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RUBEROID

Annual Report 1994



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RUBEROID

A European leader in

waterproofing systems

for the construction industry

Financial Highlights

	1994	1993	
		pro forma*	
Turnover	£240.1m	£232.6m	+3%
Operating profit	£9.2m	£7.9m	+16%
Profit before taxation	£8.4m	£7.1m	+18%
Earnings per share	11.9p	10.6p	+12%
Dividends per share	6.0p	5.4p	+11%

*See Finance Report for basis of preparation

Chairman's Statement



**It gives me great pleasure to present the 1994 Annual Report of Ruberoid PLC.
In its first year as an independent group, Ruberoid has:**

- firmly established its own identity and ethos;
- achieved an 18 per cent increase in pre-tax profit;
- increased the rate of dividend by 11 per cent; and
- made the important Hyload acquisitions.

Trading performance

During the year ended 31 December 1994, external turnover totalled £240.1 million. The Group achieved a pre-tax profit of £8.4 million, an 18 per cent advance on the previous year's pro forma combined profit before taxation of £7.1 million. The profit after taxation was £5.8 million, comparing favourably with the pro forma figure of £5.0 million in 1993. Earnings per share rose to 11.9 pence against last year's pro forma earnings of 10.6 pence.

Dividends

An interim dividend of 1.8 pence per share was paid in November 1994. The Directors propose a final dividend of 4.2 pence per share which, if approved, will be paid on 31 May 1995 to shareholders on the register at the close of business on 1 May 1995. The total dividend of 6.0 pence compares with the notional dividend of 5.4 pence which the Directors would have expected to pay for the year ended 31 December 1993.

Hyload

The major events of 1994 included the purchase at the end of August of the 50 per cent interest in the Hyload UK joint venture which the Group did not already own and, following

shareholders' approval, the acquisition of Hyload Inc. Both businesses manufacture high quality polymeric sheeting products for use in the construction industry. The acquisitions give Ruberoid total control over the development of the Hyload brand and a platform for controlled expansion in the US market, and conform with the Group's strategy for improving its business mix.

Board

Neville Simms resigned from the Board on 31 January 1995, having completed the term of office envisaged at the time of the Placing and Offer for Sale. On behalf of shareholders, I would like to thank him for his very practical support during this formative period and for his informed comment on our businesses.

In his place, we are pleased to have welcomed to the Board Michael Bottjer, Group Chief Executive of Tilbury Douglas PLC. He has overseen the recent growth and development of that group and brings to the Board a wealth of experience in construction markets, both at home and abroad.

Management

The operating companies are well-established with strong market positions, but we took time in the early part of the year

to set up the right central management structure and Group culture. The effort was worthwhile, and I believe that there is a good team approach at all levels. We have set ourselves high standards and are determined to build that quality and efficiency into the totality of the business. This concentration on internal standards will flow through to create and support the external perception of a well-managed, efficient, high-quality Group – for the ultimate benefit of customers, employees and shareholders alike.

Employees

Ruberoid depends for its success on its employees, and I would particularly like to thank all of them for their efforts during our first year, which has placed extra demands on many, and for their contributions to the hard-won improvement in the Group's performance.

Outlook

It is our intention to concentrate on the growth of our manufacturing and distribution businesses and to continue to improve the quality of earnings in our specialist contracting operations by gradual withdrawal from any peripheral or unrewarding activities.

Much has been done to ensure that Ruberoid moves into the new year in good heart. The economies in which we operate are stable, although the principal industry in which we operate is sensitive to interest rate movements.

In the UK, growth is forecast in the relevant sectors of the market and our manufacturing companies are achieving good capacity utilisation and have well-controlled cost structures. We continue to improve the operating margins in our specialist contracting businesses, both through selective tendering and through our ongoing policy of overhead containment.

Continued improvement is also forecast in our Continental markets, where high levels of manufacturing output and the downsizing of our contracting activities should enable steady progress to be maintained.

Further savings from cost reduction programmes throughout the Group and the benefit of joint development of new products underpin our measured confidence for 1995, which will also see a full year's contribution from the Hyload acquisitions.

David Kendall Chairman



Ruberoid is an integrated group of companies engaged principally in the manufacture, distribution and installation of a wide range of bituminous waterproofing systems. The Group has leading market positions in the UK, Ireland, Belgium and The Netherlands. This review and the succeeding Finance Report trace the progress of the Group and its three operating Divisions during the year.

The Group's primary objectives in 1994 have been:

- to consolidate the market positions of the manufacturing and distribution businesses;
- to improve the returns from the specialist contracting businesses;
- to optimise cash generation from operations; and
- to secure profitable growth for future years.

Ruberoid Building Materials

The Division is the UK's largest manufacturer and supplier of bituminous membranes and mastic asphalt and the largest supplier of such products in Ireland. The key development of 1994 was the acquisition of the remaining 50 per cent of the Hyload UK joint venture and of 100 per cent of Hyload Inc, as a consequence of which the Division now also manufactures high-specification polymeric membranes in the US. Their trading results since acquisition and the 50 additional employees are included in the Divisional summary below.

	1994	1993	1992
Turnover	£44.1m	£44.2m	£43.8m
Operating profit	£5.0m	£4.7m	£2.5m
Employees	436	398	454

Ruberoid Building Products At Ruberoid Building Products, the beginning of 1994 was characterised by uncertain market conditions, with some margin erosion, but the second half benefited from higher volumes, price increases and efficiency gains. A complete review of the Company's product ranges and a realignment of the sales and marketing functions have eliminated product overlap and improved customer service by enabling the sales force to concentrate its expertise on specific sectors of the market. The Brimsdown production plant has been closed, and integration of the Hyload

manufacturing site at Chesterfield has been accomplished satisfactorily with excellent co-operation from all concerned.

Permanite Asphalt Pending any meaningful upturn in the commercial new-build or public repair & maintenance sectors of the market, Permanite Asphalt has been concentrating growth on its high-performance polymer-modified grades and other business opportunities. The Company turned in another solid performance, with a small increase in sales and profits.

Ireland Sales volumes were ahead of the previous year, assisted by a gradual recovery in building activity in the Republic. Irish Roofing Felts is broadening its activity; it obtained the distribution rights to a new range of building chemicals, and has now concluded an arrangement to distribute insulation materials. Its management has been combined with that of the Irish contracting branches, with a consequent reduction in overhead costs.

Hyload Inc 1994 was an excellent year for Hyload Inc, which joined the Group at the end of August. Its high-specification products are sold at the top end of the repair & maintenance sector of the US market, capitalising particularly on their suitability for harsh rooftop environments. The manufacturing subsidiary, Martin Rubber, also supplies protective tank linings to industrial customers. The US economy is moving forward steadily and both businesses are



Far left: The new Dampmaster DPC is specially formulated to withstand cold or hostile housebuilding conditions.

Left: In the US, quality-conscious building owners specify Hyload roofing materials.

Below: Heat-welding the new cold adhesive waterproofing systems for environmentally-sensitive areas.

implementing promising sales and product initiatives.

Ruberoid Building Services

The Division provides a range of specialist services to the construction, petrochemical and marine industries through four operations, each of which is a leader in its field. Its results reflect further gains in operating efficiency and constant efforts to achieve better margins.

	1994	1993	1992
Turnover	£85.2m	£84.0m	£117.2m
Operating profit/(loss)	£1.5m	£0.5m	£(0.8)m
Employees	1,380	1,486	1,982

Briggs Roofing & Cladding Briggs is the leading roofing and cladding contractor in the UK. Action had been taken in 1993 to reduce the cost base and to strengthen regional management – a decision vindicated by improved returns in 1994. Market growth was minimal and with no obvious



Below: Atab membranes and Albitum's contracting skills were selected for the European Council building in Brussels.

reduction in capacity within the industry, pricing remained extremely competitive. This, coupled with a stubborn resistance from some major customers to agree final accounts, confirmed Briggs' belief that the risk : reward ratio of large new-build contracts had deteriorated to a level which was frequently unacceptable, particularly where the Group had no opportunity to supply products of its own manufacture. The Company therefore disbanded its two dedicated major projects teams – saving overheads, removing the pressure to fight for ever-increasing volume in order to cover costs, and enabling

the best managers to be absorbed within the existing branch network. This will strengthen further the management of Briggs' core repair and maintenance business and have a beneficial effect on cash generation.

Durastic Durastic is one of the leading manufacturers and installers of marine deck covering systems in the UK. Its marine branches all traded well, and the Company countered the demise of shipbuilding on the Tyne by increasing the level of ship repair and offshore work. The focus of the business was



Right: Exports to the growing Far East market now exceed £1 million per annum.

Centre: Ruberoid's specialist contracting businesses provide clients with reliability and nationwide service.

Far right: Broderick Structures fabricated and installed the dramatic stepped roof at Glyndebourne



sharpened by the closure of its industrial flooring unit early in 1994 and by the sale of the small Liquid Spray Systems operation to its management at year-end.

Broderick Structures Broderick Structures designs, fabricates and installs fully-supported metal roofing and cladding systems. 1994 proved a disappointing year, but management changes and branch rationalisation are already producing benefits. Useful savings have also accrued for the Division from the transfer of Briggs' administrative functions to the Broderick premises in Woking following the closure of the Dorking office.

Fire Protection Aaronite is one of the leading passive fire protection contractors in Europe. The hydrocarbons side of Aaronite and the corrosion control activities of Palmers were strong performers, but turnover in Norway was 9 per cent lower than in the previous year. Further work was available from the UK building industry, but Aaronite continued to restrict its participation in this low-margin market. The large contract for the Hibernia oilfield production platform is nearing a satisfactory conclusion, and 1995 is likely to see a return to more normal levels of activity.

Ruberoid European Waterproofing

The Division manufactures and distributes bituminous roofing felts and related building and waterproofing products in Belgium and The Netherlands, where it holds leading market positions. It is also a specialist roofing contractor in Belgium, The Netherlands and France. Creditable sales and profit growth was achieved, particularly in consumer products.

	1994	1993	1992
Turnover	£110.8m	£104.4m	£102.8m
Operating profit	£3.7m	£2.9m	£3.5m
Employees	930	940	1,037

Belgium Atab's sales growth all came from roofing and waterproofing products, particularly the Aquaplan range of solutions and compounds aimed at DIY markets. Additional Aquaplan distributors have been appointed and a new range of civil engineering products has been launched, whilst changes in manufacturing systems have helped to improve margins. Albintra achieved reasonable increases in sales and profit from its distribution business. Asphaltco's turnover was up by 9 per cent, with an improved net margin. Albitum finished the year with a small profit, but was unable to obtain sufficient volume at acceptable margins to justify its overhead structure. There is likely to be some further restructuring of the Belgian contracting activity in the current year.

France Following the previous year's rationalisation, both Isolacier and Tocover achieved better results. The direct return from contracting in France is modest, but the companies are useful outlets for Atab products.

The Netherlands Nebiprofa maintained its share of the Dutch market, posting a strong increase in profits due largely to good control of raw material costs. The Company's UK branch has been closed because currency differentials make it more economic to supply locally-manufactured products. The contracting activities of the loss-making Nebiprofa Protection have been integrated into those of Judon and Bitasco, saving overheads; future policy is not to expand in roofing contracting but rather to develop the merchandising departments of Judon and Bitasco. Touwen's results improved in line with expectations, supported by the successful launch of its range of water-based paints for garden use.

Ian McPherson Chief Executive

Tight management control of operations in 1994 has achieved:

- increased operating profit;
- enhanced earnings per share;
- low gearing; and
- strong interest cover.

Presentation

Ruberoid has only existed as an independent Group since its flotation in November 1993. Consequently, the comparative figures shown in the 1994 Group Profit and Loss Account, Group Cash Flow Statement and related notes only cover the period from acquisition to 31 December 1993. However the Group's constituent businesses, which were acquired at the time of the flotation, traded throughout 1993 and earlier years. Certain pro forma information about the full year results for 1993, together with comparatives for 1992, was provided in the Group's 1993 Annual Report.

To provide a more meaningful comparison of the Group's trading performance, the 1993 pro forma results are shown in the Financial Highlights section and are discussed in the Chairman's Statement and Chief Executive's Review (which also includes 1992 pro forma results). All these pro forma comparative results have been derived from the Group's 1993 Annual Report.

The notional dividend of 5.4 pence per share for 1993 represents the dividend that the Directors would have expected to pay for the year ended 31 December 1993 had the Group existed as an independent entity for the whole of that year, as set out in the Listing Particulars at flotation.

Operating results

This report should be read in conjunction with the Chief Executive's Review, which comments in detail on the individual trading operations, and with the financial statements on pages 16 to 36.

Turnover for 1994 was £240.1 million. This figure includes the \$1.6 million (£1.1 million) turnover of Hyload Inc for the period since its acquisition at the end of August 1994; the full value of sales by the Hyload UK operation was already included in the Group's results because Ruberoid has always had responsibility for distributing the products of the former joint venture.

Overheads were below the level of the previous year, contributing to the higher operating profit of £9.2 million. This includes a non-recurring £0.3 million charge for product rationalisation and covers more than 11 times the interest charge of £0.8 million. The £8.4 million pre-tax profit was an 18 per cent improvement on the previous year's pro forma profit before taxation.

Taxation and dividends

The taxation charge of £2.6 million represents an effective tax rate of 31.5 per cent. Earnings per share increased from the previous 10.6 pence of 1993 to 11.9 pence in 1994. The Board has recommended a final dividend of 4.2 pence, giving a total dividend for the year of 6.0 pence which is covered twice by available earnings.

Cash flow

The net cash inflow from operations totalled £10.1 million which, after interest charges, dividends and tax payments totalling £3.4 million and net capital expenditure of £2.3 million, provided the funds for repayment of an 8.5 million Guilders (£3.0 million) loan arising from the flotation.

The cost of acquisitions was £7.3 million, largely funded by a five-year multi-currency loan facility. The term of the loan is linked to the projected payback period, and the principal has been drawn down in foreign currency in order to provide a partial hedge against the Group's overseas net assets.

Ruberoid has also reviewed the financing of its UK vehicle fleet, and concluded new finance lease arrangements which offer benefits over the previous operating leases. In accordance with FRS 5, both the assets and the related liability have been included in the Balance Sheet.

Treasury policy

The objectives of the Group's Treasury Policy are to provide suitable finance to support operational requirements, to reduce or eliminate financial risk in a cost-effective manner and to invest any liquid resources safely and profitably.

Approval of banking and borrowing arrangements, financial and treasury policies including foreign exchange and interest

rate exposure, is a matter reserved for the Board of Directors of Ruberoid PLC. The Group carries borrowing facilities in excess of its current needs, any requirements extending over one year being covered by committed facilities. The seasonal increases in working capital requirements are covered by overdraft facilities.

Currency transactions unrelated to underlying commercial transactions, and the sale or writing of currency options, are not permitted. Individual operating companies are responsible for matching or hedging material transaction exposures in foreign currencies. The Group will not normally enter into foreign exchange contracts solely to hedge translation exposure in the Balance Sheet or Profit and Loss Account but, whenever economical, it will arrange borrowings in the currency of the country concerned in order to provide a natural hedge.

Capital employed

Share capital and reserves were enhanced by the retained earnings of £2.8 million and currency translation gains of £1.8 million. However, in accordance with accounting standards the goodwill of £5.7 million arising on acquisitions has been deducted from reserves. Ordinary shareholders' funds at the end of the year were £44.8 million.

Working capital was higher than at the end of the previous year, partly because of the increased level of turnover but also because of the reduction in certain non-recurring liabilities relating to the purchase of the original operating companies and to the flotation.

Net borrowings, already deducted in arriving at the value of net assets shown in the Balance Sheet, amounted to £8.7 million (including finance leases), representing gearing of 19 per cent.

Board of Directors

David W Kendall*† Aged 59. Joined the Board as Chairman in 1993. He is also chairman of Blagden Industries plc, Meyer International PLC, Whitecroft plc, and Celtic Energy Ltd and a non-executive Director of Danka Business Systems plc, Gowrings PLC and South Wales Electricity plc.

Ian G S McPherson Aged 54. Joined the business in 1955 and was appointed to the Board in 1993 as Chief Executive. He was a Director of Tarmac PLC from 1988 to 31 January 1995.

Michael C Bottjer*† Aged 54. Joined the Board as a non-executive Director on 1 January 1995. He is Group Chief Executive of Tilbury Douglas PLC.

E Bryan McCann Aged 50. Joined the business in 1992 and was appointed to the Board in 1993. He is Managing Director of Ruberoid Building Services division, and was previously Managing Director of SGB plc.

Peter Race Aged 56. Joined the business in 1981 and was appointed to the Board in 1993. He is Managing Director of Ruberoid Building Materials division, having earlier held senior positions in the Hepworth PLC group.

David T Watson Aged 54. Joined the business in 1986 and was appointed Finance Director in 1993. He is a chartered accountant and was previously Finance Director of Tarmac Industrial Products division.

William G K Wilford Aged 52. Joined the business in 1965 and was appointed to the Board in 1993. He is Managing Director of Ruberoid European Waterproofing division, having been Managing Director of Atab NV since 1972.

David S Winterbottom*† Aged 58. Joined the Board as a non-executive Director in 1993. He is Chairman of Atco-Qualcast Ltd and a non-executive director of Electrocomponents PLC, Barr & Wallace Arnold Trust P.L.C., Helix Group PLC, Princedale Group PLC, Benjamin Priest Group Ltd and Remploy Ltd.

*Audit Committee

† Remuneration Committee

Secretary and registered office

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The Directors present their report together with the audited financial statements for the year ended 31 December 1994.

Principal activities and business review

Ruberoid PLC is the parent company of a group of companies engaged principally in the manufacture, supply and installation of a wide range of bituminous waterproofing systems. A review of the Group's activities and its prospects is contained in the Chief Executive's Review on pages 4 to 7. A summary of the results of these activities is set out in the Segmental Analysis on page 23.

Results and dividends

The profit for the financial year was £5,743,000. The Directors propose a final dividend of 4.2 pence per share amounting to £2,026,000. This together with the interim dividend of 1.8 pence per share paid on 25 November 1994 makes a total of 6.0 pence for the year. The final dividend, if approved, will be paid on 31 May 1995 to shareholders on the Register at the close of business on 1 May 1995. The retained profit transferred to reserves amounted to £2,849,000.

Directors

The names and details of the Directors are set out on page 10. Mr M C Bottjer was appointed as a non-executive Director on 1 January 1995. Mr N I Simms resigned as a non-executive Director on 31 January 1995.

In accordance with Article 76 of the Articles of Association, Mr M C Bottjer, having been appointed by the Board, retires from office at the forthcoming Annual General Meeting. In accordance with Article 77, Mr D W Kendall and Mr I G S McPherson retire by rotation. All the retiring Directors, being eligible, offer themselves for re-election.

The unexpired periods of the appointments of the non-

executive Directors are 33 months in the case of Mr M C Bottjer and 20 months in the case of Mr D W Kendall. The service contract of Mr I G S McPherson is subject to 24 months' notice of termination.

The Company maintains directors' and officers' liability insurance cover for Directors and Officers of the Company and its subsidiary undertakings.

The interests of the Directors in the share capital of the Company are set out in note 24 on page 36.

Fixed assets

The movements in tangible assets and investments during the year are shown in notes 10 and 11 on pages 27 and 28.

Share capital

There were no changes to the share capital during the year. No options were granted under the Executive Share Option Scheme. 1,084,423 options were granted under the Savings Related Share Option Scheme to 319 employees, but further grants will not be made unless the paid-up capital of the Company is increased. An analysis of the ownership of the issued share capital is given on page 40.

Approval will be sought at the forthcoming Annual General Meeting to renew the authorities granted to the Directors at last year's Annual General Meeting to allot unissued shares in the capital of the Company and, in certain circumstances, to allot shares for cash otherwise than to existing shareholders pro rata their holdings. Resolution 5 will renew for a period of five years the Directors' authority to allot relevant securities up to an aggregate of £802,978, representing 33.3 per cent of the current issued share capital. Resolution 6 is a Special Resolution proposed annually to renew the Directors' authority under Section 95 of the Companies Act 1985 to allot a limited number of shares by way of rights issue or otherwise for cash

up to an aggregate nominal amount of £120,567, representing 5 per cent of the current issued share capital. These authorities are in line with current institutional guidelines.

No shares were allotted under the authorities given by the 1994 Annual General Meeting and the Directors have no present intention of using the authorities granted under resolutions 5 and 6 other than as may be required in connection with the Executive Share Option Scheme and the Savings Related Share Option Scheme. The Directors believe that they should have the proposed authorities to facilitate the proper conduct of the Company's affairs and to take advantage of business opportunities should they arise.

Substantial interests

The interests which have been notified to the Company in accordance with Section 198 of the Companies Act 1985, as at 30 March 1995, are shown on page 40.

Employees

It is the Group's policy to promote the health, safety and welfare of its employees; to provide equal opportunity in recruitment; and to maximise the opportunities for the employment, retention and development of disabled people consistent with their aptitudes and abilities.

The Group has continued to place a high priority on the training and development of its employees and considerable emphasis has been placed on reviewing and improving health and safety procedures.

The Board recognises the need for effective communication with, and the involvement of, employees to ensure good relations and the improvement of the Group's performance and will continue to hold briefings and presentations when required.

Research and development

The Group's policy is to enhance the performance of its products through continuous improvements and quality control in order to meet evolving building design criteria and expected European building standards.

Environmental policy

The Board acknowledges the need to operate the businesses in a manner which is consistent with protecting the environment. The Group is committed to compliance with relevant legislation and local standards and will, whenever feasible, pursue continuing improvement in environmental performance.

Charitable and political donations

Charitable donations in the UK totalled £900 during the year. No political contributions were made.

Close company status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Michael Kippen Secretary
30 March 1995



The Board is supportive of the highest standards of corporate governance. The Group has complied throughout the financial year with those elements of the Code of Best Practice on the Financial Aspects of Corporate Governance that were in force for the year, other than as noted below in respect of Mr W G K Wilford's service contract. Guidance for directors on reporting on internal control has only recently been issued, and reporting is only required on the systems in place from 1 July 1995. Nevertheless, the Board acknowledges its responsibility for the Group's systems of internal control.

The Board, which currently comprises five executive and three non-executive Directors, meets regularly throughout the year and has a formal schedule of matters reserved to it for consideration and decision. This includes the approval of strategy recommendations and budgets as well as significant operational and financial management matters. There is an established financial control framework, with a comprehensive budgeting and reporting system.

The Board has put in place an organisational structure with clearly defined lines of authority to manage its overall responsibility for the Group's system of internal control. It has delegated authority to a number of sub-committees, including the Audit and Remuneration Committees (the latter also being responsible for nominations).

The Audit Committee is chaired by Mr D S Winterbottom. It is composed wholly of non-executive Directors and meets at least twice a year. Its terms of reference include the review of the annual and interim financial statements, the accounting policies of the Company and its subsidiary undertakings, internal management and financial controls, statutory and other external compliance requirements, and the planning, scope and results of the external auditors' programme. It receives reports from the external auditors who, together with the Chief Executive and the Finance Director, attend meetings at the invitation of the Committee, as required.

The Remuneration Committee is composed wholly of non-executive Directors and is chaired by Mr D W Kendall. Its key responsibilities are the consideration and approval of all Board and senior executive appointments within the Group, together with related terms of service, remuneration and benefits. The Committee also assists in the formulation of remuneration policy, taking advice from independent compensation consultants where necessary.

To reflect the requirement that there be a clearly accepted division of responsibility at the head of the Company, the Chairman of the Board is a non-executive Director. Any Director may, in furtherance of his duties, take independent professional advice where necessary, at the expense of the Company. All Directors have access to the Company Secretary whose appointment and removal is a matter for the Board as a whole and who is responsible to the Board for ensuring that agreed procedures and applicable rules and regulations are observed.

The appointment and reappointment of non-executive Directors has to be approved by the shareholders in General Meeting. Subject to this, their appointment is for a period of three years which may be extended thereafter for a further three years by mutual agreement. With the exception of Mr W G K Wilford, no service contracts for executive Directors have notice periods which exceed two years. The service agreement of Mr W G K Wilford is with European Waterproofing Group NV and is an oral contract governed by Belgian law. There are no agreed periods of notice and, if necessary, the matter would be decided by the Belgian courts.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 the Group and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors' Report to the Members of Ruberoid PLC

We have audited the financial statements on pages 16 to 36.

Respective responsibilities of directors and auditors

As described opposite, 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 Group'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 December 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG

Chartered Accountants
Registered Auditors

Birmingham
30 March 1995

Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's and the Group's financial statements.

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The Group financial statements consolidate the financial statements of Ruberoid PLC and all its subsidiary undertakings. For associated undertakings, the Group includes its share of profits and losses in the Group Profit and Loss Account and its share of post acquisition retained profits or accumulated deficits in the Group Balance Sheet.

The consolidated financial statements are based on financial statements of subsidiary and associated undertakings which are coterminous with those of the parent Company.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the Group Profit and Loss Account from the date of acquisition or up to the date of disposal. Similarly, the cash flows of subsidiary undertakings acquired or disposed of in the year are included in the Group Cash Flow Statement from the date of acquisition or up to the date of disposal.

In accordance with Section 230(4) of the Companies Act 1985, Ruberoid PLC is exempt from the requirement to present its own profit and loss account. The result for the financial year dealt with in the financial statements of Ruberoid PLC is disclosed in note 7 to these financial statements.

Investments in subsidiary undertakings

In the Company's Balance Sheet, investments in subsidiary undertakings are stated at cost less provisions for permanent diminution in value. Where the consideration for the acquisition of subsidiary undertakings includes the allotment of shares and the provisions of Section 131 or 132 of the Companies Act 1985 apply, the cost of the investment represents the nominal value of the shares issued, the minimum premium required to be transferred to the share premium account under Section 132, the fair value of any other consideration given and the costs of acquisition.

Goodwill

Goodwill arising on consolidation and on the acquisition of unincorporated businesses, representing the excess of the fair value of the consideration given over the fair value of the net assets acquired, is written off against reserves on acquisition. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves on acquisition.

Turnover

Turnover represents the amounts, excluding value added tax, derived from the provision of goods and services, including long term contracts, to external customers during the year.

Depreciation

With the exception of freehold land which is not depreciated, depreciation is provided to write off the cost of tangible assets, less their estimated residual values, by equal annual instalments over their estimated useful economic lives as follows:

Freehold buildings	50 years
Long leasehold properties	50 years
Short leasehold properties	Period of lease
Furniture, plant, machinery and vehicles	3 to 15 years

Foreign currencies

For consolidation purposes, the results and net assets of overseas subsidiary undertakings are translated at the average rates of exchange for the year and the rates of exchange ruling at the year end respectively. Gains or losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Transactions in foreign currencies are recorded using the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date. Exchange differences are reflected in the results for the year.

Leased assets

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the Balance Sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the Profit and Loss Account on a straight line basis over the life of the lease.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

Long term contracts

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit less any foreseeable losses. The profit on each individual contract is the lower of profit earned to date and that forecast at completion. Payments received on account are deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors.

Deferred taxation

Deferred taxation, calculated using the liability method, is included only where the effects of timing differences between results as stated in the financial statements and as computed for taxation purposes are likely to crystallize in the foreseeable future.

Pensions

The Group operates both money purchase and final salary pension schemes. The amount charged against profit in respect of the money purchase schemes represents the contributions payable to the schemes in respect of the accounting period. Contributions to the final salary schemes are charged to the Profit and Loss Account so as to spread the cost of pensions over employees' working lives with the Group.

Group Profit and Loss Account

for the year ended 31 December 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Turnover					
Continuing operations		239,016		42,845	
Acquisitions		1,075		—	
			240,091		42,845
Cost of sales	1		(190,132)		(35,978)
Gross profit			49,959		6,867
Net operating expenses	1		(40,730)		(6,781)
Operating profit					
Continuing operations		8,693		86	
Acquisitions		536		—	
			9,229		86
Net interest payable	2		(815)		—
Profit on ordinary activities before taxation	3				
Continuing operations		8,036		86	
Acquisitions		378		—	
			8,414		86
Taxation on profit on ordinary activities	6		(2,647)		(124)
Profit/(loss) on ordinary activities after taxation			5,767		(38)
Minority interests			(24)		46
Profit for the financial year	7		5,743		8
Contribution from former shareholders			—		5,500
Dividends	8		(2,894)		(868)
Retained profit for the financial year	18		2,849		4,640
Earnings per ordinary share	9		11.9p		0.1p

There is no difference between the result as disclosed in the Group Profit and Loss Account and the result on an unmodified historical cost basis.

Movements in reserves are set out in note 18 on page 32.

Group Balance Sheet

31 December 1994

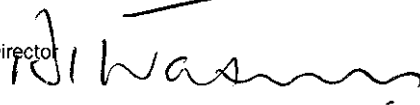
	Note	1994 £000	1994 £000	1993 £000	1993 £000
Fixed assets					
Tangible assets	10	29,709		25,623	
Investments	11	—		45	
			29,709		25,668
Current assets					
Stocks	12	19,082		15,402	
Debtors	13	59,605		52,505	
Cash		5,198		5,544	
		83,885		73,451	
Creditors: amounts falling due within one year					
Borrowings	14	(2,934)		(5,679)	
Other creditors	14	(54,072)		(43,872)	
		(57,006)		(49,551)	
Net current assets			26,879		23,900
Total assets less current liabilities			56,588		49,568
Creditors: amounts falling due after more than one year					
Borrowings	15	(10,964)		(2,724)	
Other creditors	15	(454)		(555)	
			(11,418)		(3,279)
Provision for liabilities	16		(65)		(192)
Net assets			45,105		46,097
Capital and reserves					
Called up share capital	17		2,411		2,411
Share premium account	18	32,204		32,204	
Other reserves	18	819		6,481	
Profit and loss account	18	9,330		4,723	
			42,353		43,408
Shareholders' funds			44,764		45,819
Minority interests			341		278
			45,105		46,097

These financial statements were approved by the Board of Directors on 30 March 1995 and were signed on its behalf by:

David Kendall Chairman



David Watson Finance Director



Group Statement of Total Recognised Gains and Losses

for the year ended 31 December 1994

	Note	1994 £000	1993 £000
Profit for the financial year		5,743	8
Exchange adjustment	18	1,758	83
Total recognised gains and losses for the year		7,501	91

Group Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 1994

	Note	1994 £000	1993 £000
Total recognised gains and losses for the year		7,501	91
Dividends	8	(2,894)	(868)
New share capital subscribed net of costs		-	71,800
Goodwill written off	18	(5,662)	(30,704)
Contribution from former shareholders		-	5,500
Movement in shareholders' funds		(1,055)	45,819
Shareholders' funds at beginning of year		45,819	-
Shareholders' funds at end of year		44,764	45,819

Company Balance Sheet

at 31 December 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Fixed assets					
Tangible assets	10	140		4,083	
Investments	11	32,487		30,760	
			32,627		34,843
Current assets					
Stocks	12	—		2,790	
Debtors	13	17,918		6,687	
Cash		—		5,125	
		17,918		14,602	
Creditors: amounts falling due within one year					
Borrowings	14	(1,354)		—	
Other creditors	14	(6,733)		(9,871)	
		(8,087)		(9,871)	
Net current assets			9,831		4,731
Total assets less current liabilities			42,458		39,574
Creditors: amounts falling due after more than one year					
Borrowings	15		(5,202)		—
Provision for liabilities	16		—		(195)
Net assets			37,256		39,379
Capital and reserves					
Called up share capital	17		2,411		2,411
Share premium account	18	32,204		32,204	
Profit and loss account	18	2,641		4,764	
			34,845		36,968
Shareholders' funds			37,256		39,379

These financial statements were approved by the Board of Directors on 30 March 1995 and were signed on its behalf by:

David Kendall Chairman



David Watson Finance Director



Group Cash Flow Statement

for the year ended 31 December 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Net cash inflow/(outflow) from operating activities	22a		10,111		(747)
Returns on investments and servicing of finance					
Interest received		438		117	
Interest paid		(1,177)		(126)	
Interest element of finance lease rental payments		(76)		-	
Dividends paid		(1,736)		-	
Net cash outflow from returns on investments and servicing of finance			(2,551)		(9)
Taxation					
UK corporation tax paid		(195)		(156)	
Overseas tax paid		(690)		(363)	
Tax paid			(885)		(519)
Investing activities					
Purchase of tangible fixed assets		(2,892)		(801)	
Acquisition of subsidiary undertakings and businesses (net of cash and cash equivalents acquired)	22b	(6,977)		(1,437)	
Sale of tangible fixed assets		552		214	
Net cash outflow from investing activities			(9,317)		(2,024)
Contribution from former shareholders			-		5,500
Net cash (outflow)/inflow before financing			(2,642)		2,201
Financing					
New medium term bank loans	22d	7,827		-	
Loan repayments	22d	(3,968)		-	
Capital element of finance lease rental payments	22d	(158)		-	
Net share issue proceeds	22d	-		1,770	
Net cash inflow from financing			3,701		1,770
Increase in cash and cash equivalents	22c		1,059		3,971

Segmental Analysis

for the year ended 31 December 1994

Turnover by division

	Group					
	Total turnover		Inter-segmental turnover		External turnover	
	1994	1993	1994	1993	1994	1993
	£000	£000	£000	£000	£000	£000
Building Materials	47,448	6,890	(3,309)	(468)	44,139	6,422
Building Services	85,181	22,907	(22)	—	85,159	22,907
European Waterproofing	111,486	13,703	(693)	(187)	110,793	13,516
	<u>244,115</u>	<u>43,500</u>	<u>(4,024)</u>	<u>(655)</u>	<u>240,091</u>	<u>42,845</u>

Profit and net assets

	Profit before taxation		Net assets	
	1994	1993	1994	1993
	£000	£000	£000	£000
Building Materials	4,966	369	8,488	6,986
Building Services	1,556	364	19,136	14,505
European Waterproofing	3,705	(492)	32,035	30,212
Central costs/Net liabilities	(998)	(155)	(2,173)	(1,665)
Operating profit/Net operating assets	9,229	86	57,486	50,038
Net interest payable/Net debt	(815)	—	(8,700)	(2,859)
Current and deferred taxation			(1,655)	(214)
Proposed dividend			(2,026)	(868)
Profit before taxation/Net assets	<u>8,414</u>	<u>86</u>	<u>45,105</u>	<u>46,097</u>

Geographical analysis

The country of origin of the Building Materials and Building Services business segments is principally the UK and the countries of origin of European Waterproofing are principally Belgium and The Netherlands. An analysis of external turnover by geographical destination is as follows:

	1994	1993
	£000	£000
United Kingdom	113,175	27,643
Mainland Europe	123,339	14,800
United States of America	1,096	—
Rest of World	2,481	402
	<u>240,091</u>	<u>42,845</u>

Notes to the Financial Statements

1 Cost of sales and net operating expenses

	Continuing	Acquisitions	Group Total	Group Total
	1994	1994	1994	1993
	£000	£000	£000	£000
Cost of sales	189,813	319	190,132	35,978
Net operating expenses				
Distribution costs	9,981	168	10,149	1,289
Administrative expenses	30,716	52	30,768	5,776
Other operating income	(184)	-	(184)	(286)
Share of results from associated undertakings	(3)	-	(3)	2
	40,510	220	40,730	6,781

2 Net interest payable

	Group 1994 £000	Group 1993 £000
Interest receivable		
Bank interest receivable	241	-
Sundry interest receivable	197	131
	438	131
Interest payable and similar charges		
On bank loans and overdrafts	1,142	112
Finance lease charges	76	-
Sundry interest payable	35	19
	1,253	131
Net interest payable	815	-

Interest of £158,000 has been charged in arriving at the result of the acquisitions during the year. This represents the interest incurred on the medium term financing arranged for these acquisitions.

3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation has been arrived at after charging:

	Group 1994 £000	Group 1993 £000
Depreciation on tangible fixed assets	3,360	513
Operating leases:		
Hire of plant and machinery	2,433	391
Hire of other assets	1,198	212
Auditors' remuneration:		
United Kingdom	180	34
Overseas	126	19

Fees paid to KPMG in 1994 for UK non audit services amounted to £149,000 (1993 : £859,000) of which £110,000 (1993 : £833,000) has been capitalised.

4 Employees

The average number of employees of the Group was as follows:

	Group 1994 Number	Group 1993 Number
Building Materials	436	398
Building Services	1,380	1,486
European Waterproofing	930	940
Head Office	13	5
	<u>2,759</u>	<u>2,829</u>

The aggregate employee costs were as follows:

	Group 1994 £000	Group 1993 £000
Wages and salaries	44,836	6,720
Social security costs	10,896	1,761
Other pension costs	1,541	209
	<u>57,273</u>	<u>8,690</u>

5 Directors' remuneration

	Group 1994 £000	Group 1993 £000
Directors' emoluments:		
As directors	75	7
As executives--		
remuneration	614	78
performance bonus	77	1
pension contributions	153	17
	<u>919</u>	<u>103</u>
Chairman's emoluments (non-pensionable)	45	4
Emoluments of highest paid director:		
Remuneration	160	29
Performance bonus	30	—
Pension contributions	48	4
	<u>238</u>	<u>33</u>

The performance bonus earnings for 1994 are payable under the scheme approved by the Remuneration Committee. The amount payable to the UK executive Directors for achievement of budget was 20% of basic salary. A similar scheme is in place for 1995. Details of Directors' share options are given in note 24 on page 36.

5 Directors' remuneration continued

The following table shows the number of Directors of the Company whose remuneration, excluding pension contributions, was within the bands stated:

	Number of directors			Number of directors	
	1994	1993		1994	1993
£0 - £5,000	-	4	£40,001 - £45,000	1	-
£5,001 - £10,000	-	1	£100,001 - £105,000	2	-
£10,001 - £15,000	2	2	£105,001 - £110,000	1	-
£15,001 - £20,000	-	1	£185,001 - £190,000	1	-
£25,001 - £30,000	-	1	£190,001 - £195,000	1	-

6 Taxation

Taxation based on the profit for the year comprises:

	Group 1994 £000	Group 1993 £000
UK corporation tax at 33%	781	92
Deferred taxation	599	85
Overseas taxation	1,267	(53)
	2,647	124

The charge for the year has benefited from the utilisation of brought forward losses amounting to £347,000.

7 Profit for the financial year

	Group 1994 £000	Group 1993 £000
Dealt with in the financial statements of:		
Ruberoide PLC	771	132
Subsidiary undertakings	4,969	(122)
Associated undertakings	3	(2)
	5,743	8

8 Dividends

	Group 1994 £000	Group 1993 £000
Ordinary shares:		
Interim dividend of 1.8p per share paid	868	-
Final dividend of 4.2p (1993: 1.8p) per ordinary share proposed	2,026	868
	2,894	868

9 Earnings per ordinary share

This has been calculated by reference to the weighted average of 48,226,900 (1993: 7,229,380) ordinary shares in issue during the year and the Group profit after taxation and minority interests for the financial year of £5,743,000 (1993: £8,000).

The fully diluted earnings per ordinary share figure would not be materially different.

10 Tangible fixed assets

Group	Land and buildings £000	Plant machinery and vehicles £000	Total £000
Cost			
At beginning of year	20,681	32,240	52,921
Exchange adjustment	1,036	841	1,877
Additions	362	4,737	5,099
Subsidiary undertakings and businesses acquired	233	1,369	1,602
Disposals	(133)	(1,457)	(1,590)
At end of year	22,179	37,730	59,909
Gross book value of depreciable assets	20,020	37,730	57,750
Depreciation			
At beginning of year	3,086	24,212	27,298
Exchange adjustment	134	588	722
Charge for year	700	2,660	3,360
Disposals	(32)	(1,148)	(1,180)
At end of year	3,888	26,312	30,200
Net book value at 31 December 1994	18,291	11,418	29,709
Net book value at 31 December 1993	17,595	8,028	25,623

Net book value of assets acquired under finance leases included in plant, machinery and vehicles amounted to £2,674,000 (1993: £nil). Depreciation charged on these assets during the year amounted to £233,000 (1993: £ nil)

Company	Land and buildings £000	Plant machinery and vehicles £000	Total £000
Cost			
At beginning of year	1,343	10,285	11,628
Additions	-	157	157
Transfer to subsidiary undertaking	(1,343)	(10,285)	(11,628)
At end of year	-	157	157
Gross book value of depreciable assets	-	157	157
Depreciation			
At beginning of year	391	7,154	7,545
Charge for year	-	17	17
Transfer to subsidiary undertaking	(391)	(7,154)	(7,545)
At end of year	-	17	17
Net book value at 31 December 1994	-	140	140
Net book value at 31 December 1993	952	3,131	4,083

Net book value of assets acquired under finance leases included in plant, machinery and vehicles amounted to £42,000 (1993: £ nil). Depreciation charged on these assets during the year amounted to £1,000 (1993: £ nil).

10 Tangible fixed assets continued

	Group 1994 £000	Group 1993 £000	Company 1993 £000
Net book value of land and buildings comprises:			
Freehold	15,409	14,822	772
Long leasehold	2,151	2,122	-
Short leasehold	731	651	180
	18,291	17,595	952

11 Investments**Group**

Investments in associated undertakings comprise:

	£000
At beginning of year	45
Share of retained profit after taxation for the period	3
Transfer to subsidiary undertaking	(48)
At end of year	-

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Company			
Cost			
At beginning of year	13,405	17,355	30,760
Additions	693	-	693
Other movements	-	1,034	1,034
At end of year	14,098	18,389	32,487

Ruberoid PLC is the holding company for the Group's investments. The principal operating companies, which are shown on pages 38 and 39, are wholly owned, except where indicated, and all holdings are of ordinary shares. They are registered in England and Wales and operate in the UK, unless their address is overseas in which case the country stated is the country of incorporation.

12 Stocks

	Group 1994 £000	Group 1993 £000	Company 1993 £000
Raw materials	5,448	4,229	370
Work in progress	3,496	968	-
Finished goods and goods for resale	10,138	10,205	2,420
	19,082	15,402	2,790

13 Debtors

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Amounts falling due within one year:				
Trade debtors	52,486	-	47,813	3,014
Amounts recoverable on contracts	2,528	-	-	-
Amounts owed by associated undertakings	-	-	76	76
Amounts owed by subsidiary undertakings	-	14,258	-	2,920
Overseas taxation recoverable	-	-	308	-
Other debtors	2,429	692	1,985	314
Prepayments and accrued income	2,162	37	2,323	363
	59,605	14,987	52,505	6,687
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	2,429	-	-
Advance corporation tax recoverable	-	502	-	-
	59,605	17,918	52,505	6,687

14 Creditors: amounts falling due within one year

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Borrowings				
Bank loans	2,362	1,293	1,158	-
Bank overdrafts	47	51	1,551	-
Loans other than from banks	-	-	2,970	-
Finance leases	525	10	-	-
	2,934	1,354	5,679	-
Other creditors				
Payments received on account	50	-	1,591	-
Trade creditors	30,079	238	22,810	3,749
Amounts owed to subsidiary undertakings	-	1,969	-	708
Corporation tax	867	-	113	61
Other tax and social security	9,234	1,031	5,362	738
Other creditors	2,537	1,179	4,203	1,469
Accruals	9,279	290	8,925	2,278
Proposed dividend	2,026	2,026	868	868
	54,072	6,733	43,872	9,871
Total	57,006	8,087	49,551	9,871

15 Creditors: amounts falling due after more than one year

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Borrowings				
Bank loans	8,807	5,170	2,724	-
Finance leases	2,157	32	-	-
	<u>10,964</u>	<u>5,202</u>	<u>2,724</u>	<u>-</u>
Other creditors	454	-	555	-
Total	<u>11,418</u>	<u>5,202</u>	<u>3,279</u>	<u>-</u>

Group

The Group's borrowings are repayable as follows:

	Bank loans and overdrafts		Other borrowings	
	1994 £000	1993 £000	1994 £000	1993 £000
Within one year	2,409	2,709	525	2,970
Between one and two years	2,627	962	622	-
Between two and five years	6,180	1,762	1,392	-
Over five years	-	-	143	-
	<u>11,216</u>	<u>5,433</u>	<u>2,682</u>	<u>2,970</u>

Company

The Company's borrowings are repayable as follows:

	Bank loans and overdrafts		Other borrowings	
	1994 £000	1993 £000	1994 £000	1993 £000
Within one year	1,344	-	10	-
Between one and two years	1,293	-	10	-
Between two and five years	3,877	-	22	-
	<u>6,514</u>	<u>-</u>	<u>42</u>	<u>-</u>

16 Provision for liabilities

Group	Deferred taxation	
	1994	1993
	£000	£000
At beginning of year		192
Exchange adjustment		26
Profit and loss account		599
Subsidiary undertakings and businesses acquired		(463)
Advance corporation tax		(289)
At end of year		65
	1994	1993
	£000	£000
The amounts provided for deferred taxation are as follows:		
Accelerated capital allowances	929	985
Other timing differences	(358)	(576)
Recoverable advance corporation tax	(506)	(217)
	65	192

There are no unprovided deferred tax liabilities. Trading losses available for carry forward subject to agreement with the appropriate taxation authorities amounted to approximately £1,682,000 at 31 December 1994 (1993: £2,734,000) and are not included in the deferred taxation balance above. These losses are specific to certain companies and can only be utilised against future taxable profits of those companies. No provision has been made in respect of additional taxation which may become payable in the event that retained profits of overseas subsidiary undertakings are distributed to the parent company. The amount of such liability at 31 December 1994 would not be material.

Company	Deferred taxation	
	1994	1993
	£000	£000
At beginning of year		195
Profit and loss account		4
Transfer to subsidiary undertaking		(412)
Advance corporation tax		213
At end of year		-
	1994	1993
	£000	£000
The amounts provided for deferred taxation are as follows:		
Accelerated capital allowances	4	590
Other timing differences	-	(178)
Recoverable advance corporation tax	(4)	(217)
	-	195

There are no unprovided deferred tax liabilities.

17 Share capital**Authorised**

	Number	£
At 31 December 1993 and 1994		
Ordinary shares of 5p each	65,000,000	3,250,000
Allotted, called up and fully paid		
At 31 December 1993 and 1994		
Ordinary shares of 5p each	48,226,900	2,411,345

Options

At 31 December 1994, options were outstanding under the Executive Share Option Scheme over 926,516 ordinary shares of 5p each exercisable between November 1996 and November 2003 at the issue price of 150 pence and under the Savings Related Options Scheme over 1,084,423 ordinary shares of 5p each, normally exercisable after 28 June 1999 at 133 pence.

18 Share premium and other reserves

Group	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
At beginning of year	32,204	6,481	4,723	43,408
Exchange adjustment	-	-	1,758	1,758
Retained profit for the financial year	-	-	2,849	2,849
Goodwill written off	-	(5,662)	-	(5,662)
At end of year	32,204	819	9,330	42,353

The exchange adjustment includes a loss of £10,000 (1993: £nil) in respect of the translation of foreign currency borrowings which have been used to provide a hedge against net investments in overseas subsidiary undertakings. Cumulative goodwill of £36,366,000 (1993: £30,704,000) has been written off against other reserves.

Company	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	32,204	4,764	36,968
Retained loss for the financial year	-	(2,123)	(2,123)
At end of year	32,204	2,641	34,845

19 Financial and capital commitments

(a) Commitments for capital expenditure are as follows:

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Contracts placed	286	-	108	-
Authorised but not contracted	3,805	100	2,355	773
	<u>4,091</u>	<u>100</u>	<u>2,463</u>	<u>773</u>

(b) Annual commitments under non-cancellable operating leases are as follows:

Group	Land and buildings		Other		Total	
	1994 £000	1993 £000	1994 £000	1993 £000	1994 £000	1993 £000
Annual commitments under operating leases which expire:						
within one year	20	73	353	468	373	541
in second to fifth year	222	27	495	563	717	590
after five years	321	347	7	10	328	357
	<u>563</u>	<u>447</u>	<u>855</u>	<u>1,041</u>	<u>1,418</u>	<u>1,488</u>
Company						
Annual commitments under operating leases which expire:						
in second to fifth year	42	8				
after five years	-	48				
	<u>42</u>	<u>56</u>				

20 Contingent liabilities

Group

Performance bonds have been entered into in the normal course of business.

Various parties have commenced litigation against, among others, ATAB NV in respect of damage to a newly constructed roof in Belgium during a storm in January 1990. On the basis, inter alia, of opinions to date expressed by persons appointed by the relevant courts, the liability of ATAB NV in respect of the damage could amount to approximately BEF 75 million (approximately £1.5 million), net of expected insurance recoveries. ATAB NV is, however, obtaining further expert evidence and having regard, inter alia, to ATAB NV's views as to the proper division of responsibility between ATAB NV and the other parties to the litigation, the directors consider that any liability borne by ATAB NV will be substantially less than this amount and are satisfied that an adequate provision has been made in respect of this matter.

Company

The Company has guaranteed bank overdrafts in respect of subsidiary undertakings. At 31 December 1994 these guarantees amounted to £3,666,000 (1993: £6,685,000). In addition the Company has guaranteed performance bonds entered into by subsidiary undertakings in the normal course of business.

21 Acquisitions

On 24 August 1994 the Group acquired the whole of the common stock of Hyload Inc. On the same date, the 50% interest in the manufacturing operations of Hyload UK, including the remaining 50% of Pitch Polymer Products Limited, which the Group did not already own was also acquired.

The book values of the assets acquired and the resulting goodwill arising on acquisitions are set out below.

Group	Hyload	Other	Total
Book value of net assets acquired	£000	£000	£000
Tangible fixed assets	1,468	134	1,602
Intangible fixed assets	4,414	—	4,414
Share of associated undertaking already held	(48)	—	(48)
Stocks	613	40	653
Debtors	868	—	868
Cash	344	—	344
Creditors	(877)	(72)	(949)
Finance lease obligations	(633)	—	(633)
Deferred taxation	—	78	78
	<u>6,149</u>	<u>180</u>	<u>6,329</u>
Accounting policy alignment:			
Write-off intangible fixed assets	(4,414)	—	(4,414)
Fair value adjustments:			
Creditor for claims	(641)	—	(641)
Deferred taxation	385	—	385
	<u>(4,670)</u>	<u>—</u>	<u>(4,670)</u>
Fair value to the Group	<u>1,479</u>	<u>180</u>	<u>1,659</u>
Cash consideration	6,556	309	6,865
Acquisition expenses	426	30	456
	<u>6,982</u>	<u>339</u>	<u>7,321</u>
Goodwill	<u>(5,503)</u>	<u>(159)</u>	<u>(5,662)</u>

The fair values attributed to certain assets and liabilities are provisional and will be adjusted, if necessary, in subsequent years, with a consequent adjustment to goodwill.

The turnover and operating profit of the businesses acquired during the year for the following periods before acquisition were as follows:

	Turnover	Operating profit
	\$000	\$000
Hyload Inc		
12 months ended 31 December 1993	5,365	862
Period from 1 January 1994 to the date of acquisition	3,738	745
Hyload UK		£000
12 months ended 31 March 1994		1,030
Period from 1 April 1994 to the date of acquisition		517

The turnover for Hyload UK was already included in the Group's results because Ruberoid has always had responsibility for distributing the products of the former joint venture.

22 Notes to the group cash flow statement

(a) Reconciliation of operating profit to net cash outflow from operating activities

	1994 £000	1993 £000
Operating profit	9,229	86
Depreciation on tangible assets	3,360	513
Share of (profit)/loss of associated undertakings	(3)	2
Profit on sale of fixed assets	(142)	-
(Increase)/decrease in stocks	(2,440)	1,579
(Increase)/decrease in debtors	(4,619)	10,138
Increase/(decrease) in creditors	4,726	(13,065)
Net cash inflow/(outflow) from operating activities	10,111	(747)

(b) Acquisition of subsidiary undertakings and businesses

Cost of subsidiary undertakings and businesses acquired	(7,321)	(72,038)
Shares issued at market value	-	70,030
Cash and cash equivalents of acquired subsidiary undertakings and businesses:		
Cash	344	5,976
Bank overdrafts	-	(5,405)
Net cash outflow on acquisition of subsidiary undertakings and businesses	(6,977)	(1,437)

(c) Analysis of changes in cash and cash equivalents

At beginning of year	3,993	-
Increase in cash and cash equivalents	1,059	3,971
Exchange adjustment	99	22
At end of year	5,151	3,993
Represented by:		
Cash	5,198	5,544
Bank overdrafts	(47)	(1,551)
	5,151	3,993

(d) Changes in financing during the year

	1994 Bank and other loans £000	1994 Finance leases £000	1993 Share Capital (including share premium) £000	1993 Bank and other loans £000
At beginning of year	6,852	-	-	-
New medium term bank loans	7,827	-	-	-
Loan repayments during the year	(3,968)	-	-	-
Inception of finance leases	-	2,207	-	-
Finance leases of acquired subsidiary undertakings and businesses	-	633	-	-
Capital element of finance lease repayments	-	(158)	-	-
Net share issue proceeds	-	-	1,770	-
Shares issued for non-cash consideration	-	-	32,845	-
Loans of subsidiary undertakings acquired	-	-	-	6,896
Exchange adjustment	458	-	-	(44)
At end of year	11,169	2,682	34,615	6,852

23 Pensions

Prior to 6 April 1994, all eligible Ruberoid employees within the United Kingdom still contributed to, and were entitled to benefits from, their existing Tarmac PLC pension schemes.

From 6 April 1994, all monthly staff became entitled to contribute to a new final salary scheme, either the Ruberoid PLC Staff Pension Scheme or the Ruberoid PLC Executive Pension Scheme. All relevant staff have received details of the appropriate scheme and have had the opportunity to exercise their option to transfer past service liabilities from their Tarmac PLC scheme. The basis for the transfer values to be made to the new schemes has been agreed and the formal valuation of the respective transfers is close to agreement. Operatives who were members of Tarmac PLC pension schemes have now transferred to a new Ruberoid money purchase scheme. Provisional Inland Revenue approval has been received for all three Ruberoid schemes.

Overseas subsidiary undertakings continue to operate their own pension scheme arrangements.

24 Directors' interests

	Holding at 31 December 1994		Holding at 31 December 1993		Share option movements in year	
	fully paid	share options	fully paid	share options	Granted	Exercised
D W Kendall	20,000	—	20,000	—	—	—
I G S McPherson	32,800	312,969	32,800	300,000	12,969	—
E B McCann	10,200	110,000	10,200	110,000	—	—
P Race	10,000	94,000	10,000	94,000	—	—
N I Simms	5,000	—	5,000	—	—	—
D T Watson	12,500	119,635	12,500	106,666	12,969	—
W G K Wilford	970,700	185,185	1,060,000	185,185	—	—
D S Winterbottom	2,000	—	2,000	—	—	—

The options granted during the year were issued pursuant to the Savings Related Share Option Scheme which was approved at the Company's Annual General Meeting held on 25 May 1994. The options were granted on 28 June 1994 and are normally exercisable after 28 June 1999 at 133 pence per share.

The remaining share options were granted on 25 November 1993 pursuant to the Executive Share Option Scheme and are exercisable between November 1996 and November 2003 at the issue price of 150 pence, subject to performance targets set by the Remuneration Committee. The options may only be exercised if the growth in the Company's earnings per share over a period of three consecutive years is at least equal to the rate of inflation plus 2%. No options were granted pursuant to the Executive Share Option Scheme during the year, and no options lapsed during the year under either Scheme.

The middle market price of Ruberoid PLC ordinary shares at 31 December 1994 was 147 pence and the range during 1994 was 147 pence to 212 pence.

During the period from 1 January 1995 to 30 March 1995 there were no changes in the interests of the serving Directors.

No Director was beneficially interested in the share capital of any subsidiary undertaking and no Director was or is materially interested in any contract subsisting during or at the end of the financial year which was significant in relation to the Group's business.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Ruberoid PLC will be held at 25 Copthall Avenue, London EC2R 7DR on Friday 12 May 1995 at 10 am for the following purposes:

- 1 To receive and adopt the report of the Directors and the audited financial statements for the year ended 31 December 1994.
- 2 To approve the payment of a final dividend of 4.2 pence per ordinary share.
- 3 To re-elect the following Directors who retire in accordance with the Company's Articles of Association:
 - (a) Mr M C Bortjer
 - (b) Mr D W Kendall
 - (c) Mr I G S McPherson
- 4 To re-appoint KPMG as auditors and to authorise the Directors to determine their remuneration.

Special business

As special business to consider and, if thought fit, pass the following Resolutions, of which 5 will be proposed as an Ordinary Resolution and 6 as a Special Resolution. Explanatory notes relating to these Resolutions are included in the Directors' Report.

5 That the Directors be and are hereby generally and unconditionally authorised, in substitution for all existing authorities to the extent unused, to exercise all powers of the Company to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 ("the Act") up to an aggregate nominal amount of £802,978 provided that this authority shall, unless previously revoked or varied, expire at the earlier of the conclusion of the Annual General Meeting held in the year 2000 and the date 5 years from the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

6 That, subject to the passing of the previous Resolution, the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by the previous Resolution as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this authority shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders and other persons entitled to participate therein are proportionate (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the number of ordinary shares which such other persons are for these purposes deemed to hold) but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems arising in any territory or the requirements of any recognised regulatory body or stock exchange; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) of this Resolution) of equity securities up to the aggregate nominal amount of £120,567

and shall expire at the earlier of the conclusion of the Annual General Meeting held in 1996 and the date 15 months from the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board
Michael Kippen Secretary
13 April 1995

Registered office
197 Knightsbridge
London SW7 1RB

Notes

1 Members entitled to attend and vote may appoint one or more proxies to attend and, on a poll, to vote on their behalf. A proxy need not also be a member of the Company. To be effective, proxy forms must be lodged with the Registrars not later than 48 hours before the time fixed for the Meeting.

2 Copies of the Directors' service agreements and the register of Directors' interests will be available for inspection at the Company's registered office during business hours on Monday to Friday until the day of the Annual General Meeting and at the place of the Meeting from 15 minutes before the meeting.

Operating Companies

Ruberoid Building Materials

Permanite Asphalt Ltd*

Cawdor Quarry, Matlock, Derbys, DE4 2JH
Tel 01629 580363. Fax 01629 57099

Ruberoid Building Products Ltd*

10-14 Howard Court, Tewin Road
Welwyn Garden City, Herts AL7 1BP
Tel 01707 822222. Fax 01707 375060

Irish Roofing Felts Ltd

Unit 3, Carriglea Industrial Estate, Naas Road
Dublin 12, Ireland
Tel 31 456 4288. Fax 31 456 4291

Hyload, Inc

9976 Rittman Road, Wadsworth, Ohio 44281, USA
Tel (216) 334 5022. Fax (216) 336 5512

Martin Rubber Co of Ohio, Inc

9976 Rittman Road, Wadsworth, Ohio 44281, USA
Tel (216) 336 6604. Fax (216) 336 5512

Manufacture of waterproofing products

Also at Agecroft, Droitwich and Wanstrow

Manufacture of waterproofing products

Also at Chesterfield, Dundee, Edinburgh, Enfield and Wigan

Distribution of waterproofing products

Also at Ballyclare, Cork, Letterkenny, Limerick

Distribution of waterproofing products

Manufacture of waterproofing products and protective
tank linings

Ruberoid Building Services

Briggs Roofing & Cladding Ltd*

Forsyth Road, Sheerwater, Woking, Surrey, GU21 5RR
Tel 01483 756055. Fax 01483 756077

Briggs Roofing & Cladding Ltd

Unit 3, Carriglea Industrial Estate, Naas Road
Dublin 12, Ireland
Tel 31 456 4433. Fax 31 456 4291

Broderick Structures Ltd*

Forsyth Road, Sheerwater, Woking, Surrey, GU21 5RR
Tel 01483 750207. Fax 01483 750209

Hyflex Roofing Ltd*

Halfords Lane, Smethwick, Warley, West Midlands, B66 1BJ
Tel 0121 555 6464. Fax 0121 555 5862

Ruberoid Contracts Ltd*

Forsyth Road, Sheerwater, Woking, Surrey GU21 5RR
Tel 01483 756055. Fax 01483 756077

Aaronite Ltd*

Brookhill Road, Wharf Road Industrial Estate, Pinxton
Notts NG16 6LE
Tel 01773 812505. Fax 01773 861680

Aaronite A/S

Sverdrupsgate 34/36, 4007 Stavanger, Norway
Tel (51) 53 40 20. Fax (51) 53 24 31

Roofing and cladding services

Also at Aberdeen, Belfast, Birmingham, Blackpool, Bridgend, Bristol,
Edinburgh, Glasgow, Hull, Leeds, Liverpool, London, Manchester, Newcastle,
Norwich, Plymouth, Southend, Southampton and Wigan

Roofing and cladding services

Also at Cork

Fully supported metal roofing systems

Also at Glasgow

Roofing maintenance services

Also at Bridgend, Cheltenham, Edinburgh, Leeds, London and Newcastle

Roofing and cladding services

Also at Glasgow and Newcastle

Passive fire protection

Passive fire protection

Durastic Ltd*

Blackett Street, Hebburn, Tyne & Wear, NE31 1ST
Tel 0191 489 3121. Fax 0191 483 3004

Palmers Corrosion Control Ltd*

Edinburgh Hall, Hill Street, South Shields
South Tyneside, NE33 1RN
Tel 0191 454 5555. Fax 0191 455 0890

Marine decking and flooring systems

Also at Glasgow, Jarrow, Liverpool and Southampton

Corrosion control services

Ruberoid European Waterproofing

Albintra NV

Bistweg 80, 2520 Ranst-Broechem, Belgium
Tel 03 470 12 12. Fax 03 470 12 00

Distribution of roofing products and insulation

Albitum NV

Kommandant Weynsstraat 85, 2660 Hoboken, Belgium
Tel 03 828 0143. Fax 03 830 5953

Roofing services

Also at Ardooie and Paal

Asphaltco SA (99.4%)

Vilvoordelaan 92, 1830 Machelen, Belgium
Tel 02 251 8400. Fax 02 252 4800

Manufacture of building chemicals

Distribution and installation of waterproofing products

Antwerps Teer & Asphaltbedrijf NV ("Atab")

d'Herbouvillekaai 80, 2020 Antwerp, Belgium
Tel 03 248 3000. Fax 03 248 3777

Manufacture of waterproofing products

Roofing services

Also at Beveren, Brussels, Gistel and Turnhout

Isolacier Nord Etanchéité SA

57 Rue Albert Bailly, 59702 Marcq-en-Baroeul, France
Tel 20 81 95 50. Fax 20 98 29 17

Roofing and cladding services

Also at Breteuil-sur-Noye

Tocover SA

18 Avenue Laënnec, 93380 Pierrefitte, France
Tel 1 49 40 13 84. Fax 1 48 27 21 12

Roofing and cladding services

Bitasco BV (95%)

Kalshoven 21, 4800 CE Breda, The Netherlands
Tel 076 71 5540. Fax 076 71 1916

Distribution and installation of roofing products

Also at 's-Hertogenbosch and Vlissingen

Judon BV (95%)

Breevaartstraat 51, 3004 EC Rotterdam, The Netherlands
Tel 010 41 53 810. Fax 010 41 57 023

Distribution and installation of roofing products

Nebiprofa BV (95%)

Krommeweg 10, 3340 AA Hendrik-Ido-Ambacht
The Netherlands
Tel 078 25 0600. Fax 078 12 4081

Manufacture and distribution of roofing products

Also at Bergschenhoek

Touwen & Co BV (95%)

Ostzijde 300, 1500 EE Zaandam, The Netherlands
Tel 075 35 0011. Fax 075 31 1672

Manufacture of external paints and wood preservatives

Shares of those companies which are directly owned by Ruberoid PLC are marked with an asterisk.

Shareholder Information

Analysis of ordinary shareholdings

at 30 March 1995

	Number of holders	%	Number of shares	%
Held by:				
Individuals	7,838	95.5	5,728,133	11.9
Institutional and other investors	370	4.5	42,498,767	88.1
	<u>8,208</u>	<u>100.0</u>	<u>48,226,900</u>	<u>100.0</u>

Size of holdings

Up to 1,000	7,081	86.3	3,786,229	7.9
1,001 to 10,000	995	12.1	2,164,298	4.5
10,001 to 50,000	34	0.4	919,616	1.9
50,001 to 100,000	21	0.3	1,567,194	3.2
Over 100,000	77	0.9	39,789,563	82.5
	<u>8,208</u>	<u>100.0</u>	<u>48,226,900</u>	<u>100.0</u>

Substantial shareholders

On 30 March 1995 the Company had been advised of the following substantial interests in the issued ordinary share capital:

	Number of shares	% of issued share capital
P.D.F.M. Limited	10,210,949	21.2
Scottish Amicable Nominees Limited	2,469,336	5.1
Provident Mutual Life Assurance Association	2,307,371	4.8
AMP Asset Management PLC	1,809,110	3.8

Financial calendar

Year end	31 December
Preliminary results announcement	31 March 1995
Annual General Meeting	12 May 1995
Final dividend payable	31 May 1995
Half-year results announcement	September 1995
Interim dividend payable	November 1995