

Ruberoid PLC

**Directors' report and financial
statements**

Registered number 2446447

For the year ended 31 December 1999



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Contents

Directors' report	1
Statement of directors' responsibilities	3
Auditor's report to the members of Ruberoid PLC	4
Group profit and loss account	5
Group statement of total recognised gains and losses	6
Group reconciliation of movements in equity shareholders' funds	6
Balance sheets	7
Group cash flow statement	8
Reconciliation of net cash flow to movement in net debt	8
Segmental analysis	9
Notes	12
Principal Operating Companies	30

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 1999.

Principal activity and business review

Ruberoid PLC is the parent company of an integrated group of companies engaged principally in the manufacture, distribution and installation of waterproofing systems and protective coatings.

Post balance sheet event

On 17 January 2000 it was announced that agreement had been reached between your board and the board of IKO UK Limited ("IKO UK") on the terms of a recommended cash offer to be made by ING Barings on behalf of IKO UK. The offer of 137p in cash for each Ruberoid share values the entire issued share capital at approximately £66.2 million. On 8 February 2000 the board of IKO UK announced that the offer had been declared unconditional in all respects. On 1 March 2000, IKO UK issued notices pursuant to Section 42(8) of the Companies Act 1985 to acquire the outstanding issued share capital. With effect from 12 April 2000, Ruberoid PLC became a wholly owned subsidiary of IKO UK. As a consequence, the Company delisted from the London Stock Exchange.

Results and dividends

The profit for the financial year was £5,583,000 (1998: £4,384,000). There will be no final dividend for 1999. The interim dividend of 2.0 pence per share was paid on 5 January 2000 (1998: total dividend 6.1 pence paid as a Foreign Income Dividend).

Directors

Messrs David Kendall, Michael Bottjer and Stuart Moberley resigned from the board on 31 March 2000. Mr Bryan Stock resigned from the board on 10 April 2000. Messrs Saul Koschitzky and Hartley Koschitzky were appointed to the board on 1 March 2000. The serving directors are:

HM Koschitzky
S Koschitzky
IGS McPherson

The interest of the Directors in the capital of the Company who held office at 31 December 1999 are set out in note 27 on page 29.

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.

Directors' report *(continued)*

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 international standards.

Charitable and political donations

Charitable donations in the UK totalled £2,250 (1998: £2,375) during the year. No political contributions were made.

Payment policy

The Group's policy with regard to the payment of suppliers is for each business to agree terms and conditions for transactions with its suppliers. Payment is generally made on these terms, providing the suppliers meet their obligations to the businesses' satisfaction. The Group does not follow any code or standard payment practice. The average creditor days for the Company is 49 days.

Year 2000

The Directors recognise the potential impact that the Year 2000 problem could have on the company and its ability to continue in business in terms of its production, distribution and administration functions. The strategy and contingency planning undertaken to date in association with the Year 2000 problem has resulted in the company having no significant problems rising out of the date change.

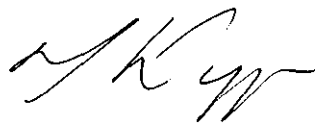
The Directors recognise that it is still possible that errors or failures related to the Year 2000 may arise in future. As a result, the Directors have ensured that adequate procedures have been maintained to continue to assess whether a problem still exists so that appropriate steps may be taken to rectify any non-compliant assets identified.

Year 2000 related costs incurred to date for rectification work to achieve compliance have been expensed as revenue items. Any costs relating to Year 2000 errors or failures that arise in future will be treated in the same manner.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Michael Kippen
Secretary

14 Tewin Road
Welwyn Garden City
Hertfordshire
AL7 1BP

Registered in England and Wales
Number 2446447

27 July 2000

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.

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.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditor's report to the members of Ruberoid PLC

We have audited the financial statements on pages 5 to 29.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

Basis of audit 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 the affairs of the Company and the Group as at 31 December 1999 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 Audit Plc
Chartered Accountants
Registered Auditor

27 July 2000

Group profit and loss account
for the year ended 31 December 1999

		1999		1998	
	Note	Continuing operations Total £000	Continuing operations	Discontinued operations	Total £000
Turnover		162,379	156,054	6,568	162,622
Cost of sales		(114,720)	(110,550)	(5,631)	(116,181)
Gross profit		47,659	45,504	937	46,441
Net operating expenses	2	(37,836)	(36,497)	(975)	(37,472)
Operating profit		9,823	9,007	(38)	8,969
Loss on disposal of subsidiary undertaking and businesses		-	-	(429)	(429)
Net interest payable	3	(750)	(1,301)	(24)	(1,325)
Profit on ordinary activities before taxation	4	9,073	7,706	(491)	7,215
Taxation on profit on ordinary activities	7	(3,402)			(2,829)
Profit on ordinary activities after taxation		5,671			4,386
Equity minority interests		(88)			(2)
Profit for the financial year	8	5,583			4,384
Dividends	9	(965)			(2,942)
Retained profit for the financial year	20	4,618			1,442

All results for the year arise from continuing activities.

Movements in reserves are set out in note 20.

Group statement of total recognised gains and losses

	1999 £000	1998 £000
Profit for the financial year	5,583	4,384
Exchange adjustment	(837)	36
Total recognised gains and losses for the year	4,746	4,420

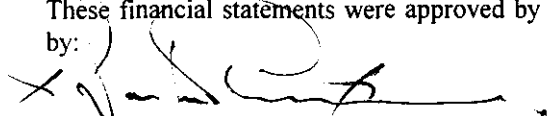
Group reconciliation of movements in equity shareholders' funds

	1999 £000	1998 £000
Total recognised gains and losses for the year	4,746	4,420
Dividends	(965)	(2,942)
Negative goodwill taken to profit and loss on disposals	-	(517)
Movement in equity shareholders' funds	3,781	961
Equity shareholders' funds at beginning of year	35,412	34,451
Equity shareholders' funds at end of year	39,193	35,412

Balance sheets
at 31 December 1999

	Note	1999 Group £000	1998 Group £000	1999 Company £000	1998 Company £000
Fixed assets					
Intangible assets:					
Goodwill	10	817	-	-	-
Tangible assets	11	26,959	25,124	108	152
Investments	12	-	-	34,007	37,501
		<u>27,776</u>	<u>25,124</u>	<u>34,115</u>	<u>37,653</u>
Current assets					
Stocks	13	15,907	14,230	-	-
Debtors: amounts falling due within one year	14	35,257	33,285	2,973	6,163
Debtors: amounts falling due after more than one year	14	-	938	11,927	13,599
Cash		16,960	17,831	13,126	8,267
		<u>68,124</u>	<u>66,284</u>	<u>28,026</u>	<u>28,029</u>
Creditors: amounts falling due within one year					
Borrowings	15	(7,990)	(3,750)	(5,758)	(3,233)
Other creditors	15	(33,610)	(31,505)	(2,629)	(4,309)
		<u>(41,600)</u>	<u>(35,255)</u>	<u>(8,387)</u>	<u>(7,542)</u>
Net current assets		<u>26,524</u>	<u>31,029</u>	<u>19,639</u>	<u>20,487</u>
Total assets less current liabilities		<u>54,300</u>	<u>56,153</u>	<u>53,754</u>	<u>58,140</u>
Creditors: amounts falling due after more than one year					
Borrowings	16	(13,990)	(20,114)	(10,912)	(16,315)
Other creditors	16	(46)	(197)	(2,221)	(3,108)
		<u>(14,036)</u>	<u>(20,311)</u>	<u>(13,133)</u>	<u>(19,423)</u>
Provision for liabilities and charges	17	<u>(963)</u>	<u>(403)</u>	-	-
Net assets		<u>39,301</u>	<u>35,439</u>	<u>40,621</u>	<u>38,717</u>
Capital and reserves					
Called up share capital	18	2,411	2,411	2,411	2,411
Share premium accounts	20	32,205	32,205	32,205	32,205
Profit and loss account	20	4,577	796	6,005	4,101
Equity shareholders' funds		<u>39,193</u>	<u>35,412</u>	<u>40,621</u>	<u>38,717</u>
Equity minority interests		<u>108</u>	<u>27</u>	-	-
		<u>39,301</u>	<u>35,439</u>	<u>40,621</u>	<u>38,717</u>

These financial statements were approved by the board of directors on 27 July 2000 and were signed on its behalf by:


Ian McPherson
Director

Group cash flow statement
for the year ended 31 December 1999

	<i>Note</i>	1999 £000	1998 £000
Cash flow from operating activities	<i>24a</i>	9,864	11,250
Returns on investments and servicing of finance	<i>24b</i>	(879)	(1,115)
Taxation		(1,581)	(2,060)
Capital expenditure and financial investment	<i>24b</i>	(3,024)	(1,995)
Acquisitions and disposals	<i>24b</i>	(1,687)	4,460
Equity dividends paid		(2,026)	(2,942)
		<u>(9,197)</u>	<u>(3,652)</u>
Cash inflow before use of liquid resources and financing		667	7,598
Management of liquid resources	<i>24b</i>	(3,900)	4,921
Financing - decrease in debt	<i>24b</i>	(2,135)	(4,323)
		<u>(5,368)</u>	<u>8,196</u>

Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	1999 £000	1998 £000
(Decrease)/increase in cash in the period		(5,368)	8,196
Cash outflow from decrease in net debt and lease financing		2,135	4,323
Cash outflow/(inflow) from increase/(decrease) in liquid resources		3,900	(4,921)
		<u>667</u>	<u>7,598</u>
Change in net debt resulting from cashflows		-	158
Finance leases disposed of with subsidiary		(966)	(862)
New finance leases		1,312	(1,179)
Translation difference			
		<u>1,013</u>	<u>5,715</u>
Movement in net debt in the period		(6,033)	(11,748)
Net debt at beginning of period			
		<u>(5,020)</u>	<u>(6,033)</u>
Net debt at end of period	<i>24c</i>		

Segmental analysis
for the year ended 31 December 1999

Turnover by division	External group turnover	
	1999 £000	1998 £000
Continuing operations		
Bituminous	162,379	156,054
Discontinued operations		
Bituminous	-	1,516
Non-bituminous	-	5,052
	-	6,568
Total	162,379	162,622

Profit by division	1999 Total £000	1998 Continuing operations £000	1998 Discontinued operations £000	1998 Total £000
Bituminous	9,823	9,007	1	9,008
Non-Bituminous	-	-	(39)	(39)
Operating profit	9,823	9,007	(38)	8,969

Discontinued operations in 1998 comprised Broderick Structures Limited and Albintra N.V. which were disposed of in early 1998. Following these disposals, the Group is now focused on one core activity, namely the manufacture, distribution and installation of bituminous products, and the Directors have adjusted the reported segmental results accordingly.

Segmental analysis
for the year ended 31 December 1999 (continued)

	1999 £000	1998 £000
Net assets by division		
Continuing operations		
Bituminous	46,544	42,740
Net operating assets	46,544	42,740
Net debt	(5,020)	(6,033)
Taxation	(1,258)	758
Dividend payable	(965)	(2,026)
Net assets	39,301	35,439
By origin		
Continuing operations		
United Kingdom and Ireland	20,538	14,514
Mainland Europe	23,722	25,790
USA	2,284	2,436
Net operating assets	46,544	42,740
Net debt	(5,020)	(6,033)
Taxation	(1,258)	758
Dividend payable	(965)	(2,026)
Net assets	39,301	35,439

Segmental analysis

for the year ended 31 December 1999 (continued)

	Turnover by origin		Operating profit by origin		Turnover by destination	
	1999 £000	1998 £000	1999 £000	1998 £000	1999 £000	1998 £000
Geographical analysis						
Continuing operations						
United Kingdom and Ireland	84,012	82,318	4,371	4,824	82,773	79,854
Mainland Europe	70,679	66,512	4,132	2,862	69,717	66,245
USA	7,688	7,224	1,320	1,321	6,820	6,669
Rest of world	-	-	-	-	3,069	3,286
	<u>162,379</u>	<u>156,054</u>	<u>9,823</u>	<u>9,007</u>	<u>162,379</u>	<u>156,054</u>
Discontinued operations						
United Kingdom and Ireland	-	5,052	-	(39)	-	4,958
Mainland Europe	-	1,516	-	1	-	1,531
Rest of world	-	-	-	-	-	79
	<u>-</u>	<u>6,568</u>	<u>-</u>	<u>(38)</u>	<u>-</u>	<u>6,568</u>
	<u>162,379</u>	<u>162,622</u>	<u>9,823</u>	<u>8,969</u>	<u>162,379</u>	<u>162,622</u>

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 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.

The consolidated financial statements are based on financial statements of subsidiary 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 8 on page 17.

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

In accordance with FRS 10, goodwill arising on consolidation and on the acquisition of unincorporated businesses for acquisitions after 1 January 1998, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, has been capitalised and amortised. Any excess of the aggregate of the fair value of the identifiable net assets acquired over the identifiable net assets acquired over the fair value of the consideration given (negative goodwill) is also capitalised.

Prior to 1 January 1998, goodwill was written off/ credited against reserves.

On subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging/crediting the gross amount of any related goodwill/negative goodwill previously taken to reserves or capitalised.

Notes (continued)

1 Accounting policies (continued)

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
Plant, machinery and vehicles	3 to 15 years

Foreign currency

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 provided 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.

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.

Research and development

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

2 Net operating expenses

	Group Total 1999 £000	Continuing operations 1998 £000	Discontinued operations 1998 £000	Group Total 1998 £000
Distribution costs	12,337	10,981	199	11,180
Administrative expenses	25,499	25,520	776	26,296
Other operating income	-	(4)	-	(4)
	<u>37,836</u>	<u>36,497</u>	<u>975</u>	<u>37,472</u>

3 Net interest payable

	Group 1999 £000	Group 1998 £000
Interest payable and similar charges		
On bank loans and overdrafts	1,035	1,398
On other loans	20	46
Finance lease charges	130	236
	<u>1,185</u>	<u>1,680</u>
Interest receivable		
Bank interest receivable	408	344
Sundry interest receivable	27	11
	<u>435</u>	<u>355</u>
Net interest payable	<u>750</u>	<u>1,325</u>

Interest allocated to discontinued operations in 1998 consisted of the interest applicable to the businesses based on their net debt.

Notes (continued)

4 Profit on ordinary activities before taxation

	Group 1999 £000	Group 1998 £000
<i>Profit on ordinary activities before taxation has been arrived at</i>		
<i>after charging/(crediting)</i>		
Depreciation on tangible fixed assets	3,206	3,239
Amortisation of goodwill	54	-
Loss/(profit) on disposal of fixed assets	95	(377)
Operating leases:		
Hire of plant and machinery	362	265
Hire of other assets	724	540
Auditors' remuneration		
United Kingdom	146	143
Overseas	102	138
	<hr/>	<hr/>

Fees paid to the auditor and its associate for UK non-audit services amounted to £125,000 (1998: £128,000). The auditor's remuneration in respect of the company was £59,000 (1998: £50,000).

5 Employees

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

	Group 1999 Number	Group 1998 Number
UK and Ireland	923	925
Mainland Europe	613	628
USA	52	59
Head Office	14	16
	<hr/>	<hr/>
	1,602	1,628
	<hr/>	<hr/>

The aggregate employees costs were as follows:

	£000	£000
Wages and salaries	29,621	28,945
Social security costs	6,716	6,550
Other pension costs	1,611	1,459
	<hr/>	<hr/>
	37,948	36,954
	<hr/>	<hr/>

Notes (continued)

6 Directors' emoluments

The following table summarises the total remuneration of all the Directors who have served during the year:

	Fees	Salary	Bonus	Benefits	Total emoluments excluding pensions	Total
	£000	£000	£000	£000	Total 1999 £000	1998 £000
DW Kendall (Chairman)	52	-	-	-	52	45
IGS McPherson	-	214	66	8	288	233
B Stock	-	121	36	8	165	149
MC Bottjer	19	-	-	-	19	15
SG Moberley	19	-	-	-	19	15
WGK Wilford	-	-	-	-	-	464
EB McCann	-	-	-	-	-	29
	<u>90</u>	<u>335</u>	<u>102</u>	<u>16</u>	<u>543</u>	<u>950</u>

The executive Directors are members of the Ruberoid PLC Executive Pension Scheme, which is Inland Revenue approved and is separate from the Ruberoid PLC staff schemes as set out in note 25. The scheme entitles them to a pension from retirement based on final salary and years of completed service. Each member with less than 30 years' service contributes 5% of pensionable pay (basic salary) to the scheme. The normal retirement age for executive directors is 60. The scheme also makes the usual provisions for life assurance, ill health and spouse's pension on death, and is subject to Inland Revenue limits. Where the Inland Revenue earnings cap would be exceeded, the Ruberoid PLC FURBS, which is a money purchase scheme, is used to increase pension benefits. Mr WGK Wilford participated in an assured plan for Belgian employees. It is funded on the basis of past service and current salary.

	Age at 31 December 1999	Years of service at 31 December 1999	Additional pension earned during the year £000	Accrued entitlement at end of year £000	1999 Money purchase employer contributions £000	1998 Money purchase employer contributions £000
IGS McPherson	59	44	21	143	-	-
B Stock	49	3	2	6	3	2
WGK Wilford	-	-	-	-	-	8
EB McCann	-	-	-	-	-	23

IGS McPherson's service includes 38 years with Tarmac PLC.

Mr McCann and Mr Wilford ceased to hold office on 6 March 1998 and 6 August 1998 respectively. The table shows the additional pension earned by Mr McCann to the date of his resignation, and the employer contributions paid in respect of Mr Wilford to the date of his leaving the Group.

Notes (continued)

7 Taxation

Taxation based on the profit for the year comprises:

	Group 1999 £000	Group 1998 £000
UK corporation tax at 30.25% (1998: 31%)	525	1,183
Overseas taxation	2,516	1,338
Deferred taxation	361	308
	<hr/> 3,402 <hr/>	<hr/> 2,829 <hr/>

8 Profit for the financial year

	Group 1999 £000	Group 1998 £000
Dealt with in the financial statements of:		
Ruberoid PLC	2,869	2,796
Subsidiary undertakings	2,714	1,588
	<hr/> 5,583 <hr/>	<hr/> 4,384 <hr/>

9 Dividends

	Group 1999 £000	Group 1998 £000
Interim dividend of 2.0p (1998: 1.9p) per ordinary share payable	965	916
Second interim dividend of nil (1998: 4.2p) per ordinary share	-	2,026
	<hr/> 965 <hr/>	<hr/> 2,942 <hr/>

Notes (continued)

10 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
Acquired in year and at end of year	871
	<hr/>
<i>Provision for amortisation and impairment</i>	
Amortisation charged in year and at end of year	(54)
	<hr/>
<i>Net book value</i>	
At 31 December 1999	817
	<hr/>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill arising from the acquisition in the year is being amortised over 20 years.

11 Tangible fixed assets

Group	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
<i>Cost</i>			
At beginning of year	19,115	34,163	53,278
Exchange adjustment	(963)	(1,464)	(2,427)
Additions	272	4,042	4,314
Subsidiaries acquired	1,150	1,136	2,286
Disposals	(549)	(2,514)	(3,063)
	<hr/>	<hr/>	<hr/>
At end of year	19,025	35,363	54,388
	<hr/>	<hr/>	<hr/>
Gross book value of depreciable assets	18,283	35,363	53,646
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	(4,629)	(23,525)	(28,154)
Exchange adjustment	315	972	1,287
Charge for year	(564)	(2,642)	(3,206)
Disposals	256	2,388	2,644
	<hr/>	<hr/>	<hr/>
At end of year	(4,622)	(22,807)	(27,429)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1999	14,403	12,556	26,959
	<hr/>	<hr/>	<hr/>
At 31 December 1998	14,486	10,638	25,124
	<hr/>	<hr/>	<hr/>

The net book value of assets acquired under finance leases included in plant, machinery and vehicles amounted to £2,143,000 (1998: £1,977,000).

Depreciation charged on these assets during the year amounts to £666,000 (1998: £740,000).

Notes (continued)

11 Tangible fixed assets (continued)

Company	Plant, machinery, and vehicles £000
Cost	
At beginning of year	379
Additions	14
Disposals	(55)
	<hr/>
At end of year	338
	<hr/>
Gross book value of depreciable assets	338
	<hr/>
Depreciation	
At beginning of year	(227)
Charge for year	(56)
Disposals	53
	<hr/>
At end of year	(230)
	<hr/>
Net book value	
At 31 December 1999	108
	<hr/>
At 31 December 1998	152
	<hr/>

The net book value of assets acquired under finance leases included in plant, machinery and vehicles amounted to £27,000 (1998: £48,000).

Depreciation charged on these assets during the year amounts to £21,000 (1998: £39,000).

	Group 1999 £000	Group 1998 £000
Net book value of land and buildings comprises:		
Freehold	7,024	6,865
Long leasehold	6,565	6,646
Short leasehold	814	975
	<hr/>	<hr/>
	14,403	14,486
	<hr/>	<hr/>

Notes (continued)

12 Investments

Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertaking £000	Total £000
Cost			
At beginning of year	12,373	25,128	37,501
Transfer of subsidiary undertakings	(2,381)	-	(2,381)
Other movements	-	(1,113)	(1,113)
	<hr/>	<hr/>	<hr/>
At end of year	9,992	24,015	34,007
	<hr/>	<hr/>	<hr/>

The principal operating companies, which are shown on page 30 are wholly owned, either directly or indirectly, by Ruberoid PLC except where indicated, and all holdings are of ordinary shares. They are incorporated in Great Britain, unless their address is overseas in which case the country stated is the country of incorporation.

13 Stocks

	Group 1999 £000	Group 1998 £000
Raw materials	5,151	4,414
Work in progress	987	362
Finished goods and goods for resale	9,769	9,454
	<hr/>	<hr/>
	15,907	14,230
	<hr/>	<hr/>

Notes (continued)

14 Debtors

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Amounts falling due within one year				
Trade debtors	31,794	28,976	44	30
Amounts owed by subsidiary undertakings	-	-	1,134	2,300
Taxation recoverable	604	1,336	1,577	3,014
Other debtors	1,747	1,729	218	746
Prepayments and accrued income	1,112	1,244	-	73
	<u>35,257</u>	<u>33,285</u>	<u>2,973</u>	<u>6,163</u>
Amounts falling due after more than one year				
Amounts owed by subsidiary undertaking	-	-	11,925	12,655
Deferred taxation	-	-	2	6
Advance corporation tax recoverable	-	938	-	938
	<u>-</u>	<u>938</u>	<u>11,927</u>	<u>13,599</u>
	<u>35,257</u>	<u>34,223</u>	<u>14,900</u>	<u>19,762</u>

15 Creditors: amounts falling due within one year

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Borrowings				
Bank loans	5,924	2,880	5,742	1,821
Bank overdraft	1,285	312	-	1,392
Finance leases	781	558	16	20
	<u>7,990</u>	<u>3,750</u>	<u>5,758</u>	<u>3,233</u>
Other creditors				
Payments received on account	9	188	-	-
Trade creditors	15,354	14,142	128	35
Amounts owed to subsidiary undertakings	-	-	234	2
Corporation tax	1,092	1,113	256	255
Other tax and social security	3,901	3,442	-	735
Other creditors	1,219	1,544	418	390
Accruals	11,070	9,050	628	866
Dividend payable	965	2,026	965	2,026
	<u>33,610</u>	<u>31,505</u>	<u>2,629</u>	<u>4,309</u>
	<u>41,600</u>	<u>35,255</u>	<u>8,387</u>	<u>7,542</u>

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Borrowings				
Bank loans	12,957	19,034	10,900	16,287
Finance leases	1,033	1,080	12	28
	<u>13,990</u>	<u>20,114</u>	<u>10,912</u>	<u>16,315</u>
Other creditors	46	197	2,221	3,108
	<u>46</u>	<u>197</u>	<u>2,221</u>	<u>3,108</u>
	<u>14,036</u>	<u>20,311</u>	<u>13,133</u>	<u>19,423</u>

Group

The Group's borrowings are repayable as follows:

	Bank loans and overdrafts		Other borrowings	
	1999 £000	1998 £000	1999 £000	1998 £000
Within one year	7,209	3,192	223	558
Between one and two years	1,981	7,437	558	557
Between two and five years	10,976	11,597	1,033	523
	<u>20,166</u>	<u>22,226</u>	<u>1,814</u>	<u>1,638</u>

The Group's bank loans and overdrafts were secured by way of a debenture giving a fixed and floating charge over certain of the Group's assets. On 8 February 2000, the security was released and from that date all banking facilities were unsecured.

Company

The Company's borrowings are repayable as follows:

	Bank loans and overdrafts		Other borrowings	
	1999 £000	1998 £000	1999 £000	1998 £000
Within one year	5,742	3,213	16	20
Between one and two years	1,800	7,232	12	16
Between two and five years	9,100	9,055	-	12
	<u>16,642</u>	<u>19,500</u>	<u>28</u>	<u>48</u>

Notes (continued)

17 Provision for liabilities and charges

	Deferred taxation £000
At beginning of year	403
Exchange adjustment	(11)
Subsidiaries acquired	210
Profit and loss account	361
	<hr/>
At end of year	963
	<hr/>

The amounts provided for deferred taxation are as follows:

	1999 £000	1998 £000
Accelerated capital allowances	1,061	1,582
Other timing differences	(98)	(1,179)
	<hr/>	<hr/>
	963	403
	<hr/>	<hr/>

There are no unprovided deferred tax liabilities. 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 1999 would not be material.

Company

The deferred tax asset, which is shown under debtors in note 14, relates to accelerated capital allowances. There are no unprovided deferred tax liabilities.

18 Share capital

	Number	£
<i>Authorised:</i>		
At 31 December 1998 and 1999 Ordinary shares of 5p each	65,000,000	3,250,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
At 31 December 1998 and 1999 Ordinary shares of 5p each	48,227,802	2,411,390
	<hr/>	<hr/>

Notes (continued)

19 Share options

At 31 December 1999, outstanding options to subscribe for ordinary shares of 5p each in the Company were as follows:

	Date of grant	No of shares 1999	No of shares 1998	Option price (Pence)
Savings Related Share Option Scheme	28 June 1994	480,683	561,083	133
	12 June 1996	214,740	330,158	120
Executive Share Option Scheme	25 November 1993	328,666	328,666	150
	24 April 1997	501,250	501,250	96
	28 April 1998	471,000	471,000	101
	23 April 1999	220,000	-	119

Details of the Savings Related Option Scheme and the Executive Share Option Scheme are shown in note 26.

20 Reserves

	Share premium account £000	Profit and loss account £000	Total £000
Group			
At beginning of year	32,205	796	33,001
Exchange adjustment	-	(837)	(837)
Retained profit for the financial year	-	4,618	4,618
At end of year	32,205	4,577	36,782

The exchange adjustment includes a gain of £1,295,000 (1998: loss: £1,127,000) 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 £44,268,000 (1998: £44,268,000) has been written off against reserves, of which £15,440,000 (1998: £15,440,000) relates to the acquisition of subsidiary undertakings.

	Share premium account £000	Profit and loss account £000	Total £000
Company			
At beginning of year	32,205	4,101	36,306
Retained profit for the financial year	-	1,904	1,904
At end of year	32,205	6,005	38,210

Notes (continued)

21 Financial and capital commitments

(a) Commitments for capital expenditure are as follows:

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Contracts placed	-	248	-	-

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

	Land and buildings		Other		Total	
	1999 £000	1998 £000	1999 £000	1998 £000	1999 £000	1998 £000
Annual commitments under operating leases which expire:						
within one year	169	3	25	50	194	53
in second to fifth year	140	278	389	321	529	599
after five years	672	365	14	-	686	365
	<u>981</u>	<u>646</u>	<u>428</u>	<u>371</u>	<u>1,409</u>	<u>1,017</u>

Company

	Land and buildings	
	1999 £000	1998 £000
Annual commitments under operating leases which expire:		
After fifth year	55	55

22 Contingent liabilities

Group

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

Company

The company has guaranteed bank overdrafts in respect of subsidiary undertakings. At 31 December 1999 these guarantees amounted to £4,628,000 (1998 £1,229,000). In addition the Company has guaranteed performance bonds entered into by subsidiary undertakings in the normal course of business.

Notes (continued)

23 Acquisitions

	Kingsnorth Book value	Note	Fair value adjustments	Fair value to the group	Isotop and Acorn Book value and fair value to the Group	Total
	£000		£000	£000	£000	£000
Fixed assets	1,173	(i)	1,113	2,286	-	2,286
Stocks	506		-	506	17	523
Debtors	1,653	(ii)	(750)	903	-	903
Creditors	(2,793)	(iii)	363	(2,430)	-	(2,430)
Accruals	(203)		(53)	(256)	-	(256)
Overdrafts	(313)		-	(313)	-	(313)
Deferred taxation	-	(iv)	(210)	(210)	-	(210)
	<u>23</u>		<u>463</u>	<u>486</u>	<u>17</u>	<u>503</u>
Consideration – cash				(1,157)	(217)	(1,374)
Goodwill				(671)	(200)	(871)

Notes

Fair value adjustments principally comprise:

- (i) Revaluation of plant and freehold property
- (ii) Write off of pension surplus
- (iii) Discount achieved on settlement of creditors party to the creditors voluntary arrangement in place at the time of acquisition
- (iv) Recognition of deferred tax liability in accordance with Group accounting policy

24 Notes to the cash flow statement

(a) Reconciliation of operating profit to operating cash flow

	1999 £000	1998 £000
Operating profit	9,823	8,969
Depreciation and amortisation	3,260	3,239
Loss/(profit) on disposal of fixed assets	95	(377)
Increase in stocks	(1,171)	(1,039)
(Increase)/decrease in debtors	(1,801)	3,364
Increase/(decrease) in creditors	(342)	(2,906)
Net cash flow from operating activities	<u>9,864</u>	<u>11,250</u>

Notes (continued)

24 Notes to the cash flow statement (continued)

(b) Analysis of cash flows for headings netted in the cash flow statement

	1999 £000	1998 £000
Returns on investments and servicing of finance		
Interest received	422	355
Interest paid	(1,188)	(1,270)
Interest element of finance lease rental payments	(113)	(200)
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	(879)	(1,115)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,348)	(2,959)
Sale of tangible fixed assets	324	964
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(3,024)	(1,995)
	<hr/>	<hr/>
Acquisitions and disposals		
Net overdrafts acquired with subsidiary	(313)	-
Sale of Albintra	-	1,676
Sale of Broderick	-	2,784
Acquisition of Kingsnorth and associated debt	(1,157)	-
Acquisition of Isotop and Acorn	(217)	-
	<hr/>	<hr/>
Net cash (outflow)/inflow for acquisitions and disposals	(1,687)	4,460
	<hr/>	<hr/>
Management of liquid resources		
(Increase)/decrease in cash on short term deposit	(3,900)	4,921
	<hr/>	<hr/>
Net cash (outflow)/inflow from (increase)/decrease in liquid resources	(3,900)	4,921
	<hr/>	<hr/>
Financing		
Debt due within a year	(2,793)	(4,335)
Debt due beyond one year	1,449	967
Capital element of finance lease rental payments	(791)	(955)
	<hr/>	<hr/>
Net cash outflow from financing	(2,135)	(4,323)
	<hr/>	<hr/>

Notes (continued)

24 Notes to the cash flow statement (continued)

(c) Analysis of net debt

	At 1 January 1999 £000	Cash flow £000	Other non- cash changes £000	Exchange movement £000	At 31 December 1999 £000
Cash	14,831	(1,302)	-	(469)	13,060
Liquid resources	3,000	900	-	-	3,900
Overdrafts	(312)	(1,066)	-	93	(1,285)
Debt due within 1 year	(2,880)	2,793	-	87	-
Debt due after 1 year	(19,034)	(1,449)	-	1,602	(18,881)
Finance leases	(1,638)	791	(966)	(1)	(1,814)
Total	(6,033)	667	(966)	1,312	(5,020)

25 Pensions

The Group operates a number of pension arrangements in the United Kingdom and overseas. The total pension cost for the Group was £1,611,000 (1998: £1,459,000) of which £510,000 (1998: £420,000) relates to overseas schemes. At 31 December 1999, outstanding pension contribution payable to the UK Schemes totalled £nil (1998: £nil).

The UK schemes for staff are of the defined benefit type. The pension cost relating to these schemes is assessed in accordance with the advice of an independent qualified actuary.

As at 6 April 1999 using the Projected Unit method, an actuarial valuation was carried out on the Ruberoid PLC Staff Pension Scheme. For this purpose it was assumed that the absolute investment returns would be 8.5% per annum compound and that these would exceed earnings by 2% per annum. The actuarial value of the assets of the Ruberoid PLC Staff Pension Scheme was 111% of the value of the benefits after allowing for potential future increases in earnings and pensions in payments and the employers contribution was adjusted accordingly.

As at 6 April 1999 the market value of the Schemes assets was £35,069,000.

As at 5 April 1997, using the Attained Age method, an actuarial valuation was carried out on the Ruberoid PLC Executive Pension Scheme. It was assumed that the absolute investment returns would be 8.5% per annum compound and that these would exceed earnings by 1.5% per annum. The actuarial value of the assets of the Ruberoid PLC Executive Scheme was 109% of the value of the members benefits.

As at 5 April 1997 the market value of the Schemes assets was £4,035,000.

There is also a defined contribution scheme for eligible operatives based in the UK, all of whose assets are held in separate trustee-administered funds.

Most of the Group's subsidiary undertakings in Belgium, Ireland, the Netherlands and the USA operate pension arrangements for staff. These are usually administered by insurance companies and include both defined benefit and defined contribution plans. Some of these subsidiary undertakings also participate in a number of industry-wide arrangements. The relevant employers' contributions are charged against profits as incurred.

Notes (continued)

26 Directors' interests

The interests of those directors who held office at 31 December 1999 in the ordinary share capital of the Company are as follows:

	Holding at 31 December 1999		Holding at 31 December 1998		Share option movements in year	
	Fully paid	Share options	Fully paid	Share options	Granted	Exercised
	Number	Number	Number	Number	Number	Number
DW Kendall	50,000	-	50,000	-	-	-
IGS McPherson	42,800	595,469	42,800	595,469	-	-
B Stock	4,000	499,750	4,000	349,750	150,000	-
MC Bottjer	10,000	-	10,000	-	-	-
SG Moberley	2000	-	2,000	-	-	-

Executive Directors are eligible to participate in the Savings Related and Executive Share Option Schemes operated by the Company. The current interests of the Directors are as follows:

	Date of grant	Subscription price (p)	Exercisable from	Options expire	Options outstanding at 31 December 1999	Options granted in year
IGS McPherson						
Savings Related Share Option Scheme	28 June 1994	144	28 June 1999	28 December 1999	12,969	-
Executive Share Option Scheme - approved part	25 November 1993	150	25 November 1996	25 November 2003	300,000	-
Executive Share Option Scheme - Unapproved part	24 April 1997	96	24 April 2000	24 April 2005	282,500	-
B Stock						
Executive Share Option Scheme - approved part	24 April 1997	96	24 April 2000	24 April 2007	31,250	-
Executive Share Option Scheme - unapproved part	24 April 1997	96	24 April 2000	24 April 2007	187,500	-
Executive Share Option Scheme - unapproved part	28 April 1998	101	28 April 2001	28 April 2005	131,000	-
Executive Share Option Scheme - unapproved part	23 April 1999	119	23 April 2002	25 April 2006	150,000	150,000

Options may only be exercised under the Executive Share Option Scheme 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 (as determined by the Retail Price Index) plus 2%. This performance target has been set by the Remuneration Committee. No options were granted pursuant to the Savings Related Share Option Scheme during the year.

No Director was beneficially interested in the share capital of any subsidiary undertaking.

Pursuant to the recommended cash offer made on behalf of IKO UK the interests of the Directors in the share capital of the company as shown above were sold on 8 February 2000. Pursuant to the offer dated 9 February 2000 made on behalf of IKO UK to holders of options under the Executive Share Option Scheme and the Savings Related Option Scheme, options granted to Mr IGS McPherson (excluding the options granted on 25 November 1993) and Mr B Stock were surrendered. In consideration of the surrender option holders were paid the difference between the option price and 137p per option. The remaining options lapsed on 1 March 2000.

Principal Operating Companies

United Kingdom and Ireland

Ruberoid Building Products Ltd*

10-14 Howard Court, Tewin Road
 Welwyn Garden City, Herts AL7 1BP
 Tel 01707 822222. Fax 01707 375060
 Email: rbp-wgc@Ruberoid.co.uk
<http://www.ruberoid.co.uk>

Manufacture of waterproofing products

Also at Appley Bridge, Chesterfield and Dundee

Permanite Asphalt Ltd*

Cawdor Quarry, Matlock, Derbys DE4 2JH
 Tel 01629 580363. Fax 01629 57099
 Email: ldoyle@permanite-asphalt.co.uk
<http://www.permanite-asphalt.co.uk>

Manufacture of waterproofing products

Also at Agecroft

Irish Roofing Felts Ltd

Unit 3, Carriglea Industrial Estate, Naas Road
 Dublin 12, Ireland
 Tel 31 456 4288. Fax 31 456 4291
 Email: ruberoid@iol.ie
<http://www.ruberoid.ie>

Distribution of waterproofing products

Also at Ballyclare, Cork, Letterkenny and Limerick

Briggs Roofing and Cladding Ltd

Durastic Roofing and Cladding

Hyflex Roofing

Ruberoid Contracts Ltd

Halfords Lane, Smethwick, Warley,
 West Midlands B66 1BJ
 Tel 0121 555 6464. Fax 0121 555 5862
 Email: asmith@briggsroofing.co.uk

Roofing and cladding services

Branches at Aberdeen, Belfast, Birmingham, Bridgend,
 Bristol, Cork, Edinburgh, Glasgow, Hull, Leeds, Manchester,
 Newcastle, Norwich, Southend and Stratford

Mainland Europe

Atab NV

Asbo NV (70%)

d'Herbouvillekaai 80, 2020 Antwerp, Belgium
 Tel (32) 3 248 3000. Fax 03 248 3777
<http://www.atab.com>

Manufacture and installation of waterproofing products

Also at Beveren, Brussels, Gistel

Asphaltco SA (99.5%)

Vilvoordelaan 92, 1830 Machelen, Belgium
 Tel (32) 2 251 8400. Fax (32) 2 252 4800

Manufacture of building chemicals

Distribution and installation of waterproofing products

Nebiprofa BV

Krommeweg 10, 3340 AA Hendrik-Ido-Ambacht
 The Netherlands
 Tel (31) 78 625 06 00. Fax (31) 78 612 40 81
 Email: verkoop@nebiprofa.com
<http://www.nebiprofa.com>

Manufacture and distribution of roofing products

Also at Bergschenhoek

