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THE MARLEY TILE COMPANY LIMITED

ACCOUNTS

31st December 1985

THE MARLEY TILE COMPANY LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31st December 1985.

RESULTS AND DIVIDENDS

The total profit for the year after providing for taxation and the extraordinary item amounted to £14,484,586 out of which a dividend has been paid of £12,050,000 leaving £2,434,586 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.

In August 1985 the investment in Plumb-Center Limited was sold. In December 1985, the intention to dispose of Payless D.I.Y. Limited was announced.

The company will continue to act as a holding company for the United Kingdom subsidiaries of its ultimate parent company.

TANGIBLE FIXED ASSETS

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

DIRECTORS

The directors at 31st December 1985, all of whom served for the year were:

Mr. T.J. Aisher
Mr. R.A. Aisher
Mr. R.M. Armstrong
Mr. T.P. O'Sullivan
Mr. P. Wilson

On the 8th January 1985 Mr. W.J.W. Courtney resigned from the board.

On the 21st May 1985 Mr. O.A.A. Aisher resigned from the board.

On the 1st June 1985 Mr. R.B. Aisher resigned from the board.

EMPLOYMENT INFORMATION

Group employment policies are designed to offer full and fair consideration to all and, where appropriate, to encourage the employment of disabled people on the basis of equality with others. Every effort is also made to ensure continuity of employment for any existing employee who becomes disabled.

Information for employees is circulated throughout the company in regular staff news letters. In addition a special report summarising the Marley plc group results for the year is sent direct to each employee. More informal communication takes place through various committees which meet regularly and allow for exchange of information.

Managers are encouraged to visit schools and colleges in order to give career advice and to offer where appropriate, work experience to students.

The company will introduce a savings-related share option scheme for all staff in 1986, subject to Marley plc shareholders' approval.

THE MARLEY TILE COMPANY LIMITED

DIRECTORS' REPORT continued

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

D.A. Stevens
Secretary

25th February 1985.

THE MARLEY TILE COMPANY LIMITEDPROFIT AND LOSS ACCOUNT

For the year ended 31st December 1985

	Notes	1985 £	1984 £
TURNOVER	1	6,964,494 =====	6,961,697 =====
OPERATING PROFIT (1984 LOSS)	2	257,382	(1,903,255)
Income from shares in group companies		17,918,132	15,000,000
Other interest receivable		32,258	3,371
Interest payable	6	(92,186)	(37,671)
		18,115,586	13,062,445
Amounts written off investments		(5,273,000)	(1,558,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,842,586	11,504,445
Taxation recoverable	7	2,361,000	403,000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		15,203,586	11,907,445
Extraordinary item	8	719,000	-
		14,484,586	11,907,445
Dividends		12,050,000	11,000,000
RETAINED PROFIT	18	2,434,586 =====	907,445 =====

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

THE MARLEY TILE COMPANY LIMITED

BALANCE SHEET

31st December 1985

	Notes	1985 £	1984 £
FIXED ASSETS			
Tangible assets	9	1,129,263	2,267,731
Investments	10	12,254,038	10,805,492
		<hr/>	<hr/>
		13,383,301	13,073,223
CURRENT ASSETS			
Stocks	11	8,599	11,607
Debtors	12	4,900,367	3,340,959
Investments	13	59,170	59,170
Cash at bank and in hand		264,948	3,363
		<hr/>	<hr/>
		5,233,084	3,415,099
CREDITORS			
Amounts falling due within one year	14	(5,134,258)	(1,444,837)
		<hr/>	<hr/>
NET CURRENT ASSETS		98,826	1,970,262
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,482,127	15,043,485
CREDITORS			
Amounts falling due after more than one year	15	(9,886,193)	(12,763,504)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(170,585)	(1,289,218)
		<hr/>	<hr/>
		3,425,349	990,763
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	17	3,900	3,900
Profit and loss account	18	3,421,449	986,863
		<hr/>	<hr/>
		3,425,349	990,763
		<hr/>	<hr/>

Directors

25th February 1985.

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

THE MARLEY TILE COMPANY LIMITEDSOURCE AND APPLICATION OF FUNDS

For the year ended 31st December 1985

	1985 £	1984 £
Source		
Profit on ordinary activities before taxation	18,115,586	13,062,445
and amounts written off investments	(702,369)	-
Extraordinary costs incurred	286,418	339,109
Depreciation	598,967	209,785
Sales of tangible fixed assets		
Transfer of fixed assets to fellow subsidiaries	444,600	669,154
Taxation receipts	5,713,091	176,371
Movement on intercompany borrowings	878,336	-
	<hr/>	<hr/>
	25,334,629	14,456,864
	=====	=====
Application		
Expenditure on tangible fixed assets	170,282	578,775
Transfer of fixed assets from fellow subsidiaries	99,866	827
Tax payments	5,330,744	-
Dividend payments	12,050,000	11,000,000
Increase in investments	6,721,546	1,520,841
Movement on intercompany borrowings	-	1,966,041
Movement on other loans	11,000	18,975
	<hr/>	<hr/>
	24,383,438	15,085,459
Movement in working capital (see below)	689,606	(688,287)
	<hr/>	<hr/>
	25,073,044	14,397,172
Surplus represented by movement in cash at bank and in hand	261,585	59,692
	<hr/>	<hr/>
	25,334,629	14,456,864
	=====	=====
Movement in working capital:		
Stocks	(3,008)	(24,797)
Trade debtors	110,898	(290)
Amounts owed by Marley companies	77,359	79,629
Amounts owed by related companies	(1,407)	(268,211)
Other debtors	(130,053)	(51,321)
Prepayments	40,323	(111,999)
Current investments	-	2,948
Trade creditors	38,132	48,843
Amounts owed to Marley companies	84,952	(122,641)
Amounts owed to related companies	-	120,000
Social security creditor	(220,557)	106,200
Other creditors	-	430,514
Accruals	(425,666)	(118,003)
Provisions for liabilities and charges	1,118,633	(779,159)
	<hr/>	<hr/>
	689,606	(688,287)
	=====	=====

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

THE MARLEY TILE COMPANY LIMITED

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 1980. Consolidated accounts are not prepared since the company is a wholly owned subsidiary of Marley plc.

b) TURNOVER

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

c) TANGIBLE FIXED ASSETS

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

Freehold land	Nil
Freehold buildings	Between 1 and 2 per cent per annum
Leasehold property	Over the period of the lease
Plant & vehicles and fixtures & fittings	Generally between 10 and 20 per cent per annum

d) LEASED ASSETS

Payments under both operating and finance 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) TAXATION

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

g) PENSION COSTS

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

THE MARLEY 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 £6,851,409 (1984 £6,961,697) which represent sales to fellow subsidiaries.

2. OPERATING PROFIT

	1985 £	1984 £
The following have been credited in arriving at operating profit:		
Income from other fixed asset investments	-	32,684
Other operating income	907,611	35,207
	<hr/>	<hr/>
	907,611	67,891
	=====	=====

The following have been charged in arriving at operating profit:

Raw materials and consumables	400,370	394,465
Staff costs (see note 3)	2,955,329	2,774,814
Depreciation and other amounts written off tangible fixed assets	286,418	339,109
Repairs and maintenance	96,687	157,906
Lease rentals and other hire charges (see note 5)	585,493	630,609
Auditors' remuneration and expenses	89,332	84,933
Other operating charges	3,201,094	4,551,007
	<hr/>	<hr/>
	7,614,723	8,932,843
	=====	=====

3. STAFF COSTS

	1985 £	1984 £
Staff costs comprise:		
Wages and salaries	2,580,587	2,396,576
Social security costs	160,375	147,679
Other pension costs	214,367	230,559
	<hr/>	<hr/>
	2,955,329	2,774,814
	=====	=====

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

3. STAFF COSTS continued

	1985 £	1984 £
Directors' emoluments (including pension contributions)	571,331	756,435

Included above are amounts of £374,970 (1984 £380,028) in respect of services to subsidiary companies.

Salaries and taxable benefits of the chairman and other directors were as follow:

	1985 Number	1984 Number
Chairman and highest paid director	100,000	101,918
Other directors:		
nil - £5,000	1	-
£20,001 - £25,000	1	-
£25,001 - £30,000	1	-
£50,001 - £55,000	-	1
£55,001 - £60,000	-	1
£65,001 - £70,000	1	-
£70,001 - £75,000	-	1
£80,001 - £85,000	2	2
£85,001 - £90,000	1	-
£90,001 - £95,000	-	2
	===	===

No directors' fees were payable (1984 nil).

4. AVERAGE NUMBER OF EMPLOYEES

The average number of persons employed during the year was 260 (1984 289).

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

	1985 Number	1984 Number
£30,001 - £35,000	1	4
£35,001 - £40,000	1	-
£40,001 - £45,000	2	1
£50,001 - £55,000	2	1
£55,001 - £60,000	-	1
£65,001 - £70,000	1	-
	====	====

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

5. LEASE RENTALS AND OTHER HIRE CHARGES

	1985 £	1984 £
Operating leases in respect of:		
Land and buildings	426,117	441,655
Plant and machinery	27,092	24,656
Motor Vehicles	132,284	164,298
	<hr/>	<hr/>
	585,493	630,609
	=====	=====

6. INTEREST PAYABLE

	1985 £	1984 £
On loans repayable within five years	10,638	4,972
On bank overdraft	81,548	15
On intercompany loans	-	32,684
	<hr/>	<hr/>
	92,186	37,671
	=====	=====

7. TAXATION

Taxation on profit on ordinary activities:

	1985 £	1984 £
United Kingdom Corporation tax at 41.25% (1984 46.25%)	1,581,221	403,000
Prior year adjustments	779,779	-
	<hr/>	<hr/>
	2,361,000	403,000
	=====	=====

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

8. EXTRAORDINARY ITEM

	1985 £
Costs incurred on restructuring businesses	702,369
Write off of fixed assets	78,631
Attributable tax relief	(62,000)
	<hr/>
	719,000
	=====

THE MARLEY TILE COMPANY LIMITED

NOTES TO THE ACCOUNTS continued

9. TANGIBLE FIXED ASSETS

	Freehold Property £	Leaschold Property £	Plant & Vehicles £	Fixtures & Fittings £	Total £
Cost or valuation					
At 1st January 1985	870,402	54,623	1,425,575	853,002	3,203,602
Intercompany transfers in	78,631	-	21,235	-	99,866
Additions	12,929	-	131,243	26,110	170,282
Intercompany transfers out	(388,975)	(54,623)	(56,374)	(65,425)	(565,397)
Disposals	(24)	-	(794,967)	(46,839)	(841,830)
Extraordinary write off	(78,631)	-	-	-	(78,631)
At 31st December 1985	<u>494,332</u>	<u>-</u>	<u>726,712</u>	<u>766,848</u>	<u>1,987,892</u>
Comprising:					
Cost	189,043	-	726,712	766,848	1,682,603
Valuation in 1980	305,289	-	-	-	305,289
	<u>494,332</u>	<u>-</u>	<u>726,712</u>	<u>766,848</u>	<u>1,987,892</u>
Payments on account & assets under construction (included above)					
At 1st January 1985	-	-	12,111	-	12,111
At 31st December 1985	-	-	-	-	-
Accumulated depreciation					
At 1st January 1985	39,744	46,864	370,198	479,065	935,871
Charge for the period	22,562	-	170,067	93,789	286,418
Intercompany transfers out	(24,912)	(46,864)	(25,484)	(23,537)	(120,797)
Disposals	-	-	(209,890)	(32,973)	(242,863)
At 31st December 1985	<u>37,394</u>	<u>-</u>	<u>504,891</u>	<u>516,344</u>	<u>858,629</u>
Net book amounts					
At 1st January 1985	<u>830,658</u>	<u>7,759</u>	<u>1,055,377</u>	<u>373,937</u>	<u>2,267,731</u>
At 31st December 1985	<u>456,938</u>	<u>-</u>	<u>421,821</u>	<u>250,504</u>	<u>1,129,263</u>

THE MARLEY TILE COMPANY LIMITED

NOTES TO THE ACCOUNTS continued

9. TANGIBLE FIXED ASSETS continued

The net book amounts of tangible fixed assets as determined on historical cost or the earliest available record of values where appropriate, are as follows:

	Freehold Property £	Leasehold Property £	Plant & Vehicles £	Fixtures & Fittings £	Total £
At 1st January 1985					
Cost	591,682	54,623	1,425,575	853,002	2,924,882
Accumulated depreciation	22,695	46,864	370,198	479,065	918,822
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amounts	568,987	7,759	1,055,377	373,937	2,006,060
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1985					
Cost	215,612	-	726,712	766,848	1,709,172
Accumulated depreciation	27,394	-	304,891	516,344	848,629
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amounts	188,218	-	421,821	250,504	860,543
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

10. FIXED ASSET INVESTMENTS

	Shares £	Unsecured Loan Stock £	Total £
a) Investments with holding company or fellow subsidiaries			
At 1st January 1985	7,458,492	-	7,458,492
Additions	202,207	5,000,000	5,202,207
Disposals and repayments	(5,660)	(850,000)	(855,660)
Provision against investments	-	(4,150,000)	(4,150,000)
	<hr/>	<hr/>	<hr/>
At 31st December 1985	7,655,039	-	7,655,039
	<hr/>	<hr/>	<hr/>

Shares are included at cost less amounts written off. Details of the principal subsidiaries are set out overleaf and are wholly owned except where indicated.

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

During the year the company acquired unsecured loanstock of £5 million in a subsidiary company. There has been a partial repayment of £850,000 during the year and full provision has been made against the remaining balance.

THE MARLEY TILE COMPANY LIMITED

NOTES TO THE ACCOUNTS continued

10. FIXED ASSET INVESTMENTS continued

Trading

Anchor Insurance Brokers Limited	Marley Transport Limited
Birchester Distributors Limited*	Marley Vehicle Leasing Limited
British Moulded Fibre Limited* (82.7%)	Marley Waterproofing Limited
British Moulded Fibre (Engineering) Limited* (indirectly owned) (82.7%)	Payless Developments Limited
Flex Haulage Limited	Payless D.I.Y. Limited
Furlong Bros. (Roofing) Limited	Phetco (England) Limited*
Marley Building Products Limited*	South Western Tiling Co. Limited
Marley Extrusions Limited	S.W.T. Ceramics Limited (indirectly owned)
Marley Floors Limited	Stealing Computer Services Limited
Marley Foam Limited	Tubbs Building Supplies Limited
The Marley Roof Tile Company Limited	

Dormant

Ardel Plastics Limited	Payless Autocare Limited
Automatic Garage Doors Limited	Payless Automart Limited
Duke Bros. Limited	Payless Auto Spares Limited
Fleetcover (1983) Limited	Payless Catering Limited
Florstyle (U.K.) Limited	Payless Distribution Limited
Ingrid Limited	Payless Foods Limited
Marley Carpets Limited	Payless Heating Limited
Marley Homecare Limited	Payless Leisure Limited
Marley Kitchens Limited	Payless Properties Limited
Marley Trident Limited	Payless Sports Limited
Marley Triform Limited	Payless Wholesale Limited
Marley Windowline Limited	Pimfibre Limited* (indirectly owned) (82.7%)
Master Plumber Limited	Prestfibre Limited* (indirectly owned) (82.7%)
Mayfield Ceramics Limited	Strathclyde Building and Roofing Supplies Limited
Mayfield Distributors Limited	Unitex Plumbing Limited

*Accounts of these companies are audited by firms other than Price Waterhouse. These companies account for £4,730,980 out of the total of net assets of £11,806,186 of the subsidiaries.

	Shares At cost £	Loans £	Provision against investment £	Net book amount £
b) Other investments				
- Weston Hyde Products Limited				
At 1st January 1985	4,120,000	-	(773,000)	3,347,000
Additions	-	2,375,000	-	2,375,000
Disposals	(245,000)	-	244,999	(1)
Movement on provision	-	-	(1,123,000)	,123,000)
At 31st December 1985	3,875,000	2,375,000	(1,651,001)	4,598,999

Total fixed asset investments at 31st December 1985 12,254,038

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

11. STOCKS	1985 £	1984 £
Raw materials	8,599 =====	11,607 =====
12. DEBTORS	1985 £	1984 £
a) Amounts falling due within one year		
Trade debtors	154,063	43,165
Amounts owed by Marley companies	980,984	903,625
Amounts owed by related companies	426	1,833
Taxation recoverable	162,728	137,905
Group relief receivable	1,701,465	1,444,000
Other debtors	99,458	229,511
Prepayments	218,243	177,920
	3,317,367 =====	2,937,959 =====
b) Amounts falling due in more than one year		
Taxation recoverable	126,743	2,000
Group relief receivable	1,456,257	401,000
	1,583,000 =====	403,000 =====
Total debtors	4,900,367 =====	3,340,959 =====
13. CURRENT ASSETS INVESTMENTS	1985 £	1984 £
Short term deposits	59,170 =====	59,170 =====
14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	1985 £	1984 £
Trade creditors	243,622	281,754
Amounts owed to Marley companies	111,203	196,155
Taxation payable	13,695	2,413
Group relief payable	3,322,000	156,000
Social security creditor	688,363	467,806
Other loans	-	11,000
Accruals	755,375	329,709
	5,134,258 =====	1,444,837 =====

THE MARLEY TILE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

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

	1985 £	1984 £
Amounts owed to Marley companies	9,525,414	11,982,560
Taxation payable	779	172,944
Group relief payable	360,000	608,000
	<hr/>	<hr/>
	9,886,193	12,763,504
	=====	=====

Part of the amount shown as "Amounts owed to Marley companies" above may be repayable in the short term. However, it is not possible to quantify the extent of this.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	£
At 1st January 1985	1,289,218
Charged to profit and loss account	84,000
Utilised in period	(1,202,633)
	<hr/>

At 31st December 1985

170,585

=====

17. SHARE CAPITAL

Authorised, issued and fully paid
Ordinary shares of £1 each

1985 £	1984 £
3,900	3,900
=====	=====

18. RESERVES

At 1st January 1985
Retained profit for the year

Profit &
Loss Account
£

986,863
2,434,586

At 31st December 1985

3,421,449
=====

19. FUTURE CAPITAL EXPENDITURE

Capital authorisations not included in the accounts
Contracts placed
Expenditure authorised, not yet contracted for

1985 £	1984 £
-	36,344
88,144	167,193
<hr/>	<hr/>
88,144	203,542
=====	=====

THE MARLEY TIRE COMPANY LIMITEDNOTES TO THE ACCOUNTS continued

20. LEASING COMMITMENTS

Under finance leases:

	1985 £	1984 £
Payable within one year	802,450	723,232
Payable between two and five years	1,744,052	2,360,622
Payable after more than five years	12,369	17,845
	<u>2,558,871</u>	<u>3,101,699</u>

Under operating leases payable during the coming year:

	1985 £	1984 £
Land and buildings		
Leases expiring within one year	-	30,615
Leases expiring between two and five years	14,600	13,500
Leases expiring after more than five years	403,933	382,002
	<u>418,533</u>	<u>426,117</u>

Plant and machinery

	1985 £	1984 £
Lease expiring within one year	73,181	90,175
Leases expiring between two and five years	53,877	33,491
	<u>127,058</u>	<u>123,666</u>

21. 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 liability of Marley plc:

11½% Debenture stocks 2009 £25,000,000 (1984 £25,000,000)

22. ULTIMATE HOLDING COMPANY

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

THE MARLEY TILE COMPANY LIMITEDAUDITORS' REPORT TO THE MEMBERS OF THE MARLEY TILE COMPANY LIMITED

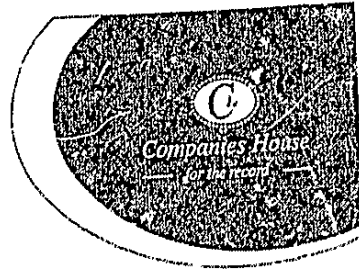
We have audited the accounts on pages 3 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1985 and of the 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

25th February 1986.



Crown Way Cardiff CF14 3UZ
www.companieshouse.gov.uk

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Companies House regrets that documents in this company's microfiche record have pages which are illegible.

This has been noted but unfortunately steps taken to rectify this were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.

COMPANY INFORMATION SUPPLIED BY COMPANIES HOUSE

Companies House is a registry of company information. We carry out basic checks to make sure that documents have been fully completed and signed, but we do not have the statutory power or capability to verify the accuracy of the information that companies send to us. We accept all information that companies deliver to us in good faith and place it on the public record. The fact that the information has been placed on the public record should not be taken to indicate that Companies House has verified or validated it in any way.