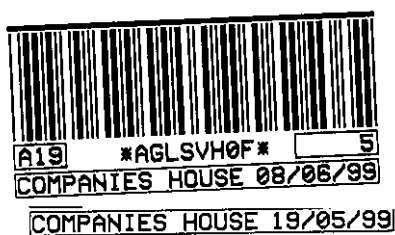


Permanite Asphalt Limited

Directors' report and financial statements

For the year ended 31 December 1998

Registered number 2423586



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Auditor's report to the members of Permanite Asphalt Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 1998.

Principal activity and business review

The principal activity of the Company is the manufacture and supply of mastic asphalt. Future developments will be in the same area.

Results and dividends

The profit and loss account is shown on page 5. The profit for the financial year amounted to £888,000 (1997: £971,000).

The Directors do not recommend the payment of a final dividend (1997: £150,000). Interim dividends totalling £499,000 (1997: £1,155,000) were paid during the year.

Research and development

The Company'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 standards.

Directors and Directors' interests

The Directors who served during the year and subsequently were:

L Doyle
 B Haymes
 RD Hopper
 EB McCann (resigned 6 March 1998)
 IGS McPherson (appointed 6 March 1998)
 B Stock
 DO Udell

The interests of Messrs McPherson and Stock in the share capital of the Company's ultimate parent company, Ruberoid PLC, are disclosed in the report and financial statements of that company.

The interests in the share capital of Ruberoid PLC of the other Directors who held office in the Company at 31 December 1998 were as follows:

	At 31 December 1998		At 31 December 1997		Share option movements in year		
	Ordinary shares	Share options	Ordinary shares	Share options	Granted	Exercised	Lapsed
L Doyle	-	40,000†	-	-	40,000†	-	-
B Haymes	-	5,187*	-	5,187*	-	-	-
		5,750‡		5,750‡			
R D Hopper	400	-	400	-	-	-	-
D O Udell	-	5,187*	-	5,187*	-	-	-
		2,875‡		2,875‡	-	-	-

* Granted on 28 June 1994 under the Ruberoid PLC Employee Savings Related Share Option Scheme, normally exercisable after 28 June 1999 at 133 pence per share.

‡ Granted on 12 June 1996 under the Ruberoid PLC Employee Savings Related Share Option Scheme, normally exercisable after 12 June 2001 at 120 pence per share.

† Granted on 23 April 1998 under the Ruberoid PLC Executive Share Option Scheme, normally exercisable (subject to the achievement of performance targets) between April 2001 and April 2005 in respect of the Unapproved Part of the scheme, and April 2008 in respect of the Approved Part, at 101 pence per share.

Directors' report (continued)

Directors and Directors' interests (continued)

	Unapproved	Approved
L Doyle	10,298	29,702

None of the Directors had any beneficial interest in the share or loan capital of any subsidiary undertaking of Ruberoid PLC during the year.

Charitable and political donations

Charitable donations in the UK totalled £831 during the year. No political contributions were made.

Employees

The Directors recognise the benefits which accrue from keeping employees informed on the progress of their Company. It is the Company's policy to give fair consideration to the employment needs of disabled people.

Year 2000

A project to address the impact on the Group's IT systems of the Year 2000 problem was commissioned by the Board in 1997. This project covers all the Company's IT systems. All the key systems were assessed, and action plans put in place to deal with any non-compliant systems. The Group Board receives regular reports on progress. KPMG Audit Plc have been used to review the Group's assessment and plans and they report directly to the Group Board. Whilst it is not possible to guarantee that no Year 2000 problems remain, the Board is confident that the Company is appropriately prepared. The costs to the Company of implementing the action plans, are not significant and have been expensed as incurred.

Payment Practice

It is the Company's general policy to abide by the terms of payment agreed with its suppliers. The Company does not follow any code or standard payment practice.

This report was approved by the board on 4 May 1999 and signed on its behalf by:



ML Kippen
Secretary

Carthusian Court
12 Carthusian Street
London
EC1M 6EZ

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 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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 company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditor's report to the members of Permanite Asphalt Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3, 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG Audit Plc', written in a cursive style.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

4 May 1999

Profit and loss account
for the year ended 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Turnover	2	7,678	6,842
Cost of sales		(4,279)	(4,265)
Gross profit		3,399	2,577
Administrative expenses		(1,953)	(1,224)
Operating profit		1,446	1,353
Profit on disposal of tangible fixed assets		61	-
Net interest receivable	3	107	58
Profit on ordinary activities before taxation	5	1,614	1,411
Tax on profit on ordinary activities	6	(726)	(440)
Profit for the financial year		888	971
Dividends	7	(499)	(1,305)
Retained profit/(loss) for the financial year transferred to/(from) reserves	15	389	(334)

The profit for the financial year was derived wholly from continuing operations.

Movements in reserves are set out in note 15 on page 13.

Statement of total recognised gains and losses

There were no recognised gains or losses other than the profit for the year reported above.


Reconciliation of movements in equity shareholders' funds

	1998 £000	1997 £000
Profit for the financial year	888	971
Dividends	(499)	(1,305)
Movement in equity shareholders' funds	389	(334)
Equity shareholders' funds at beginning of year	2,724	3,058
Equity shareholders' funds at end of year	3,113	2,724

Balance sheet
at 31 December 1998

	Note	1998 £000	1997 £000
Fixed assets			
Tangible assets	8	1,263	1,111
Current assets			
Stocks	9	283	358
Debtors	10	2,189	2,020
Cash at bank and in hand		2,741	1,552
		<hr/>	<hr/>
Creditors: amounts falling due within one year	11	5,213 (2,884)	3,930 (2,260)
		<hr/>	<hr/>
Net current assets		2,329	1,670
		<hr/>	<hr/>
Total assets less current liabilities		3,592	2,781
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	12	(433)	(40)
Provision for liabilities and charges	13	(46)	(17)
		<hr/>	<hr/>
Net assets		3,113	2,724
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	50	50
Share premium account	15	2,631	2,631
Profit and loss account	15	432	43
		<hr/>	<hr/>
Equity shareholders' funds		3,113	2,724
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 4 May 1999 and were signed on its behalf by:


B Stock
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards using the historic cost accounting rules.

Related party transactions

Under Financial Reporting Standard 8 the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is wholly owned and its results are included in Ruberoid PLC's consolidated financial statements which are publicly available.

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to external customers.

Depreciation

Freehold land is not depreciated. Depreciation is provided to write off the cost of other tangible fixed assets, less their estimated residual values, by equal annual instalments over their estimated useful economic lives, as follows:

Freehold buildings	- 50 years
Short leasehold properties	- period of lease
Plant, machinery and vehicles	- 3 to 15 years

Stocks and work in progress

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

Leased assets

Where the Company 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.

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 crystallise in the foreseeable future.

Research and development

All expenditure except that capitalised on buildings and plant is charged against income as incurred.

Notes (continued)

1 Accounting Policies (continued)

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.

2 Turnover

All turnover arose from one class of business within the United Kingdom.

3 Net interest receivable

	1998 £000	1997 £000
Interest receivable from group undertakings	112	66
Finance lease charges	(5)	(8)
	<hr/> 107	<hr/> 58
	<hr/> <hr/>	<hr/> <hr/>

4 Employees and directors

The average number of employees of the Company during the year (including Directors) comprised:

	1998 Number	1997 Number
Production	37	47
Selling and administration	21	21
	<hr/> 58	<hr/> 68
	<hr/> <hr/>	<hr/> <hr/>

The aggregate employment costs were as follows:

	1998 £000	1997 £000
Wages and salaries	1,393	1,587
Social security costs	123	137
Other pension costs	104	91
	<hr/> 1,620	<hr/> 1,815
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Employees and directors (continued)

	1998 £000	1997 £000
Directors' emoluments comprised:		
Remuneration	237	226
Pension contributions	27	16
Compensation for loss of office	-	38
	<u>264</u>	<u>280</u>

	1998 £000	1997 £000
Emoluments of the highest paid director:		
Remuneration	85	70
Pension contributions	14	4
	<u>99</u>	<u>74</u>

	Number of directors 1998
Retirement benefits are accruing to the following number of directors under:	
Defined benefit schemes	<u>4</u>

5 Operating profit on ordinary activities before taxation

	1998 £000	1997 £000
The operating profit has been arrived at after charging:		
Depreciation on tangible assets (note 8)	559	213
Operating leases:		
Hire of other assets	34	90
Auditors' remuneration - audit	8	7
Profit on disposal of fixed assets	-	4
	<u></u>	<u></u>

Notes (continued)

6 Tax on profit on ordinary activities

	1998 £000	1997 £000
Taxation based on the profit for the year comprises:		
UK corporation tax at 31% (1997: 31.5%)	697	464
Deferred taxation	29	(24)
	<u>726</u>	<u>440</u>

7 Dividends

	1998 £000	1997 £000
Interim dividend of £9.98 (1997: £23.10) per ordinary share paid	499	1,155
Final dividend of £Nil (1997: £3) per ordinary share proposed	-	150
	<u>499</u>	<u>1,305</u>

8 Tangible fixed assets

	Land and buildings £000	Plant, machinery & vehicles £000	Total £000
Cost			
At beginning of year	730	4,750	5,480
Additions	347	328	675
Disposals	-	(559)	(559)
Group transfer	(444)	(712)	(1,156)
	<u>633</u>	<u>3,807</u>	<u>4,440</u>
Depreciation			
At beginning of year	271	4,098	4,369
Charge for the year	28	192	220
Disposals	-	(559)	(559)
Group transfer	(149)	(705)	(854)
	<u>150</u>	<u>3,026</u>	<u>3,176</u>
Net book value			
At 31 December 1998	<u>483</u>	<u>780</u>	<u>1,263</u>
At 31 December 1997	<u>459</u>	<u>652</u>	<u>1,111</u>

Notes (continued)

8 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	1998 £000	1997 £000
Freehold	-	308
Short leasehold	482	150
	<hr/> 482	<hr/> 458
	<hr/> <hr/>	<hr/> <hr/>

Included in plant, machinery and vehicles above are assets held under finance leases with a net book value of £66,000 (1997: £36,000). Depreciation charged on these assets during the year amounted to £36,000 (1997: £36,000).

9 Stocks

	1998 £000	1997 £000
Raw materials and consumables	72	76
Finished goods and goods for resale	211	282
	<hr/> 283	<hr/> 358
	<hr/> <hr/>	<hr/> <hr/>

10 Debtors

	1998 £000	1997 £000
Trade debtors	1,470	1,649
Amounts owed by parent company and fellow subsidiary undertakings	571	218
Other debtors	3	3
Prepayments and accrued income	145	150
	<hr/> 2,189	<hr/> 2,020
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Creditors: amounts falling due within one year

	1998 £000	1997 £000
Finance leases	33	35
Trade creditors	735	676
Amounts owed to parent company and fellow subsidiary undertakings	380	70
Corporation tax	688	461
Other taxation and social security	153	162
Other creditors	163	173
Accruals and deferred income	732	533
Proposed dividend	-	150
	<u>2,884</u>	<u>2,260</u>

12 Creditors: amounts falling due after more than one year

	1998 £000	1997 £000
Finance leases due between one and two years	20	27
Finance leases due between two and five years	13	13
Amounts due to fellow subsidiary undertakings	400	-
	<u>433</u>	<u>40</u>

13 Provision for liabilities and charges

The movement in the deferred tax liability during the year is as follows:

	£000
At beginning of year	17
Transfer from profit and loss account	29
	<u>46</u>
At end of year	<u>46</u>

The amounts provided for deferred taxation are as follows:

	1998 £000	1997 £000
Accelerated capital allowances	92	57
Other timing differences	(46)	(40)
	<u>46</u>	<u>17</u>

There was no unprovided deferred tax as at 31 December 1998.

Notes (continued)

14 Share capital

	1998 £000	1997 £000
<i>Authorised:</i>		
100,000 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
50,000 ordinary shares of £1 each	50	50
	<hr/>	<hr/>

15 Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	2,631	43	2,674
Retained profit for the financial year	-	389	389
	<hr/>	<hr/>	<hr/>
At end of year	2,631	432	3,063
	<hr/>	<hr/>	<hr/>

16 Commitments

The Company had annual commitments under non-cancellable operating leases which expire as follows:

	1998 Land and buildings £000	1997 Land and buildings £000
In second to fifth year	13	13
After five years	8	8
	<hr/>	<hr/>
After five years	21	21
	<hr/>	<hr/>

17 Contingent liabilities

The Company has guaranteed bank overdrafts and loans in respect of its parent company and fellow subsidiary undertakings. At 31 December 1998 these guarantees amounted to £1,229,000 (1997: £22,783,215).

18 Pensions

All monthly staff are entitled to contribute to a Group final salary scheme. Operatives are entitled to contribute to a Group money purchase scheme.

Full disclosure is contained in the financial statements of the ultimate parent company, Ruberoid PLC.

Notes (continued)

19 Ultimate holding company

The ultimate parent company is Ruberoid PLC, a company incorporated in Great Britain. Copies of the consolidated financial statements are available from the Secretary, Ruberoid PLC, Carthusian Court, 12 Carthusian Street, London, EC1M 6EZ.

The financial statements of Ruberoid PLC are the only financial statements to incorporate Permanite Asphalt Limited.