

THE MARLEY TILE COMPANY LIMITED

2 / 9029

ACCOUNTS

31st December 1987

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31st December 1987.

RESULTS AND DIVIDENDS

The total profit for the year after providing for taxation and extraordinary items amounted to £6,498,849 out of which a dividend has been paid of £1,250,000 leaving a profit of £5,248,849 which has been added to reserves.

REVIEW OF ACTIVITIES

There have been no major changes during the year in the company's activities which are those of a holding company for United Kingdom investments.

On 1st January 1987, the investments in certain subsidiaries were sold at cost to Marley plc. The company will continue to act as a holding company for a number of the United Kingdom subsidiaries of its ultimate parent company.

The acquisition of the total share capital of Bracknell Roofing Company Limited took place in May 1987 with an initial payment of £1.6 million, to be followed by three further annual payments which will not exceed £1.5 million in total.

TANGIBLE FIXED ASSETS

The changes in tangible fixed assets during the year are detailed in note 9 to the accounts.

DIRECTORS

The directors at 31st December 1987, all of whom served for the year, were:

Mr. T.J. Aisher
Mr. R.A. Aisher
Mr. R.M. Armstrong
Mr. H.C. James

All the directors at the year end were also directors of Marley plc. Their interests in the shares of Marley plc are disclosed in the accounts of that company.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office. Resolutions for their re-appointment and to authorise the directors to fix their remuneration will be submitted to the annual general meeting.

For the board


C.J. Ellis
Secretary

30th March 1988.

THE MARLEY TILE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1987

	Notes	1987 £	1986 £
TURNOVER	1	11,473,311 =====	6,706,124 =====
OPERATING PROFIT/(LOSS)	2	7,994,595	(1,896,469)
Income from shares in group companies		300,000	67,514,130
Other interest receivable		75,915	32,689
Interest payable	6	(1,712,414)	(£ 18,198)
		6,658,096	64,692,152
Amounts written off investments		-	(4,159,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,658,096	60,533,152
Taxation (payable)/recoverable	7	(204,172)	776,935
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,453,924	61,310,087
Extraordinary items	8	44,925	2,830,302
		6,498,849	64,140,389
Dividends		(1,250,000)	(66,854,386)
RETAINED PROFIT FOR THE YEAR (1986 DEFICIT)	18	5,248,849 =====	(2,713,997) =====

The notes on pages 5 to 15 form part of these accounts.

THE MARLEY TILE COMPANY LIMITEDBALANCE SHEET31st December 1987

	Notes	1987 £	1986 £
FIXED ASSETS			
Tangible assets	9	1,038,669	1,083,327
Investments	10	29,661,487	27,304,044
		<hr/>	<hr/>
		30,700,156	28,387,371
CURRENT ASSETS			
Stocks	11	15,850	9,339
Debtors	12	2,582,317	3,635,438
Investments	13	73,652	59,170
Cash at bank and in hand		1,253	7,769
		<hr/>	<hr/>
		2,673,072	3,711,716
CREDITORS			
Amounts falling due within one year	14	(5,841,264)	(6,225,420)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(3,168,192)	(2,513,704)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		27,531,964	25,873,667
CREDITORS			
Amounts falling due after more than one year	15	(20,286,627)	(24,498,641)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(1,703,911)	(1,082,449)
		<hr/>	<hr/>
		5,541,426	292,577
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	17	3,900	3,900
Profit and loss account	18	5,537,526	288,677
		<hr/>	<hr/>
		5,541,426	292,577
		=====	=====



 Directors

30th March 1988.

The notes on pages 5 to 15 form part of these accounts.

THE MARLEY TILE COMPANY LIMITED

SOURCE AND APPLICATION OF FUNDS

For the year ended 31st December 1987

	1987 £	1986 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	6,658,096	60,533,152
Extraordinary items before taxation	<u>44,925</u>	<u>2,291,995</u>
	6,703,021	62,825,147
Adjustment for items not involving movement of funds:		
Depreciation	197,515	308,039
Profit on sale of tangible fixed assets	(30,775)	-
Profit on sale of investments	(59,477)	-
Fixed assets write off	-	(6,424,147)
Amounts written off investments	<u>-</u>	<u>4,159,000</u>
TOTAL GENERATED FROM OPERATIONS	6,810,284	60,868,039
FUNDS FROM OTHER SOURCES		
Sale of tangible fixed assets	401,221	10,051,470
Taxation receipts	2,584,730	-
Sale of investments	6,247,492	2,102
Bank loans	-	24,256,757
Movement on other loans	<u>-</u>	<u>125,006</u>
TOTAL SOURCE OF FUNDS	16,043,727	95,303,374
APPLICATION OF FUNDS		
Expenditure on tangible fixed assets	523,303	3,889,426
Bank loans	5,161,012	-
Tax payments	-	1,257,144
Dividend payments	1,250,000	66,854,386
Increase in investments	1,643,157	301,979
Movement on intercompany borrowings	5,402,301	28,434,543
Movement on other loans	33,598	-
Exchange and other items	<u>-</u>	<u>418,775</u>
	14,013,371	101,156,253
NET SOURCE/(APPLICATION) FOR YEAR	2,030,356	(5,852,879)
REPRESENTING	=====	=====
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	6,511	740
Debtors	(172,142)	412,012
Creditors due within one year	1,993,483	(3,738,588)
Provisions	<u>(5,462)</u>	<u>(2,269,864)</u>
	1,822,390	(5,595,700)
INCREASE/(DECREASE) IN NET LIQUID FUNDS		
Cash at bank and in hand	(6,516)	(257,179)
Cash on short-term deposits	14,482	-
Bank loans and overdrafts	<u>200,000</u>	<u>-</u>
	2,030,356	(5,852,879)
	=====	=====

The notes on pages 5 to 15 form part of these accounts.

THE MARLEY TILE COMPANY LIMITED

ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention as modified by the inclusion of certain tangible fixed assets at valuations carried out in 1977 and 1980. Consolidated accounts are not prepared since the company is a wholly owned subsidiary of Marley plc.

b) TURNOVER

Turnover comprises the invoiced value of services provided excluding value added tax.

c) TANGIBLE FIXED ASSETS

Depreciation is provided on cost or revalued amount, less any estimated residual value, by equal annual instalments over the estimated useful lives of the assets. The rates applied to the assets are as follows:-

Freehold land	Nil
Freehold buildings	Between 2 and 4 per cent per annum
Plant & vehicles and fixtures & fittings	Generally between 5 and 20 per cent per annum

d) LEASED ASSETS

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

e) STOCKS

Stocks are stated at cost or net realisable value if lower.

f) FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at 31st December. The differences arising therefrom, along with differences arising from day-to-day trading operations, are taken directly to the profit and loss account.

g) TAXATION

Deferred taxation is provided only where there is a reasonable probability that a liability will arise in the foreseeable future.

h) PENSION COSTS

The company provides for pension liabilities by payments to independent pension funds. Contributions made to these funds are charged against profits in the year in which they are due.

THE MARLEY TILE COMPANY LIMITED

NOTES TO THE ACCOUNTS

1. ANALYSIS OF TURNOVER AND RESULTS

All turnover and operating profits arose within the United Kingdom.

Included in the figure for turnover are amounts of £10,967,368 (1986 £6,190,084) which represent sales to fellow subsidiaries.

Turnover has increased substantially over 1986 as the company now recovers all of its rechargeable costs from subsidiaries.

2. OPERATING PROFIT

	1987 £	1986 £
The following have been credited in arriving at operating profit/(loss):		
Exchange gain on foreign currency loan	5,161,012	-
Other operating income	104,027	109,428
	<hr/>	<hr/>
	5,265,039	109,428
	=====	=====

The following have been charged in arriving at operating profit/(loss):

Raw materials and consumables	95,240	447,368
Staff costs (see note 3)	3,711,183	3,975,373
Depreciation and other amounts written off tangible fixed assets	197,515	308,039
Repairs and maintenance	76,993	96,830
Lease rentals and other hire charges (see note 5)	905,371	761,817
Auditors' remuneration and expenses	157,130	116,564
Other operating charges	3,600,323	3,006,030
	<hr/>	<hr/>
	8,743,755	8,712,021
	=====	=====

3. STAFF COSTS

	1987 £	1986 £
Staff costs comprise:		
Wages and salaries	2,893,346	2,506,983
Social security costs	246,419	204,787
Other pension costs	571,418	1,263,603
	<hr/>	<hr/>
	3,711,183	3,975,373
	=====	=====

Included in the 1986 figure for other pension costs is £1,110,000 being an exceptional contribution to the Senior Executive pension following an actuarial valuation of that fund.

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

3. STAFF COSTS continued

	1987 £	1986 £
Directors' emoluments (including pension contributions)	640,903 =====	501,814 =====

Salaries and taxable benefits of the chairman and other directors were as follow:

Chairman and highest paid director	133,437 =====	101,982 =====
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	Number	Number
Other directors:		
£ 30,001 - £ 35,000	-	1
£ 40,001 - £ 45,000	-	1
£ 45,001 - £ 50,000	-	1
£ 75,001 - £ 80,000	-	1
£ 95,001 - £100,000	-	1
£100,001 - £105,000	1	-
£105,001 - £110,000	1	-
£130,001 - £135,000	1	-
	===	===

No directors' fees were payable (1986 nil).

4. AVERAGE NUMBER OF EMPLOYEES

The average number of persons employed during the year was 161 (1986 171).

The table below shows the number of higher paid employees whose emoluments (excluding pension contributions) were within the bands stated.

	1987 Number	1986 Number
£30,001 - £35,000	5	2
£35,001 - £40,000	2	3
£40,001 - £45,000	1	1
£45,001 - £50,000	2	2
£50,001 - £55,000	1	1
£55,001 - £60,000	1	-
£60,001 - £65,000	-	1
	===	===

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

5. LEASE RENTALS AND OTHER HIRE CHARGES

	1987 £	1986 £
Operating leases in respect of:		
Land and buildings	381,540	456,289
Plant and machinery	354,205	16,749
Motor Vehicles	<u>118,925</u>	<u>125,140</u>
	854,670	598,178
Payments under finance leases	<u>50,701</u>	<u>163,639</u>
	<u>905,371</u>	<u>761,817</u>
	=====	=====

6. INTEREST PAYABLE

	1987 £	1986 £
On loans repayable within five years	1,658,718	872,932
On bank overdraft	<u>53,696</u>	<u>85,260</u>
	1,712,414	958,198
	=====	=====

7. TAXATION

	1987 £	1986 £
Taxation on profit on ordinary activities:		
United Kingdom Corporation tax payable/(recoverable) at 35% (1986 36.25%)	239,000	(440,000)
Deferred taxation credit	-	(169,000)
Prior year adjustments	<u>(34,828)</u>	<u>(167,935)</u>
	204,172	(776,935)
	=====	=====

The prior year adjustments arise mainly as a result of the agreement of assessments with the Inland Revenue.

8. EXTRAORDINARY ITEMS

	1987 £	1986 £
Extraordinary profit on sale of properties	-	(6,540,256)
Taxation thereon	<u>-</u>	<u>1,000,000</u>
	-	(5,540,256)
Reorganisation costs	(44,925)	4,248,261
Attributable tax relief	<u>-</u>	<u>(1,538,307)</u>
	<u>(44,925)</u>	<u>(2,830,302)</u>
	=====	=====

THE MARLEY TILE COMPANY LIMITEDNOTED TO THE ACCOUNTS continued

9. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant & Vehicles £	Fixtures & Fittings £	Total £
Cost or valuation				
At 1st January 1987	494,316	767,481	1,092,804	2,354,601
Intercompany transfers in	-	86,863	-	86,863
Additions	-	121,806	331,942	453,748
Intercompany transfers out	-	(440,056)	(11,322)	(451,378)
Disposals	-	(349,759)	(122,512)	(472,271)
At 31st December 1987	<u>494,316</u> =====	<u>186,335</u> =====	<u>1,290,912</u> =====	<u>1,971,563</u> =====
Comprising:				
Cost	189,027	186,335	1,290,912	1,666,274
Valuation in 1980	305,289	-	-	305,289
	<u>494,316</u> =====	<u>186,335</u> =====	<u>1,290,912</u> =====	<u>1,971,563</u> =====
Accumulated depreciation				
At 1st January 1987	51,547	425,729	793,998	1,271,274
Charge for the period	13,922	79,314	104,279	197,515
Intercompany transfers in	-	17,308	-	17,308
Intercompany transfers out	-	(168,295)	(11,159)	(179,454)
Disposals	-	(256,600)	(117,149)	(373,749)
At 31st December 1987	<u>65,469</u> =====	<u>97,456</u> =====	<u>769,969</u> =====	<u>932,894</u> =====
Net book amounts				
At 1st January 1987	<u>442,769</u> =====	<u>341,752</u> =====	<u>298,806</u> =====	<u>1,083,327</u> =====
At 31st December 1987	<u>428,847</u> =====	<u>88,879</u> =====	<u>520,943</u> =====	<u>1,038,669</u> =====

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

9. TANGIBLE FIXED ASSETS continued

The net book amount of freehold property as determined on historical cost or the earliest available record of values where appropriate, is as follows:

	1987 £	1986 £
Freehold Property		
Cost	215,596	215,596
Accumulated depreciation	(55,469)	(41,547)
	<hr/>	<hr/>
Net book amounts	160,127 =====	174,049 =====

The net book amounts of plant and vehicles and fixtures and fittings determined on historical cost are not materially different from the amounts included in the balance sheet, as shown on page 9.

10. FIXED ASSET INVESTMENTS

a) Investments in subsidiary companies

	Shares at cost £	Provisions against investment £	Total £
At 1st January 1987	10,584,916	(4,190,000)	6,394,916
Additions	3,143,157	-	3,143,157
Disposals to group company	(6,188,015)	-	(6,188,015)
	<hr/>	<hr/>	<hr/>
At 31st December 1987	7,540,058 =====	(4,190,000) =====	3,350,058 =====

Shares are included at cost less amounts written off. Details of the principal subsidiaries are set out overleaf and are wholly owned except where indicated.

The Directors are of the opinion that the value of investment in subsidiaries is not less than the aggregate amount at which they are shown in the balance sheet.

THE MARLEY TILE COMPANY LIMITED

NOTES TO THE ACCOUNTS continued

10. FIXED ASSET INVESTMENTS continued

Trading

Anchor Insurance Brokers Limited	Seladek Limited (formerly Automatic
Bracknell Roofing Company Limited	Garage Doors Limited)
(acquired May 1987)	Simple Additions Limited (formerly
Furlong Bros. (Roofing) Limited	Master Plumber Limited)
MCS Roofing Limited (formerly Marley	South Western Tiling Co. Limited
Homecare Limited)	S.W.T. Ceramics Limited (indirectly
Mastercraft Roofing Contractors	owned)
Limited (formerly Duke Brothers	Tubbs Building Supplies Limited
Limited)	

Dormant

Ardel Plastics Limited	Marley Triform Limited
Flex Haulage Limited	Marley Windowline Limited
Florstyle (U.K.) Limited	Mayfield Ceramics Limited
Marley B.M.F. Limited (formerly	Mayfield Distributors Limited
Marley Kitchens Limited)	Sterling Computer Services Limited
Marley Carpets Limited	Strathclyde Building and Roofing
Marley Trident Limited	Supplies Limited

b) Investments with holding company

	<u>Loans receivable</u> £
At 1st January 1987	18,909,129
Advances	5,402,301
	<hr/>
At 31st December 1987	24,311,430
	=====

c) Investments in related companies

	<u>Shares at cost</u> £	<u>Provision against investment</u> £	<u>Net book amount</u> £
At 1st January 1987 and 31st December 1987	6,250,000	(4,250,001)	1,999,999
	=====	=====	=====
Total fixed asset investments at 31st December 1987			29,661,487
			=====

The investments in related companies represent 49% of the ordinary share capital and 18% of the 6% cumulative preference shares of Weston Hyde Products Limited, a manufacturer of plastic sheeting and wall coverings.

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

11. STOCKS	1987 £	1986 £
Raw materials	15,850 =====	9,339 =====
12. DEBTORS	1987 £	1986 £
a) Amounts falling due within one year		
Trade debtors	440,511	428,803
Amounts owed by Marley companies	582,592	720,692
Taxation recoverable	15,960	196,252
Group relief receivable	379,313	1,574,000
Other debtors	227,218	178,131
Prepayments and accrued income	442,723	537,560
	2,088,317 =====	3,635,438 =====
b) Amounts falling due in more than one year		
Taxation recoverable	494,000 =====	- =====
Total debtors	2,582,317 =====	3,635,438 =====
13. CURRENT ASSETS INVESTMENTS	1987 £	1986 £
Short term deposits	73,652 =====	59,170 =====
14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	1987 £	1986 £
Bank loans and overdrafts	700,000	900,000
Trade creditors	259,063	158,538
Bills payable	167,280	224,900
Amounts owed to Marley companies	84,863	84,367
Taxation payable	156,852	38,401
Group relief payable	1,840,744	649,868
Social security creditor	1,189,182	556,935
Other creditors	500,000	-
Accruals and deferred income	943,280	3,612,411
	5,841,264 =====	6,225,420 =====

Other creditors represents the maximum amount of deferred consideration payable within one year in respect of the purchase of Bracknell Roofing Company Limited.

Accruals and deferred income includes an amount of £2,600 payable to the Marley pension schemes.

THE MARLEY TILE COMPANY LIMITED

NOTES TO THE ACCOUNTS continued

15. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1987 £	1986 £
Bank loans and overdrafts	19,095,745	24,256,757
Other loans	91,408	125,006
Taxation payable	99,474	116,878
Other creditors	1,000,000	-
	<hr/>	<hr/>
	20,286,627	24,498,641
	=====	=====

The repayment terms of the bank loans are between two and five years and the other borrowings are over five years.

Other creditors represents the maximum amount of deferred consideration payable in more than one year in respect of the purchase of Bracknell Roofing Company Limited.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £	Others £	Total £
At 1st January 1987	1,358,000	(2,440,449)	(1,082,449)
Transfer from subsidiary company	-	(155,000)	(155,000)
Utilised in year	(616,000)	149,538	(466,462)
	<hr/>	<hr/>	<hr/>
At 31st December 1987	742,000	(2,445,911)	(1,703,911)
	=====	=====	=====

Full provision has been made for deferred tax in respect of accelerated capital allowances.

Other provisions relate to extraordinary reorganisation costs.

17. SHARE CAPITAL	1987 £	1986 £
Authorised, issued and fully paid Ordinary shares of £1 each	3,900 =====	3,900 =====

18. RESERVES

	Profit & Loss Account £
At 1st January 1987	288,677
Profit for the year	5,248,849
	<hr/>
At 31st December 1987	5,537,526
	=====

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

19. FUTURE CAPITAL EXPENDITURE

	1987	1986
	£	£
Capital authorisations not included in the accounts		
Expenditure authorised, not yet contracted for	-	2,795
	=====	=====

20. LEASING COMMITMENTS

Under finance leases:

	1987	1986
	£	£
Payable within one year	456,017	827,355
Payable between two and five years	750,388	1,474,947
Payable after more than five years	6,362	5,188
	-----	-----
	1,212,767	2,307,490
	=====	=====

Under operating leases payable during the coming year:

	1987	1986
	£	£
Land and buildings		
Leases expiring after more than five years	381,540	323,055
	-----	-----
	381,540	323,055
	=====	=====

	1987	1986
	£	£
Plant and machinery		
Lease expiring within one year	118,028	72,406
Leases expiring between two and five years	455,909	142,508
Leases expiring after more than five years	-	10,000
	-----	-----
	573,937	224,914
	=====	=====

NOTES TO THE ACCOUNTS continued

21. ASSETS CHARGED

With certain other United Kingdom subsidiaries of Marley plc the company has charged all its assets both present and future to secure repayment of the following outstanding liability of Marley plc:

11% Debenture stocks 2009 £25,000,000 (1986 £25,000,000)

22. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Marley plc, a company incorporated in the United Kingdom.

AUDITORS' REPORT TO THE MEMBERS OF THE MARLEY TILE COMPANY LIMITED

We have audited the accounts on pages 2 to 13 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
London

30th March 1988.