**IKO U.K. Limited**

# Directors' report and financial statements

Registered number 3897526

For the year ended 31 December 2001

# Contents

# Directors' report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2001.

**Principal activity and business review**

IKO U.K. Limited is the holding company of an integrated group of companies engaged principally in the manufacture, distribution and installation of bituminous products.

On 26 November 2001, the Group sold 40% of its interests in Houseplan Limited (the parent company of the Briggs Roofing and Cladding services business) to The Specialist Waterproofing Group Limited for a consideration of £1.2 million. On this date, the Group also acquired 25% of the ordinary share capital of the Specialist Waterproofing Group Limited.

**Results and dividends**

The loss for the financial year was £648,000 (period from 16 December 1999 to 31 December 2000: profit of £82,000). The directors do not recommend payment of a dividend.

**Directors**

The directors that served during the year and subsequently were:

HM Koschitzty
S Koschitzty
PA Bentley

**Directors' interests**

None of the Directors had any declarable beneficial interest in the share or loan capital of the Company or of any subsidiary undertaking 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.

Mr PA Bentley had no 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**

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 £Nil (period to 31 December 2000: £Nil). No political contributions were made.

## Notes *(continued)*

**Auditors**

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

By order of the Board

**Michael Kippen**
*Company Secretary*

14 Tewin Road
Welwyn Garden City
Hertfordshire
AL7 1BP

Registered in England and Wales
Number 3897526

20 January 2003

## 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 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

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

# Independent auditors' report to the members of IKO U.K. Limited

We have audited the financial statements on pages 5 to 26.

***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 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 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 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc**
*Chartered Accountants*
*Registered Auditor*

20 January 2003

# Group profit and loss account
*for the year ended 31 December 2001*

| | Note | Year ended 31 December 2001 £000 | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|---|
| **Turnover** | 2 | **158,330** | 143,593 |
| Cost of sales | | **(113,893)** | (103,429) |
| **Gross profit** | | **44,437** | 40,164 |
| Net operating expenses | 3 | **(40,757)** | (35,462) |
| **Operating profit** | | **3,680** | 4,702 |
| Share of operating profit in associates | | **43** | - |
| **Total operating profit : group and share of associates** | | **3,723** | 4,702 |
| Loss on part disposal of businesses | | **(811)** | - |
| **Profit on ordinary activities before interest** | 2 | **2,912** | 4,702 |
| Net interest payable: group | 4 | **(891)** | (1,208) |
| Interest payable: associates | | **(6)** | - |
| Interest receivable: associates | | **23** | - |
| **Profit on ordinary activities before taxation** | 5 | **2,038** | 3,494 |
| Taxation on profit on ordinary activities | 8 | **(2,687)** | (3,337) |
| **(Loss)/profit on ordinary activities after taxation** | | **(649)** | 157 |
| Equity minority interests | | **1** | (75) |
| **Retained (loss)/profit for the group and its share of associates** | 9,19 | **(648)** | 82 |

The results set out above relate to continuing operations.

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
*for the year ended 31 December 2001*

| | Year ended 31 December 2001 £000 | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|
| **(Loss)/profit for the financial period** | **(648)** | 82 |
| Exchange adjustment | **(401)** | 942 |
| **Total recognised gains and losses for the period** | **(1,049)** | 1,024 |

# Group reconciliation of movements in equity shareholders' funds
*for the year ended 31 December 2001*

| | *Note* | Year ended 31 December 2001 £000 | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|---|
| **(Loss)/profit for the financial period** | | **(648)** | 82 |
| Other recognised gains and losses relating to the period | | **(401)** | 942 |
| New share capital | *18,19* | - | 52,370 |
| **Movement in equity shareholders' funds** | | **(1,049)** | 53,394 |
| Equity shareholders' funds at beginning of period | | **53,394** | - |
| **Equity shareholders' funds at end of period** | | **52,345** | 53,394 |

# Balance sheets

***at 31 December 2001***

| | Note | 2001 Group £000 | 2001 Company £000 | 2000 Group £000 | 2000 Company £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *10* | **22,332** | **-** | 25,124 | - |
| Tangible assets | *11* | **27,201** | **-** | 24,391 | - |
| Investments | *12* | **-** | **62,600** | - | 62,600 |
| Investments in associates | *12* | **67** | **-** | - | - |
| | | **49,600** | **62,600** | 49,515 | 62,600 |
| **Current assets** | | | | | |
| Stocks | *13* | **13,985** | **-** | 15,951 | - |
| Debtors: amounts falling due within one year | *14* | **41,286** | **-** | 41,433 | - |
| Cash | | **18,802** | **10** | 14,642 | 10 |
| | | **74,073** | **10** | 72,026 | 10 |
| **Creditors:** amounts falling due within one year | *15* | **(67,098)** | **(16,665)** | (65,539) | (15,858) |
| **Net current assets/(liabilities)** | | **6,975** | **(16,655)** | 6,487 | (15,848) |
| **Total assets less current liabilities** | | **56,575** | **45,945** | 56,002 | 46,752 |
| **Creditors:** amounts falling due after more than one year | *16* | **-** | **-** | (986) | - |
| **Provision for liabilities and charges** | *17* | **(2,055)** | **-** | (1,543) | - |
| **Net assets** | | **54,520** | **45,945** | 53,473 | 46,752 |
| **Capital and reserves** | | | | | |
| Called up share capital | *18* | **47,537** | **47,537** | 13,063 | 13,063 |
| Shares to be issued | *18* | **-** | **-** | 34,474 | 34,474 |
| Merger reserve | *19* | **4,833** | **-** | 4,833 | - |
| Profit and loss account | *19* | **(25)** | **(1,592)** | 1,024 | (785) |
| **Equity shareholders' funds** | | **52,345** | **45,945** | 53,394 | 46,752 |
| **Equity minority interests** | *20* | **2,175** | **-** | 79 | - |
| | | **54,520** | **45,945** | 53,473 | 46,752 |

These financial statements were approved by the board of directors on 20 January 2003 and were signed on its behalf by:

**PA Bentley**
*Director*

# Group cash flow statement

*for the year ended 31 December 2001*

| | Note | Year ended 31 December 2001 £000 | Year ended 31 December 2001 £000 | Period from 16 December 1999 to 31 December 2000 £000 | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | *23a* | | **21,419** | | (10,512) |
| Interest received from associates | | **23** | | - | |
| Returns on investments and servicing of finance | *23b* | **(891)** | | (426) | |
| Taxation | | **(2,513)** | | (2,385) | |
| Capital expenditure and financial investment | *23b* | **(5,889)** | | 2,013 | |
| Acquisitions and disposals | *23b* | **90** | | (39,317) | |
| | | | **(9,180)** | | (40,115) |
| **Cash inflow/(outflow) before use of liquid resources and financing** | | | **12,239** | | (50,627) |
| Financing | *23b* | | **(7,935)** | | 64,533 |
| **Increase in cash in the period** | | | **4,304** | | 13,906 |

# Reconciliation of net cash flow to movement in net debt

*for the year ended 31 December 2001*

| | Note | Year ended 31 December 2001 £000 | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|---|
| **Increase in cash in the period** | | **4,304** | 13,906 |
| Cash outflow/(inflow) from decrease/(increase) in net debt and lease financing | | **7,935** | (30,059) |
| Change in net debt resulting from cash flows | | **12,239** | (16,153) |
| Loans and finance leases acquired with subsidiary | | **-** | (4,428) |
| Translation difference | | **(64)** | 74 |
| **Movement in net debt in the period** | | **12,175** | (20,507) |
| Net debt at beginning of period | | **(20,507)** | - |
| **Net debt at end of period** | *23c* | **(8,332)** | (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. The company has followed the transitional arrangements of FRS17 'Retirement Benefits' in these 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.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exerts significant influence. The group's share of the profit of associates is included in the consolidated profit and loss account, and its interest in the net assets is included in investments in the consolidated balance sheet.

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 amounts written off. 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***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable new assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life (see note 10). 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)*

***Tangible fixed assets and 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. For work in progress and finished goods, cost is taken as production cost which includes an appropriate proportion of attributable 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.

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between results as stated in the financial statements and as computed for taxation purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

***Pensions***

The Group operates both money purchase and final salary pension schemes. The assets of both the money purchase and final salary pension schemes are held separately from those of the Group. The amount charged to the Group profit and loss account 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 Group 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.

| | By destination | | By origin | |
|---|---|---|---|---|
| | **Year ended 31 December 2001** | Period from 16 December 1999 to 31 December 2000 | **Year ended 31 December 2001** | Period from 16 December 1999 to 31 December 2000 |
| **Turnover** | **£000** | £000 | **£000** | £000 |
| United Kingdom and Europe | **148,399** | 133,765 | **149,610** | 135,448 |
| USA | **8,720** | 7,345 | **8,720** | 8,145 |
| Rest of World | **1,211** | 2,483 | **-** | - |
| | **158,330** | 143,593 | **158,330** | 143,593 |

| | | |
|---|---|---|
| **Profit on ordinary activities before interest** | | |
| United Kingdom and Europe | **4,247** | 5,813 |
| USA | **1,430** | 1,425 |
| | **5,677** | 7,238 |
| Group costs – amortisation of goodwill | **(2,765)** | (2,536) |
| | **2,912** | 4,702 |

| | **2001** | 2000 |
|---|---|---|
| **Net assets** | **£000** | £000 |
| United Kingdom and Europe | **38,065** | 46,080 |
| USA | **2,455** | 2,776 |
| Net operating assets | **40,520** | 48,856 |
| Group assets – goodwill | **22,332** | 25,124 |
| Net debt | **(8,332)** | (20,507) |
| | **54,520** | 53,473 |

# Notes *(continued)*

## 3 Net operating expenses

### Group

| | Year ended 31 December 2001 £000 | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|
| Distribution costs | **14,336** | 12,415 |
| Administrative expenses | **26,421** | 23,047 |
| | **40,757** | 35,462 |

## 4 Net interest payable

### Group

| | Year ended 31 December 2001 £000 | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|
| **Interest receivable** | | |
| Bank interest receivable | **352** | 526 |
| Sundry interest receivable | **82** | 38 |
| | **434** | 564 |
| **Interest payable and similar charges** | | |
| Interest payable to group undertakings | **(1,200)** | (1,019) |
| On bank loans and overdrafts | **(71)** | (641) |
| On other loans | **(12)** | (28) |
| Finance lease charges | **(42)** | (84) |
| | **(1,325)** | (1,772) |
| **Net interest payable** | **(891)** | (1,208) |

# Notes *(continued)*

## 5 Profit on ordinary activities before taxation

### Group

| | Year ended 31 December 2001 £000 | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated*** | | |
| *after charging* | | |
| Depreciation on tangible fixed assets | **2,848** | 3,397 |
| Amortisation of goodwill | **2,765** | 2,536 |
| Operating leases: | | |
| Hire of plant and machinery | **281** | 308 |
| Hire of other assets | **948** | 571 |
| Auditors' remuneration | | |
| United Kingdom | **96** | 96 |
| Overseas | **41** | 41 |

Fees paid to the auditor and its associates for UK non-audit services amounted to £136,000 *(period to 31 December 2000: £116,000).* The auditor's remuneration in respect of the company was £3,000 *(period to 31 December 2000: £3,000).*

## 6 Employees

### Group

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

| | Year ended 31 December 2001 Number | Period from 16 December 1999 to 31 December 2000 Number |
|---|---|---|
| UK and Ireland | **819** | 827 |
| Mainland Europe | **504** | 625 |
| USA | **55** | 57 |
| | **1,378** | 1,509 |

The aggregate employees costs were as follows:

| | £000 | £000 |
|---|---|---|
| Wages and salaries | **28,157** | 26,827 |
| Social security costs | **5,646** | 5,753 |
| Other pension costs | **1,606** | 1,348 |
| | **35,409** | 33,928 |

# Notes *(continued)*

## 7 Directors' emoluments

### Group

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

Paul Bentley has provided qualifying services for a number of subsidiaries of the company. His remuneration for these services was as follows:

| | **Year ended 31 December 2001 £000** | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|
| Remuneration | **111** | 36 |
| Pension contributions | **11** | 1 |
| | **122** | 37 |

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

| | **Number of directors** | |
|---|---|---|
| Defined benefit schemes | **1** | 1 |

## 8 Taxation

### Group

Taxation based on the profit for the period comprises:

| | **Year ended 31 December 2001 £000** | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|
| UK corporation tax at 30% | **1,551** | 123 |
| Overseas taxation | **583** | 2,626 |
| Deferred taxation | **553** | 588 |
| | **2,687** | 3,337 |

The tax charge on profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK *(30%, 2001: 30%)* due to the effects of expenses not deductible for tax purposes (primarily goodwill amortisation), the loss on part disposal of businesses, and the higher tax rates applied overseas.

# Notes *(continued)*

## 9 (Loss)/profit for the financial period

**Group**

| | **Year ended 31 December 2001 £000** | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|
| Dealt with in the financial statements of: | | |
| IKO U.K. Limited | **(807)** | (785) |
| Subsidiary undertakings | **159** | 867 |
| | **(648)** | 82 |

## 10 Intangible fixed assets

**Group**

| | **Goodwill £000** |
|---|---|
| *Cost* | |
| At beginning of year | 27,660 |
| Disposals | (29) |
| At end of year | 27,631 |
| ***Provision for amortisation and impairment*** | |
| At beginning of year | 2,536 |
| Charge for the year | 2,765 |
| Disposals | (2) |
| At end of year | 5,299 |
| ***Net book value*** | |
| **At 31 December 2001** | **22,332** |
| At 31 December 2000 | 25,124 |

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill 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* | | | |
| At beginning of year | 14,074 | 13,632 | 27,706 |
| Exchange adjustment | (139) | (109) | (248) |
| Additions | 4,266 | 1,982 | 6,248 |
| Disposals | (60) | (672) | (732) |
| At end of year | 18,141 | 14,833 | 32,974 |
| Gross book value of depreciable assets | 17,293 | 14,833 | 32,126 |
| ***Depreciation*** | | | |
| At beginning of year | 512 | 2,803 | 3,315 |
| Exchange adjustment | (6) | (17) | (23) |
| Charge for the year | 408 | 2,440 | 2,848 |
| Disposals | (5) | (362) | (367) |
| At end of year | 909 | 4,864 | 5,773 |
| ***Net book value*** | | | |
| **At 31 December 2001** | **17,232** | **9,969** | **27,201** |
| At 31 December 2000 | 13,562 | 10,829 | 24,391 |

The net book value of assets held under finance leases included in plant, machinery and vehicles amounted to £1,098,000 *(2000: £965,000).*

Depreciation charged on these assets during the year amounts to £523,000 *(period to 31 December 2000: £596,000).*

| | **Group 2001 £000** | Group 2000 £000 |
|---|---|---|
| Net book value of land and buildings comprises: | | |
| Freehold | **11,669** | 7,898 |
| Long leasehold | **4,843** | 4,903 |
| Short leasehold | **720** | 761 |
| | **17,232** | 13,562 |

# Notes *(continued)*

## 12 Investments

### Group

On 26 November 2001, Ruberoid PLC, a wholly owned subsidiary of IKO U.K. Limited, acquired a 25% interest in the issued ordinary share capital of The Specialist Waterproofing Group Limited for a cash consideration of £30,000.

| | **Interest in associate undertakings £000** |
|---|---|
| At beginning of year | - |
| Additions – share of net assets | 30 |
| Share of post acquisition reserves | 37 |
| **At end of year** | **67** |

### Company

| | **Shares in subsidiary undertakings £000** |
|---|---|
| **Cost** | |
| At beginning and end of year | 62,600 |

The principal operating companies, which are shown on pages 27 and 28 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

| | **2001 £000** | 2000 £000 |
|---|---|---|
| Raw materials | **4,881** | 5,546 |
| Work in progress | **560** | 394 |
| Finished goods and goods for resale | **8,544** | 10,011 |
| | **13,985** | 15,951 |

# Notes *(continued)*

## 14 Debtors

### Group

| | 2001 £000 | 2000 £000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade debtors | **33,812** | 32,544 |
| Amounts owed by group undertakings | **-** | 79 |
| Amounts owed by associate undertakings | **1,080** | - |
| Taxation recoverable | **1,161** | 65 |
| Other debtors | **4,245** | 7,309 |
| Prepayments and accrued income | **988** | 1,436 |
| | **41,286** | 41,433 |

## 15 Creditors: amounts falling due within one year

| | Group 2001 £000 | Company 2001 £000 | Group 2000 £000 | Company 2000 £000 |
|---|---|---|---|---|
| Bank loans and overdrafts | **459** | **-** | 551 | - |
| Finance leases | **426** | **-** | 461 | - |
| Group borrowings | **26,249** | **14,023** | 33,226 | 15,000 |
| | **27,134** | **14,023** | 34,238 | 15,000 |
| Payments received on account | **56** | **-** | 19 | - |
| Trade creditors | **22,679** | **-** | 16,383 | - |
| Amounts owed to group undertakings | **-** | **1,937** | - | 73 |
| Corporation tax | **1,089** | **-** | 368 | - |
| Other tax and social security | **4,337** | **-** | 3,833 | - |
| Other creditors | **4,581** | **-** | 3,651 | - |
| Accruals | **7,222** | **705** | 7,047 | 785 |
| | **67,098** | **16,665** | 65,539 | 15,858 |

# Notes *(continued)*

## 16 Creditors: amounts falling due after more than one year

### Group

| | 2001 £000 | 2000 £000 |
|---|---|---|
| **Borrowings** | | |
| Bank loans and overdrafts | - | 361 |
| Finance leases | - | 504 |
| Amounts owed to group undertakings | - | 46 |
| Other creditors | - | 75 |
| | - | 986 |

The Group's borrowings are repayable as follows:

| | Bank loans and overdrafts | | Other borrowings | |
|---|---|---|---|---|
| | **2001 £000** | 2000 £000 | **2001 £000** | 2000 £000 |
| Within one year | **459** | 551 | **26,675** | 33,687 |
| Between one and two years | - | 361 | - | 550 |
| | **459** | 912 | **26,675** | 34,237 |

### Company

The Company's borrowings are repayable as follows:

| | Other borrowings | |
|---|---|---|
| | **2001 £000** | 2000 £000 |
| Within one year | **14,023** | 15,000 |

# Notes *(continued)*

## 17 Provision for liabilities and charges

### Group

| | Deferred taxation £000 |
|---|---|
| At beginning of year | 1,543 |
| Exchange adjustment | (41) |
| Profit and loss account | 553 |
| **At end of year** | **2,055** |

The amounts provided for deferred taxation are as follows:

| | **2001 £000** | 2000 £000 |
|---|---|---|
| Accelerated capital allowances | **2,135** | 1,284 |
| Other timing differences | **(80)** | 259 |
| | **2,055** | 1,543 |

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 2001 would not be material.

### Company

There are no unprovided deferred tax liabilities.

## 18 Share capital

| | **Number** | **£** |
|---|---|---|
| ***Authorised:*** | | |
| Ordinary shares of £1 each | **47,537,676** | **47,537,676** |
| ***Allotted, called up and fully paid:*** | | |
| Ordinary shares of £1 each | **47,537,676** | **47,537,676** |

# Notes *(continued)*

## 19 Reserves

**Group**

| | Merger reserve £000 | Profit and loss account £000 | Total £000 |
|---|---|---|---|
| At beginning of year | 4,833 | 1,024 | 5,857 |
| Exchange adjustment | - | (401) | (401) |
| Retained loss for the financial year | - | (648) | (648) |
| **At end of year** | **4,833** | **(25)** | **4,808** |

**Company**

| | Profit and loss account £000 |
|---|---|
| At beginning of year | (785) |
| Retained loss for the financial year | (807) |
| **At end of year** | **(1,592)** |

## 20 Minority interests – equity

| | Minority interest £000 |
|---|---|
| At beginning of year | 79 |
| Retained profit for financial year | 1 |
| Share of net assets acquired | 2,095 |
| **At end of year** | **2,175** |

## 21 Financial and capital commitments

(a) Commitments for capital expenditure are as follows:

**Group**

| | 2001 £000 | 2000 £000 |
|---|---|---|
| Contracts placed | **3,808** | 3,175 |

**Company**

The company had no capital commitments at 31 December 2001 *(2000: £nil)*.

# Notes *(continued)*

## 21 Financial and capital commitments *(continued)*

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

**Group**

| | Land and buildings | | Other | | Total | |
|---|---|---|---|---|---|---|
| | **2001** | 2000 | **2001** | 2000 | **2001** | 2000 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Annual commitments under operating leases which expire: | | | | | | |
| within one year | **11** | 169 | **86** | 24 | **97** | 193 |
| in second to fifth year | **250** | 141 | **323** | 389 | **573** | 530 |
| after five years | **350** | 672 | **-** | 14 | **350** | 686 |
| | **611** | 982 | **409** | 427 | **1,020** | 1,409 |

**Company**

The company has no operating leases.

## 22 Contingent liabilities

**Group**

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

**Company**

The company had no contingent liabilities at 31 December 2001 (2000: £Nil).

## 23 Notes to the cash flow statement

### (a) Reconciliation of operating profit to operating cash flow

| | **Year ended 31 December 2001 £000** | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|
| Operating profit | **3,680** | 4,702 |
| Amortisation of goodwill | **2,765** | 2,536 |
| Depreciation | **2,848** | 3,397 |
| Decrease in stocks | **1,734** | 606 |
| Decrease/(increase) in debtors | **1,609** | (11,443) |
| Increase/(decrease) in creditors | **8,777** | (10,310) |
| Loss on sale of fixed assets | **6** | - |
| **Net cash inflow/(outflow) from operating activities** | **21,419** | (10,512) |

# Notes *(continued)*

## 23 Notes to the cash flow statement *(continued)*

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

| | *Note* | **Year ended 31 December 2001 £000** | Period from 16 December 1999 to 31 December 2000 £000 |
|---|---|---|---|
| **Returns on investments and servicing of finance** | | | |
| Interest received | | **434** | 564 |
| Interest paid | | **(1,283)** | (904) |
| Interest element of finance lease rental payments | | **(42)** | (86) |
| **Net cash outflow for returns on investments and servicing of finance** | | **(891)** | (426) |
| **Capital expenditure** | | | |
| Purchase of tangible fixed assets | | **(6,248)** | (1,958) |
| Sale of tangible fixed assets | | **359** | 3,971 |
| **Net cash (outflow)/inflow for capital expenditure and financial investment** | | **(5,889)** | 2,013 |
| **Acquisitions and disposals** | | | |
| Part disposal of Houseplan Limited | | **120** | - |
| Acquisition of 25% issued share capital in the SWG Limited | | **(30)** | - |
| Acquisition of Ruberoid PLC | | **-** | (49,537) |
| Net cash acquired with Ruberoid PLC | | **-** | 9,830 |
| Sale of Rainford and Hillglaze businesses | | **-** | 390 |
| **Net cash inflow/(outflow)outflow for acquisitions and disposals** | | **90** | (39,317) |
| **Financing** | | | |
| Cash in advance of issue of ordinary share capital | *18* | **-** | 34,474 |
| Debt due within a year | | **(6,989)** | 30,837 |
| Capital element of finance lease rental payments | | **(539)** | (778) |
| Debt due after one year | | **(407)** | - |
| **Net cash (outflow)/inflow from financing** | | **(7,935)** | 64,533 |

The group disposed of a 40% interest in Houseplan Limited (the parent company of the Briggs Roofing and Cladding services business) during the year for a consideration of £1.2 million comprising £120,000 cash and £1,080,000 loan notes.

# Notes *(continued)*

## 23 Notes to the cash flow statement *(continued)*

### (c) Analysis of net debt

| | At 31 December 2000 £000 | Cash flow £000 | Exchange £000 | **At 31 December 2001 £000** |
|---|---|---|---|---|
| Cash | 14,642 | 4,195 | (35) | **18,802** |
| Overdrafts | (551) | 109 | (17) | **(459)** |
| Debt due within one year | (33,226) | 6,989 | (12) | **(26,249)** |
| Debt due after one year | (407) | 407 | - | **-** |
| Finance leases | (965) | 539 | - | **(426)** |
| **Total** | (20,507) | 12,239 | (64) | **(8,332)** |

## 24 Pensions

The Group operates both money purchase and final salary pension schemes. Group contributions payable for the year to money purchase schemes operated in the UK and overseas amounted to £718,000 *(2000: £271,000)*. The Group's defined benefit pension arrangements are all based in the UK, and are operated through the Ruberoid PLC Staff Pension Scheme, the Ruberoid PLC Executive Pension Scheme and the Kingsnorth Pension Scheme. Group contributions payable for the year to defined benefit schemes amounted to £888,000 *(period to 31 December 2000: £1,077,000)* of which £70,000 *(period to 31 December 2000: £Nil)* is in respect of special contributions made to the schemes during the year. At 31 December 2001, outstanding pension contributions payable to the all the Group's schemes totalled £Nil *(2000: £Nil)*.

***SSAP24***

The Ruberoid PLC Executive Pension Scheme was wound up on 17 October 2002. The assets and liabilities from this scheme have been transferred to the Ruberoid PLC Staff Pension Scheme. The Kingsnorth Scheme was closed to new entrants in March 1999. Pension costs relating to these schemes are assessed in accordance with the advice of an independent qualified actuary.

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

As at 6 April 1999 the market value of the Schemes assets was £34,890,000.

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

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

As at 1 September 2000, an actuarial valuation of the Kingsnorth Pension Scheme was carried out using the Projected Unit method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 5.5% per annum, the rate of salary increase would be 4.3% per annum and the rate of pension increase would be 2.7% per annum. The assumed rate of dividend growth was 4.9%.

At the date of the latest actuarial valuation the actuarial value of the assets was £5,282,000, which was sufficient to cover 112% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

# Notes *(continued)*

## 24 Pensions *(continued)*

### *FRS17*

For companies with defined benefit pension schemes, FRS 17 requires certain disclosures to be phased in from June 2001. Full adoption of the FRS is now proposed to be deferred until the Accounting Standards Board and International Accounting Standards Committee harmonise their respective accounting standards on Retirements Benefits.

Until that time companies are required to proceed with the disclosure requirements of FRS 17 over its three year implementation period. This is the first year of that implementation period. It should be clearly understood that the FRS 17 valuation disclosed below is presented for disclosure purposes only in the format prescribed by the standard. The profit and loss account and balance sheet of the company have been prepared in accordance with SSAP 24 which is still the relevant accounting standard.

The full actuarial valuation of the Ruberoid PLC Staff Pension Scheme carried out at 6 April 1999, the full actuarial valuation of the Ruberoid PLC Executive Pension Scheme carried out at 5 April 2000 and the full actuarial valuation of Kingsnorth Pension Scheme carried out at 1 September 2000, were updated to 31 December 2001 in accordance with FRS17 by a qualified independent actuary.

The major actuarial assumptions used by the actuary in these updates are as follows:

| | As at 31 December 2001 | | |
|---|---|---|---|
| | **Kingsnorth Plan** | **Staff Plan** | **Executive Plan** |
| Rate of increase in salaries | 3.9% | 4% | n/a |
| Rate of increase to pensions in payment | 2.4% | 2.5% | 2.5% |
| Discount rate | 5.8% | 5.75% | 6.25% |
| Inflation rate | 2.4% | 2.5% | 2.5% |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale involved, may not necessarily be borne out in practice.

The fair value of the schemes' assets (which are not intended to be realised in the short term and may be subject to significant change before they are realised) and the present value of the schemes liabilities (which are derived from cash flow projections over long periods and thus inherently uncertain) relating to the group and the expected rate of return on the assets are set out below:

| | **Kingsnorth Scheme** | | **Staff Scheme** | | **Executive Scheme** | |
|---|---|---|---|---|---|---|
| | **Expected long term rates of return** | **Value at 31 December 2001 £000** | **Expected long term rates of return** | **Value at 31 December 2001 £000** | **Expected long term rates of return** | **Value at 31 December 2001 £000** |
| Equities | 7.3% | 3,677 | 8% | 27,703 | 7.75% | 150 |
| Bonds | 5.3% | 560 | 6% | 3,850 | - | - |
| Other | 4% | 230 | 4% | 1,411 | 4% | 134 |
| Total market value of assets | | 4,467 | | 32,964 | | 284 |
| Present value of scheme liabilities | | (4,485) | | (31,831) | | (260) |
| (Deficit)/surplus in the scheme | | (18) | | 1,133 | | 24 |
| Deferred taxation (at 30% of the above) | | 5 | | (340) | | (7) |
| Pension (liability)/asset | | (13) | | 793 | | 17 |

# Notes *(continued)*

## 24 Pensions *(continued)*

| | £000 |
|---|---|
| **Analysis of net assets** | |
| Group net assets excluding pension asset, as reported in these financial statements | 54,520 |
| Pension asset | 797 |
| Adjusted group net assets under FRS 17 assumptions | 55,317 |

The amounts of this pension asset would have a consequential effect on the group's reserves:

| | |
|---|---|
| Group profit and loss excluding pension asset, as reported in these financial statements | (648) |
| Pension asset | 797 |
| Adjusted group profit and loss under FRS 17 assumptions | 149 |

## 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 U.K. Limited group.

The loans ATAB received from Adri NV in 2000, were transferred from Adri NV to IKO Sales International NV in 2001. At 31 December 2001 a loan of €3,725,000 remained outstanding. Interest charged in 2001 by Adri NV amounted to €137,000. Interest charged in 2001 by IKO Sales International NV amounted to €37,000.

The loans Nebi holdings BV received from IKO Europe NV have remained the same throughout the year at €1,750,000. Interest charged by IKO Europe NV in 2001 amounted to €196.000.

The loans Nebiprofa BV received from IKO Europe NV have reduced from €3,500,000 on 31 December 2000 to €3,200,000 on 31 December 2001. Interest charged by IKO Europe NV amounted to €75,000.

The non-interest bearing loan Ruberoid PLC received from IKO Sales Limited, has reduced from €15,900,000 on 31 December 2000 to €12,700,000 on 31 December 2001.

The loan of €4,100,000 Ruberoid PLC received in 2000 from Roofing International Limited was repaid during 2001.

IKO U.K. Limited issued a bond of £14,000,000 to Roofing International Limited, all of which remained outstanding at 31 December 2001. In January 2002 an additional £3,000,000 of the capital was repaid plus £750,000 of interest.

## 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 Limited including Permanite Limited**<br>10-14 Howard Court, Tewin Road<br>Welwyn Garden City, Herts AL7 1BP<br>Tel 01707 822222. Fax 01707 375060<br>Email: rbp-wgc@Ruberoid.co.uk<br>http://www.ruberiod.co.uk | Manufacture of waterproofing products<br>Also at Appley Bridge, Chesterfield and Matlock |
| **Irish Roofing Felts Ltd**<br>Unit 3, Carriglea Industrial Estate, Naas Road<br>Dublin 12, Ireland<br>Tel 31 456 4288. Fax 31 456 4291<br>Email: ruberoid@iol.ie<br>http://www.ruberoid.ie | Distribution of waterproofing products<br>Also at Ballyclare, Cork , Letterkenny and Limerick |
| **Briggs Roofing and Cladding Ltd (70%)**<br>**Durastic Roofing and Cladding (70%)**<br>**Hyflex Roofing (70%)**<br>Manchester,<br>**Ruberoid Contracts Ltd (70%)**<br>Halfords Lane, Smethwick, Warley,<br>West Midlands B66 1BJ<br>Tel 0121 555 6464. Fax 0121 555 5862<br>Email:headoffice@briggsroofing.co.uk<br>http://www.briggsroofing.co.uk | Roofing and cladding services<br>Branches at Aberdeen, Belfast, Birmingham, Bridgend, Bristol, Cork, Edinburgh, Glasgow, Hull, Leeds,<br>Newcastle, Norwich, Southend and Stratford |

## Mainland Europe

| | |
|---|---|
| **Atab NV**<br>**Asbo NV (70%)**<br><br>d'Herbouvillekaai 80, 2020 Antwerp, Belgium<br>Tel (32) 3 248 3000. Fax 03 248 3777<br>http://www.atab.com | Manufacture and installation of waterproofing products<br>Also at Beveren, Brussels, Gistel |
| **Asphaltco SA (99.5%)**<br>Vilvoordelaan 92, 1830 Machelen, Belgium<br>Tel (32) 2 251 8400. Fax (32) 2 252 4800 | Manufacture of building chemicals<br>Distribution and installation of waterproofing products |
| **Nebiprofa BV**<br>Wielewaalweg 1, 4791 PD Klundert<br>The Netherlands<br>Tel (31) 168 409309. Fax (31) 168 409311<br>Email: verkoop@nebiproofa.com<br>http://ww.nebiprofa.com | Manufacture and distribution of roofing products<br>Also at Bergschenhoek |
| **Touwen & Co BV**<br>Oostzijde 300, 1500 EE Zaandam, The Netherlands<br>Tel (31) 75 635 00 11. Fax (31) 75 631 16 72 | Manufacture of paints and wood preservatives |

## Principal Operating Companies *(continued)*

### USA

| | |
|---|---|
| **Hyload Inc**<br>**Martin Rubber Company of Ohio, Inc**<br>9976 Rittman Road, Wadsworth, Ohio 44281, USA<br>Tel (1) 330 334 5022. Fax (1) 330 336 5512<br>Email: membranehq@aol.com<br>http://www.hyload-inc.com | Manufacture of waterproofing products and protective tank linings |
| **Blair Rubber Company, Inc**<br>1252 Mina Avenue, Akron, Ohio 44321, USA<br>Tel (1) 330 666 3600. Fax (1) 330 666 9334<br>Email:bl666@gte.net.<br>http://www.blair.com | Manufacture of protective tank linings and belt-splicing materials |

All of the above shareholdings are held indirectly by IKO U.K. Limited.