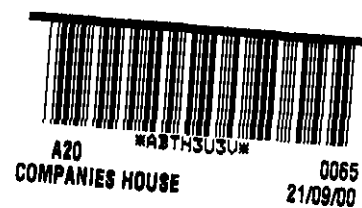


LAFARGE PLASTERBOARD LIMITED

Report and Financial Statements

31 December 1999

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP



REPORT AND FINANCIAL STATEMENTS 1999

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

ACTIVITIES

The principal activity of the company is the manufacture and supply of plasterboard and accessories.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Details of the company's performance are given in the Profit and Loss account on page 5 and the notes thereto. The position of the company at the end of the year is set out in the Balance Sheet on page 6 and the notes thereto.

The directors are optimistic about the long term prospects for continued growth and are confident of a move to improved profitability as trading conditions improve.

DIVIDENDS

The directors do not recommend the payment of a dividend (1998 - £nil).

DIRECTORS

The directors who served during the year and their interests, as defined by the Companies Act 1985, in the shares of the company at the beginning and end of the year were as follows:

		£1 ordinary shares	
		Beneficial	Non-beneficial
Mr A J Colak	- resigned 26 October 1999	-	-
Mr D M Fabre	- resigned 1 January 1999	-	-
Mr J L Nicolas	- resigned 1 January 1999	-	-
Mr S Bell	- resigned 5 February 1999	-	-
Mr K P Hehir		-	-
Mr B E Slatton	- appointed 26 October 1999	-	-

Mr A T Wiszniewski was appointed director on 20 January 2000.

None of the directors had any interests in the shares of any other UK group company at the beginning or end of the year.

Directors' interests in the share capital of Lafarge SA, the ultimate parent company, are not required to be disclosed as that company is incorporated outside Great Britain.

EMPLOYMENT OF DISABLED PERSONS

The company's policy is to give disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and any employee who develops a disability during employment with the company is given the chance of retraining wherever practicable.

HEALTH AND SAFETY

The group has a strong commitment to safety in its operations. Courses are also provided in safety training. Special purpose training is also provided to other employees according to the needs of their work.

DIRECTORS' REPORT (continued)

EMPLOYEE INVOLVEMENT AND COMMUNICATIONS

Matters affecting employees' interests are discussed through consultative committees and with trade unions where they represent employees.

An in-house newspaper is distributed throughout the Lafarge Group eight times a year. This includes a summary of the group's results and articles on individual developments as well as items of local interest.

YEAR 2000 ISSUES

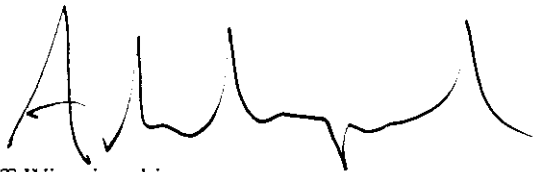
The directors examined the impact of the year 2000 on the company and its activities and took identifiable steps to ensure that all affected systems were compliant.

Year 2000 compliance has been achieved in all relevant areas.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



A T Wiszniewski
Secretary

13/9/2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF

LAFARGE PLASTERBOARD LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors
Bristol

20 September 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £	1998 £
TURNOVER	2	76,846,475	71,049,264
Cost of sales		(64,195,877)	(60,163,088)
Gross profit		<u>12,650,598</u>	<u>10,886,176</u>
Administrative expenses		(7,100,093)	(5,496,081)
Exceptional administrative expenses	4	(521,647)	(1,165,263)
Total administrative expenses		<u>(7,621,740)</u>	<u>(6,661,344)</u>
OPERATING PROFIT	4	5,028,858	4,224,832
Bank interest receivable		309,861	186,209
Interest payable and similar charges	5	(22,201)	(194,097)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>5,316,518</u>	<u>4,216,944</u>
Tax on profit on ordinary activities	7	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO RESERVES	16	<u>5,316,518</u>	<u>4,216,944</u>

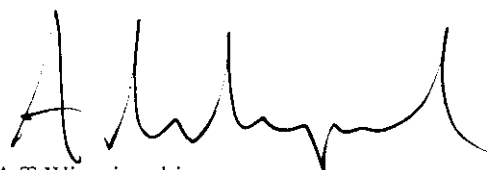
There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account. All results derive from continuing operations.

BALANCE SHEET
31 December 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	46,464,382	48,068,976
Investments	10	-	-
		<u>46,464,382</u>	<u>48,068,976</u>
CURRENT ASSETS			
Stocks	11	3,593,460	4,398,663
Debtors	12	15,105,832	12,132,117
Cash at bank and in hand		11,346,633	6,586,870
		<u>30,045,925</u>	<u>23,117,650</u>
CREDITORS: amounts falling due within one year	13	<u>(10,535,962)</u>	<u>(10,528,799)</u>
NET CURRENT ASSETS		<u>19,509,963</u>	<u>12,588,851</u>
		<u>65,974,345</u>	<u>60,657,827</u>
CAPITAL AND RESERVES			
Called up share capital	15	149,700,100	149,700,100
Profit and loss account	16	(83,725,755)	(89,042,273)
Total equity shareholders' funds		<u>65,974,345</u>	<u>60,657,827</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



A T Wiszniewski

Director

13/9/2000

NOTES TO THE ACCOUNTS
Year ended 31 December 1999**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Group accounts

The company is a wholly owned subsidiary of Lafarge Plasterboard Holdings Limited, a company registered in England and Wales, accordingly group accounts have not been prepared and these accounts present information about the company as an individual undertaking and not as a group.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 and has not prepared a cash flow statement on the grounds that it is a 100% subsidiary of a group whose consolidated financial statements are publicly available.

Turnover

Turnover consists of the invoiced value of goods sold and services provided to customers, net of value added tax.

Cost of sales

Cost of sales includes distribution expenditure which is considered to be an integral part of the company's business.

Intangible fixed assets

Intangible fixed assets, which comprise development costs, are amortised over the periods expected to benefit commencing with the period in which related sales are first made.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

The following rates are used:

Freehold buildings	-	50 years
Short leasehold buildings	-	Term of Lease
Plant and equipment	-	20 years
Computer equipment	-	5 years
Motor Vehicles	-	4 years

NOTES TO THE ACCOUNTS**Year ended 31 December 1999****1. ACCOUNTING POLICIES (continued)****Stocks**

Stocks are valued at the lower of cost, including an appropriate proportion of production overheads, and net realisable value.

Investments

Shares in group companies are stated at cost less any provision for impairment in value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Differences arising on the translation of foreign currencies are dealt with in the profit and loss account.

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction.

Pension costs

The pension cost is charged to the profit and loss account, in order to spread the cost of pensions as a percentage of payroll over the working lives with the company of employees who are members of the scheme.

Operating leases

Rentals are charged to profit and loss in equal annual amounts over the lease term.

2. TURNOVER

The turnover and pre-tax profit is wholly attributable to the principal activity of the company.

The analysis of turnover by geographical location is as follows:

	1999 £	1998 £
Geographical analysis of turnover:		
United Kingdom	67,722,324	65,147,913
Other European countries	6,133,824	5,899,805
Outside of Europe	2,990,327	1,546
	<u>76,846,475</u>	<u>71,049,264</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999 £	1998 £
Directors' remuneration:		
Emoluments	237,559	288,255
Company contributions to defined benefit pension schemes	11,191	24,017
	<u>248,750</u>	<u>312,272</u>
	No.	No.
Number of directors with pension benefits accruing under defined benefit scheme	<u>2</u>	<u>2</u>
	£	£
Remuneration of the highest paid director - emoluments	<u>114,845</u>	<u>144,821</u>
	No.	No.
Average number of persons employed:		
Administration	36	64
Manufacturing and distribution	230	200
	<u>266</u>	<u>264</u>
	£	£
Employee costs during the year:		
Wages and salaries	7,542,625	6,841,136
Social security costs	593,306	524,495
Other pension costs	743,046	731,628
	<u>8,878,977</u>	<u>8,097,259</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

4. OPERATING PROFIT

	1999 £	1998 £
Operating profit is after charging:		
Distribution costs	7,513,815	6,610,305
Auditors' remuneration - audit fees	36,000	36,000
Auditors' remuneration - other services	110,172	15,397
Depreciation - tangible assets	2,824,669	2,755,378
- intangible assets	-	13,939
Operating lease rentals - contract hire vehicles	218,608	260,204
Operating lease rentals - land and buildings	1,296,806	1,495,554
Operating lease rentals - computer equipment	101,544	-
Exceptional costs:		
- loss on sale of fixed assets	-	193,200
- head office relocation	170,638	703,768
- depot closure costs	351,009	70,000
- computer equipment write down	-	198,295

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Interest payable on loans from group companies	22,201	198,127
Other similar charges	-	(4,030)
	<u>22,201</u>	<u>194,097</u>

6. PENSIONS

The company operates a defined benefit pension scheme. The assets of the scheme are invested by the trustees, independently of the company, in a pooled fund operated by an assurance company.

The pension cost for the year was £743,046 (1998 - £731,628). The contributions are determined by an independent qualified actuary using the projected unit method. The latest actuarial valuation took place as at 5 April 1997. The most significant assumptions were:

Excess of investment return over pay increases	-	2% per annum
Excess of investment return over pension increases	-	4.5% per annum
Excess of investment return over dividend increases	-	4.5% per annum

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £6,426,816 and the actuarial value of the assets was sufficient to cover 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The company's current year taxable profits are to be relieved by way of group relief, for which no payment is to be made. The company has unrelieved losses of approximately £67 million (1998 - £67 million) which are available to reduce the tax liability in respect of future profits of the same trade, subject to Inland Revenue agreement.

8. INTANGIBLE FIXED ASSETS

	Development costs £
Cost	
At 1 January 1999 and at 31 December 1999	69,698
Accumulated depreciation	
At 1 January 1999	69,698
Charge for the year	-
At 31 December 1999	69,698
Net book value	
At 31 December 1999	-
At 31 December 1998	-

Development costs on a new plasters line were amortised over five years (1994-1999) as most of the benefit of the development accrued in these years.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Short leasehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 1999	5,654,377	24,948,041	40,280,093	807,277	71,689,788
Additions	-	-	1,255,956	-	1,255,956
Disposals	-	-	(652)	(245,681)	(246,333)
At 31 December 1999	5,654,377	24,948,041	41,535,397	561,596	72,699,411
Accumulated depreciation					
At 1 January 1999	2,078,963	4,712,236	16,340,413	489,200	23,620,812
Charge for the year	7,497	459,077	2,214,216	143,879	2,824,669
Disposals	-	-	(652)	(209,800)	(210,452)
At 31 December 1999	2,086,460	5,171,313	18,553,977	423,279	26,235,029
Net book value					
At 31 December 1999	3,567,917	19,776,728	22,981,420	138,317	46,464,382
At 31 December 1998	3,575,414	20,235,805	23,939,680	318,077	48,068,976

Freehold land and buildings include a total of £5,122,298 (1998 - £5,122,298) in respect of land which is not depreciated.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

10. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary under- takings £	Loans from subsidiary under- takings £	Total £
Cost and net book value At 1 January 1999 and at 31 December 1999	247,934	(247,934)	-

Subsidiary undertakings

	Country of registration	Share of equity and voting rights held by the company
Synkoloid Company Limited (in liquidation)	England	100%

11. STOCKS

	1999 £	1998 £
Raw materials	1,425,551	1,794,455
Engineering stores	513,827	558,273
Finished goods and goods for resale	1,654,082	2,045,935
	<u>3,593,460</u>	<u>4,398,663</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999**12. DEBTORS**

	1999 £	1998 £
Trade debtors	7,460,606	6,958,112
Amounts owed by parent company and fellow subsidiaries	6,735,363	4,696,409
Other debtors	266,250	25,122
Prepayments	643,613	452,474
	<u>15,105,832</u>	<u>12,132,117</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	4,632,666	2,307,341
Amounts owed to parent company and fellow subsidiaries	1,315,080	2,947,683
Taxation and social security	1,407,712	735,548
Accruals and deferred income	3,180,504	4,538,227
	<u>10,535,962</u>	<u>10,528,799</u>

14. DEFERRED TAXATION

There was no unprovided deferred taxation liability at 31 December 1999 or 31 December 1998.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

15. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised:		
180,000,000 Ordinary shares of £1 each	180,000,000	180,000,000
	1999 £	1998 £
Called up, allotted and fully paid:		
149,700,100 Ordinary shares of £1 each	149,700,100	149,700,100

16. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
AND STATEMENT OF MOVEMENTS ON RESERVES

	Issued share capital £	Profit and loss account £	1999 Total £	1998 Total £
Balance at 1 January 1999	149,700,100	(89,042,273)	60,657,827	56,440,883
Profit for the year	-	5,316,518	5,316,518	4,216,944
Balance at 31 December 1999	149,700,100	(83,725,755)	65,974,345	60,657,827

17. FINANCIAL COMMITMENTS

At 31 December 1999 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £	Other £
Leases which expire:		
Within one year	52,897	132,673
Within two to five years	38,500	338,224
After five years	1,194,831	3,669
	1,286,228	474,566

NOTES TO THE ACCOUNTS
Year ended 31 December 1999**18. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption available in paragraph 17 of Financial Reporting Standard No. 8 and has not reported transactions with other companies which are part of the Lafarge SA group on the grounds that it is a wholly owned subsidiary and that group accounts are publicly available.

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 1999 Lafarge SA (formerly Lafarge Coppee SA), incorporated in France, is regarded by the directors as being the company's ultimate parent company and controlling party.

The largest and smallest groups of undertakings for which group accounts are drawn up and of which this company is a member are:

Largest:

Lafarge SA
Incorporated in France

Address:

61-63 Rue des Belles Feuilles
F-75116
Paris
France

Smallest:

Lafarge Plasterboard Holdings Limited (immediate parent company)
Incorporated in England

Address:

Marsh Lane
Easton-in-Gordano
Bristol
BS20 0NF

Copies of the group accounts may be obtained from the addresses shown above.