

Peat Marwick McLintock

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PARMA HOUSE  
COMPANIES INDUSTRIAL PRODUCTS LIMITED  
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1988

TARMAC INDUSTRIAL PRODUCTS LIMITEDDIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31st December 1988.

Share capital

On 14th December 1988 the authorised share capital was increased to £25,000,000. On the same date 24,800,000 ordinary shares of £1 each were issued as fully paid to Tarmac PLC.

Results and dividend

The loss for the year after tax amounted to £10,046,978. The directors do not recommend the payment of a dividend.

Principal activities and business review

The company is principally an investment holding company providing management, administration and development services.

The operating subsidiary companies continue to be engaged in the manufacture and application of products mainly for the building trade.

During the year the company acquired the whole of the issued share capital of the following companies:

Morceau Holdings plc  
Pollards of London Limited  
Pollastrip Limited

On 9th September 1988 an offer was made to acquire the whole of the issued share capital of Ruberoid plc. This offer was declared unconditional on 9th November 1988. At 12th January 1989, over 90% of the issued ordinary share capital had been acquired and the procedure for the compulsory acquisition of the remaining ordinary share capital was put into effect.

Directors and directors' interests

The directors who served during the year, and changes since the year end, are as follows:

Sir Eric J. Pountain	
B.W. Baker	
D.T. Carr	(resigned 13th June 1988)
T.H. Mason	
I.G.S. McPherson	
The Lord Stafford	
W.K. Jackson	(resigned 31st January 1989)
C.J. Myatt	
D.T. Watson	
B.G. Duncan	(appointed 17th January 1989)
A.S. McKinlay	(appointed 17th January 1989)
P. Race	(appointed 17th January 1989)
P. Simpson	(appointed 17th January 1989)
P.G. Stanyard	(appointed 17th January 1989)

TARMAC INDUSTRIAL PRODUCTS LIMITEDDIRECTORS' REPORT  
(continued)Directors and directors' interests (continued)

The interests of those directors who are also directors of Tarmac PLC are shown in the directors' report of that company. The interests of the other directors in the share capital of Tarmac PLC are set out below:

	<u>At 1st January</u> 1988		<u>At 31st December</u> 1988	
	<u>Ordinary</u> <u>shares</u>	<u>Share</u> <u>options</u>	<u>Ordinary</u> <u>shares</u>	<u>Share</u> <u>options</u>
The Lord Stafford	-	-	-	-
W.K. Jackson	1,200	30,224	23,578	8,000
C.J. Myatt	4,000	41,096	4,000	69,096
D.T. Watson	-	-	-	16,000

No director had any beneficial interest in the share or loan capital of any subsidiary of Tarmac PLC.

Fixed assets

Movements in tangible fixed assets are set out in note 10 of the financial statements and movements in investments held as fixed assets are set out in note 11 of the financial statements.

Auditors

In accordance with Section 384(1) of the Companies Act 1985, a resolution concerning the re-appointment of Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming annual general meeting.

By Order of the Board



Director

10th March 1989

AUDITORS' REPORT TO THE MEMBERS OF  
TARMAC INDUSTRIAL PRODUCTS LIMITED

We have audited the financial statements set out on pages 4 to 15 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 31st December 1988 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to the fact that the financial statements do not contain a statement of source and application of funds and thus do not comply with Statement of Standard Accounting Practice No. 10.

*Paul Marwick McLinock*

Birmingham  
10th March 1989

Chartered Accountants

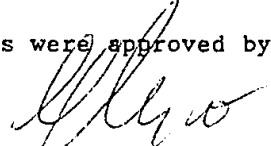
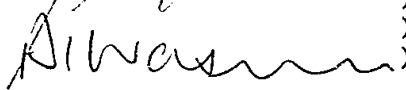
TARMAC INDUSTRIAL PRODUCTS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st DECEMBER 1988

	Note	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
OPERATING (LOSS)/PROFIT FOR THE YEAR	3	(5,372,932)	10,774,398
Interest receivable	4	40,715	151,793
Interest payable	5	(4,600,057)	(3,304,654)
(LOSS)/PROFIT ON ORDINARY ACT. RES BEFORE TAXATION	6	(9,932,274)	7,621,537
Taxation (charge)/credit	9	(114,704)	107,819
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(10,046,978)	7,729,356
Dividend paid		-	(6,640,928)
(LOSS)/PROFIT TRANSFERRED TO RESERVES	17	(10,046,978)	1,088,428

TAPMAC INDUSTRIAL PRODUCTS LIMITEDBALANCE SHEETAT 31st DECEMBER 1988

	Note	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
FIXED ASSETS			
Tangible assets	10	1,021,371	1,054,502
Investments	11	192,415,284	52,312,805
		<u>193,436,655</u>	<u>53,367,307</u>
CURRENT ASSETS			
Debtors	12	30,667,022	32,966,113
Cash at bank and in hand		14,563	13,848
		<u>30,681,585</u>	<u>32,979,961</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(5,471,415)</u>	<u>(6,984,679)</u>
NET CURRENT ASSETS		<u>25,210,170</u>	<u>25,995,282</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>218,646,825</u>	<u>79,362,589</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	<u>(200,856,624)</u>	<u>(76,283,244)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(188,492)</u>	<u>(230,658)</u>
		<u>17,601,709</u>	<u>2,848,687</u>
CAPITAL AND RESERVES			
Called up share capital	16	25,000,000	200,000
Revaluation reserve	17	576,276	576,276
Profit and loss account	17	<u>(7,974,567)</u>	<u>2,072,411</u>
		<u>17,601,709</u>	<u>2,848,687</u>

These accounts were approved by the board of directors on 10th March 1989.

)  
) DIRECTORS

TARMAC INDUSTRIAL PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1988

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared using the historical cost convention, modified to include the revaluation of certain tangible assets.

(b) Fixed asset investments

Shareholdings in subsidiary companies are shown at cost less amounts written off.

(c) Depreciation

Freehold land and investment property is not depreciated.

Depreciation is provided to write off the cost or revaluation of tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Freehold buildings - up to 50 years  
Short leasehold - period of lease  
Long leasehold - up to 50 years  
Plant and equipment - from 3 to 15 years

(d) Deferred taxation

Deferred taxation is provided using the liability method in respect of capital allowances on tangible fixed assets and other timing differences to the extent that these are expected to result in tax liabilities becoming payable in the foreseeable future.

(e) Exchange rates

Transactions denominated in foreign currencies are translated into sterling and recorded at the rates of exchange ruling at the transaction dates. Balances outstanding at the year end, denominated in foreign currencies, are translated into sterling at the exchange rates ruling at the balance sheet date.

(f) Operating leases

Operating lease costs are charged to the profit and loss account as they are incurred. Assets which are subject to operating leases are not recorded in the balance sheet.

(g) Consolidated accounts

Group accounts have not been prepared as the company is a wholly owned subsidiary of another body corporate. In the opinion of the directors, the valuation of investments in subsidiary companies at 31st December 1988 is not less than the amount at which they are stated in the balance sheet.

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1988  
(continued)

1. Accounting policies (continued)(h) Source and application of funds

The company does not prepare a statement of source and application of funds as the directors do not consider this statement appropriate to a wholly owned subsidiary.

2. Floating charge

A first floating charge has been created on the assets and undertaking of the company as collateral security for the issue of the following debenture stocks by Tarmac PLC.

£1,801,249 - 7.50% - 1987/1992

£1,110,452 - 6.25% - 1989/1994

£547,370 - 6.75% - 1989/1994

£1,382,403 - 7.50% - 1992/1997

3. Operating (loss)/profit for the year

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Income net of administrative expenses	3,749,958	2,372,563
Net amounts (written off)/credited to loans to and investments in group companies	(9,827,470)	266,997
	<u>(6,077,512)</u>	<u>2,639,560</u>
Income from shares in group companies	704,580	8,134,836
	<u>(5,372,932)</u>	<u>10,774,396</u>

4. Interest receivable

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Interest receivable from group companies	18,588	26,535
Other interest receivable	22,127	125,258
	<u>40,715</u>	<u>151,793</u>



TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1988

(continued)

5. Interest payable

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Interest payable to group companies	3,272,936	2,740,113
Interest payable on bank loans and overdrafts	778,923	-
Interest payable on other loans wholly repayable within five years	546,327	563,106
Other interest payable	1,871	1,435
	<u>4,600,057</u>	<u>3,304,654</u>

6. (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation has been arrived at after charging/(crediting) the following:

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Depreciation (note 10)	78,021	69,649
Auditors' remuneration	30,550	19,325
Refund of pension contribution	(1,098,291)	(719,000)
Directors' remuneration (note 8)	279,549	376,738
Operating leases:		
Hire of land and buildings	28,500	28,500
Hire of other assets	62,404	52,266

7. Staff numbers and costs

The average number of employees during the year was 30 (1987: 20).

Staff costs during the year amounted to:

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Wages and salaries	803,233	548,030
Social security costs	66,400	27,633
Other pension costs	107,209	43,061
	<u>976,842</u>	<u>618,724</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1988

(continued)

7. Staff numbers and costs (continued)

Excluding pension contributions, the number of employees whose emoluments fell within the following ranges were as follows:

	<u>1988</u>	<u>1987</u>
	<u>Number</u>	<u>Number</u>
£35,001 - £40,000	<u>1</u>	<u>-</u>

8. Directors' remuneration

Directors' remuneration comprises:

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Fees	4,292	5,365
Management remuneration	275,257	269,934
Compensation for loss of office	-	101,439
	<u>279,549</u>	<u>376,738</u>

Excluding pension contributions and compensation for loss of office, the remuneration of the directors was as follows:

	<u>Nil</u>	<u>Nil</u>
Chairman		
Highest paid director	<u>95,195</u>	<u>85,559</u>

The remuneration of the other directors were within the following ranges:

	<u>Number</u>	<u>Number</u>
£0 - £5,000	4	3
£5,001 - £10,000	-	1
£15,001 - £20,000	-	2
£20,001 - £25,000	-	2
£25,001 - £30,000	-	1
£30,001 - £35,000	-	1
£50,001 - £55,000	1	-
£55,001 - £60,000	1	-
£65,001 - £70,000	1	-

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1988

(continued)

9. Taxation on (charge)/credit

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Group relief receivable on loss for the year at 35%	135,296	128,000
Prior year adjustment	(250,000)	(20,181)
	<u>(114,704)</u>	<u>107,819</u>

The tax charge has been reduced by £400 (1987: credit reduced by £88,500) in respect of capital allowances and other timing differences for which no deferred taxation is provided.

10. Tangible fixed assets

	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<u>Cost or valuation</u>			
At 1st January 1988	896,500	296,170	1,192,670
Additions	-	46,057	46,057
Group transfers	(2,000)	1,263	(737)
At 31st December 1988	<u>894,500</u>	<u>343,490</u>	<u>1,237,990</u>
Gross amounts of depreciable assets	<u>314,500</u>	<u>343,490</u>	<u>657,990</u>
<u>Accumulated depreciation</u>			
At 1st January 1988	17,873	120,295	138,168
Provision for the year	9,849	68,172	78,021
Group transfer	-	430	430
At 31st December 1988	<u>27,722</u>	<u>188,897</u>	<u>216,619</u>
<u>Net book value</u>			
At 31st December 1988	<u>866,778</u>	<u>154,593</u>	<u>1,021,371</u>
At 31st December 1987	<u>878,627</u>	<u>175,875</u>	<u>1,054,502</u>
The net book value of land and buildings comprises:			
	<u>1988</u>	<u>1987</u>	
	<u>£</u>	<u>£</u>	
Freehold	669,750	674,375	
Long leasehold	9,200	9,200	
Short leasehold	187,828	195,052	
	<u>866,778</u>	<u>878,627</u>	

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1988

(continued)

10. Tangible fixed assets (continued)

Certain freehold and long leasehold land and buildings are held as investment properties and are stated at directors' valuation. In accordance with Statement of Standard Accounting Practice No. 19 no depreciation has been charged. The carrying value of investment properties is £580,000.

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
The gross book value of land and buildings comprises:		
Historical cost	314,500	316,500
Valuations at 31st December 1985	580,000	580,000
	<u>894,500</u>	<u>896,500</u>
Land and buildings determined according to the historic cost accounting rules are as follows:		
At cost	1,150,078	1,152,078
Accumulated depreciation	(27,722)	(17,873)
Net book value	<u>1,122,356</u>	<u>1,134,205</u>

11. Investments

	<u>Shares in group companies</u>	<u>Shares in related companies</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<u>Cost</u>			
At 1st January 1988	68,848,165	40	68,848,205
Acquisitions	153,531,404	-	153,531,404
Disposals	(128,215)	-	(128,215)
Reclassification as loan to subsidiary	(4,484,231)	-	(4,484,231)
At 31st December 1988	<u>217,767,123</u>	<u>40</u>	<u>217,767,163</u>
<u>Provisions against cost</u>			
At 1st January 1988	16,535,400	-	16,535,400
Profit and loss account	8,898,541	-	8,898,541
Disposals	(82,062)	-	(82,062)
At 31st December 1988	<u>25,351,879</u>	<u>-</u>	<u>25,351,879</u>
<u>Net book value</u>			
At 31st December 1988	<u>192,415,244</u>	<u>40</u>	<u>192,415,284</u>
At 31st December 1987	<u>52,312,765</u>	<u>40</u>	<u>52,312,805</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1988

(continued)

11. Investments (continued)Principal subsidiary companies (all wholly owned unless otherwise stated)

	<u>Country of incorporation</u>	<u>Identity of shares held</u>
Owned by the company:		
Aquaseal Limited	England	Ordinary
Briggs Amasco Limited	Scotland	Ordinary
Feb International Limited	England	Ordinary
Morceau Holdings plc	England	Ordinary
Neuchatel Holding B.V.	Netherlands	Ordinary
Pollards of London Limited	England	Ordinary
Pollastrip Limited	England	Ordinary
Ruberoid plc	England	Ordinary
TBP Industries Limited	England	Ordinary
Owned by subsidiaries:		
Aaronite A/S	Norway	Ordinary
Antwerps Teer & Asphaltbedrijf N.V. (79%)	Belgium	Ordinary
Compagnie de Matériaux et de Services S.A.	France	Ordinary
Irish Roofing Felts Limited	Eire	Ordinary
Morceau-Aaronite Limited	England	Ordinary
Nebiprofa Nederlandse Bitumenproducten Fabrieken B.V. (75%)	Netherlands	Ordinary
Ruberoid Building Products Limited	England	Ordinary
Ruberoid Contracts Limited	England	Ordinary
Tarmac Roofing Systems Inc.	USA	Common Stock

The above companies are either holding companies of groups engaged in or are directly engaged in the manufacture and application of products mainly for the building trade.

Related company

The company owns 40% of the issued share capital of Velmac Limited. Velmac Limited did not trade during the year and its aggregate share capital and reserves as at 31st December 1988 amounted to £100.

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1988

(continued)

12. Debtors

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Amounts owed by group companies:		
Subsidiaries	29,916,234	32,330,818
Other group companies	53,524	38,888
Amounts owed by related companies	134,165	8,750
Other debtors	510,753	562,107
Prepayments and accrued income	52,346	25,550
	<u>30,667,022</u>	<u>32,966,113</u>
Included in the above are debtors falling due after more than one year:		
Amounts owed by subsidiaries	<u>29,731,191</u>	<u>27,268,045</u>

13. Creditors: amounts falling due within one year

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Amounts owed to group companies:		
Subsidiaries	1,978,089	499,867
Other group companies	1,568,989	4,498,775
Amounts owed to related companies	22,194	19,699
Corporation tax	756,776	1,315,588
Social security and other taxation	535,770	408,094
Other creditors	255,716	84,080
Accruals and deferred income	353,881	158,576
	<u>5,471,415</u>	<u>6,984,679</u>

14. Creditors: amounts falling due after more than one year

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Amounts owed to group companies:		
Subsidiaries	34,710,732	27,204,091
Other group companies	166,145,852	49,079,153
Amounts owed to related companies	40	-
	<u>200,856,624</u>	<u>76,283,244</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1988  
(continued)

15. Provisions for liabilities and charges

	<u>Provisions</u> <u>£</u>
At 1st January 1988	230,658
Expenditure during year	(27,166)
Transfer to other creditors	(15,000)
At 31st December 1988	<u>188,492</u>

The amounts provided for deferred taxation and the full potential asset are set out below:

	<u>1988</u>		<u>1987</u>	
	<u>Provided</u> <u>in accounts</u> <u>£</u>	<u>Full</u> <u>potential</u> <u>liability</u> <u>/(asset)</u> <u>£</u>	<u>Provided</u> <u>in accounts</u> <u>£</u>	<u>Full</u> <u>potential</u> <u>liability</u> <u>/(asset)</u> <u>£</u>
Accelerated capital allowances	-	400	-	7,000
Other timing differences	-	(131,500)	-	(138,500)
	-	(131,100)	-	(131,500)

16. Called up share capital

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Authorised, allotted, called up and fully paid:		
25,000,000 (1987: 200,000) ordinary shares of £1 each	<u>25,000,000</u>	<u>200,000</u>

On 14th December 1988 the authorised share capital was increased to £25,000,000 from £200,000. On the same date 24,800,000 ordinary shares of £1 each were issued at par as fully paid to Tarmac PLC for a consideration of £24,800,000. The reason for the issue was to increase the capital base of the company.

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1988  
(continued)

17. Reserves

	<u>Revaluation reserve</u> <u>£</u>	<u>Profit and loss account</u> <u>£</u>
At 1st January 1988	576,276	2,072,411
Loss for the year	-	(10,046,978)
At 31st December 1988	<u>576,276</u>	<u>(7,974,567)</u>

18. Financial and capital commitments

## (a) Annual commitments under non-cancellable operating lease:

	<u>1988</u>		<u>1987</u>	
	<u>Land and buildings</u> <u>£</u>	<u>Other</u> <u>£</u>	<u>Land and buildings</u> <u>£</u>	<u>Other</u> <u>£</u>
Operating leases which expire:				
Within one year	-	10,684	-	4,295
In second to fifth years	-	54,028	-	40,401
Over five years	28,500	-	28,500	-
	<u>28,500</u>	<u>64,712</u>	<u>28,500</u>	<u>44,696</u>

## (b) Commitments for capital expenditure for which no provision has been made in the accounts were as follows:

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Authorised but not contracted	<u>150,000</u>	<u>-</u>

19. Ultimate holding company

The company's ultimate holding company is Tarmac PLC incorporated in England.