Mr Edwards it is 65. Mr Baxter and Mr Haines are entitled to a pension equivalent to forty-sixtieths of their salary as at 1st July immediately prior to their normal date of retirement, arrangements having been made in the case of Mr Baxter to accrue thirty-five sixtieths benefit by the age of 55.

## Board Report on Remuneration

Mr Edwards would be entitled at normal retirement age to a pension equivalent to twenty-five sixtieths of his average salary for his last three years' pensionable service. In addition to the above, supplementary pension contributions are payable in respect of Mr Edwards; the amount paid during the year in respect of such contributions amounted to £1,944.

Increases in pension in retirement are payable in respect of service prior to 6th April 1997 at the rate of 4 per cent per annum for Mr Baxter, 3.5 per cent for Mr Haines and 3 per cent for Mr Edwards, while increases in respect of service after that date are payable in line with the Limited Price Indexation formula introduced with the Pensions Act 1995. On death in service before retirement age a pension would be payable to a surviving widow equivalent to half the pension which would have been payable on retirement at normal pension age. In addition there would be a refund of members' contributions. Unless a member foregoes part of his benefits under the scheme no separate benefit would accrue to other dependents. Subject to certain conditions pension may be taken on early retirement after the age of 50, but the pension payable may be subject to actuarial reduction depending on the circumstances. Both Mr Baxter and Mr Haines have made voluntary contributions in prior years to enhance the benefits to which they may become entitled in the event of early retirement. In the event of death in retirement a surviving widow would receive a pension equivalent to half the member's benefit, and if death occurred within five years after retirement, a lump sum would be payable amounting to the unpaid benefit for those five years.

## Statement of Directors' Responsibilities for the Financial Statements

### Directors' responsibilities

Under the Companies Act 1985, the Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of its financial year and of the profit or loss for the financial year. The Directors are also responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Company.

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and applicable accounting standards have been followed.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud or any other irregularities.





## Report of the Auditors

to the members of Baggeridge Brick PLC

We have audited the financial statements on pages 24 to 37.

### Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 22, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 13 to 16 reflects the Company's compliance with those provisions of the Combined Code specified for our review by The Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### 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 as at 30th September 1999 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

2 Cornwall Street  
Birmingham  
14th December 1999



# Profit and Loss Account

for the year ended 30th September 1999

	Notes	1999		1998	
		£'000	£'000	£'000	£'000
<b>Turnover</b>	1		<b>44,041</b>		39,383
Cost of sales			<b>(30,441)</b>		(26,723)
<b>Gross profit</b>			<b>13,600</b>		12,660
Distribution costs		<b>(5,456)</b>		(5,181)	
Administrative expenses		<b>(1,542)</b>		(1,359)	
			<b>(6,998)</b>		(6,540)
<b>Operating profit</b>	18&2		<b>6,602</b>		6,120
Interest payable and similar charges	3		<b>(770)</b>		(838)
<b>Profit on ordinary activities before taxation</b>			<b>5,832</b>		5,282
Tax on profit on ordinary activities	4		<b>(1,763)</b>		(1,512)
<b>Profit for the financial year</b>			<b>4,069</b>		3,770
Dividends on equity shares	5		<b>(1,843)</b>		(1,636)
<b>Retained profit for the financial year</b>	15		<b>2,226</b>		2,134
<b>Earnings per share</b>	6		<b>9.94p</b>		9.22p
<b>Diluted earnings per share</b>	6		<b>9.93p</b>		9.21p

Throughout 1998 and 1999 both building materials and landsource activities were continuing operations. There were no discontinued operations.

There were no recognised gains or losses in either year other than the profit for each year as shown above.

There is no material difference between the reported profit and the historical cost profit for either year.



# Balance Sheet

as at 30th September 1999

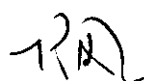
	Notes	1999		1998	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	7		46,172		46,991
<b>Current assets</b>					
Stocks	9	11,231		11,783	
Debtors	10	6,424		5,290	
Cash at bank and in hand		3		4	
		17,658		17,077	
<b>Creditors</b>					
Amounts falling due within one year	11	(10,695)		(10,367)	
<b>Net current assets</b>			6,963		6,710
<b>Total assets less current liabilities</b>			53,135		53,701
<b>Creditors</b>					
Amounts falling due after more than one year	11		(4,908)		(8,317)
<b>Provisions for liabilities and charges</b>	13		(5,628)		(5,039)
<b>Net assets</b>			42,599		40,345
<b>Capital and reserves</b>					
Called up share capital	15		10,283		10,273
Share premium account	16		275		257
Revaluation reserve	16		2,047		2,107
Profit and loss account	16		29,994		27,708
<b>Equity shareholders' funds</b>	17		42,599		40,345

The financial statements were approved by the Board on 14th December 1999 and signed on its behalf by:

P. A. Ward

} Directors

M. P. Haines




# Cash Flow Statement

for the year ended 30th September 1999

	Notes	1999		1998	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	18		<b>9,398</b>		<b>8,005</b>
<b>Servicing of finance</b>	19		<b>(857)</b>		<b>(872)</b>
<b>Taxation</b>			<b>(1,971)</b>		<b>(1,042)</b>
<b>Capital expenditure</b>	19		<b>(1,462)</b>		<b>(1,522)</b>
<b>Purchase of business</b>			<b>(84)</b>		<b>(2,285)</b>
<b>Equity dividends paid</b>			<b>(1,658)</b>		<b>(1,473)</b>
<b>Net cash inflow before financing</b>			<b>3,366</b>		<b>811</b>
<b>Financing</b>					
- Issue of shares		28		91	
- Decrease in debt		(3,859)		(423)	
			<b>(3,831)</b>		<b>(332)</b>
<b>(Decrease)/increase in cash</b>			<b>(465)</b>		<b>479</b>
<b>Reconciliation of net cash flow to movement in net debt</b>	20				
<b>(Decrease)/increase in cash</b>			<b>(465)</b>		<b>479</b>
Cash outflows resulting from changes in debt and lease financing			<b>3,859</b>		<b>423</b>
Inception of finance leases			<b>(555)</b>		<b>(557)</b>
<b>Movement in net debt for the year</b>			<b>2,839</b>		<b>345</b>
<b>Opening net debt</b>			<b>(9,477)</b>		<b>(9,822)</b>
<b>Closing net debt</b>			<b>(6,638)</b>		<b>(9,477)</b>



# Accounting Policies

## Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain land, buildings and mineral reserves and in accordance with applicable Accounting Standards.

## Stocks and work in progress

Stocks of materials and stores are stated at cost or estimated net realisable value where lower. Work in progress and finished goods are valued at works cost of production or at estimated net realisable value where lower. 'Cost' comprises materials, labour and an appropriate proportion of overheads in accordance with SSAP 9.

## Fixed assets

Fixed assets other than freehold land and mineral reserves are depreciated on a straight line basis at annual rates estimated to write down each asset to its residual value over the term of its useful life as follows:

Buildings	2%-10% on cost or valuation
Kilns, plant and machinery	5%-25% on cost
Motor vehicles	25% on cost

Depreciation commences as assets are brought into use. During periods of temporary closure of manufacturing plants depreciation rates are reduced.

Clay bearing land and mineral resources are amortised on the basis of asset usage.

## Deferred taxation

The Company accounts for deferred taxation in the manner required by SSAP 15 so that provision is made under the liability method but only in respect of those timing differences which are expected to give rise to a future payment of tax.

## Interest payable

Interest arising, prior to commissioning, on major capital projects is capitalised and written off over the estimated life of the asset acquired while the corresponding tax relief is taken into account in the tax charge in the year the interest is incurred.

## Leases and hire purchase agreements

Assets acquired under finance leases and hire purchase agreements are capitalised and outstanding instalments are shown as creditors. Depreciation is calculated to write off the cost over their anticipated useful lives and is written off to the profit and loss account together with an appropriate charge for finance costs. Charges under operating leases are written off as incurred on an accruals basis.

## Site restoration provision

Full provision is made for the net present value of the estimated cost of site restoration work in respect of those quarries where it is anticipated that the Company will be responsible for the cost of restoration and this value is capitalised as a fixed asset. The effects of inflation and the unwinding of the discount element on existing provisions are reflected within the financial statements as a finance charge.

This new provision represents a change in accounting policy from previous years. The impact of this change on the presentation of the financial statements is shown in note 13 to the accounts. The responsibility for site restoration work for the majority of the Company's quarries has been passed to the landfill site operators.

## Pension costs

The Company operates both defined benefit and defined contribution pension schemes. The assets of the schemes are held separately from those of the Company. Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The amount charged to the profit and loss account in respect of the defined contribution schemes represents contributions relating to the accounting period.





# Notes to the Financial Statements

## 1. Segmental analysis

	Turnover		Operating profit	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
By activity				
Building materials	43,129	38,404	5,936	5,350
Landsource	912	979	666	770
	<u>44,041</u>	<u>39,383</u>	<u>6,602</u>	<u>6,120</u>
By market destination				
United Kingdom	43,083	38,484		
Europe	814	482		
Far East	144	417		
	<u>44,041</u>	<u>39,383</u>		

Turnover, which all originated in the United Kingdom, represents the value of goods sold and services provided to customers net of value added tax.

Net assets are substantially attributable to the building materials division.

## 2. Operating profit

(i) Operating profit is stated after charging:

	1999 £'000	1998 £'000
Depreciation		
– owned assets and assets held under hire purchase agreements	2,612	2,383
– assets held under finance leases	354	284
Rentals payable under operating leases		
– hire of plant and machinery	265	377
– other operating leases	585	410
Auditors' remuneration and expenses	<u>26</u>	<u>24</u>

Fees paid to the Company's Auditors and their associates for non audit services amounted to £14,000 (1998: £56,000 of which £46,000 is included in the purchase cost of the business acquired).



**2. Operating profit (continued)**

(ii) Staff costs, including Directors' emoluments, were as follows:

	1999 £'000	1998 £'000
Wages and salaries	11,427	10,191
Social security costs	1,041	935
Pension costs	591	505
	<u>13,059</u>	<u>11,631</u>

Details of Directors' emoluments and share options are set out in the Board Report on Remuneration on pages 19 to 22.

The average number of persons employed by the Company was 541 (1998: 498), all of whom were engaged in the manufacture and supply of building materials.

**3. Interest payable and similar charges**

	1999 £'000	1998 £'000
Interest on bank loans and overdrafts	601	642
Charges in respect of finance leases and hire purchase agreements	91	83
Other interest payable	73	113
	<u>765</u>	<u>838</u>
Unwinding of discount on provisions	5	-
	<u>770</u>	<u>838</u>

**4. Tax on profit on ordinary activities**

	1999 £'000	1998 £'000
Corporation tax at 30.5% (1998: 31%)	1,656	1,475
Deferred taxation	173	209
Prior years' adjustments		
- Corporation tax	(61)	-
- Deferred taxation	(5)	(172)
	<u>1,763</u>	<u>1,512</u>

# Notes to the Financial Statements

## 5. Dividends on equity shares

	1999 £'000	1998 £'000
Interim dividend of 0.90p per share paid on 5th August 1999 (1998: 0.85p)	369	347
Proposed final of 3.60p per share (1998: 3.15p)	1,474	1,289
	<u>1,843</u>	<u>1,636</u>

The above figures reflect agreed waivers on 180,000 shares held by the trustees of the Baggeridge Brick 1989 Employee Share Scheme Trust.

## 6. Earnings per share

The calculation of earnings per share is based on earnings of £4,069,000 (1998: £3,770,000) and 40,937,732 (1998: 40,893,958) shares being the weighted average number of shares in issue during the year less the weighted average of those owned by the Employee Share Scheme Trust.

The calculation of diluted earnings per share has reflected the effect of dilutive share options.

## 7. Tangible fixed assets

	Land, Buildings and Mineral Reserves £'000	Kilns, Plant and Machinery £'000	Assets in Course of Construction £'000	Motor Vehicles £'000	Total £'000
Cost or valuation					
At 30th September 1998	27,611	48,699	550	884	77,744
Revaluation	(760)	-	-	-	(760)
Additions	640	1,250	115	204	2,209
Transfers	-	370	(370)	-	-
Disposals	-	(25)	-	(218)	(243)
At 30th September 1999	<u>27,491</u>	<u>50,294</u>	<u>295</u>	<u>870</u>	<u>78,950</u>
Provisions for depreciation					
At 30th September 1998	4,445	25,965	-	343	30,753
Revaluation	(760)	-	-	-	(760)
Charge for the year	637	2,139	-	190	2,966
Disposals	-	(18)	-	(163)	(181)
At 30th September 1999	<u>4,322</u>	<u>28,086</u>	<u>-</u>	<u>370</u>	<u>32,778</u>
Net book values					
At 30th September 1999	<u>23,169</u>	<u>22,208</u>	<u>295</u>	<u>500</u>	<u>46,172</u>
At 30th September 1998	<u>23,166</u>	<u>22,734</u>	<u>550</u>	<u>541</u>	<u>46,991</u>



**7. Tangible fixed assets (continued)**

The analysis of land, buildings and mineral reserves between cost and valuation is as follows:-

	£'000
At cost	8,262
1988 valuation	10,665
1999 valuation	8,564
	<u>27,491</u>

The Directors have adopted a valuation of clay bearing land at 30th September 1999, prepared internally by Chartered Surveyors in accordance with the method set out in the RICS Appraisal and Valuation Manual. Factory land and buildings were valued in 1988 on a depreciated replacement cost basis.

All categories of tangible fixed assets other than land, buildings and mineral reserves are stated at cost. Cost includes interest capitalised of £449,000 in respect of buildings and £673,000 in respect of kilns, plant and machinery. These amounts have not changed since 1996. The net book value of land, buildings and mineral reserves comprises:

	1999 £'000	1998 £'000
Freeholds	20,018	20,419
Long leaseholds	1,802	1,823
Short leaseholds	1,349	924
	<u>23,169</u>	<u>23,166</u>

If land, buildings and mineral reserves had not been revalued they would have been stated at the following amounts:

	1999 £'000	1998 £'000
Cost	17,437	16,796
Depreciation	(5,206)	(4,629)
	<u>12,231</u>	<u>12,167</u>

The gross depreciable value of land, buildings and mineral reserves is £21,760,000 (1998: £22,518,000).

Assets which are held under finance lease and hire purchase agreements are included with owned assets. Their net book values at 30th September 1999, together with the related depreciation charge for the year, are as follows:

	Net book value £'000	Depreciation charged £'000
Kilns, plant and machinery	786	249
Motor vehicles	338	128
	<u>1,124</u>	<u>377</u>



# Notes to the Financial Statements

## 8. Future capital expenditure

Contracts have been placed for capital expenditure amounting to approximately £812,000 (1998: £257,000) which have not been provided for in these accounts.

## 9. Stocks

	1999 £'000	1998 £'000
Raw materials and stores	3,105	3,263
Work in progress	679	722
Finished goods	7,447	7,798
	<u>11,231</u>	<u>11,783</u>

The estimated replacement cost is not materially different from the value included in the accounts.

## 10. Debtors

	1999		1998	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Trade debtors	5,775	-	4,727	-
Other debtors	-	177	-	136
Prepayments and accrued income	341	131	307	120
	<u>6,116</u>	<u>308</u>	<u>5,034</u>	<u>256</u>

Other debtors due after one year represent own shares held in trust by the Baggeridge Brick 1989 Employee Share Scheme Trust.

## 11. Creditors

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	622	158
Obligations under finance leases and hire purchase agreements	388	312
Trade creditors	4,008	3,966
Bills of exchange payable	723	694
Corporation tax	850	1,140
Advance corporation tax	-	409
Other tax and social security	1,255	945
Accruals and deferred income	1,375	1,454
Proposed dividend	1,474	1,289
	<u>10,695</u>	<u>10,367</u>





**11. Creditors (continued)**

	1999	1998
	£'000	£'000
Amounts falling due after more than one year:		
Bank loans – Repayable within two years	1,500	2,500
– Repayable between two and five years	2,500	4,250
Obligations under finance leases and hire purchase agreements		
– Repayable within two years	390	332
– Repayable between two and five years	304	327
Bills of exchange – Payable within two years	214	694
– Payable between two and five years	–	214
	<u>4,908</u>	<u>8,317</u>

**12. Financial instrument disclosures**

The Company's policies and objectives in respect of financial risk relating to the adequacy of funding, interest rate fluctuation and currency exposure are explained in the Directors Report. The disclosure excludes short term debtors and creditors.

The interest rate profile of the Company's financial liabilities as at 30th September 1999 was:

<i>Floating rate financial liabilities</i>	<i>Fixed rate financial liabilities</i>	<i>Total</i>
£'000	£'000	£'000
<u>4,622</u>	<u>2,019</u>	<u>6,641</u>

The fixed rate financial liabilities carry a weighted average interest rate of 7.83%. The weighted average period for which the rate is fixed is 1.9 years. The floating rate financial liabilities have interest rates based on LIBOR. The fair value of the fixed rate financial liabilities shows no material difference.

The maturity profile of the carrying amount of financial liabilities is included in the creditors note.

The maturity profile of the Company's undrawn committed borrowing facilities available at 30th September 1999 was:

	£'000
Expiring in one year or less	1,000
Expiring in more than one year but not more than two years	3,500
Expiring in more than two years	1,563
	<u>6,063</u>

The net value of monetary assets and liabilities, being solely short term debtors and creditors, held in currencies other than sterling as at 30th September 1999 was not material.

In accordance with FRS 13 comparative figures have not been shown.

## Notes to the Financial Statements

### 13. Provisions for liabilities and charges

	Site Restoration £'000	Deferred Taxation £'000	Total £'000
At 30th September 1998	—	5,039	5,039
New provision created in the year	94	—	94
Charge to profit and loss account	5	168	173
Movement in ACT recoverable	—	322	322
At 30th September 1999	<u>99</u>	<u>5,529</u>	<u>5,628</u>

#### Site restoration

Full provision has been made for the net present value of the estimated site restoration costs in respect of the quarry where it is anticipated that the Company will be responsible for the cost of restoration. The payment dates of restoration costs is uncertain, being dependent on production activity, but are currently expected to be circa 2040. Generally, reinstatement obligations in respect of quarries operated by the Company are the responsibility of the landfill operator. In the unlikely event of any of these operators being unable to fulfill their obligations then, potentially, the obligation would revert to the Company. However, the Company anticipates it would then enter into an agreement with another operator who would fulfill the obligations at no net cost to the Company.

#### Deferred taxation

Full provision for deferred tax at 30% (1998: 30%) has been made; the provision is made up as follows:

	Accelerated capital allowances £'000	Other timing differences £'000	ACT recoverable £'000	Total £'000
At 30th September 1999	<u>5,488</u>	<u>41</u>	<u>—</u>	<u>5,529</u>
At 30th September 1998	<u>5,471</u>	<u>(110)</u>	<u>(322)</u>	<u>5,039</u>

### 14. Operating leases

Annual commitments under operating leases comprise leases which expire:

	1999		1998	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Within one year	—	40	—	47
In the second to fifth years inclusive	—	46	—	111
After five years	<u>585</u>	<u>—</u>	<u>410</u>	<u>—</u>
	<u>585</u>	<u>86</u>	<u>410</u>	<u>158</u>



**15. Called up share capital**

	1999 £'000	1998 £'000
Authorised:		
48,000,000 ordinary shares of 25p each (1998: 48,000,000 ordinary shares of 25p each)	<u>12,000</u>	<u>12,000</u>
Allotted, called up and fully paid:		
41,129,872 ordinary shares of 25p each (1998: 41,089,655 ordinary shares of 25p each)	<u>10,283</u>	<u>10,273</u>

During the year 40,217 shares were issued under the Company's share option schemes at 70 pence per share, for a total consideration of £28,000.

At 30th September 1999 the number of shares which may be issuable upon exercise of Executive Share Options totalled 225,400. Options in respect of these shares will be exercisable at various dates up to June 2004 and the subscription prices range from 91p to 137p with a weighted average of approximately 117p. The exercise of options under this scheme are not subject to any performance criteria.

At 30th September 1999 options outstanding under the Savings Related Share Option Schemes totalled 218,562 shares, exercisable at various dates up to February 2005. The subscription prices range from 76p to 115p with a weighted average of approximately 91p.

In addition to the above, options had been granted by the Trustees of The Baggeridge Brick 1989 Employee Share Scheme Trust over a total of 135,000 ordinary shares of 25p each held by them. These options will be exercisable up to January 2006 at prices which range from 98p to 101p per share, with a weighted average of approximately 98p per share.

**16. Reserves**

	1999 £'000
(i) Share premium account	
Balance at 30th September 1998	257
Premium on shares issued	18
Balance at 30th September 1999	<u>275</u>
(ii) Revaluation reserve	
Balance at 30th September 1998	2,107
Transfer to profit and loss account – amortisation	(60)
Balance at 30th September 1999	<u>2,047</u>

The revaluation reserve represents the cumulative unrealised surpluses on revaluation of fixed assets, less amounts capitalised by the issue of shares and the premium originally received on the sale of shares which have subsequently been purchased by the Company and cancelled.

## Notes to the Financial Statements

### 16. Reserves (continued)

	1999 £'000
(iii) Profit and loss account	
Balance at 30th September 1998	27,708
Transfer from revaluation reserve – amortisation	60
Retained profit for the year	2,226
Balance at 30th September 1999	29,994

### 17. Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year	4,069	3,770
Dividends	(1,843)	(1,636)
	2,226	2,134
New share capital subscribed	28	91
Net increase in equity shareholders' funds	2,254	2,225
Opening equity shareholders' funds	40,345	38,120
Closing equity shareholders' funds	42,599	40,345

### 18. Reconciliation of operating profit to net cash inflow from operating activities

	1999 £'000	1998 £'000
Operating profit	6,602	6,120
Depreciation	2,966	2,667
Profit on sale of tangible fixed assets	(8)	(52)
Decrease/(increase) in stocks	552	(1,234)
(Increase)/decrease in debtors	(1,203)	244
Increase in creditors	489	260
Net cash inflow from operating activities	9,398	8,005

### 19. Gross cash flows

	1999 £'000	1998 £'000
Servicing of finance		
Interest paid	(766)	(789)
Interest element of finance leases	(91)	(83)
	(857)	(872)



**19. Gross cash flows (continued)**

	1999 £'000	1998 £'000
Capital expenditure		
Payments to acquire tangible fixed assets	(1,532)	(1,609)
Receipts from sale of tangible fixed assets	70	87
	<u>(1,462)</u>	<u>(1,522)</u>

**20. Analysis of changes in net debt**

	At 1st October 1998 £'000	Cash flow £'000	Non-cash changes £'000	At 30th September 1999 £'000
Cash at bank and in hand	4	(1)	–	3
Overdrafts	(158)	(464)	–	(622)
		<u>(465)</u>		
Debt due after more than one year	(6,750)	2,750	–	(4,000)
Finance leases & hire purchase agreements	(971)	444	(555)	(1,082)
Bills of exchange	(1,602)	665	–	(937)
		<u>3,859</u>		
	<u>(9,477)</u>	<u>3,394</u>	<u>(555)</u>	<u>6,638</u>

During the year the Company entered into financing arrangements in respect of assets with a total capital value at inception of £555,000 (1998: £557,000).

**21. Pension scheme**

The Company operates a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary using the projected unit method. The most recent valuation was at 1st July 1997. The assumptions which have the most significant effect on the results of the valuation are the 9% rate of return on investments and the 7% rate of increase in earnings.

The Company's contributions for the year to the defined benefit scheme were £503,000 (1998: £498,000). The most recent actuarial valuation showed that the market value of the Scheme's assets was £6,413,000. The actuarial valuation represented 108% of the benefits that had accrued to members after allowing for expected future increases in earnings. The Company contributes 9% of earnings and the employees 5% of earnings.

The Company also operates defined contribution pension schemes for certain employees. The charge to the profit and loss account for the period represents the Company's contributions under the schemes and amounted to £88,000 (1998: £7,000).



## Notice of Meeting

Notice is hereby given that the fifty-sixth Annual General Meeting of the Company will be held at the Birmingham Chamber of Commerce and Industry, Chamber of Commerce House, 75 Harborne Road, Birmingham at 12.00 noon on Tuesday, 15th February 2000 for the following purposes:

### As ordinary business

1. To receive and adopt the accounts and the report of the Directors for the year ended 30th September 1999.
2. To declare a dividend.
3. To re-elect three Directors who retire by rotation:
  - i) The Honourable P. A. Ward
  - ii) Mr A. T. Grieve
  - iii) Mr C. M. Fisher
4. To re-elect Mr A. M. Baxter as a Director of the Company.
5. To re-appoint KPMG Audit Plc as Auditors of the Company at a remuneration to be fixed by the Directors.

### As special business (as detailed on page 39)

6. To renew the authorisation for the Company to purchase its own shares.
7. To authorise the Directors to allot relevant securities within the meaning of Section 80 of the Companies Act 1985.
8. To empower the Directors to allot equity securities pursuant to Section 95 of the Companies Act 1985.
9. To approve the proposed amendments to the Company's Articles of Association.

By order of the Board

*J. M. Southall*

J. M. Southall

Secretary

17th January 2000

Registered Office

Gospel End

Sedgley

Dudley

West Midlands

DY3 4AA

### Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member of the Company. A proxy form is enclosed.
- (2) A statement showing the transactions of each Director and of his family interests in the shares of the Company together with copies of the contracts of service whereunder Directors of the Company are employed by the Company will be available for inspection at the registered office of the Company from this date until the date of the meeting, during normal business hours, and at the place of the meeting from 11.45 a.m. until its conclusion.



## Special Business

### As special business

To consider and, if thought fit, to pass the following Resolutions which will be proposed as to Resolutions 6 and 7 as Ordinary Resolutions and as to Resolutions 8 and 9 as Special Resolutions.

#### 6. Authority to purchase own shares

That, the Company be and is hereby authorised to purchase up to an aggregate of 4,112,987 shares of 25p each at a price which shall not be greater than 5 per cent above the average of the middle market quotations for the ten business days prior to such purchase and not less than 25p per share (in each case exclusive of expenses) provided that the authority conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (except in relation to the purchase of shares the contract for which was concluded before such date and which might be executed wholly or partly after such date).

#### 7. Allotment of relevant securities

That, the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 up to an aggregate nominal amount of £1,717,532 during the period from the passing of this Resolution up to and including 14th February 2005 on which date such authority will expire save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

#### 8. Power to allot equity securities

That, subject to and conditional on the passing of the foregoing Resolution 7, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited:

- (a) To the allotment of equity securities in connection with or pursuant to a rights issue in favour of ordinary shareholders and other persons entitled to participate therein in the proportions (as nearly as may be) to such shareholders' or to such other persons' holdings of such shares or (as appropriate) to the number of such shares which such other persons are for these purposes deemed to hold subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal and practical problems under the laws or requirements of any recognised regulatory body in any territory;
- (b) To the allotment of equity securities pursuant to the rules of the Company's Executive Share Option Schemes or pursuant to the rules of the Baggeridge Brick 1998 Sharesave Scheme in force from time to time;
- (c) To the allotment (other than pursuant to sub-paragraphs (a) or (b) above) of equity securities up to an aggregate nominal value of £514,123

and shall expire at the conclusion of the next annual general meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

#### 9. Amendments to Articles of Association

That, the Company's Articles of Association be amended as follows:

- (a) By deleting the existing Articles 110 and 111 and substituting therefor as follows:  
 "110 Subject to earlier retirement or removal from office in accordance with statute or these Articles of Association any director appointed or reappointed at an Annual General Meeting shall retire from office at the third Annual General Meeting following such appointment or reappointment.  
 111 Any director who retires from office in accordance with these Articles of Association shall be eligible for reappointment."
- (b) By deleting the existing Article 92 and substituting therefor as follows:  
 "92 A Managing Director shall be subject to retirement by rotation and shall be subject to the same provisions as to removal as the other directors of the Company."



# Five Year Summary of Results

year to 30th September 1999

	1999 £'000	1998 £'000	1997 £'000	1996 £'000	1995 £'000
<b>Turnover and profits</b>					
Turnover	44,041	39,383	35,824	33,067	36,061
Operating profit	6,602	6,120	5,009	3,496	5,184
Interest and similar charges	(770)	(838)	(953)	(973)	(472)
Profit on ordinary activities	5,832	5,282	4,056	2,523	4,712
Taxation	(1,763)	(1,512)	(1,025)	(868)	(1,652)
Profit after tax	4,069	3,770	3,031	1,655	3,060
Dividend per share (net)	4.50p	4.00p	3.50p	3.125p	3.125p
Earnings per share	9.94p	9.22p	7.44p	4.09p	7.63p
<b>Balance sheets</b>					
Fixed assets	46,172	46,991	45,573	45,718	47,089
Current assets	17,658	17,077	15,520	15,010	11,742
	63,830	64,068	61,093	60,728	58,831
Current liabilities	(10,695)	(10,367)	(10,785)	(11,507)	(12,059)
	53,135	53,701	50,308	49,221	46,772
Creditors due after one year	(4,908)	(8,317)	(7,146)	(7,691)	(6,113)
Provisions for liabilities and charges	(5,628)	(5,039)	(5,042)	(5,067)	(4,725)
Net assets	42,599	40,345	38,120	36,463	35,934
Share capital	10,283	10,273	10,241	10,215	10,154
Reserves	32,316	30,072	27,879	26,248	25,780
Shareholders' funds	42,599	40,345	38,120	36,463	35,934
<b>Financial statistics</b>					
Profit before tax/average					
net assets employed	14.1%	13.4%	10.9%	7.0%	13.5%
Shareholders' funds per share	103.6p	98.2p	95.8p	89.2p	88.5p

