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TARMAC INDUSTRIAL PRODUCTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
COMPANIES HOUSE

27 DEC 1990 FOR THE YEAR ENDED 31st DECEMBER 1989

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TARMAC INDUSTRIAL PRODUCTS LIMITEDDIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31st December 1989.

Results and dividend

The loss for the year after tax amounted to £8,512,317. 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.

Directors and directors' interests

The directors who served during the year and subsequently were:

Sir Eric J. Pountain  
B.W. Baker  
T.H. Mason  
I.G.S. McPherson  
The Lord Stafford  
C.J. Myatt  
D.T. Watson  
B.G. Duncan (appointed 17th January 1989)  
P. Race (appointed 17th January 1989)  
P. Simpson (appointed 17th January 1989)  
P.G. Stanyard (appointed 17th January 1989)  
W.K. Jackson (resigned 31st January 1989)  
A.S. McKinlay (appointed 17th January 1989, resigned 30th June 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 and loan capital of Tarmac PLC are set out below:

	At 31st December 1989		At 1st January 1989 or date of appointment	
	Ordinary shares	Share options	Ordinary shares	Share options
The Lord Stafford	2,300	-	2,300	-
C.J. Myatt	5,392	128,035	5,392	69,096
D.T. Watson	-	48,655	-	16,000
B.G. Duncan	1,782	89,069	3,424	83,048
P. Race	-	72,000	1,000	68,000
P. Simpson	-	31,189	-	3,189
P.G. Stanyard	2,120	19,668	2,120	1,784

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

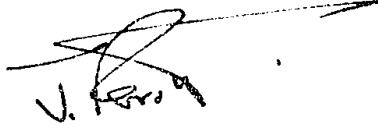
Fixed assets

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

On 1st January 1990 the auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with Section 384(1) of the Companies Act 1985, a resolution concerning the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming annual general meeting.

By Order of the Board



Secretary

12th March 1990

AUDITORS' REPORT TO THE MEMBERS OF  
TARMAC INDUSTRIAL PRODUCTS LIMITED

We have audited the financial statements set out on pages 4 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 31st December 1989 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.

Birmingham

12th March 1990

*KPMG Peat Marwick McLintock*

Chartered Accountants

TARMAC INDUSTRIAL PRODUCTS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st DECEMBER 1989

	Note	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
OPERATING PROFIT/(LOSS) FOR THE YEAR	3	2,230,727	(5,372,932)
Interest receivable	4	381,654	40,715
Interest payable	5	(17,378,725)	(4,600,057)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(14,766,344)	(9,932,274)
Taxation credit/(charge)	9	6,254,027	(114,704)
LOSS TRANSFERRED TO RESERVES	17	<u>(8,512,317)</u>	<u>(10,046,978)</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDBALANCE SHEETAT 31st DECEMBER 1989

	Note	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
<b>FIXED ASSETS</b>			
Tangible assets	10	711,112	1,021,371
Investments	11	173,656,086	192,415,284
		<u>174,367,198</u>	<u>193,436,655</u>
<b>CURRENT ASSETS</b>			
Debtors	12	43,775,300	30,667,022
Cash at bank and in hand		16,937	14,563
		<u>43,792,237</u>	<u>30,681,585</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(4,854,569)	(5,471,415)
NET CURRENT ASSETS		<u>38,937,668</u>	<u>25,210,170</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>213,304,866</u>	<u>218,646,825</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(207,182,468)	(200,856,624)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(260,000)	(188,492)
		<u>5,862,398</u>	<u>17,601,709</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	25,000,000	25,000,000
Revaluation reserve	17	-	576,276
Profit and loss account	17	(19,137,602)	(7,974,567)
		<u>5,862,398</u>	<u>17,601,709</u>

The financial statements were approved by the board of directors on 12th March 1990.

*[Signature]*  
*[Signature]* )  
 ) DIRECTORS

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 19891. 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.

Exchange differences arising in respect of trading transactions are taken to the profit and loss account. Exchange differences arising on loans to fund overseas subsidiaries are taken directly to reserves.

(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.

TARMAC INDUSTRIAL PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1989  
(continued)

1. Accounting policies (continued)

(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 1989 is not less than the amount at which they are stated in the balance sheet.

(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.

£1,674,485 - 7.50% - 1987/1992  
£1,098,860 - 6.25% - 1989/1994  
£501,667 - 6.75% - 1989/1994  
£1,342,836 - 7.50% - 1992/1997

3. Operating profit/(loss) for the year

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Income net of administrative expenses	3,396,225	3,749,958
Net amounts written off loans to and investments in group companies	(6,410,755)	(9,827,470)
	<u>(3,014,530)</u>	<u>(6,077,512)</u>
Income from shares in group companies	4,640,919	704,580
Profit on sale of tangible fixed assets	604,338	-
	<u>2,230,727</u>	<u>(5,372,932)</u>

4. Interest receivable

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Interest receivable from group companies	-	18,588
Other interest receivable	381,654	22,127
	<u>381,654</u>	<u>40,715</u>

IARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1989

(continued)

5. Interest payable

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Interest payable to group companies	16,705,964	3,272,936
Interest payable on bank loans and overdrafts	-	778,923
Interest payable on other loans wholly repayable within five years	672,761	546,327
Other interest payable	-	1,871
	<u>17,378,725</u>	<u>4,600,057</u>

6. Loss on ordinary activities before taxation

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

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Depreciation (note 10)	88,247	78,021
Auditors' remuneration	36,000	30,550
Refund of pension contribution	-	(1,098,291)
Directors' remuneration (note 8)	277,711	279,549
Operating leases:		
Land and buildings	28,500	28,500
Other assets	73,473	62,404

7. Staff numbers and costs

The average number of employees during the year was 38 (1988: 40).

Staff costs during the year amounted to:

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Wages and salaries	661,388	803,233
Social security costs	64,173	66,400
Other pension costs	22,084	107,209
	<u>747,645</u>	<u>976,842</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1989  
(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>1989</u>	<u>1988</u>
	<u>Number</u>	<u>Number</u>
£30,001 - £35,000	1	-
£35,001 - £40,000	1	1
£50,001 - £55,000	1	-

8. Directors' remuneration

Directors' remuneration comprises:

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Fees	4,292	4,292
Management remuneration	273,419	275,257
	<u>277,711</u>	<u>279,549</u>

Excluding pension contributions the remuneration of the directors were as follows:

	<u>Nil</u>	<u>Nil</u>
Chairman		
Highest paid director	<u>72,323</u>	<u>95,195</u>

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

	<u>Number</u>	<u>Number</u>
£0 - £5,000	8	4
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-
£50,001 - £55,000	-	1
£55,001 - £60,000	1	1
£65,001 - £70,000	-	1

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1989

(continued)

9. Taxation credit/(charge)

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Group relief receivable on loss for the year at 35%	4,612,500	135,296
Prior year adjustment	1,641,527	(250,000)
	<u>6,254,027</u>	<u>(114,704)</u>

The tax credit for the year has been reduced by £191,400 and the tax charge in 1988 was reduced by £400 in respect of capital allowances and other timing differences for which no deferred tax asset has been created.

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 1989	894,500	343,490	1,237,990
Additions	-	112,988	112,988
Disposals	(335,000)	-	(335,000)
At 31st December 1989	<u>559,500</u>	<u>456,478</u>	<u>1,015,978</u>
Gross amounts of depreciable assets	<u>314,500</u>	<u>456,478</u>	<u>770,978</u>
<u>Accumulated depreciation</u>			
At 1st January 1989	27,722	188,897	216,619
Provision for the year	9,849	78,398	88,247
At 31st December 1989	<u>37,571</u>	<u>267,295</u>	<u>304,866</u>
<u>Net book value</u>			
At 31st December 1989	<u>521,929</u>	<u>189,183</u>	<u>711,112</u>
At 31st December 1988	<u>866,778</u>	<u>154,593</u>	<u>1,021,371</u>

The net book value of land and buildings comprises:

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Freehold	332,125	669,750
Long leasehold	9,200	9,200
Short leasehold	180,604	187,828
	<u>521,929</u>	<u>866,778</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1989

(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 £245,000.

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
The gross book value of land and buildings comprises:		
Historical cost	314,500	314,500
Valuation at 31st December 1985	245,000	580,000
	<u>559,500</u>	<u>894,500</u>
Land and buildings determined according to the historic cost accounting rules are as follows:		
At cost	559,078	1,150,078
Accumulated depreciation	(37,571)	(27,722)
Net book value	<u>521,507</u>	<u>1,122,356</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 1989	217,767,123	40	217,767,163
Over accrual in respect of prior year acquisitions	(526,998)	-	(526,998)
Disposals	(16,848,217)	-	(16,848,217)
At 31st December 1989	<u>200,391,908</u>	<u>40</u>	<u>200,391,948</u>
<u>Provisions against cost</u>			
At 1st January 1989	25,351,879	-	25,351,879
Profit and loss account	3,335,246	-	3,335,246
Disposals	(1,951,263)	-	(1,951,263)
At 31st December 1989	<u>26,735,862</u>	<u>-</u>	<u>26,735,862</u>
<u>Net book value</u>			
At 31st December 1989	<u>173,656,046</u>	<u>40</u>	<u>173,656,086</u>
At 31st December 1988	<u>192,415,244</u>	<u>40</u>	<u>192,415,284</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1989

(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 Limited	England	Ordinary
TBP Industries Limited	England	Ordinary
Owned by subsidiaries:		
Aaronite A/S	Norway	Ordinary
Aaronite Limited	England	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
Meple S.A. (79%)	France	Ordinary
Nebiprofa 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 1989 amounted to £100.

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1989

(continued)

12. Debtors

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Amounts owed by group companies:		
Subsidiaries	38,012,428	29,916,234
Other group companies	22,369	53,524
Group relief	4,612,500	-
Amounts owed by related companies	108,869	134,165
Other debtors	647,287	510,753
Prepayments and accrued income	371,847	52,346
	<u>43,775,300</u>	<u>30,667,022</u>
Included in the above are debtors falling due after more than one year:		
Amounts owed by subsidiaries	<u>30,510,243</u>	<u>29,731,191</u>

13. Creditors: amounts falling due within one year

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Amounts owed to group companies:		
Subsidiaries	459,545	1,978,089
Other group companies	1,643,647	1,568,989
Amounts owed to related companies	-	22,194
Corporation tax	753,734	756,776
Social security and other taxation	805,654	535,770
Other creditors	66,695	255,716
Accruals and deferred income	1,125,294	353,881
	<u>4,854,569</u>	<u>5,471,415</u>

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

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
Amounts owed to group companies:		
Subsidiaries	75,459,493	34,710,732
Other group companies	131,722,935	166,145,852
Amounts owed to related companies	40	40
	<u>207,182,468</u>	<u>200,856,624</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1989  
(continued)15. Provisions for liabilities and charges

	<u>Provisions</u> <u>£</u>
At 1st January 1989	188,492
Expenditure during year	(29,243)
Transfer to profit and loss account	100,751
At 31st December 1989	<u>260,000</u>

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

	<u>1989</u>		<u>1988</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	-	(2,500)	-	400
Other timing differences	-	(320,000)	-	(131,500)
	<u>-</u>	<u>(322,500)</u>	<u>-</u>	<u>(131,100)</u>

16. Called up share capital

	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
Authorised, allotted, called up and fully paid:		
25,000,000 ordinary shares of £1 each	<u>25,000,000</u>	<u>25,000,000</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31st DECEMBER 1989

(continued)

17. Reserves

	<u>Revaluation reserve</u> <u>£</u>	<u>Profit and loss account</u> <u>£</u>
At 1st January 1989	576,276	(7,974,567)
Exchange adjustment	-	(3,226,994)
Loss for the year	-	(8,512,317)
Transfer in respect of realisations	(576,276)	576,276
At 31st December 1989	<u>-</u>	<u>(19,137,602)</u>

18. Financial and capital commitments

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

	<u>1989</u>		<u>1988</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	-	4,713	-	10,684
In second to fifth years	-	54,600	-	54,028
Over five years	34,000	-	28,500	-
	<u>34,000</u>	<u>59,313</u>	<u>28,500</u>	<u>64,712</u>

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

	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
Authorised but not contracted	<u>-</u>	<u>150,000</u>

TARMAC INDUSTRIAL PRODUCTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1989  
(continued)

19. Pensions

The pension schemes to which the company contributes are of the defined benefit type and are for the benefit of all relevant employees of Tarmac PLC and its U.K. subsidiary and related companies ("the group"). The assets of the schemes are held in trustee administered funds separate from those of the group. Details of the latest actuarial valuation of the principal schemes are given in the group's consolidated annual accounts. The contributions to the schemes made by the company represent the regular cost of providing the benefits without any recognition of fund surpluses or deficits which are dealt with by Tarmac PLC.

20. Ultimate holding company

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