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PIONEER AGGREGATES (UK) LIMITED
DIRECTORS' REPORT AND ACCOUNTS

for the year ended

30 June 1989

COMPANIES HOUSE

5 MAY 1990

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PIONEER AGGREGATES (UK) LIMITED

DIRECTORS

J.W. Leever
T.B.M. Holcroft
E.C. McCarthy
F.S.C. Manson
M.A. Ogden

SECRETARY

A.L.J. Thomas

REGISTERED OFFICE

Pioneer House
Northolt Road
South Harrow
Middlesex
HA2 0EY

AUDITORS

BDO Binder Hamlyn
8 St Bride Street
London EC4A 4DA

BANKERS

Lloyds Bank PLC

PIONEER AGGREGATES (UK) LIMITED
REPORT OF THE DIRECTORS
for the year ended 30 June 1989

2.

1. PRINCIPAL ACTIVITY

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

2. RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend payment of a dividend. Movements on reserves are reflected in note 15.

3. BUSINESS REVIEW

The company benefited from the strong demand for aggregates and results after exceptional charges were significantly up on the previous year. A number of land acquisitions were made which contain significant reserves of sand and gravel, and these will now be processed to attain the necessary planning approvals for extraction.

Results from United Marine Aggregates, a 50% joint venture with Tarmac Roadstone, were well up on the previous year. Sales of marine aggregates have increased significantly due, not only to the buoyant market conditions in the South of England, but also to the decline in the supply of the land based aggregate in this part of the country. The trend for marine aggregates to replace land based material will continue and orders have been placed for the building of two new dredging vessels to cope with future demand.

The company continues to seek out opportunities for profitable growth, placing particular emphasis on acquisition of additional land based and marine aggregate supplies. A new quarry at Leicester will open shortly and development work will commence soon on two further quarries. Further significant investments have been made in mineral land in Essex and negotiations continue on acquiring reserves in many parts of the country.

The directors commented in their report last year on the serious delays in the granting of new planning permission for aggregates operations. There is still no sign of an improvement and the consenting of new reserves is falling further behind consumption. The company is concerned with the environment and is committed to a standard of excellence in the working and restoration of mineral land. It is therefore particularly troublesome when meticulously prepared planning applications for working previously designated mineral areas receive support of county planning officers but are then rejected by councils on political grounds. This results in unnecessary delays and costs of appealing to the Secretary of State who then directs that approval should be given as has just happened in one area of the country. Unless the government policy of maintaining a minimum 10 year land bank of consented sand and gravel reserves is achieved, there will be increasing shortages impacting upon the rate of building and construction activity. The aggregate industry can only operate effectively if a steady stream of planning permissions is obtained to replenish its diminishing land bank.

PIONEER AGGREGATES (UK) LIMITED

REPORT OF THE DIRECTORS
for the year ended 30 June 1989
(continued)

4. DIRECTORS

The directors of the company during the year ended 30 June 1989 were:-

N.J. Nolan	(resigned 17.3.89)
J.W. Leever	(appointed 17.3.89)
T.B.M. Holcroft	
E.C. McCarthy	
F.S.C. Manson	

None of the directors had, at 30 June 1989, 1 July 1988, or on subsequent appointment, a notifiable interest in the shares or debentures of the company, its holding companies or subsidiaries. On 8 August 1989 Mr M.A. Ogden was appointed as a director of the company.

5. FIXED ASSETS

Changes in fixed assets are set out in notes 6 to 8 of the accounts.

6. EMPLOYEES AND EMPLOYMENT OF DISABLED PERSONS

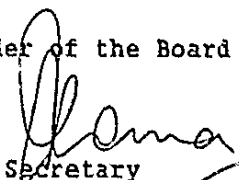
The company makes every effort to ensure that disabled people receive equal opportunities and are not discriminated against on the grounds of their disability.

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

7. A resolution will be submitted to the Annual General Meeting to reappoint BDO Binder Hamlyn as auditors.

By Order of the Board

21 December 1989


Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
PIONEER AGGREGATES (UK) LIMITED

We have audited the financial statements on pages 5 to 16 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 30 June 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.

BDO Bnd Nany.

8 St Bride Street
London EC4A 3DA

Chartered Accountants

21 December 1989

PIONEER AGGREGATES (UK) LIMITED

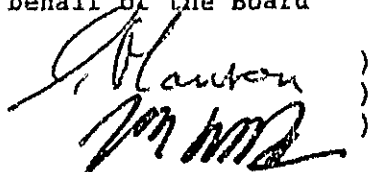
PROFIT AND LOSS ACCOUNT
for the year ended 30 June 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
Turnover		30,012,196	27,840,168
Change in stocks of finished goods		(72,223)	337,821
Other operating income		<u>778,665</u>	<u>-</u>
		<u>30,718,638</u>	<u>28,177,989</u>
Raw materials and consumables		(3,060,943)	(2,771,322)
Other external charges		(1,706,730)	(2,088,823)
Staff costs	4	(3,379,612)	(1,130,776)
Depreciation	7	(3,267,073)	(2,967,392)
Exceptional charge	3	-	(2,140,000)
Other operating charges		(16,751,124)	(13,021,381)
		<u>(28,165,482)</u>	<u>(26,119,694)</u>
		2,553,156	2,058,295
Profit on disposal of fixed assets to an associated company	2	<u>-</u>	<u>1,126,405</u>
		2,553,156	3,184,700
Interest receivable and similar income		494,823	361,921
Interest payable and similar charges	2	<u>(19,638)</u>	<u>(3,071,000)</u>
Profit on ordinary activities before taxation	2	3,028,341	475,621
Tax charge on profit on ordinary activities	5	(2,136,567)	(155,758)
		<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation transferred to reserves	15	<u>£ 891,774</u> =====	<u>£ 319,863</u> =====

PIONEER AGGREGATES (UK) LIMITEDBALANCE SHEET AT 30 JUNE 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
FIXED ASSETS			
Intangible assets	6	701,426	262,497
Tangible assets	7	25,505,931	26,121,766
Investments	8	<u>7,050,786</u>	<u>7,050,786</u>
		<u>33,258,143</u>	<u>33,435,049</u>
CURRENT ASSETS			
Stocks	9	669,585	749,143
Debtors	10	28,128,502	14,953,158
Cash at bank and in hand		<u>192,043</u>	<u>13,395</u>
		28,990,130	15,715,696
CREDITORS (amounts falling due within one year)	11	(<u>25,275,273</u>)	(<u>13,936,614</u>)
NET CURRENT ASSETS		<u>3,714,857</u>	<u>1,779,082</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		36,973,000	35,214,131
CREDITORS (amounts falling due after one year)	12	(31,704,252)	(31,704,252)
PROVISION FOR LIABILITIES AND CHARGES	13	<u>(867,095)</u>	<u>-</u>
NET ASSETS		£ 4,401,653 =====	£ 3,509,879 =====
CAPITAL AND RESERVES			
Called up share capital	14	2	2
Revaluation reserve	15	2,326,588	2,326,588
Other reserve	15	954,595	954,595
Profit and loss account	15	<u>1,120,468</u>	<u>228,694</u>
		£ 4,401,653 =====	£ 3,509,879 =====

Signed on behalf of the Board



Directors

PIONEER AGGREGATES (UK) LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended 30 June 1989

	£	1989	£	£	1988	£
Funds generated from operations:						
Profit on ordinary activities before tax		3,028,341			475,621	
Net adjustments to tangible fixed assets		<u>3,220,681</u>			<u>4,123,886</u>	
Total generated from operations		6,249,022			4,599,507	
Tax paid		<u>(176,182)</u>			<u>-</u>	
Net funds generated from operations		<u>6,072,840</u>			<u>4,599,507</u>	
Fixed assets (acquired)/disposed:						
Group transfers		-			2,698	
Tangible assets	(2,821,157)		(2,685,521)			
Net development expenditure/disposal	(438,929)		4,944			
Disposal proceeds from sale of tangible fixed assets	216,311		2,534,557			
Investments	<u>-</u>		<u>(982,146)</u>			
		(3,043,775)			(1,125,468)	
(Additional)/ reduced working capital:						
Stocks	79,558		906,069			
Debtors	(13,175,344)		(5,066,168)			
Creditors (excluding corporation tax and bank overdraft)	<u>10,813,909</u>		<u>(2,011,670)</u>			
		(2,281,877)			(6,171,769)	
Total funds applied		<u>(5,325,652)</u>			<u>(7,297,237)</u>	
External finance released/(required)		£ 747,188			£ (2,697,730)	
		=====			=====	
Increase/(decrease) in liquid funds		£ 747,188			£ (2,697,730)	
		=====			=====	

PIONEER AGGREGATES (UK) LIMITED

NOTES TO THE ACCOUNTS
for the year ended 30 June 1989

1. ACCOUNTING POLICIES

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

(a) Accounting convention

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

(b) Depreciation

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

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

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

(c) Depletion

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

(d) Deferred taxation

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

(e) Stocks

Stocks are stated at the lower of cost, on a first in first out basis and net realisable value. Cost includes all direct costs plus attributable overheads.

(f) Development expenditure

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

NOTES TO THE ACCOUNTS

for the year ended 30 June 1989

(continued)

1. ACCOUNTING POLICIES (continued)

(g) Pensions

The company is affiliated to two pension schemes based upon defined benefits. The assets of these schemes are independent of the company's finances. The schemes are funded by contributions partly from employees and partly from group companies. Company policy is to charge the total cost of providing pensions over the average estimated remaining service lives of pensionable employees. On implementation of SSAP24 the company has adopted the spreading forward method of accounting for brought forward pensions surpluses.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1989</u>	<u>1988</u>
	£	£
After charging:-		
Hire of plant and machinery	1,534,914	1,034,361
Directors' emoluments (note 4)	91,224	78,955
Interest payable to group companies	-	3,071,000
Bank Interest Payable	19,638	-
Group management charges	4,326,240	1,119,217
	=====	=====
After crediting:-		
Profit on sale of fixed assets to associated company	-	1,126,405
Other profits/(losses) on sale of fixed assets	46,392	(142,899)
	=====	=====

3. EXCEPTIONAL ITEM

	<u>1989</u>	<u>1988</u>
	£	£
Reassessment of quarry reserves	-	2,140,000
	=====	=====

4. DIRECTORS' EMOLUMENTS AND PARTICULARS OF EMPLOYEES

	<u>1989</u>	<u>1988</u>
	£	£
Directors' emoluments amounted to:		
Remuneration as executives	£ 91,224	£ 78,955
	=====	=====

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

	<u>1989</u>	<u>1988</u>
	£	£
Chairman	Nil	Nil
Highest paid director	£ 49,787	£ 43,030
	=====	=====

Other directors' remuneration is within the following bands:

	<u>1989</u>	<u>1988</u>
	Number	Number
£0 - £5,000	2	1
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-
	===	===

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

<u>Category</u>	<u>1989</u>	<u>1988</u>
Production staff	203	203
Administration and sales staff	49	50
	252	253
	===	===

PIONEER AGGREGATES (UK) LIMITED

NOTES TO THE ACCOUNTS
for the year ended 30 June 1989
(continued)

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

	<u>1989</u>	<u>1988</u>
	£	£
Staff costs were:		
Wages and salaries	3,072,431	2,847,564
Social security costs	<u>307,181</u>	<u>283,212</u>
	£3,379,612	£3,130,776
	=====	=====

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1989</u>	<u>1988</u>
	£	£
Current UK Corporation tax @ 35% (1988 - 35%)	1,269,472	1,340,849
Transfer to/(from) deferred tax - current year	156,819	(694,533)
- prior year	<u>710,276</u>	<u>(490,558)</u>
	£2,136,567	£ 155,758
	=====	=====

6. INTANGIBLE FIXED ASSETS

	<u>Development expenditure</u>
	£
Cost:	
At 1 July 1988	262,497
Additions	<u>438,929</u>
At 30 June 1989	£701,426
	=====

PIONEER AGGREGATES (UK) LIMITED

NOTES TO THE ACCOUNTS
for the year ended 30 June 1989
(continued)

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold Long leases £	Property Short leases £	Plant machinery and equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 July 1988	22,241,268	675,806	7,544,482	14,084,880	119,940	44,666,376
Additions	822,390	-	-	1,998,767	-	2,821,157
Disposals	-	-	-	(278,586)	(5,529)	(284,115)
As 30 June 1989	<u>23,063,658</u>	<u>675,806</u>	<u>7,544,482</u>	<u>15,805,061</u>	<u>114,411</u>	<u>47,203,418</u>
Depreciation/ amortisation						
At 1 July 1988	4,895,763	7,123	5,026,589	8,504,653	110,482	18,544,610
Charge for the year	1,522,588	34	578,878	1,163,746	1,827	3,267,073
Disposals	-	-	-	(108,669)	(5,527)	(114,196)
At 30 June 1989	<u>6,418,351</u>	<u>7,157</u>	<u>5,605,467</u>	<u>9,559,730</u>	<u>106,782</u>	<u>21,697,487</u>
Net book value						
At 30 June 1989	£16,645,307 =====	£668,649 =====	£1,939,015 =====	£6,244,881 =====	£ 7,629 =====	£25,505,931 =====
At 1 July 1988	£17,345,505 =====	£668,683 =====	£2,517,893 =====	£5,580,227 =====	£ 9,458 =====	£26,121,766 =====

PIONEER AGGREGATES (UK) LIMITEDNOTES TO THE ACCOUNTS

for the year ended 30 June 1989
(continued)

7. TANGIBLE FIXED ASSETS (continued)

The cost or valuation figure at 30 June 1989 for land and buildings is represented by:-

	<u>Freehold land and buildings</u> £	<u>Long leases</u> £	<u>Short leases</u> £	<u>Total</u> £
Valuation in 1988	1,510,000	-	-	1,510,000
Valuation in 1983	1,364,350	300,000	1,622,500	3,286,850
At cost	<u>20,189,308</u>	<u>375,806</u>	<u>5,921,982</u>	<u>26,487,096</u>
	£ 23,063,658	£ 675,806	£ 7,544,482	£ 31,283,946
	=====	=====	=====	=====

The net book value of freehold land and buildings comprises:

	<u>1989</u> £	<u>1988</u> £
Freehold land	16,035,799	16,710,400
Freehold buildings	<u>609,508</u>	<u>635,105</u>
	£ 16,645,307	£ 17,345,505
	=====	=====

Certain freehold land and buildings and long and short leasehold properties were revalued on the basis of an open market valuation for existing use at 30 June 1983 and freehold non-mineral bearing land was similarly revalued by the directors at 1 March 1988. If the properties had not been revalued they would have been included at the following amounts:-

	<u>Freehold land and buildings</u> £	<u>Long leases</u> £	<u>Short leases</u> £	<u>Total</u> £
Cost	21,610,416	400,030	6,719,674	28,730,120
Depreciation based on cost	<u>5,675,037</u>	<u>7,123</u>	<u>4,780,659</u>	<u>10,455,440</u>
Net book value	£ 15,935,379	£ 392,907	£ 1,939,015	£ 18,274,680
	=====	=====	=====	=====

	<u>1989</u> £	<u>1988</u> £
Capital commitments:		
Contracted for	5,228,220	794,000
Authorised but not contracted for	<u>1,405,997</u>	<u>4,259,000</u>
	£6,634,217	£5,053,000
	=====	=====

NOTES TO THE ACCOUNTS
for the year ended 30 June 1989
(continued)

8. FIXED ASSET INVESTMENTS

	Shares in group companies £	Other invest- ments £	Shares in Associated Company £	Total £
Cost less amounts written off				
At 1 July 1988 and 30 June 1989	3,480,404	2,233	3,994,644	7,477,281
Provisions for diminution in value				
At 1 July 1988 and 30 June 1989	<u>426,495</u>	<u>-</u>	<u>-</u>	<u>426,495</u>
Net book value at 1 July 1988 and 30 June 1989	£3,053,909 =====	£2,233 =====	£3,994,644 =====	£7,050,786 =====

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

Mold Tarmacadam Company Limited
Pioneer Marine Aggregates Limited

The shares in associate company represent 50% of the issued share capital of TMC Pioneer Aggregates Limited, and United Marine Aggregates Limited, both companies incorporated in Great Britain.

The loss after taxation for the year ended 30 June 1989 of TMC Pioneer Aggregates Limited amounted to £112,843 and the aggregate amount of its reserves at 30 June 1989 was £5,629,481.

The profit after taxation for the year ended 30 June 1989 of United Marine Aggregates Limited amounted to £2,027,000 and the aggregate amount of its reserves at 30 June 1989 was £3,439,000.

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

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

9. STOCKS

	<u>1989</u> £	<u>1988</u> £
Raw materials and consumables	24,339	31,674
Finished goods and goods for resale	<u>645,246</u>	<u>717,469</u>
	£669,585 =====	£749,143 =====

NOTES TO THE ACCOUNTS
for the year ended 30 June 1989
(continued)

10. DEBTORS	<u>1989</u> £	<u>1988</u> £
Trade debtors	3,431,655	3,517,866
Amounts owed by subsidiaries	3,894,022	3,930,348
Amounts owed by holding company and fellow subsidiaries	16,027,905	3,480,789
Amounts owed by associated company	4,307,202	3,970,966
Prepayments and accrued income	242,749	53,189
Other debtors	<u>224,969</u>	<u>-</u>
	<u>£28,128,502</u>	<u>£14,953,158</u>

11. CREDITORS (amounts falling due within one year)	<u>1989</u> £	<u>1988</u> £
Bank overdraft	2,127,621	2,696,161
Trade creditors	2,060,296	1,595,514
Amounts owed to subsidiaries	34,092	6,083
Amounts owed to holding companies and related companies	15,047,049	5,107,597
Amount owed to associated company	14,242	7,086
Corporation tax	2,474,733	1,381,443
Other creditors	868,290	777,699
Other taxes	76,441	179,170
Accruals and deferred income	<u>2,572,509</u>	<u>2,185,861</u>
	<u>£25,275,273</u>	<u>£13,936,614</u>

The bank overdraft is secured by a cross guarantee with its holding company (note 16).

12. CREDITORS (amounts falling due after one year)	<u>1989</u>	<u>1988</u>
Amounts owed to holding companies and related companies	<u>£31,704,252</u>	<u>£31,704,252</u>

13. PROVISION FOR LIABILITIES AND CHARGES	<u>Deferred taxation</u> £
At 1 July 1988	-
Transfer to profit and loss account	<u>867,095</u>
At 30 June 1989	<u>£ 867,095</u>

NOTES TO THE ACCOUNTS
for the year ended 30 June 1989
(continued)

13. PROVISION FOR LIABILITIES AND CHARGES (continued)

The deferred taxation balance at 30 June 1989 is made up as follows:-

	<u>Provided</u>		<u>Potential</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Accelerated capital allowances	975,771	670,528	975,771	670,528
Revaluation surpluses	-	-	3,105,699	4,109,550
Realised capital gains rolled over	-	-	495,600	88,418
Other timing differences	(108,676)	(670,528)	(108,676)	(714,597)
	<u>£867,095</u>	<u>£ -</u>	<u>£4,468,394</u>	<u>£4,153,899</u>
	=====	=====	=====	=====

Deferred tax is provided in full except on rolled over capital gains and revaluation surpluses as those assets are not held for disposal. The potential liability is shown above.

14. CALLED UP SHARE CAPITAL

1989 and 1988

Authorised	
Ordinary shares of £1 each	£2,000
	=====
Allotted and fully paid:	
Ordinary shares of £1 each	£ 2
	=====

15. RESERVES

	<u>Revaluation reserve</u>	<u>Other reserve</u>	<u>Profit and loss account</u>
	<u>£</u>	<u>£</u>	<u>£</u>
At 1 July 1988	2,326,588	954,595	228,694
Profit for the year	<u>-</u>	<u>-</u>	<u>891,774</u>
At 30 June 1989	<u>£2,326,588</u>	<u>£954,595</u>	<u>£1,120,468</u>
	=====	=====	=====

16. FINANCIAL COMMITMENTS

The company has guaranteed fulfilment of hire purchase agreements in relation to trucks operated for the company by owner drivers. The total amount outstanding on the agreements at 30 June 1989 was £1,415 (1988 - £9,196).

The company is party to a cross guarantee with its holding company in respect of bank accounts in the name of Pioneer Concrete Group. At 30 June 1989 the group account was overdrawn in the group's books to the extent of £3,076,093 (1988 - £1,662,350).

PIONEER AGGREGATES (UK) LIMITEDNOTES TO THE ACCOUNTS
for the year ended 30 June 1989
(continued)

17. PENSIONS

The pension cost has been assessed in accordance with the information provided by professionally qualified independent actuaries on 1 November 1986 and 1 July 1988 for the Pioneer Concrete (Holdings) Limited Retirement Benefits Scheme and the Mixconcrete Holdings Plc Pension and Assurance Scheme respectively. Across all group companies, whose employees are members of the schemes, the normal cost in the year of providing pensions is £311,000 which is reduced to a net cost of £184,000 by the spreading forward of pension surpluses. There is however no provision in the balance sheet at 30 June 1989 because of the materiality of the amount involved. The company has decided to adopt a four year contribution holiday as part of the overall funding policy to reduce the funding surpluses.

18. ULTIMATE HOLDING COMPANY

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

19. APPROVAL OF ACCOUNTS

These accounts were approved at a directors' meeting held on 21 December 1989.