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THE MARLEY TILE COMPANY LIMITED

ACCOUNTS

31st December 1988



## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31st December 1988.

### RESULTS AND DIVIDENDS

The total profit for the year after providing for taxation amounted to £907,000 out of which a dividend has been paid of £850,000 leaving a profit of £57,000 which has been added to reserves.

### REVIEW OF ACTIVITIES

There have been no major changes during the year in the company's activities which are those of a holding company for United Kingdom investments.

On 31st October 1988 the company disposed of its investment in Anchor Insurance Brokers Limited at net asset value for £30,000 through a management buy-out agreement.

### AGENCY AGREEMENT

On 1st January 1989 the company transferred its assets and undertakings to Marley plc. From that date the company has acted as agent for Marley plc.

### TANGIBLE FIXED ASSETS

The changes in tangible fixed assets during the year are detailed in note 9 to the accounts.

In the opinion of the directors the market value of land and buildings is in excess of the net book value.

### DIRECTORS

The directors at 31st December 1988, were:

Mr. G. Russell	(appointed 6th October 1988)
Mr. H.C. James	
Mr. M.C. Moxon	(appointed 6th October 1988)

On 6th October 1988 Messrs. R.A. Aisher and T.J. Aisher resigned from the board.

On 7th October 1988 Mr. R.M. Armstrong resigned from the board.

All the directors at the year end were also directors of Marley plc. Their interests in the shares of Marley plc are disclosed in the accounts of that company.

**AUDITORS**

The auditors, Price Waterhouse, have indicated their willingness to continue in office. Resolutions for their re-appointment and to authorise the directors to fix their remuneration will be submitted to the annual general meeting.

For the board

C.J. Ellis  
Secretary

A handwritten signature in dark ink, appearing to be 'C.J. Ellis', written over a horizontal line.

29th March 1989

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1988

		1988	1987
	Notes	£'000	£'000
TURNOVER	1	11,921	11,473
		=====	=====
OPERATING PROFIT	2	856	7,977
Income from shares in group companies		1,445	300
Other interest receivable		28	76
Interest payable	6	(1,494)	(1,729)
		=====	=====
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		835	6,624
Taxation on profit on ordinary activities	7	72	(204)
		=====	=====
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		907	6,420
Extraordinary items	8	-	45
		=====	=====
		907	6,465
Dividends		(850)	(1,250)
		=====	=====
RETAINED PROFIT FOR THE YEAR	17	57	5,215
		=====	=====

The notes on pages 6 to 15 form part of these accounts.

**THE HARLEY TILE COMPANY LIMITED**

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**BALANCE SHEET**

**31st December 1988**

	Notes	1988 £'000	1987 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	1,039	1,394
Investments	10	8,583	29,661
		<hr/>	<hr/>
		9,622	31,055
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Stocks	11	15	16
Debtors	12	1,927	2,582
Cash and deposits		20	75
		<hr/>	<hr/>
		1,962	2,673
<b>CREDITORS</b>			
Amounts falling due within one year	13	(3,171)	(5,916)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(1,209)	(3,243)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,413	27,812
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	(1,111)	(20,563)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	(1,700)	(1,704)
		<hr/>	<hr/>
		5,602	5,545
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	4	4
Profit and loss account	17	5,598	5,541
		<hr/>	<hr/>
		5,602	5,545
		<hr/>	<hr/>

*M. P. M. M. M.*  
*[Signature]*

Directors

29th March 1989

The notes on pages 6 to 15 form part of these accounts.

SOURCE AND APPLICATION OF FUNDS

For the year ended 31st December 1988

	1988 £'000	1987 £'000
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	835	6,624
Extraordinary items before taxation	-	45
	<hr/>	<hr/>
	835	6,669
Adjustment for items not involving the movement of funds:		
Depreciation	291	266
Loss/(Profit) on sale of tangible fixed assets	6	(31)
(Profit) on sale of investments	30	(59)
Subsidiary's tax balance taken over	96	-
Foreign exchange losses/(gains)	520	(5,161)
Finance leased assets capitalised	-	(387)
	<hr/>	<hr/>
<b>TOTAL GENERATED FROM OPERATIONS</b>	<b>1,718</b>	<b>1,297</b>
<b>FUNDS FROM OTHER SOURCES</b>		
Sale of tangible fixed assets	431	401
Sale of fixed asset investments	30	6,248
Repayment of intercompany loans	23,961	4,314
Taxation refunds	53	2,585
Finance leases	66	277
	<hr/>	<hr/>
<b>TOTAL SOURCE OF FUNDS</b>	<b>26,259</b>	<b>15,122</b>
<b>APPLICATION OF FUNDS</b>		
Expenditure on tangible fixed assets	373	523
Expenditure on fixed asset investments	10	1,643
Intercompany loan advances	2,873	9,716
Movement on other loans	55	34
Bank loan transferred to holding company	19,616	-
Deferred purchase consideration payment (see note 13)	500	-
Tax payments	1,146	-
Dividend payments	850	1,250
	<hr/>	<hr/>
	25,423	13,166
	<hr/>	<hr/>
<b>NET SOURCE FOR YEAR</b>	<b>836</b>	<b>1,956</b>
<b>REPRESENTING INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Stocks	(1)	6
Debtors	72	(172)
Creditors due within one year	84	1,918
Provisions	36	(5)
	<hr/>	<hr/>
	191	1,747
<b>INCREASE/(DECREASE) IN NET LIQUID FUNDS</b>		
Cash and deposits	(55)	9
Bank loans and overdrafts	700	200
	<hr/>	<hr/>
	836	1,956
	<hr/>	<hr/>

The notes on pages 6 to 15 form part of these accounts.

**ACCOUNTING POLICIES****a) BASIS OF ACCOUNTING**

The accounts are prepared under the historical cost convention as modified by the inclusion of certain tangible fixed assets at valuations carried out in 1977 and 1988. Consolidated accounts are not prepared since the company is a wholly owned subsidiary of Harley plc.

**b) TURNOVER**

Turnover comprises the invoiced value of services excluding value added tax.

**c) TANGIBLE FIXED ASSETS**

Depreciation is provided on cost, less any estimated residual value, by equal annual instalments over the estimated useful lives of the assets. The rates applied are as follow:-

Freehold land	Nil
Freehold buildings	Between 1 and 2 per cent per annum
Plant & vehicles and fixtures & fittings	Between 5 and 20 per cent per annum

**d) LEASED ASSETS**

Where fixed assets are financed by leasing agreements which give rights approximating to ownership the assets are treated as if they had been purchased, with the capital element of the leasing commitment included as lease obligations in creditors. Rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital which reduces the outstanding obligations. This is a change in accounting policy adopted in order to comply with Statement of Standard Accounting Practice No.21. Comparative figures for 1987 have been restated to reflect this change in policy.

Payments under operating leases are charged to the profit and loss account as they fall due.

**e) STOCKS**

Stocks are stated at cost or net realisable value if lower.

**f) FOREIGN CURRENCIES**

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at 31st December. The differences arising therefrom, along with differences arising from day-to-day trading operations, are taken to the profit and loss account.

**g) TAXATION**

Deferred taxation is provided only where there is a reasonable probability that a liability will arise in the foreseeable future.

**i) PENSION COSTS**

The company provides for pension liabilities by payments to independent pension funds. Contributions to these funds are charged against profits in the year in which they are made.

# THE HARLEY TILE COMPANY LIMITED

## NOTES TO THE ACCOUNTS

### 1. ANALYSIS OF TURNOVER AND RESULTS

All turnover and operating profits arose within the United Kingdom.

Included in the figure for turnover are amounts of £11,402,000 (1987 £10,967,000) which represent sales to fellow subsidiaries.

### 2. OPERATING PROFIT

	1988 £'000	1987 £'000
The following have been credited in arriving at operating profit:		
Exchange gain on foreign currency loan	-	5,161
Other operating income	67	104
	<hr/> 67	<hr/> 5,265
	=====	=====

The following have been charged in arriving at operating profit:

Raw materials and consumables	-	95
Staff costs (see note 3)	4,156	3,711
Depreciation and other amounts written off owned tangible fixed assets	188	197
Depreciation of leased tangible fixed assets	103	69
Repairs and maintenance	70	77
Operating lease rentals and other hire charges (see note 5)	991	855
Auditors' remuneration and expenses	106	157
Exchange losses	520	-
Other operating charges	4,998	3,600
	<hr/> 11,132	<hr/> 8,761
	=====	=====

### 3. STAFF COSTS

	1988 £'000	1987 £'000
Staff costs comprise:		
Wages and salaries	3,205	2,893
Social security costs	240	247
Other pension costs	711	571
	<hr/> 4,156	<hr/> 3,711
	=====	=====



NOTES TO THE ACCOUNTS continued

## 3. STAFF COSTS continued

	1988 £'000	1987 £'000
Directors' emoluments (including pension contributions)	696	641

Included in directors' emoluments is £155,000 relating to payments made in respect of early termination of certain directors' service contracts. This has not been included in the bands shown below.

Salaries and taxable benefits (excluding pension contributions) of the chairman and other directors were as follow:

Chairman and highest paid director	88	133
	=====	=====
	Number	Number
Other directors		
£ 25,001 - £ 30,000	1	-
£ 50,001 - £ 55,000	1	-
£ 60,001 - £ 65,000	1	-
£ 75,001 - £ 80,000	2	-
£100,001 - £105,000	-	1
£105,001 - £110,000	-	1
£130,001 - £135,000	-	1
	=====	=====

No directors' fees were payable (1987 nil).

The table below shows the number of higher paid employees whose emoluments (excluding pension contributions) were within the bands stated.

	1988 Number	1987 Number
£30,001 - £35,000	3	5
£35,001 - £40,000	7	2
£40,001 - £45,000	-	1
£45,001 - £50,000	3	2
£50,001 - £55,000	3	1
£55,001 - £60,000	1	1
£60,001 - £65,000	1	-
	=====	=====

## 4. AVERAGE NUMBER OF EMPLOYEES

The average number of persons employed during the year was 158 (1987 161).

# THE MARLEY TILE COMPANY LIMITED

## NOTES TO THE ACCOUNTS continued

### 5. OPERATING LEASE RENTALS

	1988 £'000	1987 £'000
Land and buildings	370	382
Plant and machinery	348	354
Motor vehicles	273	119
	<hr/>	<hr/>
	991	855
	=====	=====

### 6. INTEREST PAYABLE

	1988 £'000	1987 £'000
On loans repayable within five years	1,425	1,659
On bank overdraft	28	53
On finance leases	41	17
	<hr/>	<hr/>
	1,494	1,729
	=====	=====

### 7. TAXATION

Taxation on profit on ordinary activities:

	1988 £'000	1987 £'000
United Kingdom corporation tax at 35%	166	239
Deferred taxation charge	32	-
Prior year adjustments	(270)	(35)
	<hr/>	<hr/>
	(72)	204
	=====	=====

The prior year adjustments arise mainly as a result of the agreement of assessments with the Inland Revenue.

### 8. EXTRAORDINARY ITEMS

The extraordinary item in 1987 of £45,000 relates to the write back of reorganisation costs.

## NOTES TO THE ACCOUNTS CONTINUED

## 9. TANGIBLE FIXED ASSETS

	Freehold Property £'000	Plant & Vehicles £'000	Fixtures & Fittings £'000	Total £'000
Cost or valuation				
At 1st January 1988	494	186	1,291	1,971
Adjustment to include leased assets	-	-	424	424
As restated	494	186	1,715	2,395
Intercompany transfers in	-	-	17	17
Additions	-	-	359	359
Intercompany transfers out	(487)	-	(2)	(489)
Disposals	(6)	(15)	(14)	(35)
At 31st December 1988	1	171	2,075	2,247
Accumulated depreciation				
At 1st January 1988	65	97	770	932
Adjustments to include leased assets	-	-	69	69
As restated	65	97	839	1,001
Intercompany transfers in	-	-	3	3
Charge for the year	14	19	258	291
Intercompany transfers out	(76)	-	(1)	(77)
Disposals	(2)	(8)	-	(10)
At 31st December 1988	1	108	1,099	1,208
Net book amounts				
At 1st January 1988	429	89	876	1,394
At 31st December 1988	-	63	976	1,039

The net book value of fixtures and fittings includes £454,000 (1987 £355,000) in respect of assets held under finance leases.

## NOTES TO THE ACCOUNTS continued

## 9. TANGIBLE FIXED ASSETS continued

The net book amount of freehold property as determined on historical cost or the earliest available record of values where appropriate, is as follows:

	1988 £'000	1987 £'000
Freehold Property		
Cost	1	215
Accumulated depreciation	(1)	(55)
Net book amounts	—	160

## 10. FIXED ASSET INVESTMENTS

## a) Investments in subsidiary companies

	Shares at cost £'000	Provisions against investment £'000	Total £'000
At 1st January 1988	7,540	(4,190)	3,350
Additions	10	—	10
At 31st December 1988	7,550	(4,190)	3,360

Shares are included at cost less amounts written off. Details of the principal subsidiaries, all of which are wholly owned and incorporated in Great Britain, are set out overleaf.

The Directors are of the opinion that the value of the investment in subsidiaries is not less than the aggregate amount at which it is shown in the balance sheet.

NOTES TO THE ACCOUNTS continued10. FIXED ASSET INVESTMENTS continuedTrading

Bracknell Roofing Company Limited    South Western Tiling Co. Limited  
 Furlong Bros. (Roofing) Limited    Tubbs Building Supplies Limited  
 MCS Roofing Limited  
 Mastercraft Roofing Contractors  
 Limited

Dormant

Flex Haulage Limited    Marley Windowline Limited  
 Florstyle (U.K.) Limited    Mayfield Ceramics Limited  
 Marley BMF Limited    Mayfield Distributors Limited  
 Marley Carpets Limited    Seladek Limited  
 Marley Foam Design & Tooling  
 Limited    Sterling Computer Services Limited  
 Marley Trident Limited    Strathclyde Building and Roofing  
 Marley Triform Limited    Supplies Limited

## b) Loans receivable from holding company

Loans  
 receivable  
 £'000

At 1st January 1988    24,311  
 Advances    2,873  
 Repayments    (23,961)

At 31st December 1988    3,223  
 =====

The repayments of the loans receivable include £19,616,000 relating to the transfer of a US dollar loan to the holding company.

## c) Other investments

	Shares at cost £'000	Provision against investment £'000	Net book amount £'000
At 1st January 1988 and 31st December 1988	6,250 =====	(4,250) =====	2,000 =====

Other investments represent 18% of the 6% cumulative preference share capital of Weston Hyde Products Limited, a manufacturer of plastic sheeting and wall coverings.

## TOTAL FIXED ASSET INVESTMENTS

At 1st January 1988    29,661  
 =====

At 31st December 1988    8,583  
 =====

## NOTES TO THE ACCOUNTS continued

## 11. STOCKS

1988	1987
£'000	£'000

Supplies and sundries

15	16
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## 12. DEBTORS

1988	1987
£'000	£'000

## a) Amounts falling due within one year

Trade debtors	309	440
Amounts owed by Marley companies	683	583
Taxation recoverable	-	16
Group relief receivable	162	379
Other debtors	248	227
Prepayments and accrued income	525	443

1,927	2,088
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## b) Amounts falling due in more than one year

Tax recoverable	-	494
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Total debtors

1,927	2,582
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## 13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

1988	1987
£'000	£'000

Bank loans and overdrafts	-	700
Obligations under finance leases	117	75
Payments received on account	56	-
Trade creditors	239	259
Bills payable	-	167
Amounts owed to Marley companies	82	85
Taxation payable	37	157
Group relief payable	-	1,841
Social security creditor	955	1,189
Other creditors	508	500
Accruals and deferred income	1,177	943

3,171	5,916
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Other creditors includes £500,000 which represents the maximum amount of deferred consideration payable within one year in respect of the purchase of Bracknell Roofing Company Limited which was acquired in 1987.

Accruals and deferred income includes an amount of £69,000 (1987 £3,000) payable to the Marley pension schemes.

## NOTES TO THE ACCOUNTS continued

## 14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1988 £'000	1987 £'000
Bank loans and overdrafts	-	19,096
Debentures	37	92
Obligations under finance leases	342	276
Taxation payable	232	99
Other creditors	500	1,000
	<u>1,111</u>	<u>20,563</u>

The US \$35,900,000 loan taken out in 1985 to finance the purchase of General Shale was transferred to the holding company during the year.

The repayment terms of the debenture loans are between two and five years.

Obligations under finance leases fall due between one and five years.

Other creditors represents the maximum amount of deferred consideration payable in more than one year in respect of the purchase of Bracknell Roofing Company Limited.

## 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Others £'000	Total £'000
At 1st January 1988	(742)	2,446	1,704
Utilised in the year	-	(536)	(536)
Charged in the year	32	500	532
	<u>(710)</u>	<u>2,410</u>	<u>1,700</u>

The deferred tax asset relates to future tax relief on timing differences on provisions. The full potential liability, for tax on accelerated capital allowances, is £73,000 (1987 £106,000).

Other provisions are in respect of reorganisation costs.

## 16. SHARE CAPITAL

	1988 £'000	1987 £'000
Authorised, issued and fully paid Ordinary shares of £1 each	4	4

## NOTES TO THE ACCOUNTS continued

## 17. RESERVES

Profit &  
Loss Account  
£'000

At 1st January 1988  
Adjustment for leased assets capitalised

5,537  
4

As restated  
Retained profit for the year

5,541  
57

At 31st December 1988

5,598  
=====

## 18. OPERATING LEASE COMMITMENTS

	1988	1987
	£'000	£'000

Rentals payable during the coming year:

Land and buildings  
Leases expiring after more than five years

334	382
=====	=====

1988	1987
£'000	£'000

Plant, machinery and motor vehicles  
Leases expiring within one year  
Leases expiring between two and five years

362	118
228	456

590	574
=====	=====

## 19. ASSETS CHARGED

With certain other United Kingdom subsidiaries of Marley plc the company has charged all its assets both present and future to secure repayment of the following outstanding liabilities of Marley plc:

11 7/8% Debenture stocks 2009	£25,000,000 (1987 £25,000,000)
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## 20. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Marley plc, a company incorporated in the United Kingdom.



AUDITORS' REPORT TO THE MEMBERS OF THE HARLEY TILE COMPANY LIMITED

We have audited the accounts on pages 3 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants  
London

29th March 1989