

IKO U.K. Limited

**Directors' report and financial
statements**

Registered number 3897526

For the period ended 31 December 2000



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Directors' report

The Directors present their first report together with the audited financial statements for the period from 16 December 1999 to 31 December 2000.

Principal activity and business review

IKO U.K. Limited was incorporated on 16 December 1999.

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

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

Results and dividends

The profit for the financial period was £82,000. The directors do not recommend payment of a dividend.

Post balance sheet event

On 28 September 2001, the company issued 34,474,128 shares with a nominal value of £1 each at par (see note 18).

Directors

The directors that served during the period and subsequently were:

HM Koschitzky	(appointed 17 December 1999)
S Koschitzky	(appointed 17 December 1999)
PA Bentley	(appointed 1 September 2000)
WG & M Nominees Limited	(appointed 16 December 1999, resigned 17 December 1999)

Directors' interests

None of the Directors had any declarable beneficial interest in the share or loan capital of the Company during the period. Mr HM Koschitzky and Mr S Koschitzky are overseas based directors and are not required to notify interests in group undertakings incorporated outside of Great Britain to the Company.

The declarable interests of Mr PA Bentley in the share capital of the Company's subsidiary, Ruberoid PLC, were as follows:

	At 31 December 2000		At 31 December 1999	
	Ordinary shares	Share options	Ordinary shares	*Share options
PA Bentley	-	-	-	41,037

* Share options are comprised of:

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.

Directors' report *(continued)*

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.

Options may only be exercised under the Executive Scheme if growth in Ruberoid PLC'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 was set by the Remuneration Committee.

Pursuant to the recommended cash offer made on behalf of the Company, Mr PA Bentley exercised his options held under the SAYE Scheme and sold them to the Company pursuant to the cash offer.

Pursuant to an offer dated 9 February 2000 made on behalf of the Company to holders under the SAYE Scheme and the Executive Scheme, the options granted to Mr PA Bentley on 23 April 1998 were surrendered. In consideration of the surrender option holders were paid the difference between the option price and 137 pence per option.

Save in respect of Mr PA Bentley as stated above, no director was beneficially interested in the share capital of any subsidiary undertakings of the Company during the year.

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

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.

Research and development

It is the Group's policy 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 £3,780 during the period. No political contributions were made.

Auditors

During the period KPMG Audit Plc were appointed by the directors as the first auditors of the Company.

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
Company Secretary

14 Tewin Road
Welwyn Garden City
Hertfordshire
AL7 1BP

Registered in England and Wales
Number 3897526

20 November 2001

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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group 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 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 IKO U.K. Limited

We have audited the financial statements on pages 5 to 25.

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 2000 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

20 November 2001

Group profit and loss account

for the period from incorporation to 31 December 2000

	Note	2000 Continuing operations Total £000
Turnover – acquisitions		143,593
Cost of sales		(103,429)
Gross profit – acquisitions		40,164
Net operating expenses	3	(35,462)
Operating profit – acquisitions		4,702
Net interest payable	4	(1,208)
Profit on ordinary activities before taxation	5	3,494
Taxation on profit on ordinary activities	8	(3,337)
Profit on ordinary activities after taxation		157
Equity minority interests		(75)
Retained profit for the financial period transferred to reserves	9, 19	82

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

Movements in reserves are set out in note 19.

Group statement of total recognised gains and losses

	2000 £000
Profit for the financial period	82
Exchange adjustment	942
Total recognised gains and losses for the period	<u>1,024</u>


Group reconciliation of movements in equity shareholders' funds

	Note	2000 £000
Profit for the financial period		82
Other recognised gains and losses relating to the period		942
New share capital	18,19	<u>52,370</u>
Movement in equity shareholders' funds		<u>53,394</u>
Equity shareholders' funds at beginning of period		-
Equity shareholders' funds at end of period		<u>53,394</u>

Balance sheets
at 31 December 2000

	<i>Note</i>	2000 Group £000	2000 Company £000
Fixed assets			
Intangible assets	10	25,124	-
Tangible assets	11	24,391	-
Investments	12	-	62,600
		<u>49,515</u>	<u>62,600</u>
Current assets			
Stocks	13	15,951	-
Debtors: amounts falling due within one year	14	41,433	-
Cash		14,642	10
		<u>72,026</u>	<u>10</u>
Creditors: amounts falling due within one year			
Borrowings	15	(34,238)	(15,000)
Other creditors	15	(31,301)	(858)
		<u>(65,539)</u>	<u>(15,858)</u>
Net current assets/(liabilities)		<u>6,487</u>	<u>(15,848)</u>
Total assets less current liabilities		<u>56,002</u>	<u>46,752</u>
Creditors: amounts falling due after more than one year			
Borrowings	16	(911)	-
Other creditors	16	(75)	-
		<u>(986)</u>	<u>-</u>
Provision for liabilities and charges	17	(1,543)	-
Net assets		<u>53,473</u>	<u>46,752</u>
Capital and reserves			
Called up share capital	18	13,063	13,063
Shares to be issued	18	34,474	34,474
Merger reserve	19	4,833	-
Profit and loss account	19	1,024	(785)
Equity shareholders' funds		<u>53,394</u>	<u>46,752</u>
Equity minority interests		<u>79</u>	<u>-</u>
		<u>53,473</u>	<u>46,752</u>

These financial statements were approved by the board of directors on 20 November 2001 and were signed on its behalf by:


PA Bentley
Director

Group cash flow statement
for the period from incorporation to 31 December 2000

	<i>Note</i>	2000	
		£000	£000
Cash flow from operating activities	23a		(10,512)
Returns on investments and servicing of finance	23b	(426)	
Taxation		(2,385)	
Capital expenditure	23b	2,013	
Acquisitions and disposals	23b	(39,317)	
			(40,115)
Cash outflow before use of liquid resources and financing			(50,627)
Financing	23b		64,533
Increase in cash in the period			13,906

Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	2000
		£000
Increase in cash in the period		13,906
Cash inflow from increase in net debt and lease financing		(30,059)
Change in net debt resulting from cashflows		(16,153)
Loans and finance leases acquired with subsidiary		(4,428)
Translation difference		74
Movement in net debt in the period		(20,507)
Net debt at beginning of period		-
Net debt at end of period	23c	(20,507)

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 group'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 IKO U.K. Limited 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, IKO U.K. Limited is exempt from the requirement to present its own profit and loss account. The result for the financial period dealt with in the financial statements of IKO U.K. Limited is disclosed in note 9 on page 14.

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, 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 fair value of the consideration given (negative goodwill) is also capitalised.

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.

Notes (continued)

1 Accounting policies (continued)

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 rate of exchange ruling at the year end. 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.

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.

Notes (continued)

1 Accounting policies (continued)

Research and development

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

2 Analysis of turnover, profit before interest and net assets

All turnover arose from one class of business. The Group is focussed on one core activity, namely the manufacture, distribution and installation of bituminous products.

	Turnover by origin	Profit before interest	Turnover by destination
	2000	2000	2000
	£000	£000	£000
Geographical analysis			
United Kingdom and Europe	135,448	5,813	133,765
USA	8,145	1,425	7,345
Rest of world	-	-	2,483
	<hr/>	<hr/>	<hr/>
	143,593	7,238	143,593
Group costs – amortisation of goodwill	-	(2,536)	-
	<hr/>	<hr/>	<hr/>
	143,593	4,702	143,593
	<hr/>	<hr/>	<hr/>

By origin

Continuing operations

United Kingdom and Europe
 USA

Net operating assets

Group assets – goodwill
 Net debt

Net assets

2000
 £000

46,080
 2,776

48,856

25,124
 (20,507)

53,473

3 Net operating expenses

	Continuing operations Acquisitions
	Group Total
	2000
	£000
Distribution costs	12,415
Administrative expenses	23,047
	<hr/>
	35,462
	<hr/>

Notes (continued)

4 Net interest payable

	Group 2000 £000
Interest receivable	
Bank interest receivable	526
Sundry interest receivable	38
	<hr/> 564 <hr/>
Interest payable and similar charges	
Interest payable to group undertakings	(1,019)
On bank loans and overdrafts	(641)
On other loans	(28)
Finance lease charges	(84)
	<hr/> (1,772) <hr/>
Net interest payable	<hr/> (1,208) <hr/>

5 Profit on ordinary activities before taxation

	Group 2000 £000
<i>Profit on ordinary activities before taxation has been arrived at after charging:</i>	
Depreciation on tangible fixed assets	3,397
Amortisation of goodwill	2,536
Operating leases:	
Hire of plant and machinery	308
Hire of other assets	571
Auditors' remuneration	
United Kingdom	96
Overseas	41
	<hr/>

Fees paid to the auditor and its associate for UK non-audit services amounted to £116,000. The auditor's remuneration in respect of the company was £3,000.

Notes (continued)

6 Employees

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

	Group 2000 Number
UK and Ireland	827
Mainland Europe	625
USA	57
	<hr/> 1,509 <hr/>

The aggregate employees costs were as follows:

	£000
Wages and salaries	26,827
Social security costs	5,753
Other pension costs	1,348
	<hr/> 33,928 <hr/>

7 Directors' emoluments

The Directors' neither received nor waived any remuneration for their services as Directors of IKO U.K. Limited.

Paul Bentley has been a director of the company since 1 September 2000 and during this period has provided qualifying services for a number of subsidiaries of the company. His remuneration for these services was as follows:

	£000
Remuneration	36
Pension contributions	1
	<hr/> 37 <hr/>

Retirement benefits are accruing to the following number of directors under:

	2000 Number of directors
Defined benefit schemes	<hr/> 1 <hr/>

Notes (continued)

8 Taxation

Taxation based on the profit for the period comprises:

	Group 2000 £000
UK corporation tax at 30%	123
Overseas taxation	2,626
Deferred taxation	588
	<hr/> 3,337 <hr/>

The tax charge for the year includes £800,000 resulting from permanently disallowable expenditure and £1,023,000 resulting from an unrelieved chargeable gain arising on the disposal of properties that were revalued upon acquisition.

9 Profit/(loss) for the financial period

	Group 2000 £000
Dealt with in the financial statements of:	
IKO U.K. Limited	(785)
Subsidiary undertakings	867
	<hr/> 82 <hr/>

10 Intangible fixed assets

	Goodwill £000
Cost	
Acquired in period and at end of period	27,660
	<hr/>
Provision for amortisation and impairment	
Amortisation charged in period and at end of period	2,536
	<hr/>
Net book value	
At 31 December 2000	25,124
	<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 10 years.

Notes (continued)

11 Tangible fixed assets

Group	Land and buildings £000	Plant, machinery and vehicles £000	Total £000
Cost			
Subsidiaries acquired	17,180	12,085	29,265
Exchange adjustment	356	180	536
Additions	201	1,757	1,958
Disposals	(3,663)	(390)	(4,053)
At end of period	14,074	13,632	27,706
Gross book value of depreciable assets	13,416	13,632	27,048
Depreciation			
Charge for period	572	2,825	3,397
Disposals	(60)	(22)	(82)
At end of period	512	2,803	3,315
Net book value			
At 31 December 2000	13,562	10,829	24,391

The net book value of assets acquired under finance leases included in plant, machinery and vehicles amounted to £965,000.

Depreciation charged on these assets during the period amounts to £596,000.

	Group 2000 £000
Net book value of land and buildings comprises:	
Freehold	7,898
Long leasehold	4,903
Short leasehold	761
	13,562

Notes (continued)

12 Investments

Company	Shares in subsidiary undertakings £000
Cost	
At beginning of period	-
Acquisition of subsidiary undertakings	62,600
	<hr/>
At end of period	62,600
	<hr/>

The principal operating companies, which are shown on page 26 are wholly owned, either directly or indirectly, by IKO U.K. Limited 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 2000 £000
Raw materials	5,546
Work in progress	394
Finished goods and goods for resale	10,011
	<hr/>
	15,951
	<hr/>

14 Debtors

	Group 2000 £000
Amounts falling due within one year	
Trade debtors	32,544
Amounts owed by group undertakings	79
Taxation recoverable	65
Other debtors	7,309
Prepayments and accrued income	1,436
	<hr/>
	41,433
	<hr/>

Notes (continued)

15 Creditors: amounts falling due within one year

	Group 2000 £000	Company 2000 £000
Borrowings		
Overdraft	551	-
Finance leases	461	-
Group borrowings	33,226	15,000
	<hr/> 34,238 <hr/>	<hr/> 15,000 <hr/>
Other creditors		
Payments received on account	19	-
Trade creditors	16,383	-
Amounts owed to group undertakings	-	73
Corporation tax	368	-
Other tax and social security	3,833	-
Other creditors	3,651	-
Accruals	7,047	785
	<hr/> 31,301 <hr/>	<hr/> 858 <hr/>
	<hr/> 65,539 <hr/>	<hr/> 15,858 <hr/>

16 Creditors: amounts falling due after more than one year

	Group 2000 £000	Group 2000 £000
Borrowings		
Bank loans	361	
Finance leases	504	
Amounts owed to group undertakings	46	
	<hr/>	911
Other creditors	75	
	<hr/>	75
		<hr/> 986 <hr/>

Notes (continued)

16 Creditors: amounts falling due after more than one year (continued)

Group

The Group's borrowings are repayable as follows:

	Bank loans and overdrafts	Other borrowings
	2000	2000
	£000	£000
Within one year	551	33,687
Between one and two years	361	550
	<hr/>	<hr/>
	912	34,237
	<hr/>	<hr/>

Company

The Company's borrowings are repayable as follows:

	Other borrowings
	2000
	£000
Within one year	15,000
	<hr/>

17 Provision for liabilities and charges

Group

	Deferred taxation
	£000
At beginning of period	-
Exchange adjustment	-
Subsidiaries acquired	955
Profit and loss account	588
	<hr/>
At end of period	1,543
	<hr/>

The amounts provided for deferred taxation are as follows:

	2000
	£000
Accelerated capital allowances	1,284
Other timing differences	259
	<hr/>
	1,543
	<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 2000 would not be material.

Notes (continued)

Company

There are no unprovided deferred tax liabilities.

18 Share capital

	Number	£
Authorised:		
Ordinary shares of £1 each	13,063,548	13,063,548
Allotted, called up and fully paid:		
Ordinary shares of £1 each	13,063,548	13,063,548
To be issued after year end	34,474,128	34,474,128

The company was formed with an initial share capital of £1. On 17 December 1999, 99 ordinary £1 shares were issued for cash consideration of £99.

On 17 February 2000, the authorised share capital of the company was increased to £13,063,548 and on the same date, 13,063,448 ordinary shares of £1 each were issued in exchange for 13,063,448 ordinary shares of 5p each in Ruberoid PLC. The fair value of these shares was considered to be £17,896,923. In accounting for this share issue, the company took advantage of section 131 of the Companies Act 1985 and did not recognise any share premium in respect of this issue.

In addition to the above share issues, the company received during the year to 31 December 2000 the cash consideration from its parent company for a proposed share issue in advance. As at 31 December 2000 the shares to which the cash related had not been issued and were not issued until 28 September 2001 at which time the authorised share capital of the company was increased to £90,000,000. Accordingly the receipt of this cash, totalling £34,474,128 has been recorded within shareholders funds as shares to be issued.

19 Reserves

	Merger reserve £000	Profit and loss account £000	Total £000
Group			
At beginning of period	-	-	-
Exchange adjustment	-	942	942
Retained profit for the financial period		82	82
Acquisition of subsidiary	4,833	-	4,833
At end of period	4,833	1,024	5,857
Company		Profit and loss account £000	
At beginning of period		-	
Retained loss for the financial period		(785)	
At end of period		(785)	

Notes (continued)

20 Financial and capital commitments

(a) Commitments for capital expenditure are as follows:

	Group 2000 £000	Company 2000 £000
Contracts placed	3,175	-

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

	Land and buildings 2000 £000	Other 2000 £000	Total 2000 £000
Annual commitments under operating leases which expire:			
within one year	169	24	193
in second to fifth year	141	389	530
after five years	672	14	686
	<u>982</u>	<u>427</u>	<u>1,409</u>

The company has no operating leases.

21 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 2000 these guarantees amounted to £2,438,196.

Notes (continued)

22 Acquisition and disposal of businesses

(a) Acquisitions

On 8 February 2000, the company acquired Ruberoid PLC.

The fair value of the assets acquired and the resulting goodwill is set out below.

	Book value	Ruberoid PLC Note	Fair value adjustments	Fair value
	£000		£000	£000
Fixed assets	25,913	(i)	3,352	29,265
Stocks	16,177		-	16,177
Rainford & Hilglaze businesses held for resale	985	(ii)	(595)	390
Debtors	29,317		-	29,317
Cash	11,113		-	11,113
Creditors	(39,823)		-	(39,823)
Overdrafts	(1,283)		-	(1,283)
Loans and finance leases	(4,428)		-	(4,428)
Deferred taxation	(955)		-	(955)
	<hr/>		<hr/>	<hr/>
	37,016		2,757	39,773
Goodwill				27,660
				<hr/>
				67,433
				<hr/>
Satisfied by:				
Cash				48,437
Shares				*17,896
Costs associated with acquisition				1,100
				<hr/>
				67,433
				<hr/>

Fair value adjustments comprise:

- (i) Revaluation of freehold property.
- (ii) Adjustment to restate businesses held for resale to market value.

* In the company's own accounts relief under section 131 of the Companies Act 1985 was taken. Full details of this share issue are provided in note 18.

Notes (continued)

22 Acquisitions and disposal of businesses (continued)

The results of the subsidiary undertakings acquired in the period prior to acquisition, together with the results for the previous year, may be analysed as follows:

	Period prior to acquisition in 2000 £000	Year ended 31 December 1999 £000
Turnover	10,791	162,379
Cost of sales	(8,440)	(114,720)
	<hr/>	<hr/>
Gross profit	2,351	47,659
Net operating expenses	(2,914)	(37,836)
	<hr/>	<hr/>
Operating (loss)/profit	(563)	9,823
Net interest payable	(101)	(750)
	<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	(664)	9,073
Taxation on profit on ordinary activities	(138)	(3,402)
	<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation	(802)	5,671
Equity minority interests	10	(88)
	<hr/>	<hr/>
(Loss)/profit for the financial period	(792)	5,583
	<hr/>	<hr/>
Loss for the financial period	(792)	
Exchange loss	(685)	
	<hr/>	
Total recognised loss for the period	(1,477)	
	<hr/>	

(b) Disposals

On 4 September 2000, the Hilglaze and Rainford businesses were sold to Palace Chemicals Limited.

	£000	£000
Fixed assets	140	
Stock	280	
	<hr/>	
Proceeds		420
Redundancy indemnity		(390)
		(30)
		<hr/>
Result on disposal		-
		<hr/>

Notes (continued)

23 Notes to the cash flow statement

(a) Reconciliation of operating profit to operating cash flow

	Note	2000 £000
Operating profit		4,702
Amortisation of goodwill		2,536
Depreciation		3,397
Decrease in stocks		606
Increase in debtors		(11,443)
Decrease in creditors		(10,310)
Net cash flow from operating activities		(10,512)

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

		2000 £000
Returns on investments and servicing of finance		
Interest received		564
Interest paid		(904)
Interest element of finance lease rental payments		(86)
Net cash outflow for returns on investments and servicing of finance		(426)
Capital expenditure		
Purchase of tangible fixed assets		(1,958)
Sale of tangible fixed assets		3,971
Net cash inflow for capital expenditure and financial investment		2,013
Acquisitions and disposals		
Sale of Rainford and Hilglaze businesses	22(b)	390
Acquisition of Ruberoid PLC	22(a)	(49,537)
Net cash acquired with Ruberoid PLC	22(a)	9,830
Net cash outflow for acquisitions and disposals		(39,317)
Financing		
Cash in advance of issue of ordinary share capital	18	34,474
Debt due within a year		30,837
Capital element of finance lease rental payments		(778)
Net cash inflow from financing		64,533

All cash flows related to acquisitions other than the raising and servicing of finance which are considered to be continuing.

Notes (continued)

23 Notes to the cash flow statement (continued)

(c) Analysis of net debt

	At beginning of period	Cash flow	Acquisitions	Exchange	At 31 December 2000
	£000	£000	£000	£000	£000
Cash	-	3,294	11,113	235	14,642
Overdrafts	-	785	(1,283)	(53)	(551)
Debt due within one year	-	(33,272)	-	-	(33,272)
Debt due after one year	-	2,435	(2,685)	(111)	(361)
Finance leases	-	778	(1,743)	-	(965)
Total	-	(25,980)	5,402	71	(20,507)

24 Pensions

The Group operates a number of pension arrangements in the United Kingdom and overseas. The total pension cost for the Group was £1,348,000 of which £517,000 relates to overseas schemes. At 31 December 2000, there were no outstanding pension contribution payable to the UK Schemes.

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 Scheme's assets was £35,069,000.

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 scheme's liabilities.

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

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)

25 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the IKO UK group.

During the period ended 31 December 2000, the following transactions occurred between companies within the IKO UK group and IKO companies external to the UK group:

- A subsidiary of IKO U.K. Limited, European Waterproofing Group NV, was transferred at book value to IKO Sales Limited.

The following loans were received by IKO U.K. Limited and its subsidiaries from other group companies. All of these loans are disclosed within group borrowings:

- Atab NV received loans from Adri NV of 3,725,000 Euros (£2,341,000), all of which remained outstanding at 31 December 2000.

The interest charged on this loan in the period was 107,000 Euros (£67,000).

- Ruberoid PLC received non-interest bearing loans of 15,900,000 Euros (£9,993,000) from IKO Sales Limited, all of which remained outstanding at 31 December 2000.
- Ruberoid PLC received loans of 4,100,000 Euros (£2,577,000) from Roofing International Limited, all of which remained outstanding at 31 December 2000.

The interest charged on this loan in the period was £27,000.

- IKO U.K. Limited issued a bond to Roofing International Limited for £15,000,000 repayable on 15 February 2001.

Interest of £782,000 was payable during the period.

On 15 February 2001 £1,000,000 was repaid and a new bond for £14,000,000 issued.

- Rusa Holdings bv received loans of 5,250,000 Euros (£3,300,000), all of which remained outstanding at 31 December 2000.

The interest charged on this loan in the period was 229,000 Euros (£144,000).

26 Controlling parent companies

The company's immediate controlling company is IKO Sales Limited. IKO Sales Limited is incorporated and registered in Canada.

The company's ultimate controlling company is IKO Enterprises Limited which is incorporated and registered in Canada.

Neither of the above prepares consolidated accounts.

Principal Operating Companies

United Kingdom and Ireland

Ruberoid Building Products Ltd
Permanite Limited

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

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

Principal Operating Companies (continued)

Touwen & Co BV

Oostzijde 300, 1500 EE Zaandam, The Netherlands

Tel (31) 75 635 00 11. Fax (31) 75 631 16 72

Manufacture of paints and wood preservatives

USA

Hyload Inc

Martin Rubber Company of Ohio, Inc

9976 Rittman Road, Wadsworth, Ohio 44281, USA

Tel (1) 330 334 5022. Fax (1) 330 336 5512

Email: membranehq@aol.com

<http://www.hyload-inc.com>

Manufacture of waterproofing products and protective tank linings

Blair Rubber Company, Inc

1252 Mina Avenue, Akron, Ohio 44321, USA

Tel (1) 330 666 3600. Fax (1) 330 666 9334

Email:bl666@gte.net.

<http://www.blair.com>

Manufacture of protective tank linings and belt-splicing materials

Shares of those companies which are directly owned by IKO U.K. Limited are marked with an asterisk.