



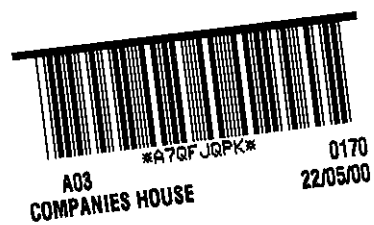
Celotex Limited

DIRECTORS' REPORT AND ACCOUNTS

CELOTEX LIMITED AND ITS SUBSIDIARIES

Registered Number 2183896

31 August 1999





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 1999.

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
B.A.Jackson	Managing Director
D. J. Harper	Marketing Director
G. R. Steer	Financial Director
P.C.P.Hambro	
A. B. N. Lister	

Directors' interests

Directors had beneficial interests at 31 August 1999 in the 10p Ordinary shares of the Company as follows:

	1999 No.	1998 No.
J. W. Walter	2,871,200	2,825,000
G. R. Steer	250,000	250,000
D. J. Harper	250,000	250,000
A. B. N. Lister	200,000	250,000
P.C.P.Hambro	50,000	50,000

B.A.Jackson held a share option dated 23 October 1998 to purchase 40,000 10p Ordinary shares prior to 30 June 2000, this option was exercised on 14 September 1999.

Charitable Donations

Donations made by the group during the financial year for charitable purposes in the United Kingdom amounted to £707 (1998 - £787)

Year 2000

The Company has assessed the impact of the year 2000 issue on its operations and taken action where necessary to ensure its facilities and systems are compliant, we have also undergone an evaluation process designed to monitor the year 2000 compliant status of key suppliers and customers. The costs associated are not significant.

Review of the Year's Performance

Profit for the year was £1,570,000 (1998 - £2,094,000), dividends paid and proposed were £382,000 (1998 - £319,000).

Future Developments

The Company expects the steady growth in the construction sector experienced during 1999 to continue, and it looks to the 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

10 November 1999

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



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 and Group, and of the profit or loss and cash flows of the Group for that period. In preparing those financial statements, 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 financial statements, 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.

Auditors' Report to the Members of Celotex Limited

We have audited the financial statements 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

The Directors are responsible for preparing the Annual Report, including as described above the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you 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 the information specified by law regarding Directors remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 judgments 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 and the Group as at 31 August 1999 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
Chartered Accountants
and Registered Auditors

1 Embankment Place
London WC2N 6NN

10 November 1999

Group Profit and Loss Account
For the year ended 31 August 1999

		1999	1998
	Notes	£000	£000
Turnover	2	24,167	25,348
Cost of sales		<u>-17,386</u>	<u>-18,051</u>
Gross profit		6,781	7,297
Distribution costs		-1,196	-1,218
Administrative expenses		<u>-3,574</u>	<u>-3,252</u>
Operating profit		2,011	2,827
Interest receivable		<u>285</u>	<u>231</u>
Profit on ordinary activities before taxation	3	2,296	3,058
Taxation on profit on ordinary activities	7	<u>-726</u>	<u>-964</u>
Profit for the financial year		1,570	2,094
Ordinary dividends	4	<u>-382</u>	<u>-319</u>
Retained profit for the year	14	<u>1,188</u>	<u>1,775</u>

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 1999

		Group & Company	Group & Company
	Notes	1999 £000	1998 £000
Fixed assets			
Tangible assets	5	5,130	5,238
Investments	6	-	-
		5,130	5,238
Current assets			
Stocks	8	1,294	1,574
Debtors	9	3,824	5,254
Cash at bank and in hand	21	293	459
Short term deposits	21	4,763	2,963
		10,174	10,250
Creditors - Amounts falling due within one year	10	-2,456	-3,842
Net current assets		7,718	6,408
Total assets less current liabilities		12,848	11,646
Deferred tax	11	-230	-216
Net assets		12,618	11,430
Capital and reserves			
Called up share capital	12	425	425
Capital redemption reserve	14	320	320
Revaluation reserve	14	1,056	1,067
Profit and loss account	14	10,817	9,618
Equity shareholders funds	16	12,618	11,430

The accounts were approved by the Board of Directors on 10 November 1999 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 1999

	Notes	1999 £000	1998 £000
Net cash inflow from operating activities	20	3,212	2,419
Returns on investment and servicing of finance			
Interest received		285	229
Net cash outflow from returns on investment and servicing of finance			
Taxation			
Corporation Tax paid	-1,029	-504	
Advance corporation tax paid	-128	-80	
Tax paid		-1,157	-584
Capital expenditure			
Purchase of fixed assets	-250	-591	
Receipts from the sale of fixed assets	54	16	
Net cash outflow from investing activities		-196	-575
Equity dividends paid			
Ordinary share dividends		-510	-319
Management of liquid resources			
Short term deposits increased		-1,800	-1,038
(Decrease)/increase in cash	21	-166	132

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

Notes to the Accounts
for the year ended 31 August 1999

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 1999

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 lease 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

	1999 £000	1998 £000
United Kingdom	22,564	23,475
Europe	1,383	1,693
Far East	220	180
	<u>24,167</u>	<u>25,348</u>

3 Profit before taxation

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

	1999 £000	1998 £000
Wages and salaries	3,872	3,722
Social security costs	370	353
Pension costs	480	331
Depreciation	315	323
Exchange losses	37	4
(Profit)/loss on disposal of fixed assets	-10	4
Non-cancellable operating leases relating to		
- Plant and machinery	173	184
- Land and buildings	125	125
Auditors' Remuneration - audit	23	23
- other services	10	11
Exceptional Item	0	-569

The exceptional item was the cost of a product recall arising from the use of a faulty raw material. Recompense from the supplier of the raw material had been agreed and provided for in the 1998 figures, and was received during November 1998.

Notes to the Accounts
for the year ended 31 August 1999

4 Dividends

	1999 £000	1998 £000
Paid 9p(1998 - 4.5p) per 10p Ordinary share	382	191
Proposed nil (1998 - 3p) per 10p Ordinary share	0	128
	<u>382</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 1998	3,834	5,096	217	9,147
Additions	22	154	75	251
Disposals	-	-154	-99	-253
	<u>3,856</u>	<u>5,096</u>	<u>193</u>	<u>9,145</u>
At 31 August 1999	<u>3,856</u>	<u>5,096</u>	<u>193</u>	<u>9,145</u>
Depreciation				
At 1 September 1998	257	3,571	81	3,909
Disposals	-	-152	-57	-209
Charge for year	25	238	52	315
	<u>282</u>	<u>3,657</u>	<u>76</u>	<u>4,015</u>
At 31 August 1999	<u>282</u>	<u>3,657</u>	<u>76</u>	<u>4,015</u>
Net book amount				
At 31 August 1999	<u>3,574</u>	<u>1,439</u>	<u>117</u>	<u>5,130</u>
At 1 September 1998	<u>3,577</u>	<u>1,525</u>	<u>136</u>	<u>5,238</u>

Capital commitments :	1999 £000	1998 £000
Contracted for	20	22

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 1999 was £237,000 (1998 - £250,000).

Notes to the Accounts
for the year ended 31 August 1999

6 Fixed assets - Investments

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

	1999 £000	1998 £000
L S D Wood Turning Limited	11	11
Sundeala Limited	-	-
	<hr/>	<hr/>
Provision against investments	-11	-11
	<hr/>	<hr/>
	-	-

7 Taxation

The taxation charge is based on profits for the year at 31% for the period 1 September 1998 to 31 March 1999 and 30% for the period 1 April 1999 to 31 August 1999 (1998 - 31%)

	Group and Company 1999 £000	Group and Company 1998 £000
Corporation Tax -		
Current year charge	741	859
Prior years adjustments	3	102
Deferred taxation	-18	3
	<hr/>	<hr/>
	726	964

8 Stocks

	Group and Company 1999 £000	Group and Company 1998 £000
Raw materials and consumables	737	1,076
Work in progress	132	168
Finished goods for resale	425	330
	<hr/>	<hr/>
	1,294	1,574

9 Debtors

	Group and Company 1999 £000	Group and Company 1998 £000
Trade debtors	3,739	4,188
Other debtors	22	974
Prepayments	63	92
	<hr/>	<hr/>
	3,824	5,254

Notes to the Accounts
for the year ended 31 August 1999

10 Creditors (amounts falling due within one year)

	Group and Company 1999 £000	Group and Company 1998 £000
Trade creditors	1,266	1,925
Corporation tax	366	810
Taxation and social security	337	571
Dividends	0	128
Accruals	487	408
	<u>2,456</u>	<u>3,842</u>

11 Deferred Taxation

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

	Group and Company 1999 £000	Group and Company 1998 £000
Capital allowances	309	308
Other provisions	-79	-60
Advance corporation tax	0	-32
	<u>230</u>	<u>216</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 4,290,000 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.

B.A.Jackson held a share option dated 23 October 1998 to purchase 40,000 10p Ordinary shares prior to 30 June 2000, this option was exercised on 14 September 1999.

13 Employees

The average number of persons employed by the Group during the year was 198 (1998 - 200).

Notes to the Accounts
for the year ended 31 August 1999

14 Reserves

	Profit and Loss £000	Revaluation £000	Capital Redemption £000
The Group and the Company			
At 1 September 1998	9,618	1,067	320
Profit for the year	1,188	-	-
Transfer	11	-11	-
	<hr/>	<hr/>	<hr/>
At 31 August 1999	10,817	1,056	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 £1,570,000 (1998 - £2,094,000).

16 Reconciliation of movement in shareholders' funds

	Group and Company 1999 £000	Group and Company 1998 £000
Profit for the financial year	1,570	2,094
Dividends	-382	-319
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Net additions to shareholders' funds	1,188	1,775
Opening shareholders' funds	11,430	9,655
	<hr/>	<hr/>
Closing shareholders' funds	12,618	11,430

17 Directors' Emoluments

The total emoluments of the directors of the Company during the year were £287,366 (1998 - £219,721).

The total pension contributions made on behalf of the directors of the Company during the year were £66,426 (1998 - £23,369).

The total emoluments of the highest paid director of the Company during the year were £81,358 (1998 - £80,523) and company pension contributions made on his behalf were nil (1998 - £9,798).

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

Celotex Limited paid £82,390 (1998- £45,123) 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 1999

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 18.6% plus members contributions (3% or 5%) 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 1999 are :

The Group and the Company	Land and Buildings		Other	
	1999 £000	1998 £000	1999 £000	1998 £000
Operating leases which expire:				
Within 1 Year	-	-	22	27
In years 2 - 5	125	125	106	128
Over 5 years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	125	125	128	155
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Notes to the Accounts
for the year ended 31 August 1999

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

	1999 £000	1998 £000
Operating profit	2,011	2,827
Depreciation	315	323
(Profit)/loss on disposal of fixed assets	-10	5
Decrease/(increase) in inventories	280	-84
Decrease/(increase) in debtors	1,430	-1,308
(Decrease)/increase in creditors	-814	654
Effect of other accruals on operating activity cash flow	0	2
	<u>3,212</u>	<u>2,419</u>

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

	Change in Year £000	1999 £000	1998 £000
Cash at bank and in hand	-166	293	459
Short term deposits	1,800	4,763	2,963
	<u>1,634</u>	<u>5,056</u>	<u>3,422</u>

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 .