



LAFARGE PLASTERBOARD LIMITED

Report and Financial Statements

31 December 1996

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



**REPORT AND FINANCIAL STATEMENTS 1996**

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

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 profitability as trading conditions improve.

DIVIDENDS

The directors do not recommend the payment of a dividend (1995 - £nil).

DIRECTORS

The directors and their interests, as defined by the Companies Act 1985, in the shares of the company have remained unchanged throughout the year and are as follows:

		£1 ordinary shares	
		Beneficial	Non-beneficial
Mr J L McQuhae		-	-
Mr A J Colak	(appointed 1 December 1996)	-	-
Mr D M Fabre		-	-
Mr J L Nicolas		-	-
Mr P Maidment		-	-
Mr H S Lysdahl		-	-
Mr S Bell		-	-
Mr K P Hehin	(appointed 1 April 1996)	-	-

Mr C G Ellwood resigned on 31 March 1996 and Mr J L McQuhae resigned on 31 March 1997.

DIRECTORS' INTERESTS

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.



DIRECTORS' REPORT

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.

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

8 AUGUST 1997



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

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

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AUDITORS' REPORT TO THE MEMBERS OF

LAFARGE PLASTERBOARD LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on pages 8 and 9.

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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors
Crawley

19 August 1997


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	1996 £	1995 £
TURNOVER	2	57,808,512	55,537,113
Cost of sales		(54,235,342)	(51,366,406)
Gross profit		<u>3,573,170</u>	<u>4,170,707</u>
Administrative expenses		(5,317,679)	(4,551,178)
Exceptional administrative expenses	4	-	(219,954)
Total administrative expenses		<u>(5,317,679)</u>	<u>(4,771,132)</u>
OPERATING LOSS	5	(1,744,509)	(600,425)
Interest receivable and similar income		93,298	158,869
Interest payable and similar charges	6	(308,222)	(1,527,823)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,959,432)</u>	<u>(1,969,379)</u>
Tax on loss on ordinary activities	8	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED FROM RESERVES	18	<u>(1,959,432)</u>	<u>(1,969,379)</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 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Intangible assets	9	27,878	41,818
Tangible assets	10	51,793,959	53,460,118
		<u>51,821,837</u>	<u>53,501,936</u>
CURRENT ASSETS			
Stocks	12	4,714,780	4,435,969
Debtors	13	9,796,337	8,397,766
Cash at bank and in hand		1,931,174	2,435,435
		<u>16,442,291</u>	<u>15,269,170</u>
CREDITORS: amounts falling due within one year	14	(11,163,554)	(9,711,100)
NET CURRENT ASSETS		<u>5,278,737</u>	<u>5,558,070</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		57,100,574	59,060,006
CREDITORS: amounts falling due after more than one year	15	(2,636,764)	(2,636,764)
		<u>54,463,810</u>	<u>56,423,242</u>
CAPITAL AND RESERVES			
Called up share capital	17	149,700,100	149,700,100
Profit and loss account	18	(95,236,290)	(93,276,858)
Total equity shareholders' funds		<u>54,463,810</u>	<u>56,423,242</u>

These financial statements were approved by the Board of Directors on 8/8/97

Signed on behalf of the Board of Directors

A J Colak

Director


CASH FLOW STATEMENT
Year ended 31 December 1996

	Note	1996 £	1995 £
Net cash inflow from operating activities	20	519,412	2,715,045
Returns on investments and servicing of finance			
Interest received		93,298	158,869
Interest paid		-	(3,313,843)
Net cash inflow/(outflow) from returns on investments and servicing of finance		93,298	(3,154,974)
Investing activities			
Purchase of tangible fixed assets		(1,220,067)	(595,683)
Proceeds from sale of tangible fixed assets		103,096	107,345
Net cash outflow from investing activities		(1,116,971)	(488,338)
Net cash outflow before financing		(504,261)	(928,267)
Financing	23		
Loan from group undertaking		-	1,500,000
Loan from group undertaking repaid		-	(3,296,333)
Net cash (outflow) from financing		-	(1,796,333)
Decrease in cash and cash equivalents	21	(504,261)	(2,724,600)

**NOTES TO THE ACCOUNTS****Year ended 31 December 1996****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 property	-	50 years
Short leasehold property	-	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 1996

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:

	1996 £	1995 £
Geographical analysis of turnover:		
United Kingdom	53,830,721	51,905,500
Other European countries	3,683,284	3,254,999
Outside of Europe	294,507	376,614
	<u>57,808,512</u>	<u>55,537,113</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
**3. INFORMATION REGARDING DIRECTORS AND
EMPLOYEES**

	1996 £	1995 £
Directors' emoluments:		
Other emoluments	378,390	383,577
Pension contributions	25,216	23,204
	<u>403,605</u>	<u>406,781</u>
	£	£
 Remuneration of the chairman and highest paid director	 <u>102,454</u>	 <u>99,197</u>
	No.	No.
Scale of other directors' remuneration:		
£ 0 - £ 5,000	3	2
£20,001 - £25,000	-	1
£25,001 - £30,000	1	-
£30,001 - £35,000	1	-
£60,001 - £65,000	1	-
£65,001 - £70,000	1	1
£70,001 - £75,000	1	2
£75,001 - £80,000	1	1
	<u>1</u>	<u>1</u>
	No.	No.
Average number of persons employed:		
Administration	67	71
Manufacturing and distribution	183	164
	<u>250</u>	<u>235</u>
	£	£
Employee costs during the year:		
Wages and salaries	5,821,793	5,014,768
Social security costs	483,930	374,330
Other pension costs	616,761	602,502
	<u>6,922,484</u>	<u>5,991,600</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
4. EXCEPTIONAL ADMINISTRATIVE EXPENSES

	1996 £	1995 £
Provision for closure costs	-	219,954

5. OPERATING LOSS

	1996 £	1995 £
Operating loss is after charging/(crediting):		
Distribution costs	5,174,629	5,312,818
Auditors' remuneration	36,000	30,000
Non-audit remuneration	21,750	19,050
Depreciation	2,786,692	2,761,989
Loss/(profit) on sale of fixed assets	10,378	(9,938)
Operating lease rentals - contract hire vehicles	259,283	267,478
Operating lease rentals - Land and Buildings	1,128,222	1,018,917

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Interest payable on loans from group companies	308,223	1,506,358
Other similar charges	-	21,465
	308,223	1,527,823

7. 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 £616,761 (1995 - £602,502). The contributions are determined by a qualified actuary using the projected unit method. The latest actuarial valuation took place as at 6 April 1994. 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



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

7. PENSIONS (continued)

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £3,158,884 and the actuarial value of the assets was sufficient to cover 101% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

8. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge due to the loss for the year.

The company has unrelieved losses of approximately £64 million (1995 £64 million) which are available to reduce the tax liability in respect of future profits, subject to Inland Revenue agreement.

9. INTANGIBLE FIXED ASSETS

	Development costs £
Cost	
At 1 January 1996 and at 31 December 1996	69,698
Accumulated depreciation	
At 1 January 1996	27,880
Charge for the year	13,940
At 31 December 1996	41,820
Net book value	
At 31 December 1996	27,878
At 31 December 1995	41,818

Development costs on a new plasters line are to be amortised over the 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 1996
10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Short leasehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 1996	6,410,377	24,948,041	36,845,674	808,085	69,012,177
Additions	-	-	908,540	311,527	1,220,067
Disposals	-	-	(785)	(279,865)	(280,650)
At 31 December 1996	<u>6,410,377</u>	<u>24,948,041</u>	<u>37,753,429</u>	<u>839,747</u>	<u>69,951,594</u>
Accumulated depreciation					
At 1 January 1996	2,056,376	2,920,418	10,198,729	376,536	15,552,059
Charge for the year	7,587	642,115	1,930,185	192,865	2,772,752
Disposals	-	-	(700)	(166,476)	(167,176)
At 31 December 1996	<u>2,063,963</u>	<u>3,562,533</u>	<u>12,128,214</u>	<u>402,925</u>	<u>18,157,635</u>
Net book value					
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>
At 31 December 1995	<u>4,354,001</u>	<u>22,027,623</u>	<u>26,646,945</u>	<u>431,549</u>	<u>53,460,118</u>

Freehold land and buildings include a total of £5,878,298 (1995 - £5,878,298) in respect of land which is not depreciated.


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
11. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary under- takings £	Loans from subsidiary under- takings £	Total £
Cost			
At 1 January 1996 and at 31 December 1996	247,934	(247,934)	-
Net book value			
At 31 December 1996 and at 31 December 1995	247,934	(247,934)	-

SUBSIDIARY UNDERTAKINGS

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

12. STOCKS

	1996 £	1995 £
Finished goods and goods for resale	1,810,467	1,933,206
Raw materials	2,483,316	2,173,594
Engineering stores	420,997	329,169
	<u>4,714,780</u>	<u>4,435,969</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
13. DEBTORS

	1996 £	1995 £
Trade debtors	5,089,710	4,644,830
Amounts owed by parent company and fellow subsidiaries	4,081,613	3,016,037
Prepayments	440,321	369,924
Other debtors	184,693	366,975
	<u>9,796,337</u>	<u>8,397,766</u>

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

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Trade creditors	2,536,961	1,934,640
Amounts owed to parent company and fellow subsidiaries	3,189,839	2,366,275
Taxation and social security	491,648	-
Accruals and deferred income	4,945,106	5,410,185
	<u>11,163,554</u>	<u>9,711,100</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Amounts owed to parent company and fellow subsidiaries	2,636,764	2,636,764

Amounts owed to parent company and fellow subsidiaries comprise long term loans and have no fixed repayment terms other than being repayable in more than one year.

16. DEFERRED TAXATION

There was no unprovided deferred taxation liability at 31 December 1995 or 31 December 1996.



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

17. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised:		
180,000,000 Ordinary shares of £1 each	180,000,000	180,000,000

	1996 £	1995 £
Called up, allotted and fully paid:		
149,700,000 Ordinary shares of £1 each	149,700,100	149,700,100

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

	Issued share capital	Profit and loss account	1996 Total £	1995 £
Balance at 1 January 1996	149,700,100	(93,276,858)	56,423,242	32,892,621
Loss for the year	-	(1,959,432)	(1,959,432)	(1,969,379)
Capital subscribed	-	-	-	25,500,000
Balance at 31 December 1996	149,709,100	(95,236,290)	54,463,810	56,423,242


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
19. FINANCIAL COMMITMENTS

At 31 December 1996 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	-	126,102
Within two to five years	69,872	211,773
After five years	1,061,100	-
	<u>1,230,972</u>	<u>337,875</u>

**20. RECONCILIATION OF OPERATING LOSS TO
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	1996 £	1995 £
Operating loss	(1,744,509)	(600,425)
Depreciation on tangible fixed assets	2,772,752	2,748,049
Write down of intangible fixed assets	13,940	13,940
Write down of tangible fixed assets	-	115,012
Loss/(profit) on disposal of fixed assets	10,378	(9,938)
Increase in stock	(278,811)	(113,304)
Increase in debtors	(1,398,571)	(2,142,309)
Increase in creditors	1,144,233	2,704,020
Net cash inflow from operating activities	<u>519,412</u>	<u>2,715,045</u>

**21. ANALYSIS OF CHANGES IN CASH AND CASH
EQUIVALENTS DURING THE YEAR**

	1996 £	1995 £
Balance at 1 January	2,435,435	5,160,035
Net cash outflow	(504,261)	(2,724,600)
Balance at 31 December	<u>1,931,174</u>	<u>2,435,435</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
22. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996 £	Change in year £	1995 £	Change in year £	1994 £
Cash at bank and in hand	1,931,174	(504,261)	2,435,435	(2,724,600)	5,160,035

23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital £	Loans £	1996 Total £	1995 Total £
Balance at 1 January	149,700,100	2,636,764	152,336,864	154,133,197
New loan	-	-	-	1,500,000
Cash outflow from financing	-	-	-	(3,296,333)
Balance at 31 December	149,700,100	2,636,764	152,336,864	152,336,864

24. ULTIMATE PARENT COMPANY

At 31 December 1996, Lafarge SA (formerly Lafarge Coppee SA), incorporated in France, is regarded by the directors as being the company's ultimate parent company.

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.

25. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in paragraph 17 of Financial Reporting Standard No.8.