



Celotex Limited

**DIRECTORS' REPORT AND ACCOUNTS**

**CELOTEX LIMITED AND ITS SUBSIDIARIES**

Registered Number 2183896

31 August 1998





## Directors' Report

The directors present their annual report together with the accounts for Celotex Limited (the 'Company') and its subsidiaries (the 'Group') for the year to 31 August 1998.

### Principal activities

The principal activity continues to be the manufacture, distribution and sale of insulation, lining and other materials to the building and construction industry, and of pin boards to schools, healthcare and other institutional users.

### Directors

The names of the directors who held office during the year and up to the date of this report were as follows :

J. W. Walter	Chairman - USA
A. B. N. Lister	Managing Director
D. J. Harper	Marketing Director
G. R. Steer	Financial Director
P.C.P. Hambro	
B.A. Jackson	(Appointed 1 July 1998)

### Directors' interests

Directors had beneficial interests at 31 August 1998 in the 10p Ordinary shares of the Company as follows:

	1998 No.	1997 No.
J. W. Walter	2,825,000	2,820,000
A. B. N. Lister	250,000	250,000
D. J. Harper	250,000	250,000
G. R. Steer	250,000	250,000
P.C.P. Hambro	50,000	50,000

### Charitable Donations

Donations made by the group during the financial year for charitable purposes in the United Kingdom amounted to £787 (1997 - £532)

### Year 2000 & The Euro

The Company has reviewed its systems regarding the effects of the year 2000 and the introduction of the euro, and are in the process of implementing any necessary changes.

### Review of the Year's Performance

Profit for the year was £2,094,000 (1997 - £954,000), dividends paid and proposed were £319,000 (1997 - £319,000), the Companies activities have continued to grow throughout the year.

### Future Developments

The Company expects the steady growth in the construction sector experienced during 1998 to continue, and it looks to the new Government's expenditure plans for Housing, Health and Education to assist further growth in sales.

### Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to be re-appointed at the next annual general meeting.

By Order of the Board

A. R. Hall  
Company Secretary

17 December 1998

Warwick House  
27/31 St. Mary's Road  
Ealing  
London W5 5PR





## Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group, and of the profit or loss and cash flows of the Group for that period. In preparing those accounts, the directors are required to: select suitable accounting policies and then apply them consistently; make judgments and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, and prepare the accounts 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 accounts 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 Celotex Limited

We have audited the accounts on pages 3 to 13 which have been prepared under the historical cost convention as modified by the revaluation of the freehold property and the accounting policies set out on pages 6 and 7.

### Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 August 1998 and of the profit and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

1 Embankment Place  
London WC2N 6NN

17 December 1998



**Group Profit and Loss Account**  
For the year ended 31 August 1998

		1998	1997
	Notes	£000	£000
<b>Turnover</b>	2	25,348	23,874
Cost of sales		-18,051	-18,632
<b>Gross profit</b>		7,297	5,242
Distribution costs		-1,218	-1,037
Administrative expenses		-3,252	-2,935
<b>Operating profit</b>		2,827	1,270
Interest receivable		231	152
<b>Profit on ordinary activities before taxation</b>	3	3,058	1,422
Taxation on profit on ordinary activities	7	-964	-468
<b>Profit for the financial year</b>		2,094	954
Ordinary dividends	4	-319	-319
<b>Retained profit for the year</b>	14	1,775	635

There are no recognised gains or losses except as disclosed in the Profit and Loss Account and the entire result derives from the continuing activities of the Group.

There is no material difference between the results presented above and the results on an unmodified historic cost basis.

The notes on pages 6 to 13 form part of these accounts

**Balance Sheets**  
**At 31 August 1998**

		Group & Company	Group & Company
	Notes	1998 £000	1997 £000
<b>Fixed assets</b>			
Tangible assets	5	5,238	4,991
Investments	6	-	-
		<hr/> 5,238	<hr/> 4,991
<b>Current assets</b>			
Stocks	8	1,574	1,490
Debtors	9	5,254	3,946
Cash at bank and in hand	21	459	327
Short term deposits	21	2,963	1,925
		<hr/> 10,250	<hr/> 7,688
Creditors - Amounts falling due within one year	10	-3,842	-2,811
		<hr/> 6,408	<hr/> 4,877
<b>Net current assets</b>			
		<hr/> 6,408	<hr/> 4,877
<b>Total assets less current liabilities</b>		11,646	9,868
Deferred tax	11	-216	-213
		<hr/> 11,430	<hr/> 9,655
<b>Net assets</b>			
		<hr/> 11,430	<hr/> 9,655
<b>Capital and reserves</b>			
Called up share capital	12	425	425
Capital redemption reserve	14	320	320
Revaluation reserve	14	1,067	1,078
Profit and loss account	14	9,618	7,832
		<hr/> 11,430	<hr/> 9,655
<b>Equity shareholders funds</b>	16	<hr/> 11,430	<hr/> 9,655

The accounts were approved by the Board of Directors on 17 December 1998 and signed on its behalf by:

G. R. Steer

The notes on pages 6 to 13 form part of these accounts

**Group Cash Flow Statement**  
For the year ended 31 August 1998

	Notes	1998 £000	1997 £000
<b>Net cash inflow from operating activities</b>	20	2,419	1,442
<b>Returns on investment and servicing of finance</b>			
Interest received		229	144
<b>Net cash outflow from returns on investment and servicing of finance</b>			
<b>Taxation</b>			
Corporation Tax paid	-504	-646	
Advance corporation tax paid	-80	-80	
<b>Tax paid</b>		-584	-726
<b>Capital expenditure</b>			
Purchase of fixed assets	-591	-261	
Receipts from the sale of fixed assets	16	9	
<b>Net cash outflow from investing activities</b>		-575	-252
<b>Equity dividends paid</b>			
Ordinary share dividends		-319	-319
<b>Management of liquid resources</b>			
Short term deposits increased		-1,038	-212
<b>Increase in cash</b>	21	132	77

The notes on pages 6 to 13 form part of these accounts

**Notes to the Accounts**  
for the year ended 31 August 1998

**1 Accounting policies**

**Consolidation**

The Group accounts have been drawn up on the historic cost basis modified for the revaluation of freehold property, and in accordance with applicable accounting standards. The consolidated accounts comprise those of the parent and its subsidiaries and include the Group's share of profit or loss of subsidiaries from the date of acquisition.

**Turnover**

Turnover represents sales, net of value added tax, to third parties.

**Tangible fixed assets**

Fixed assets are stated at cost, with the exception of freehold property which is at valuation, less accumulated depreciation. Depreciation is charged, from the end of the six month period in which the asset comes into use, in equal annual instalments to write off the cost of the asset over its estimated useful life. Motor vehicles under finance leases are depreciated over the length of the leases.

Freehold land is not depreciated.

Estimated useful lives of major categories of assets are :

Buildings	40 years
Motor vehicles	4 to 6 years
Plant and machinery	4 to 20 years

**Goodwill**

On the acquisition of businesses or subsidiaries, goodwill, being the difference between the fair value of assets acquired and the consideration paid, is written off direct to reserves.

**Investments**

Investments are stated at the lower of cost and the directors' estimate of market value.

**Stocks**

Stocks are stated at the lower of cost and net realisable value and include an appropriate proportion of direct labour and overheads.

**Deferred taxation**

Deferred taxation is provided under the liability method to take account of all timing differences between the treatment of certain items for accounting purposes and their treatment for taxation purposes, to the extent that a liability is expected to crystallise in the foreseeable future. Timing differences are due primarily to the excess of tax allowances on fixed assets over the corresponding depreciation charged in the accounts.

**Translation of foreign currency**

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Exchange adjustments are taken to the profit and loss account.

**Notes to the Accounts**  
for the year ended 31 August 1998

**Pensions**

The Group operates defined benefit schemes in respect of the majority of its employees. These schemes are administered by trustees. Contributions to the pension funds are assessed in accordance with advice from qualified actuaries so as to spread the charge to the profit and loss account over the estimated service lives of the employees. Where significant, any actuarial deficit or surplus is spread over the remaining service lives of the employees.

**Leases**

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which lease payments exceed the recorded leases obligations are treated as finance charges and are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

**2 Segment Information**

All of the Group's turnover and profit for the year relates to the sale of building supplies, and originated in the United Kingdom.

**Geographical analysis of turnover**

	1998 £000	1997 £000
United Kingdom	23,475	21,955
Europe	1,693	1,670
Far East	180	249
	<u>25,348</u>	<u>23,874</u>

**3 Profit before taxation**

The profit before taxation is stated after charging/(crediting) the following :

	1998 £000	1997 £000
Wages and salaries	3,722	3,492
Social security costs	353	317
Pension costs	331	306
Depreciation	323	314
Exchange losses	4	63
Loss on disposal of fixed assets	1	4
Non-cancellable operating leases relating to		
- Plant and machinery	184	165
- Land and buildings	125	125
Auditors' Remuneration - audit	23	23
- other services	11	2
Exceptional Item	-569	1,147

The exceptional item is the cost of a product recall arising from the use of a faulty raw material. recompense from the supplier of the raw material has been agreed and provided for in the above figures.



**Notes to the Accounts**  
for the year ended 31 August 1998

**4 Dividends**

	1998 £000	1997 £000
Paid 4.5p per 10p Ordinary share	191	191
Proposed 3p per 10p Ordinary share	128	128
	<u>319</u>	<u>319</u>

**5 Tangible fixed assets**

The Group and the Company	Freehold Land and Buildings £000	Plant and Equipment £000	Motor Vehicles £000	Total £000
Cost or valuation				
At 1 September 1997	3,834	4,760	146	8,740
Additions	-	484	107	591
Disposals	-	-148	-36	-184
	<u>3,834</u>	<u>5,096</u>	<u>217</u>	<u>9,147</u>
At 31 August 1998	3,834	5,096	217	9,147
Depreciation				
At 1 September 1997	233	3,457	59	3,749
Disposals	-	-147	-16	-163
Charge for year	24	261	38	323
	<u>257</u>	<u>3,571</u>	<u>81</u>	<u>3,909</u>
At 31 August 1998	257	3,571	81	3,909
Net book amount				
At 31 August 1998	<u>3,577</u>	<u>1,525</u>	<u>136</u>	<u>5,238</u>
At 1 September 1997	<u>3,601</u>	<u>1,303</u>	<u>87</u>	<u>4,991</u>

Capital commitments :	1998 £000	1997 £000
Contracted for	22	3

The Hadleigh freehold property was revalued at 2 February 1988. The historical cost of the property was £524,000 and the historical cost equivalent of the net book value at 31 August 1998 was £250,000 (1997 - £262,000).

**Notes to the Accounts**  
for the year ended 31 August 1998

**6 Fixed assets - Investments**

The Company has two 100% subsidiary undertakings, both are registered in England and are dormant companies.

	1998 £000	1997 £000
L S D Wood Turning Limited	11	11
Sundeala Limited	-	-
	<hr/>	<hr/>
	11	11
Provision against investments	-11	-11
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

**7 Taxation**

The taxation charge is based on profits for the year at 31% (1997- to 31March 33% , 1April to 31August 31%.)

	Group and Company 1998 £000	Group and Company 1997 £000
Corporation Tax -		
Current year charge	859	480
Prior years adjustments	102	-2
Deferred taxation	3	-10
	<hr/>	<hr/>
	964	468
	<hr/>	<hr/>

**8 Stocks**

	Group and Company 1998 £000	Group and Company 1997 £000
Raw materials and consumables	1,076	847
Work in progress	168	273
Finished goods for resale	330	370
	<hr/>	<hr/>
	1,574	1,490
	<hr/>	<hr/>

**9 Debtors**

	Group and Company 1998 £000	Group and Company 1997 £000
Trade debtors	4,188	3,818
Other debtors	974	50
Prepayments	92	78
	<hr/>	<hr/>
	5,254	3,946
	<hr/>	<hr/>

**Notes to the Accounts**  
for the year ended 31 August 1998

**10 Creditors** (amounts falling due within one year)

	Group and Company 1998 £000	Group and Company 1997 £000
Trade creditors	1,925	1,299
Corporation tax	810	433
Taxation and social security	571	234
Dividends	128	128
Accruals	408	717
	<u>3,842</u>	<u>2,811</u>

**11 Deferred Taxation**

Deferred taxation is provided on a full liability basis and comprises :

	Group and Company 1998 £000	Group and Company 1997 £000
Capital allowances	308	301
Other provisions	-60	-56
Advance corporation tax	-32	-32
	<u>216</u>	<u>213</u>

No provision is made for tax on property revaluation surpluses, as there is no current intention to dispose of the relevant property.

**12 Called up share capital**

The authorised share capital consists of 4,250,000 Ordinary shares of 10 pence each and 320,000 10% Preference shares of £1 each. The Preference shares are convertible, redeemable shares. The redemption and conversion rights are prescribed in the Articles of Association.

The issued share capital is fully paid up and consists of 4,250,000 Ordinary shares of 10 pence each.

**13 Employees**

The average number of persons employed by the Group during the year was 200 (1997 - 197).

**Notes to the Accounts**  
for the year ended 31 August 1998

**14 Reserves**

	Profit and Loss £000	Revaluation £000	Capital Redemption £000
The Group and the Company			
At 1 September 1997	7,832	1,078	320
Profit for the year	1,775	-	-
Transfer	11	-11	-
	<hr/>	<hr/>	<hr/>
At 31 August 1998	9,618	1,067	320

**15 Holding Company Profit**

As permitted by section 228(7) of the Companies Act 1985, no separate profit and loss account of the Company is presented in these financial statements. The amount of profit dealt with in the holding company's accounts was £2,094,000 (1997 - £954,000).

**16 Reconciliation of movement in shareholders' funds**

	Group and Company 1998 £000	Group and Company 1997 £000
Profit for the financial year	2,094	954
Dividends	-319	-319
	<hr/>	<hr/>
Net additions to shareholders' funds	1,775	635
Opening shareholders' funds	9,655	9,020
	<hr/>	<hr/>
Closing shareholders' funds	11,430	9,655

**17 Directors' Emoluments**

The total emoluments of the directors of the Company during the year were £219,721 (1997 - £200,496).

The total pension contributions made on behalf of the directors of the Company during the year were £23,369 (1997 - £22,470).

The total emoluments of the highest paid director of the Company during the year were £80,523 (1997 - £77,506) and company pension contributions made on his behalf were £9,798 (1997 - £9,421).

Three directors including the highest paid director are entitled to retirement benefits under the group's defined benefit pension scheme.

Celotex Limited paid £45,123 (1997- £21,932) during the year to Chaucer Investments Inc. for the management services of J.W.Walter a director of both companies.

**Notes to the Accounts**  
for the year ended 31 August 1998

**18 Pensions**

**Celotex Limited Pension and Assurance Scheme**

The Company operates a defined benefit pension scheme to provide retirement benefits for employees. The scheme is financed through a separate fund administered by Trustees. Contributions to the scheme are made on the basis of actuarial valuations and the latest such actuarial valuation of the scheme was carried out as at 1 April 1998 by William M Mercer Limited on a Market Related Basis.

The principal assumptions made by the actuary were; interest at 5.9% per annum compound; pensionable earnings increases of 4.3% per annum compound; pension increases on benefits accruing after 6 April 1997 of 2.8% per annum compound.

The valuation showed a total fund value of investments of £8.3 million, representing 110% of the projected accrued benefits.

Contributions were at the rate of 15.6% plus members contributions (3% or 5%) and were increased to 18.6% plus members contributions (3% or 5%) from 1 September 1998 as recommended by the Scheme's Actuary.

**Works Pension Schemes**

The Company operates a group personal pension scheme at both it's Hadleigh and Sunbury factories.

**SSAP24**

In the opinion of the directors the difference between the actuarial amount charged in the financial statements and that which would be charged under both schemes had SSAP24 been fully applied is not sufficiently significant to the results of the Group to warrant adjustment.

**19 Lease Obligations**

**Operating leases**

The annual commitments under non-cancellable operating leases as at 31 August 1998 are :

The Group and the Company	Land and Buildings		Other	
	1998	1997	1998	1997
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 Year	-	-	27	24
In years 2 - 5	125	125	128	128
Over 5 years	-	-	-	-
	<u>125</u>	<u>125</u>	<u>155</u>	<u>152</u>

**Notes to the Accounts**  
for the year ended 31 August 1998

**20 Reconciliation of operating profit to net cash inflow from operating activities**

	1998 £000	1997 £000
Operating profit	2,827	1,270
Depreciation	323	314
Loss on disposal of fixed assets	5	1
(Increase) in inventories	-84	-65
(Increase)/decrease in debtors	-1,308	283
Increase/(decrease) in creditors	654	-370
Effect of other accruals on operating activity cash flow	2	9
	2,419	1,442

**21 Analysis of the balances of cash and short term deposits.**

	Change in Year £000	1998 £000	1997 £000
Cash at bank and in hand	132	459	327
Short term deposits	1,038	2,963	1,925
	1,170	3,422	2,252

**22 Related party transactions**

There are no transactions with related parties that require disclosure under Financial Reporting Standard 8 ( FRS 8 ) ' Related Party Disclosures ', other than those with Chaucer Investments Inc disclosed in note 17 .