

Ruberoid Building Products Limited

**Directors' report and financial
statements**

Registered number 2678296

For the year ended 31 December 2003



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Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

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.

On 31 December 2003 the company acquired the trade and net assets of Hyload Limited, a fellow group undertaking, for a consideration of £105,000, being the net assets of that company at 31 December 2003.

Results and dividends

The profit and loss account is shown on page 4. The profit for the financial year amounted to £2,073,000 (2002: £2,280,000). The directors do not recommend payment of a dividend (2002: £Nil).

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:

PA Bentley
CJ Droogan (appointed on 15 September 2004)
EM Halligan
HM Koschitzky
T Steadman

None of the directors had any declarable interest in the share or loan capital of the company during the period.

Mr HM Koschitzky is an overseas based director and is not required to notify his interests in group undertakings incorporated outside Great Britain to the company. He has no beneficial interest in the share capital of group companies incorporated in Great Britain. None of the remaining directors had any beneficial interest in the share or loan capital of the company's ultimate parent company, IKO Enterprises Limited, or of any subsidiary undertaking during the year.

Employees

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

Charitable and political donations

Charitable donations in the UK totalled £1,174 (2002: £1,465). No political contributions were made (2002: £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.

This report was approved by the Board on 27 October 2004 and signed on its behalf by:


ML Kippen
Company Secretary

14 Tewin Road
Welwyn Garden City
Hertfordshire
AL7 1BP

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Ruberoid Building Products Limited

We have audited the financial statements on pages 4 to 15.

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 are responsible for preparing the directors' report and, as described on page 2, 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 1985. 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit 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 October 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover	<i>1</i>	36,115	39,487
Cost of sales		(25,314)	(27,636)
		<hr/>	<hr/>
Gross profit		10,801	11,851
Operating expenses	<i>2</i>	(7,943)	(8,754)
		<hr/>	<hr/>
Operating profit		2,858	3,097
Net interest receivable	<i>3</i>	154	134
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>6</i>	3,012	3,231
Tax on profit on ordinary activities	<i>7</i>	(939)	(951)
		<hr/>	<hr/>
Retained profit for the financial year transferred to reserves	<i>17</i>	2,073	2,280
		<hr/>	<hr/>

Movements in reserves are set out in note 17 on page 14.

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 2003

	<i>Note</i>	2003 £000	2002 £000
Fixed assets			
Intangible assets	8	32	461
Tangible assets	9	5,213	5,546
Investments	10	1,625	1,625
		6,870	7,632
Current assets			
Stocks	11	3,410	3,502
Debtors: amounts falling due within one year	12	7,734	7,788
Debtors: amounts falling due after more than one year	12	7,614	1,014
Cash		3,852	10,146
		22,610	22,450
Creditors: amounts falling due within one year	13	(5,269)	(11,501)
Net current assets			
Due within one year		9,727	9,935
Due after more than one year		7,614	1,014
		17,341	10,949
Total assets less current liabilities		24,211	18,581
Creditors: amounts falling due after more than one year	14	(16,209)	(12,625)
Provision for liabilities and charges	15	(208)	(235)
Net assets		7,794	5,721
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account	17	6,794	4,721
Equity shareholders' funds	18	7,794	5,721

These financial statements were approved by the Board of Directors on 27 October 2004 and were signed on its behalf by:



PA 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 using the historic 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.

Cash flow statement

Under Financial Reporting Standard 1 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.

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.

Related party transactions

Under Financial Reporting Standard 8 the company is exempt from the requirement to disclose transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of IKO U.K. Limited and its results are included in IKO U.K. Limited's consolidated financial statements.

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
Long leasehold properties	- 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)

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes appropriate 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 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 company.

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.

2 Operating expenses

	2003 £000	2002 £000
Distribution costs	678	961
Administrative expenses	7,263	7,817
Other operating charges/(income)	2	(24)
	<hr/> 7,943 <hr/>	<hr/> 8,754 <hr/>

Notes (continued)

3 Net interest receivable

	2003 £000	2002 £000
Interest receivable		
Interest receivable from group undertakings	150	136
Other interest	6	4
	<hr/> 156	<hr/> 140
Interest payable and similar charges		
Interest payable to group undertakings	(1)	(5)
Other interest	(1)	(1)
	<hr/> (2)	<hr/> (6)
Net interest receivable	<hr/> 154	<hr/> 134

4 Employees

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

	2003 Number	2002 Number
Production	111	120
Selling	86	89
Administration	22	30
	<hr/> 219	<hr/> 239

The aggregate employment costs were as follows:

	£000	£000
Wages and salaries	5,477	5,840
Social security costs	500	522
Other pension costs	479	448
	<hr/> 6,456	<hr/> 6,810

Notes (continued)

5 Directors' emoluments

PA Bentley received emoluments from Ruberoid PLC only, and these are disclosed in the financial statements of that company.

	2003 £000	2002 £000
Directors' emoluments comprised:		
Remuneration	82	71
Pension contributions	7	8
	<hr/>	<hr/>
	89	79
	<hr/>	<hr/>

	Number of directors	
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	1
	<hr/>	<hr/>

6 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is charged</i>		
<i>after charging:</i>		
Amortisation of intangible assets (note 8)	429	429
Depreciation on tangible assets (note 9)	897	1,181
Operating leases:		
Hire of plant and machinery	128	140
Hire of other assets	140	141
Research and development	275	320
Auditors' remuneration:		
Audit	30	32
Other services	10	12
	<hr/>	<hr/>

Notes (continued)

7 Tax on profit on ordinary activities

Analysis of charge in period

	2003 £000	£000	2002 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	1,100		1,363	
Adjustments in respect of prior periods	(134)		(13)	
	<hr/>		<hr/>	
Total current tax		966		1,350
<i>Deferred tax (see note 15)</i>				
Origination/reversal of timing differences	(140)		(289)	
Adjustment in respect of previous years	113		(110)	
	<hr/>		<hr/>	
		(27)		(399)
		<hr/>		<hr/>
Tax on profit on ordinary activities		939		951
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,012	3,231
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	904	969
<i>Effects of:</i>		
Expenses not deductible for tax purposes	56	106
Depreciation for period in excess of capital allowances	125	320
Movement on other timing differences	15	(32)
Adjustments to tax charge in respect of previous periods	(134)	(13)
	<hr/>	<hr/>
Total current tax charge (see above)	966	1,350
	<hr/>	<hr/>

Notes (continued)

8 Intangible assets

	£000
Goodwill arising on acquisition of businesses	
<i>Cost</i>	
At beginning and end of year	6,065
<i>Amortisation</i>	
At beginning of year	5,604
Amortised during year	429
At end of year	6,033
<i>Net book value</i>	
At 31 December 2003	32
At 31 December 2002	461

9 Tangible fixed assets

	Land and buildings £000	Plant, machinery & vehicles £000	Total £000
<i>Cost</i>			
At beginning of year	2,994	16,042	19,036
Additions	40	563	603
Group transfers	10	-	10
Disposals	-	(625)	(625)
At end of year	3,044	15,980	19,024
<i>Depreciation</i>			
At beginning of year	897	12,593	13,490
Charge for the year	102	795	897
Disposals	-	(576)	(576)
At end of year	999	12,812	13,811
<i>Net book value</i>			
At 31 December 2003	2,045	3,168	5,213
At 31 December 2002	2,097	3,449	5,546

The group transfers relate to the assets acquired from Hyload, a fellow group undertaking, on 31 December 2003.

Notes (continued)

9 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2003 £000	2002 £000
Freehold	1,408	1,461
Short leasehold	637	636
	<hr/> 2,045	<hr/> 2,097

The net book value of assets acquired under finance leases, included in plant, machinery and vehicles, amounted to £Nil (2002: £14,000). Depreciation charged on these assets during the year amounted to £14,000 (2002: £31,000).

10 Fixed asset investments

	Share in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
At beginning and end of year	1,119	506	1,625

Fixed asset investments relate solely to an investment in Kingsnorth Bitumen Products Limited.

11 Stocks

	2003 £000	2002 £000
Raw materials and consumables	834	990
Work in progress	-	1
Finished goods and goods for resale	2,576	2,511
	<hr/> 3,410	<hr/> 3,502

12 Debtors

	2003 £000	2002 £000
Amounts falling due within one year		
Trade debtors	4,687	4,542
Amounts owed by group undertakings	2,803	3,049
Other debtors	138	40
Prepayments and accrued income	106	157
	<hr/> 7,734	<hr/> 7,788
Amounts falling due after more than one year		
Amounts owed by group undertaking	7,614	1,014
	<hr/> 15,348	<hr/> 8,802

Notes (continued)

13 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Finance leases	5	31
Trade creditors	1,568	3,258
Amounts owed to group undertakings	363	4,672
Corporation tax	1,030	1,427
Other taxation and social security costs	100	72
Other creditors	200	268
Accruals	2,003	1,773
	<u>5,269</u>	<u>11,501</u>

14 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Amounts owed to group undertakings	<u>16,209</u>	<u>12,625</u>

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	235
Transfer to profit and loss account (see note 7)	(27)
At end of year	<u>208</u>

The amounts provided for deferred taxation are as follows:

	2003 £000	2002 £000
Accelerated capital allowances	314	302
Other timing differences	(106)	(67)
	<u>208</u>	<u>235</u>

There was no unprovided deferred tax liability at 31 December 2003 (2002: £Nil).

16 Share capital

	2003 £000	2002 £000
Authorised, allotted, called up and fully paid: 1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Notes (continued)

17 Profit and loss account

	2003 £000	2002 £000
At beginning of year	4,721	2,441
Retained profit transferred to reserves	2,073	2,280
At end of year	6,794	4,721

18 Reconciliation of shareholders' funds

	2003 £000	2002 £000
At beginning of year	5,721	3,441
Retained profit for the year	2,073	2,280
At end of year	7,794	5,721

19 Commitments

As at 31 December 2003 the company was committed to making the following payments under operating leases which expire as follows:

	2003 Land and buildings £000	Other £000	2002 Land and buildings £000	Other £000
Within one year	-	28	-	52
In second to fifth years	112	87	110	95
Greater than five years	40	-	8	-
	152	115	118	147

As at 31 December 2003, the Company had £43,000 of contracted capital expenditure commitments (2002: £Nil).

20 Contingent liabilities

The Company has guaranteed bank overdrafts and loans in respect of its parent company and fellow subsidiary undertakings. At 31 December 2003 these guarantees amounted to £2,172,617 (2002: £4,093,392).

21 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 2002.

During the year, the company contributed £441,000 (2002: £411,000) to the Ruberoid PLC Staff Pension Scheme.

The company also participates in two defined contributions schemes for employees; the Ruberoid PLC new staff pension scheme and the Ruberoid PLC works and operative pension scheme. During the year the company contributed £38,200 (2002: £36,500) to those schemes.

Full disclosure is contained within the financial statements of the company's immediate parent company, Ruberoid PLC.

Notes (continued)

21 Pensions (continued)

Contributions outstanding at 31 December 2003, were £Nil (2002: £Nil).

FRS 17

As the Ruberoid PLC Staff Pension Scheme is run for the 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 will be accounted for by the company as if the scheme was a defined contribution scheme when the accounting standard is fully adopted.

At 31 December 2003, the scheme has a deficit on an FRS 17 basis of £5,763,000 (2002: £6,278,000).

22 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 IKO U.K. Limited. Copies of the consolidated financial statements are available from the Company Secretary, IKO U.K. Limited, 14 Tewin Road, Welwyn Garden City, Hertfordshire, AL7 1BP.