Company Registration Number 2163844

Deloitte & Touche

LAFARGE PLASTERBOARD LIMITED

Report and Financial Statements

31 December 2002

Deloitte & Touche
Bristol

LAFARGE PLASTERBOARD LIMITED

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS

Deloitte & Touche

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

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 (2001: nil).

DIRECTORS

The directors who served during the year were as follows:

K P Hehir
B E Slatton
A T Wiszniewski (resigned 13 February 2002)

DIRECTORS' INTERESTS

None of the directors had any interests in the shares of the company or 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 where practicable.

HEALTH AND SAFETY

The company 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.

Deloitte & Touche

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 through 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.

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

S G Palmer 30 MAY 2003
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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; and
- 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.

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

LAFARGE PLASTERBOARD LIMITED

We have audited the financial statements of Lafarge Plasterboard Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2002 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
Bristol

6 June 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	2	96,433	90,956
Cost of sales		(84,252)	(80,059)
GROSS PROFIT		12,181	10,897
Administrative expenses		(7,429)	(7,890)
OPERATING PROFIT	4	4,752	3,007
Bank interest receivable		1,086	921
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,838	3,928
Tax on profit on ordinary activities	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, TRANSFERRED TO RESERVES	13	5,838	3,928

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. Accordingly, no statement of total recognised gains and losses has been presented.

All results derive from continuing operations.

BALANCE SHEET
At 31 December 2002

	Note	2002		2001	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	6		37,952		39,967
Investments	7		857		857
			38,809		40,824
CURRENT ASSETS					
Stocks	8	6,760		4,536	
Debtors: amounts due within one year	9	18,742		16,777	
Debtors: amounts due after one year	9	1,200		1,200	
Cash at bank and in hand		37,045		30,713	
		63,747		53,226	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(22,291)		(19,132)	
NET CURRENT ASSETS			41,456		34,094
TOTAL ASSETS LESS CURRENT LIABILITIES			80,265		74,918
PROVISIONS FOR LIABILITIES AND CHARGES	11		(130)		(621)
NET ASSETS			80,135		74,297
CAPITAL AND RESERVES					
Called up share capital	12		149,700		149,700
Profit and loss account	13		(69,565)		(75,403)
TOTAL EQUITY SHAREHOLDERS' FUNDS	13		80,135		74,297

These financial statements were approved by the Board of Directors on 30 MAY 2003

Signed on behalf of the Board of Directors

B E Slatton
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are 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.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard No. 1 and has not prepared a cash flow statement on the grounds that it is a wholly owned 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.

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.

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

Investments held as fixed assets

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICES (continued)

Deferred taxation

This is the first year of adoption of Financial Reporting Standard 19 (Deferred Tax). FRS19 requires full provision to be made for deferred tax, as stated below. It replaces the "partial provision" rules previously allowed under Statement of Standard Accounting Practice No. 15. This change had no material impact on the company and hence there is no restatement of the opening reserves.

In accordance with FRS19, deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising on unremitted earnings of subsidiaries, associates and joint ventures where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

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 company operates a defined benefit pension scheme. 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

2. TURNOVER

The turnover is wholly attributable to the principal activity of the company and arises in the United Kingdom. The analysis of turnover by geographical destination is as follows:

	2002 £'000	2001 £'000
United Kingdom	90,836	85,231
Other European countries	5,568	5,707
Outside of Europe	29	18
	96,433	90,956

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002	2001
Directors' remuneration:	£'000	£'000
Emoluments	306	331

	No.	No.
Number of directors with pension benefits accruing under defined benefit scheme	1	2

Remuneration of highest paid director:	£'000	£'000
Emoluments	166	161

The highest paid director is not a member of the defined benefit pension scheme.

Employee costs during the year (including directors):	£'000	£'000
Wages and salaries	8,107	8,239
Social security costs	625	663
Other pension costs	986	864
	9,718	9,766

Average number of persons employed:	No.	No.
Administration	47	46
Manufacturing and distribution	254	250
	301	296

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

4. OPERATING PROFIT

Operating profit is after charging/(crediting):	2002 £'000	2001 £'000
Distribution costs	7,689	7,619
Depreciation - tangible assets	2,837	2,767
Profit on disposal of tangible fixed assets	(10)	(95)
Operating lease rentals:		
- contract hire vehicles	449	421
- land and buildings	1,351	1,244
- computer equipment	168	125
Auditors' remuneration:		
- audit	37	37
- other services	52	138
Rentals receivable	(450)	(408)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	5,838	3,928
	£'000	£'000
Taxation on profit on ordinary activities at standard rate	1,751	1,178
Factors affecting the charge:		
Capital allowances in excess of depreciation	851	851
Disallowed expenses and non-taxable income	47	63
Utilisation of tax losses	(2,345)	(1,734)
Group relief not paid	(304)	(276)
Other short term timing differences	-	(82)
	-	-

The company has unrelieved losses of approximately £44 million (2001: £52 million), which are available to set against future trading profits, subject to Inland Revenue agreement.

A deferred tax asset has not been recognised in respect of these losses, as the company does not anticipate sufficient taxable profits arising within the immediate future. The total amount of deferred tax assets that are not recognised in the financial statements in relation to losses carried forward amounts to £13.2 million.

Other deferred tax assets amounting to £0.6 million and £0.8 million in respect of accelerated capital allowances and capital losses respectively have not been recognised.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2002 (as restated)	206	24,948	43,882	236	69,272
Additions	-	-	822	-	822
Disposals	-	-	-	(65)	(65)
At 31 December 2002	206	24,948	44,704	171	70,029
Accumulated depreciation					
At 1 January 2002 (as restated)	56	6,134	22,885	230	29,305
Charge for the year	3	480	2,348	6	2,837
Disposals	-	-	-	(65)	(65)
At 31 December 2002	59	6,614	25,233	171	32,077
Net book value					
At 31 December 2002	147	18,334	19,471	-	37,952
At 31 December 2001	150	18,814	20,997	6	39,967

The opening cost and accumulated depreciation amounts for freehold land and buildings have been written down by £1,995,000 relating to a disposal in prior years.

7. INVESTMENTS HELD AS FIXED ASSETS

	Other £'000
Cost	
At 1 January 2002 and 31 December 2002	857

The investment relates to a 20% investment in CEP Ceilings Limited. The company engages in the manufacture of ceiling tiles and is incorporated and registered in England. The net assets of CEP Ceilings Limited amounted to £1,022,000 (2001: £1,076,000) as at 31 December 2002 and its retained loss for the year ended 31 December 2002 was £54,000 (2001: £26,000).

8. STOCKS

	2002 £'000	2001 £'000
Raw materials	2,023	1,593
Engineering stores	886	548
Finished goods and goods for resale	3,851	2,395
	6,760	4,536

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

9. DEBTORS

	2002 £'000	2001 £'000
Amounts due within one year		
Trade debtors	2,109	-
Amounts owed by group undertakings	15,722	15,939
Other debtors	244	345
Prepayments and accrued income	667	493
	18,742	16,777
Amounts due after one year		
Amounts owed by group undertakings	1,200	1,200
	19,942	17,977

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade creditors	3,745	3,460
Amounts owed to group undertakings	12,831	11,474
Taxation and social security	1,679	1,437
Accruals and deferred income	4,036	2,761
	22,291	19,132

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Vacant property £'000
At 1 January 2002	621
Movement in the year	(491)
At 31 December 2002	130

The provision relates to vacant properties and will be utilised over the remaining period of the leases to which it relates.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

12. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
180,000,000 Ordinary shares of £1 each	180,000	180,000

	£'000	£'000
Called up, allotted and fully paid		
149,700,100 Ordinary shares of £1 each	149,700	149,700

13. COMBINED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

	Issued share capital £'000	Profit and loss account £'000	2002 Total £'000	2001 Total £'000
Balance at beginning of year	149,700	(75,403)	74,297	70,369
Retained profit for the year	-	5,838	5,838	3,928
Balance at end of year	149,700	(69,565)	80,135	74,297

14. FINANCIAL COMMITMENTS

At 31 December 2002 the company had annual commitments in respect of non-cancellable operating leases as follows:

	Land and buildings £'000	Other £'000
Leases which expire:		
- within one year	-	123
- within two to five years	137	453
- after five years	1,153	-
	1,290	576

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

15. PENSIONS

On 31 March 2002, all of the assets and liabilities of the Lafarge Plasterboard Pension Scheme were transferred to the Lafarge Redland Pension Scheme. Consequently from 31 March 2002 the company has participated in the Lafarge Redland Group Retirement Benefit Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the period were £986,000 (2001: £864,000) and the agreed contribution rate for at least the next 12 months is 16.5% (2001: 16.5%). Following the valuation update as at 31 December 2002, the level of contributions may be increased, but this has not yet been agreed.

As stated in the Redland PLC financial statements for the year ended 31 December 2002, the full actuarial valuation for the scheme as a whole at 1 July 2001 was updated to 31 December 2002 by a qualified actuary and showed that the market value of the scheme's assets was £507.2 million (2001: £623.9 million) and that the value of these assets represented 84.5% (2001: 109.2%) of the benefits that had accrued to members.

The assets in the scheme and the expected rates of return at 31 December 2002 were:

	2002 Long-term rate of return expected	**2002 £m**	**2001 Long-term rate of return expected**	**2001 £m**
Equities	8.00%	370.2	7.75%	481.2
Bonds	4.50%	132.2	5.00%	135.5
Other	3.75%	4.8	4.50%	7.2
Total market value of assets		507.2		623.9
Present value of scheme liabilities		(600.1)		(571.3)
(Deficit)/surplus in scheme		(92.9)		52.6

The figures shown above were calculated on the basis of the following assumptions:

	2002	**2001**
Discount rate	5.50%	5.75%
Rate of increase in salaries	4.25%	4.50%
Rate of increase in deferred pensions	2.25%	2.50%
Rate of increase in pensions in payment	2.25%	2.50%
Inflation assumption	2.25%	2.50%

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in Paragraph 17 of Financial Reporting Standard 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2002, Lafarge 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	**Address**
Lafarge SA Incorporated in France	61-63 Rue des Belles Feuilles F-75116 Paris France

Smallest	**Address**
Lafarge Plasterboard Holdings Limited (immediate parent company) Incorporated in England	Marsh Lane Easton-in-Gordano Bristol BS20 0NF

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