

IKO PLC (formerly IKO Limited)

**Directors' report and financial
statements**

Registered number 2678296

Year ended 31 December 2007



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Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Principal activity and business review

The principal activity of the company throughout the year was the manufacture and supply of bitumen-based waterproofing systems, building products and mastic asphalt

The company changed its name from IKO Limited and re-registered as IKO PLC on 31 July 2006

Results and dividends

The profit and loss account is shown on page 6 The profit on ordinary activities after taxation amounted to £569,000 (2006 £2,678,000) The directors do not recommend the payment of a dividend (2006 £nil)

The company is the leading manufacturer and supplier in the UK of waterproofing materials and associated products for the building and construction industry It exports its products to over 50 countries worldwide The company trades through a number of strong brands – Ruberoid, Permanite, Spectra and Hyload

The company uses a variety of financial and non financial key performance measures

- sales activity - growth, market share, contract/account wins, order book growth
- profitability – factory efficiency and productivity, operating margins, sector analysis
- customer satisfaction – order to delivery lead times, order fulfilment, customer complaints
- employees – turnover, sales per employee, intercompany comparisons
- products – margin per hour/unit, stock turn, number of variants by sector/channel

These KPIs are reported and reviewed on a weekly or monthly basis and most continue to show improvement Profitability has been adversely affected by strong competitive pressures in the market and increases in external costs

Key risks

The company is exposed to economic downturns in construction and building activity but has mitigated this by offering a wide range of products and services across new build and repair and maintenance activities serving all the different sales channels across the UK

Profitability is impacted to some degree by changes in oil based and other commodity raw materials prices and the company manages these factors by entering into longer term supply arrangements where possible and actively exploring alternative raw materials and sources of supply

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 building standards

Directors and directors' interests

The directors who served during the year and subsequently were

HM Koschitzky	
CJ Droogan	(resigned 31 March 2008)
R Turner	(appointed 31 March 2008)
ML Kippen	
C Baxter	(resigned 1 March 2007)
G Fitton	(appointed 1 March 2007)

Directors' report *(continued)*

Employees

It is the company 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 and wherever possible to re-train employees who become disabled, so they can continue in their employment in another position

The company 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 the involvement of employees to ensure good relations and the improvement of the company performance and will continue to hold briefings and presentations when required

Charitable and political donations

Charitable donations in the UK totalled £1,045 (2006 £1,521) No political contributions were made (2006 £Nil)

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

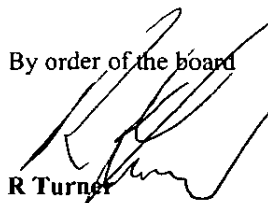
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming annual general meeting

By order of the board


R Turner
Director

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of IKO PLC (formerly IKO Limited)

We have audited the financial statements of IKO PLC for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

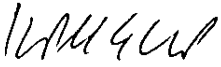
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report to the members of IKO PLC (formerly IKO Limited)
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements


KPMG LLP 30/1/08
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	1	47,558	41,604
Cost of sales		(37,366)	(32,848)
Gross profit		10,192	8,756
Distribution costs		(6,179)	(5,272)
Administrative expenses		(3,050)	(2,322)
Operating profit		963	1,162
Profit on disposal of tangible fixed assets		152	2,454
Interest receivable and similar income	2	91	180
Interest payable and similar charges	3	(347)	(30)
Profit on ordinary activities before taxation	6	859	3,766
Tax on profit on ordinary activities	7	(290)	(1,088)
Profit on ordinary activities after taxation		569	2,678
Profit for the financial year	17	569	2,678

Movements in reserves are set out in note 17 on page 15

All amounts relate to continuing operations

Statement of total recognised gains and losses

There were no recognised gains or losses other than the results for the years reported above

Note on historical cost profit and losses

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

Balance sheet
at 31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	9,712	10,125
Investments	10	1,134	1,119
		10,846	11,244
Current assets			
Stocks	11	5,450	5,402
Debtors amounts falling due within one year	12	11,510	15,666
Debtors amounts falling due after more than one year	12	8,029	10,188
Cash at bank and in hand		4,269	3,879
		29,258	35,135
Creditors: amounts falling due within one year	13	(10,053)	(9,198)
Net current assets			
Due within one year		11,176	15,749
Due after more than one year		8,029	10,188
		19,205	25,937
Total assets less current liabilities		30,051	37,181
Creditors amounts falling due after more than one year	14	(19,497)	(27,108)
Provision for liabilities and charges	15	(721)	(809)
Net assets		9,833	9,264
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	8,833	8,264
Equity shareholders' funds	18	9,833	9,264

These financial statements were approved by the Board of Directors on 26.7.08 and were signed on its behalf by.


R. Turner
 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

Consolidated financial statements

These financial statements present information about the Company as an individual Company and not about its Group. The Company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group financial statements and to deliver them to the Registrar of Companies as it is a wholly owned subsidiary of another body corporate, IKO U K Limited

Cash flow statement

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that IKO U K Limited, the company's ultimate parent undertaking in the United Kingdom, includes the company's cash flows in its own published consolidated cash flow statement

Related party transactions

As the Company is a wholly owned subsidiary of IKO U K Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of IKO U K Limited, within which this Company is included, can be obtained from the address given in note 23

Goodwill and acquisition of unincorporated businesses

Goodwill arising on the acquisition of unincorporated businesses, representing the excess of the fair value of consideration given over the fair value of the separable net assets acquired, is capitalised and amortised over its useful economic life which is normally set at ten years

Depreciation

Freehold land 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
Plant, machinery and vehicles	-	3 to 15 years

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rates of exchange ruling at the transaction dates. Balances outstanding at the year end, denominated in foreign currencies, are translated into sterling at the exchange rates ruling at the year end. Exchange differences are reflected in the results for the year

Notes (continued)

1 Accounting policies (continued)

Government grants

Capital based government grants are deducted from the cost of the related fixed assets

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.

Research and development

All expenditure is charged to the profit and loss account as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the result for the year and takes in to account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pensions

The recognition and measurement requirements of FRS17 'Retirement benefits' have been adopted, previously the transitional disclosures of that standard have been followed.

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as permitted by FRS17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also participates in three group wide defined contribution pension schemes. The assets of the schemes are held separately from those of the company. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to external customers. All turnover originates from the United Kingdom from a single class of business, being the company's principal activity and is recognised on despatch. Contracting revenue is recognised using the percentage of completion method. Stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of the total estimated contract costs.

Notes (continued)

2 Interest receivable and similar income

	2007 £000	2006 £000
Interest receivable		
Interest receivable from group undertakings	62	90
Other interest	29	90
	<u>91</u>	<u>180</u>

3 Interest payable and similar charges

	2007 £000	2006 £000
Interest payable		
Interest payable to group undertakings	329	30
Other Interest	18	-
	<u>347</u>	<u>30</u>

4 Employees

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

	2007 Number	2006 Number
Production	110	115
Selling	82	81
Administration	25	27
	<u>217</u>	<u>223</u>

The aggregate employment costs were as follows

	£000	£000
Wages and salaries	7,092	6,687
Social security costs	716	674
Other pension costs (see note 22)	976	930
	<u>8,784</u>	<u>8,291</u>

Notes (continued)

5 Directors' emoluments

	2007 £000	2006 £000
Directors' emoluments comprised		
Remuneration	190	192
Pension contributions	37	37
	<u>227</u>	<u>229</u>
	Number of directors	
Retirement benefits are accruing to the following number of directors under		
Defined contribution schemes	<u>2</u>	<u>2</u>

The aggregate emoluments of the highest paid director were £130,000 (2006 £113,000) and company pension contributions of £35,000 (2006 £33,000) were made to a defined contribution scheme on his behalf

ML Kippen received emoluments from IKO Holdings PLC. Disclosures of these emoluments can be found in the financial statements of that company

6 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting).</i>		
Amortisation of intangible assets (note 8)	-	1
Depreciation on tangible assets (note 9)	886	974
Operating leases		
Hire of plant and machinery	147	109
Hire of other assets	44	81
Research and development	125	115
Foreign exchange gains	(75)	(65)
Auditors' remuneration		
Audit of these financial statements	40	38
Other services relating to taxation	15	14
	<u> </u>	<u> </u>

Notes (continued)

7 Tax on profit on ordinary activities

Analysis of charge in period

	2007 £000	£000	2006 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	378		422	
Adjustment in respect of prior periods	-		52	
	<hr/>		<hr/>	
Total current tax		378		474
<i>Deferred tax (see note 15)</i>				
Origination/reversal of timing differences	(114)		709	
Adjustment in respect of previous years	26		(95)	
	<hr/>		<hr/>	
		(88)		614
		<hr/>		<hr/>
Tax on profit on ordinary activities		290		1,088
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	859	3,766
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	258	1,130
<i>Effects of</i>		
Expenses not deductible for tax purposes	44	43
Depreciation for period in excess of/(less than) capital allowances	-	127
Movement on other timing differences	-	(156)
Profit not subject to current tax	(38)	(722)
Adjustment in respect of prior years	26	52
	<hr/>	<hr/>
Total current tax charge (see above)	290	474
	<hr/>	<hr/>

Tax changes

On 21 March 2008, it was announced that the standard rate of corporation tax was to be changed to 28% and capital allowance legislation impacting on the calculation of the deferred tax provision of the company will be introduced for taxable periods arising on or after 1 April 2008. For the purpose of the company accounts to 31 December 2007, the standard rate of corporation tax and capital allowance legislation applicable prior to 30 March 2008 has been applied on the basis that these were enacted at 30 March 2008.

Notes (continued)

8 Intangible assets

	£000
Goodwill arising on acquisition of businesses	
<i>Cost</i>	
At beginning and end of year	6,033
<i>Amortisation</i>	
At beginning of year	6,033
Amortised during year	-
At end of year	6,033
<i>Net book value</i>	
At 31 December 2007	-
At 31 December 2006	-

9 Tangible fixed assets

	Land and buildings £000	Plant, machinery & vehicles £000	Total £000
<i>Cost</i>			
At beginning of year	8,287	16,457	24,744
Additions	42	1,387	1,429
Disposals	(1,011)	(145)	(1,156)
At end of year	7,318	17,699	25,017
<i>Depreciation</i>			
At beginning of year	976	13,643	14,619
Charge for the year	167	719	886
Disposals	(55)	(145)	(200)
At end of year	1,088	14,217	15,305
<i>Net book value</i>			
At 31 December 2007	6,230	3,482	9,712
At 31 December 2006	7,311	2,814	10,125

The net book value of land and buildings comprises

	2007 £000	2006 £000
Freehold	5,852	6,877
Short leasehold	378	434
	6,230	7,311

This includes £1,050,000 in respect of land which is not depreciated

Notes (continued)

10 Fixed asset investments

	Share in subsidiary undertakings £000
Cost at beginning of year	1,119
Reclassification	15
	<hr/>
Cost at end of year	1,134
	<hr/>

Fixed asset investments relate solely to an investment in Ruberoid Limited (formerly Kingsnorth Bitumen Products Limited)

11 Stocks

	2007 £000	2006 £000
Raw materials and consumables	903	911
Finished goods and goods for resale	4,547	4,491
	<hr/>	<hr/>
	5,450	5,402
	<hr/>	<hr/>

12 Debtors

	2007 £000	2006 £000
Amounts falling due within one year		
Trade debtors	9,182	7,446
Amounts owed by group undertakings	2,113	7,869
Other debtors	161	317
Prepayments and accrued income	54	34
	<hr/>	<hr/>
	11,510	15,666
Amounts falling due after more than one year		
Amounts owed by group undertaking	8,029	10,188
	<hr/>	<hr/>
	19,539	25,854
	<hr/>	<hr/>

13 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Bank overdraft	168	229
Trade creditors	2,072	2,435
Amounts owed to group undertakings	2,706	2,130
Corporation tax	1,450	1,073
Other taxation and social security costs	448	779
Other creditors	98	151
Accruals	3,111	2,401
	<hr/>	<hr/>
	10,053	9,198
	<hr/>	<hr/>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amounts owed to group undertakings	19,497	27,108

There are no scheduled repayment dates for these amounts and no interest is charged

15 Provision for liabilities and charges

The movements in provision for liabilities and charges during the year are as follows

	Deferred taxation £000
At beginning of year	809
Profit and loss account	(88)
At end of year	721

The amounts provided for deferred taxation are as follows

	2007 £000	2006 £000
Accelerated capital allowances	173	254
Other timing differences	(24)	(17)
Rolled over capital gain	572	572
	721	809

There was no unprovided deferred tax liability at 31 December 2007 (2006 £Nil)

16 Share capital

	2007 £000	2006 £000
<i>Authorised, allotted, called up and fully paid</i> 1,000,000 ordinary shares of £1 each	1,000	1,000

17 Profit and loss account

	2007 £000	2006 £000
At beginning of year	8,264	5,586
Profit for the year	569	2,678
At end of year	8,833	8,264

Notes (continued)

18 Reconciliation of shareholders' funds

	2007 £000	2006 £000
At beginning of year	9,264	6,586
Profit for the year	569	2,678
At end of year	<u>9,833</u>	<u>9,264</u>

19 Commitments

As at 31 December 2007 the company was committed to making the following payments under operating leases which expire as follows

	2007 Land and buildings £000	Other £000	2006 Land and buildings £000	Other £000
Within one year	-	-	-	-
In second to fifth years	10	-	-	91
Over five years	-	-	23	-
	<u>10</u>	<u>-</u>	<u>23</u>	<u>91</u>

As at 31 December 2007, the Company had £250,000 of contracted capital expenditure commitments (2006 £253,000)

20 Contingent liabilities

The Company has guaranteed bank overdrafts and loans in respect of its parent company and fellow subsidiary undertakings. At 31 December 2007 these guarantees amounted to £nil (2006 £nil)

In addition, the company has provided a charge over its premises at Appley Bridge to the Ruberoid PLC Staff Pension Scheme to secure future obligations of its parent company and fellow subsidiaries to the Scheme

21 Related party transactions

The Company has taken advantage of the exemption under FRS 8 not to provide information on related party transactions with other undertakings within the IKO UK Limited group

The company has an interest bearing loan due to IKO Europe NV of £5,000,000 as at 31 December 2007 (2006 £5,000,000) and a trading account payable of £700,000 (2006 £nil)

Notes (continued)

22 Pensions

The company participates in the Ruberoid PLC Staff Pension Scheme. This is a defined benefit scheme which was closed to new members in April 2003.

As the Ruberoid PLC Staff Pension Scheme is run for the IKO Holdings (formerly Ruberoid) group as a whole, the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Hence, as permitted by FRS17 "Retirement benefits", the scheme has been accounted for in these financial statements by the company as if the scheme was a defined contribution scheme.

At 31 December 2007, the scheme has a surplus on an FRS 17 basis of £692,000 (2006 deficit £3,170,000). Full disclosure is contained within the financial statements of the company's intermediate parent company, IKO U K Limited.

During the year, the company contributed £860,000 (2006 £851,000) to the Ruberoid PLC Staff Pension Scheme, including a special contribution of £500,000 (2006 £500,000).

The company also participates in three defined contributions schemes for employees, the Ruberoid PLC new staff pension scheme, the IKO Group Stakeholder Scheme and the Ruberoid PLC works and operative pension scheme. During the year the company contributed £116,000 (2006 £79,000) to those schemes.

Contributions outstanding at 31 December 2007 were £44,000 (2006 £44,000).

23 Ultimate parent company

The company's ultimate parent company is IKO Enterprises Limited, a company incorporated in Canada, and its UK parent company is IKO U K Limited, a company registered in England.

The company's financial statements have been consolidated in the financial statements of its intermediate parent undertaking, IKO U K Limited. Copies of the consolidated financial statements are available from the Company Secretary, IKO U K Limited, Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB.