



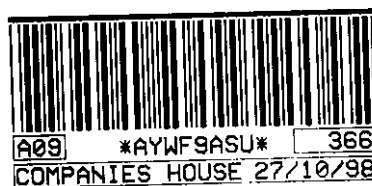
**LAFARGE PLASTERBOARD LIMITED**

**Report and Financial Statements**

**31 December 1997**

**Deloitte & Touche  
63 High Street  
Crawley  
West Sussex  
RH10 1BQ**

Draft - 1/10/98



**REPORT AND FINANCIAL STATEMENTS 1997**

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## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

### **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 (1996 - £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:

	<b>£1 ordinary shares</b>	
	<b>Beneficial</b>	<b>Non-beneficial</b>
Mr J L McQuhae (resigned 31 March 1997)	-	-
Mr A J Colak	-	-
Mr D M Fabre	-	-
Mr J L Nicolas	-	-
Mr P Maidment (resigned 29 September 1997)	-	-
Mr H S Lysdahl (resigned 31 July 1997)	-	-
Mr S Bell	-	-
Mr K P Hehir	-	-

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.

### **SAFETY AND HEALTH**

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.

**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

M Page  
Secretary

13 Oct 1998



## **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.



## Chartered Accountants

South East Regional Office  
Deloitte & Touche  
63 High Street  
Crawley  
West Sussex RH10 1BQ

Telephone: National 01293 510112  
International + 44 1293 510112  
Facsimile (Gp. 3): 01293 533493



INVESTOR IN PEOPLE

## 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 1997 and of its 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  
Crawley

*16 October* 1998

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	Note	1997 £	1996 £
<b>TURNOVER</b>	2	65,075,499	57,808,512
Cost of sales		(58,139,797)	(54,235,342)
Gross profit		<u>6,935,702</u>	<u>3,573,170</u>
Administrative expenses		(5,723,209)	(5,317,679)
Exceptional administrative expenses	4	957,000	-
Total administrative expenses		<u>(4,766,209)</u>	<u>(5,317,679)</u>
<b>OPERATING PROFIT/(LOSS)</b>	4	2,169,493	(1,744,509)
Interest receivable and similar income		160,776	93,298
Interest payable and similar charges	5	(353,196)	(308,222)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>1,977,073</u>	<u>(1,959,433)</u>
Tax on profit/(loss) on ordinary activities	7	-	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>1,977,073</u>	<u>(1,959,433)</u>
<b>TRANSFERRED TO/(FROM) RESERVES</b>	17	<u>1,977,073</u>	<u>(1,959,433)</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 1997**

	Note	1997 £	1996 £
<b>FIXED ASSETS</b>			
Intangible assets	8	13,939	27,878
Tangible assets	9	50,108,914	51,793,959
Investments	10	-	-
		<u>50,122,853</u>	<u>51,821,837</u>
<b>CURRENT ASSETS</b>			
Stocks	11	4,617,931	4,714,780
Debtors	12	9,256,139	9,796,337
Cash at bank and in hand		2,865,891	1,931,174
		<u>16,739,961</u>	<u>16,442,291</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(10,421,931)</u>	<u>(11,163,554)</u>
<b>NET CURRENT ASSETS</b>		<u>6,318,030</u>	<u>5,278,737</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		56,440,883	57,100,574
<b>CREDITORS: amounts falling due after more than one year</b>	14	-	(2,636,764)
		<u>56,440,883</u>	<u>54,463,810</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	149,700,100	149,700,100
Profit and loss account	17	(93,259,217)	(95,236,290)
<b>Total equity shareholders' funds</b>		<u>56,440,883</u>	<u>54,463,810</u>

 These financial statements were approved by the Board of Directors on 13 Oct 1998

Signed on behalf of the Board of Directors

A J Colak

Director



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**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.

**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.

**Stocks**

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

**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
Motor Vehicles	-	4 years

**Intangible fixed assets**

Intangible fixed assets which include product licences and development costs are amortised over the periods expected to benefit commencing with the period in which related sales are first made.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997****1. ACCOUNTING POLICIES (continued)****Investments**

Shares in group companies are stated at cost less any provision for permanent diminution 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**

Assets and liabilities in foreign currencies are translated into pounds sterling at the exchange rates ruling at the year end. 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 pounds sterling at the rates ruling at the date of the transaction.

**Pension costs**

The pension cost charged to the profit and loss account, is such as 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 loss is wholly attributable to the principal activity of the company.

The analysis of turnover by geographical location is as follows:

	1997 £	1996 £
<b>Geographical analysis of turnover:</b>		
United Kingdom	60,530,059	53,830,721
Other European countries	4,389,384	3,683,284
Outside of Europe	156,056	294,507
	<u>65,075,499</u>	<u>57,808,512</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**3. INFORMATION REGARDING DIRECTORS AND  
EMPLOYEES**

	1997 £	1996 £
<b>Directors' emoluments:</b>		
Other emoluments	418,786	378,390
Pension contributions	23,144	25,216
	<u>441,930</u>	<u>403,605</u>
	No.	No.
Number of directors with pension benefits accruing under defined benefit scheme	<u>3</u>	<u>4</u>
	£	£
Remuneration of the highest paid director - Emoluments	<u>121,402</u>	<u>102,454</u>
	No.	No.
<b>Average number of persons employed:</b>		
Administration	65	67
Manufacturing and distribution	189	183
	<u>254</u>	<u>250</u>
	£	£
<b>Employee costs during the year:</b>		
Wages and salaries	6,263,373	5,821,793
Social security costs	513,881	483,930
Other pension costs	706,444	616,761
	<u>7,483,698</u>	<u>6,922,484</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**4. OPERATING PROFIT/(LOSS)**

	1997 £	1996 £
<b>Operating profit/(loss) is after charging/(crediting):</b>		
Distribution costs	5,950,472	5,174,629
Auditors' remuneration	36,000	36,000
Non-audit remuneration	10,740	21,750
Depreciation - tangible assets	2,857,956	2,786,692
- intangible assets	13,939	13,939
Loss on sale of fixed assets	2,421	10,378
Operating lease rentals - contract hire vehicles	256,442	259,283
Operating lease rentals - land and buildings	1,199,762	1,128,222
Exceptional release of provision for depot closure costs	(957,000)	-
	<u>5,197,622</u>	<u>10,390,293</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1997 £	1996 £
Interest payable on loans from group companies	352,549	308,222
Other similar charges	647	-
	<u>353,196</u>	<u>308,222</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 £706,444 (1996 - £616,761). The contributions are determined by a 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 1997**
**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

There is no tax charge due to tax losses brought forward and available for offset.

The company has unrelieved losses of approximately £64 million (£65 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 £
<b>Cost</b>	
At 1 January 1997 and at 31 December 1997	69,698
<b>Accumulated depreciation</b>	
At 1 January 1997	41,820
Charge for the year	13,939
At 31 December 1997	55,759
<b>Net book value</b>	
At 31 December 1997	13,939
At 31 December 1996	27,878

Development costs on a new plasters line are to be amortised over five years (1994-1998) as most of the benefit of the development is expected to fall in these years.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**9. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £	Short leasehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 1997	6,410,377	24,948,041	37,753,429	839,747	69,951,594
Additions	-	-	941,680	316,356	1,258,036
Disposals	-	-	(39,580)	(238,035)	(277,615)
31 December 1997	<u>6,410,377</u>	<u>24,948,041</u>	<u>38,655,529</u>	<u>918,068</u>	<u>70,932,015</u>
<b>Accumulated depreciation</b>					
At 1 January 1997	2,063,963	3,562,533	12,128,214	402,925	18,157,635
Charge for the year	7,500	643,792	1,999,194	207,470	2,857,956
Disposals	-	-	(34,936)	(157,614)	(192,550)
31 December 1997	<u>2,071,463</u>	<u>4,206,325</u>	<u>14,092,472</u>	<u>452,781</u>	<u>20,823,041</u>
<b>Net book value</b>					
31 December 1997	<u>4,338,914</u>	<u>20,741,716</u>	<u>24,563,057</u>	<u>465,287</u>	<u>50,108,974</u>
At 31 December 1996	<u>4,346,414</u>	<u>21,385,508</u>	<u>25,625,215</u>	<u>436,822</u>	<u>51,793,959</u>

Freehold land and buildings include a total of £5,878,298 (1996 - £5,878,298) in respect of land which is not depreciated.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**10. INVESTMENTS HELD AS FIXED ASSETS**

	Shares in subsidiary under- takings £	Loans from subsidiary under- takings £	Total £
<b>Cost</b>			
At 1 January 1997 and at 31 December 1997	247,934	(247,934)	-
<b>Net book value</b>			
At 31 December 1997 and at 31 December 1996	247,934	(247,934)	-

**SUBSIDIARY UNDERTAKINGS**

	Country of registration	Share of equity held by the company
Synkoloid Company Limited (dormant)	England	100%

**11. STOCKS**

	1997 £	1996 £
Finished goods and goods for resale	1,978,760	1,810,467
Raw materials	2,175,618	2,483,316
Engineering stores	463,553	420,997
	<u>4,617,931</u>	<u>4,714,780</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**12. DEBTORS**

	1997 £	1996 £
Trade debtors	3,815,946	5,089,710
Amounts owed by parent company and fellow subsidiaries	4,845,818	4,081,613
Other debtors	192,306	184,693
Prepayments	402,069	440,321
	<u>9,256,139</u>	<u>9,796,337</u>

Other debtors include a £150,000 loan (1996 - £150,000) due for repayment after more than one year.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN  
ONE YEAR**

	1997 £	1996 £
Trade creditors	2,956,461	2,536,961
Amounts owed to parent company and fellow subsidiaries	2,927,536	3,189,839
Taxation and social security	359,973	491,648
Accruals and deferred income	4,177,961	4,945,106
	<u>10,421,931</u>	<u>11,163,554</u>

**14. CREDITORS: AMOUNTS FALLING DUE AFTER  
MORE THAN ONE YEAR**

	1997 £	1996 £
Amounts owed to parent company and fellow subsidiaries	-	2,636,764
	<u>-</u>	<u>2,636,764</u>

**15. DEFERRED TAXATION**

There was no unprovided deferred taxation liability at 31 December 1997 or 31 December 1996.




**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**16. CALLED UP SHARE CAPITAL**

	1997 £	1996 £
Authorised:		
180,000,000 Ordinary shares of £1 each	180,000,000	180,000,000

	1997 £	1996 £
Called up, allotted and fully paid:		
149,700,100 Ordinary shares of £1 each	149,700,100	149,700,100

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

	Issued share capital	Profit and loss account	1997 Total £	1996 Total £
Balance at 1 January 1997	149,709,100	(95,236,290)	54,463,810	56,423,242
Profit/(loss) for the year	-	1,977,073	1,977,073	(1,959,432)
Balance at 31 December 1997	149,700,000	(93,259,217)	56,440,883	54,463,810

**18. FINANCIAL COMMITMENTS**

At 31 December 1997 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	19,200	12,887
Within two to five years	120,694	249,361
After five years	1,107,200	-
	1,247,094	262,248

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997****19. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY**

At 31 December 1997 Lafarge SA (formerly Lafarge Coppee SA), incorporated in France, is regarded by the directors as being the company's ultimate parent company and controlling entity.

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  
Incorporated in England

**Address:**

Wray Coppice  
Oaks Road  
Wray Common  
Reigate  
Surrey RH2 0LE

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

**20. 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.