

Ruberoid PLC

**Directors' report and financial
statements**

Registered number 2446447

For the year ended 31 December 2000



Contents

Directors' report	1
Statement of directors' responsibilities	3
Auditor's report to the members of Ruberoid PLC	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes	7

Directors' report (*continued*)

Director's interests (*continued*)

IGS McPherson 12,969 granted under the SAYE scheme.

300,000 options granted on 25 November 1993 under the Executive Scheme approved part, normally exercisable, subject to the achievement of performance targets, between 25 November 1996 and 25 November 2003 at 150 pence per share.

282,500 options granted on 24 April 1997 under the Executive Scheme unapproved part, normally exercisable, subject to the achievement of performance targets, between 24 April 2000 and 24 April 2005 at 96 pence per share.

Options may only be exercised under the Executive Scheme if 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%. The performance target has been set by the Remuneration Committee.

Pursuant to the recommended cash offer made on behalf of IKO UK the interests of Mr IGS McPherson in the share capital of the company were sold on 8 February 2000, the date on which the offer became unconditional. Mr PA Bentley exercised the options held under the SAYE Scheme and sold them to IKO UK pursuant to the cash offer.

Pursuant to an offer dated 9 February 2000 made on behalf of IKO UK Limited to holders under the SAYE Scheme and the Executive Scheme, the options granted to Mr PA Bentley on 23 April 1998 and Mr IGS McPherson on 24 April 1997 were surrendered. In consideration of the surrender option holders were paid the difference between the option price and 137 pence per option. The remaining options lapsed on 1 March 2000.

No director was beneficially interested in the share capital of any subsidiary undertaking of the company during the year.

Charitable and political donations

Charitable donations in the UK totalled £650 (1999: £2,250) during the year. No political contributions were made.

Payment policy

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.

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

26 July 2001

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 2000.

Principal activity and business review

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

On 17 January 2000 it was announced that the recommended cash offer for the entire issued share capital of the company made by ING Barings on behalf of IKO UK Limited ("IKO UK") had been accepted. The offer of 137p in cash for each Ruberoid share valued 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 result for the financial year was a loss of £4,253,000 (1999: profit £1,904,000). The directors do not recommend payment of a dividend (1999: £ 965,000).

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. The serving directors are:

HM Koschitzky	(appointed 1 March 2000)
S Koschitzky	(appointed 1 March 2000)
PA Bentley	(appointed 1 September 2000)
IGS McPherson	

Director's interests

The declarable interests in the share capital of the company of the directors who held office in the company at 31 December 2000 were as follows:

	At 31 December 2000		At 31 December 1999	
	Ordinary shares	Share options	Ordinary shares	*Share options
PA Bentley	-	-	-	41,037
IGS McPherson	-	-	42,800	595,469

*Share options are comprised of:

PA Bentley 1,037 options granted on 28 June 1994 under the Ruberoid PLC Employee Savings Related Share Option Scheme ("the SAYE Scheme"), normally exercisable after 28 June 1999 at 133 pence per share.

40,000 options granted on 23 April 1998 under the Ruberoid PLC Executive Share Option Scheme ("the Executive Scheme") 29,702 granted under the approved part and 10,298 granted under the unapproved part, normally exercisable, subject to the achievement of performance targets, between 23 April 2001 and 23 April 2008 in respect of the approved part and 23 April 2005 in respect of the unapproved part, at 101 pence per share.

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.

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 Ruberoid PLC

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

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 Company 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 Company's affairs as at 31 December 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 July 2001

Profit and loss account
for the year ended 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Administration costs		(3,154)	(1,318)
Other operating income and operating changes		33	-
Operating loss	2	(3,121)	(1,318)
Income from shares in group undertaking		-	3,803
Amounts written off investments		(1,205)	-
Net interest payable	3	(117)	(361)
(Loss)/profit on ordinary activities before taxation		(4,443)	2,124
Taxation on loss/(profit) on ordinary activities	6	190	745
(Loss)/profit for the financial year		(4,253)	2,869
Dividends paid and proposed		-	(965)
(Loss)/profit for the financial year transferred to reserves	14	(4,253)	1,904

All results for the year arise from continuing activities.

Movements in reserves are set out in note 14.

There is no difference between the results as disclosed in the profit and loss account and the results given on an unmodified historical cost basis.

Statement of total recognised gains and losses
For the year ended 31 December 2000

	2000 £000	1999 £000
Profit/(loss) for the financial year	(4,253)	1,904
Exchange adjustment	(92)	-
Total recognised gains/(losses) for the year	(4,345)	1,904

Balance sheet
at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	7	30	108
Investments	8	30,644	34,007
		<u>30,674</u>	<u>34,115</u>
Current assets			
Debtors: falling due within one year	9	17,504	2,973
Debtors: falling due after more than one year	9	5,744	11,927
Cash		173	13,126
		<u>23,421</u>	<u>28,026</u>
Creditors: amounts falling due within one year			
Borrowings	10	(10)	(5,758)
Other creditors	10	(14,617)	(2,629)
		<u></u>	<u></u>
Net current assets			
Due within one year		3,050	7,712
Due after more than one year		5,744	11,927
		<u></u>	<u></u>
		8,794	19,639
Total assets less current liabilities		<u>39,468</u>	<u>53,754</u>
Creditors: falling due after more than one year			
Borrowings	11	(15)	(10,912)
Other creditors	11	(2,587)	(2,221)
		<u></u>	<u></u>
		(2,602)	(13,133)
Provision for liabilities and charges	12	(580)	-
		<u></u>	<u></u>
Net assets		<u>36,286</u>	<u>40,621</u>
Capital and reserves			
Called up share capital	13	2,411	2,411
Share premium accounts	14	32,215	32,205
Profit and loss account	14	1,660	6,005
		<u></u>	<u></u>
Equity shareholders' funds		<u>36,286</u>	<u>40,621</u>

These financial statements were approved by the board of directors on 26 July 2001 and were signed on its behalf by:



Paul Bentley
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 and under the historical cost accounting rules.

Basis of preparation

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

The company is exempt by virtue S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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 IKO (UK) Limited's consolidated financial statements.

Cash Flow Statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that IKO (UK) Limited, the company's parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement.

Investments in subsidiary undertakings

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.

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

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.

Notes (continued)

1 Accounting policies (continued)

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 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.

Pensions

The company operates two final salary pension schemes. Contributions to these schemes are charged to the Profit and Loss Account so as to spread the cost of pensions over employees' working lives with the company

2 Operating loss

	2000 £000	1999 £000
<i>after charging/(crediting)</i>		
Depreciation	66	56
Profit on disposal of fixed assets	(4)	-
Auditors' remuneration		
Audit	20	59
Non-audit fees – Company	20	128
	<hr/>	<hr/>

Notes (continued)

3 Net interest payable

	2000 £000	1999 £000
Interest payable and similar charges		
On bank loans and overdrafts	571	804
On other loans	27	-
	<u>598</u>	<u>804</u>
Interest receivable		
Bank interest receivable	458	213
Sundry interest receivable	23	230
	<u>481</u>	<u>443</u>
Net interest payable	<u>(117)</u>	<u>(361)</u>

4 Staff numbers

The average number of persons employed by the company including directors during the period, analysed by category was as follows:

	2000 Number	1999 Number
Administration	7	14

The aggregate employees costs were as follows:

	£000	£000
Wages and salaries including termination payments	1,110	880
Social security costs	67	91
Other pension costs	66	154
	<u>1,243</u>	<u>1,125</u>

5 Directors' remuneration

	2000 £000	1999 £000
Directors emoluments	179	543
Compensation for loss of office	151	-
	<u>330</u>	<u>543</u>

During the year 2 directors exercised share options. The number of directors to whom retirement benefits are accruing under a defined benefit scheme were 2 (1999: 2).

Notes (*continued*)

6 Taxation

Taxation based on the result for the year comprises:

	2000 £000	1999 £000
UK corporation tax	458	736
Prior year adjustment	(442)	13
Deferred taxation	174	(4)
	<hr/> 190	<hr/> 745

7 Tangible fixed assets

	Plant, machinery, and vehicles £000
<i>Cost</i>	
At beginning of year	338
Additions	-
Disposals	(123)
	<hr/>
At end of year	215
	<hr/>
<i>Depreciation</i>	
At beginning of year	(230)
Charge for year	(66)
Disposals	111
	<hr/>
At end of year	(185)
	<hr/>
<i>Net book value</i>	
At 31 December 2000	30
	<hr/>
At 31 December 1999	108
	<hr/>

The net book value of assets acquired under finance leases included in plant, machinery and vehicles amounted to £25,000 (1999: £27,000).

Depreciation charged on these assets during the year amounts to £9,000 (1999: £21,000).

Notes (continued)

8 Investments

	Shares in subsidiary undertakings £000	Loans to subsidiary undertaking £000	Total £000
<i>Cost</i>			
At beginning of year	9,992	24,015	34,007
Other movements	-	(2,158)	(2,158)
Write down of investment	-	(1,205)	(1,205)
At end of year	9,992	20,652	30,644

The following group undertakings are the principal investments held directly by the company at the end of the year:

	Incorporated	% of ordinary share capital	Principal activity
Permanite Asphalt Limited	Great Britain	100%) Manufacturer of waterproofing products
Ruberoid Building Products limited	Great Britain	100%	
Pitch Polymer Products Limited	Great Britain	100%	
Briggs Roofing and Cladding Limited	Great Britain	100%) Roofing and cladding
Ruberoid Contracts Limited	Great Britain	100%	
Ruberoid International Limited	Great Britain	100%	Holding company

9 Debtors

	2000 £000	1999 £000
Amounts falling due within one year		
Trade debtors	27	44
Amounts owed by subsidiary undertakings	15,316	1,134
Taxation recoverable	2,082	1,577
Other debtors	60	218
Prepayments and accrued income	19	-
	17,504	2,973
Amounts falling due after more than one year		
Amounts owed by subsidiary undertaking	5,570	11,925
Deferred taxation (see note 12)	174	2
	5,744	11,927
	23,248	14,900

Notes (continued)

10 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Borrowings		
Bank loans	-	5,742
Finance leases	10	16
	<u>10</u>	<u>5,758</u>
Other creditors		
Trade creditors	68	128
Amounts owed to subsidiary undertakings	68	234
Corporation tax	1,351	256
Other tax and social security	172	-
Amounts owed to holding company	12,416	418
Accruals	542	628
Dividend payable	-	965
	<u>14,617</u>	<u>2,629</u>
	<u>14,627</u>	<u>8,387</u>

11 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Borrowings		
Bank loans	-	10,900
Finance leases	15	12
	<u>15</u>	<u>10,912</u>
Amounts owed to holding company	2,587	2,221
	<u>2,602</u>	<u>13,133</u>

The Company's borrowings are repayable as follows:

	Bank loans and overdrafts		Other borrowings	
	2000 £000	1999 £000	2000 £000	1999 £000
Within one year	-	5,742	10	16
Between one and two years	-	1,800	15	12
Between two and five years	-	9,100	-	-
	<u>-</u>	<u>16,642</u>	<u>25</u>	<u>28</u>

Notes (continued)

12 Provision for liabilities and charges

	Other provisions £000
At beginning of year	-
Provided in year	580
At end of year	580

The deferred tax asset, which is shown under debtors due after more than one year in note 9 relates to the tax effect of those provisions noted above.

There was no unprovided deferred tax liability at 31 December 2000 (1999: £Nil).

13 Share capital

	Number of shares	Authorised £	Number of shares	Allotted and fully paid £
<i>Ordinary shares of 5p each:</i>				
At beginning of year	65,000,000	3,250,000	48,227,802	2,411,390
Issued during the year in respect of options	-	-	7,646	382
At end of year	65,000,000	3,250,000	48,235,448	2,411,772

14 Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	32,205	6,005	38,210
Retained profit/loss for the financial year	-	(4,253)	(4,253)
Exchange adjustment	-	(92)	(92)
Issued shares	10	-	10
At year end	32,215	1,660	33,875

15 Contingent liabilities

The company has guaranteed bank overdrafts in respect of subsidiary undertakings. At 31 December 2000 these guarantees amounted to £2,438,196 (1999: £4,628,000). In addition the Company has guaranteed performance bonds entered into by subsidiary undertakings in the normal course of business.

Notes (continued)

16 Pensions

Ruberoid PLC operates defined benefit pension arrangements for staff and for executives. The total pension cost for the Company was £66,072 (1999: £153,909). At 31 December 2000, outstanding pension contributions payable to the UK Schemes totalled £Nil (1999: £Nil).

The schemes for staff and executives 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 2000 the market value of the Schemes assets was £37,691,000.

As at 5 April 2000 an actuarial valuation of the Ruberoid PLC executive pension scheme was carried out using the Projected Unit method. On a minimum funding requirement basis the value of assets of the scheme was 99% of the schemes liabilities.

As at 5 April 2000 the market value of the scheme assets was £3,637,000.

17 Ultimate parent undertaking

The company's ultimate parent company is IKO Sales Limited, a company incorporated in Canada, and its immediate parent company is IKO (UK) Limited, a company incorporated in Great Britain and registered in England.

The company's financial statements have been consolidated in the financial statements of IKO (UK) Limited. Copies of these financial statements may be obtained from the company secretary at the following address:

14 Tewin Road
Welwyn Garden City
Hertfordshire
AL7 1BP