

IKO U.K. Limited

**Directors' report and financial
statements**

Registered number 3897526

For the year ended 31 December 2002



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Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 2002.

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.

Results and dividends

The retained profit for the financial year was £1,336,000 (2001: loss £732,000). The directors do not recommend payment of a dividend.

Directors

The directors that served during the period and subsequently were:

HM Koschitzky
S Koschitzky
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 Sales 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 during the period (2001: £Nil). No political contributions were made.

Directors' report *(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

A handwritten signature in black ink, appearing to read 'Michael Kippen', with a stylized flourish at the end.

Michael Kippen
Company Secretary

14 Tewin Road
Welwyn Garden City
Hertfordshire
AL7 1BP

Registered in England and Wales
Number 3897526

16 February 2004

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

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

We have audited the financial statements on pages 5 to 29.

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 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 2002 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

16 February 2004

Group profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	Before exceptional items £000	2002 Exceptional items relating to restructuring £000	Total £000	2001 (as restated) £000
Turnover	2	160,708	-	160,708	158,330
Cost of sales		(114,182)	(331)	(114,513)	(113,893)
Gross profit		46,526	(331)	46,195	44,437
Net operating expenses	3	(43,793)	(552)	(44,345)	(40,757)
Operating profit/(loss)		2,733	(883)	1,850	3,680
Share of operating profit in associates				-	43
Total operating profit : group and share of associates				1,850	3,723
Loss on part disposal of businesses				-	(811)
Profit on ordinary activities before interest	2			1,850	2,912
Net interest payable: group	4			(81)	(868)
Interest payable: associates				-	(6)
Profit on ordinary activities before taxation	5			1,769	2,038
Taxation on profit on ordinary activities	8			(1,125)	(2,771)
Profit/(loss) on ordinary activities after taxation				644	(773)
Equity minority interests				692	1
Retained profit/(loss) for the group and its share of associates	9,18			1,336	(732)

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 18.

Group statement of total recognised gains and losses
for the year ended 31 December 2002

	2002	2001 (as restated)
	£000	£000
Profit/(loss) for the financial period	1,336	(732)
Exchange adjustment	996	(401)
Total recognised gains and losses for the period	2,332	(1,133)
Prior year adjustments on adoption of FRS19 (see note 8)	185	
Total recognised gains and losses since last financial statements	2,517	

Group reconciliation of movements in equity shareholders' funds
for the year ended 31 December 2002

	2002	2001 (as restated)
	£000	£000
Profit/(loss) for the financial period	1,336	(732)
Other recognised gains and losses relating to the period	996	(401)
Movement in equity shareholders' funds	2,332	(1,133)
Equity shareholders' funds at beginning of period (as previously stated)	52,345	53,394
Prior year adjustments on adoption of FRS19	185	269
Equity shareholders' funds at beginning of period (as restated)	52,530	53,663
Equity shareholders' funds at end of period	54,862	52,530

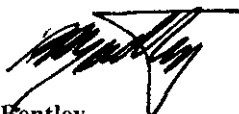
Company reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	2002	2001
	£000	£000
Profit/(loss) for the financial period	338	(807)
Movement in shareholders' funds	338	(807)
Shareholders' funds at beginning of period	45,945	46,752
Shareholders' funds at end of period	46,283	45,945

Balance sheets
at 31 December 2002

		Group 2002	Company 2002	Group 2001 (as restated)	Company 2001
	<i>Note</i>	£000	£000	£000	£000
Fixed assets					
Intangible assets	10				
Goodwill		19,569	-	22,332	-
Negative goodwill		(27)	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net goodwill		19,542	-	22,332	-
Tangible assets	11	27,862	-	27,201	-
Investments	12	-	62,600	-	62,600
Investments in associates	12	117	-	67	-
		<hr/>	<hr/>	<hr/>	<hr/>
		47,521	62,600	49,600	62,600
		<hr/>	<hr/>	<hr/>	<hr/>
Current assets					
Stocks	13	15,388	-	13,985	-
Debtors	14	36,053	537	41,286	-
Cash		15,068	8	18,802	10
		<hr/>	<hr/>	<hr/>	<hr/>
		66,509	545	74,073	10
Creditors: amounts falling due within one year	15	(56,170)	(16,862)	(67,098)	(16,665)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets/(liabilities)		10,339	(16,317)	6,975	(16,655)
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		57,860	46,283	56,575	45,945
		<hr/>	<hr/>	<hr/>	<hr/>
Provision for liabilities and charges	16	(1,504)	-	(1,870)	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		56,356	46,283	54,705	45,945
		<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves					
Called up share capital	17	47,537	47,537	47,537	47,537
Merger reserve	18	4,833	-	4,833	-
Profit and loss account	18	2,492	(1,254)	160	(1,592)
		<hr/>	<hr/>	<hr/>	<hr/>
Equity shareholders' funds		54,862	46,283	52,530	45,945
Equity minority interests	19	1,494	-	2,175	-
		<hr/>	<hr/>	<hr/>	<hr/>
		56,356	46,283	54,705	45,945
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved by the board of directors on 16 February 2004 and were signed on its behalf by:


PA Bentley
Director

Group cash flow statement
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Cash flow from operating activities	22a	7,198	21,419
Interest received from associates		-	23
Returns on investments and servicing of finance	22b	(81)	(891)
Taxation		(2,087)	(2,513)
Capital expenditure and financial investment	22b	(3,303)	(5,889)
Acquisitions and disposals	22b	(23)	90
		<hr/>	<hr/>
		(5,494)	(9,180)
Cash inflow before use of liquid resources and financing		<hr/>	<hr/>
		1,704	12,239
Financing	22b	(5,493)	(7,935)
		<hr/>	<hr/>
(Decrease)/increase in cash in the period		(3,789)	4,304
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
(Decrease)/increase in cash in the period		(3,789)	4,304
Cash outflow from decrease in net debt and lease financing		5,493	7,935
		<hr/>	<hr/>
Change in net debt resulting from cashflows		1,704	12,239
Translation difference		(64)	(64)
		<hr/>	<hr/>
Movement in net debt in the period		1,640	12,175
Net debt at beginning of period		(8,332)	(20,507)
		<hr/>	<hr/>
Net debt at end of period	22c	(6,692)	(8,332)
		<hr/>	<hr/>

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 Group has followed the transitional arrangements of FRS17 'Retirement Benefits' and has adopted, in full, FRS19 'Deferred Tax' in these financial statements. The comparative figures have been restated accordingly. The impact of the adoption of FRS19 on the financial statements for the 2 years ended 31 December 2002 is shown in note 8.

Basis of accounting

The financial statements are prepared in accordance with applicable UK 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.

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

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. 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 result 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. The policy on the provision of deferred tax was changed in the year to comply with FRS19 'Deferred tax' which requires full provision. The comparative figures have been restated accordingly.

Deferred tax 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 FRS19.

Notes (continued)

1 Accounting policies (continued)

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. The Group has adopted the transitional disclosure requirements of FRS17 'Retirement Benefits'.

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.

	United Kingdom and Europe	USA	Total
	2002	2002	2002
	£000	£000	£000
Turnover by origin			
Total sales	171,026	7,580	178,606
Inter-segment sales	(17,897)	(1)	(17,898)
	<hr/>	<hr/>	<hr/>
Sales to third parties	153,129	7,579	160,708
	<hr/>	<hr/>	<hr/>

	United Kingdom and Europe	USA	Total
	2001	2001	2001
	£000	£000	£000
Turnover by origin			
Total sales	166,879	8,721	175,600
Inter-segment sales	(17,269)	(1)	(17,270)
	<hr/>	<hr/>	<hr/>
Sales to third parties	149,610	8,720	158,330
	<hr/>	<hr/>	<hr/>

	2002	2001
	£000	£000
Turnover by destination		
United Kingdom and Europe	151,762	148,399
USA	6,948	8,720
Rest of world	1,998	1,211
	<hr/>	<hr/>
Sales to third parties	160,708	158,330
	<hr/>	<hr/>

Notes (continued)

2 Analysis of turnover, profit before interest and net assets (continued)

	2002 £000	2001 £000
Profit before Interest		
United Kingdom and Europe	3,193	4,247
USA	1,420	1,430
	<hr/> 4,613	<hr/> 5,677
Group costs – amortisation of goodwill	(2,763)	(2,765)
	<hr/> 1,850	<hr/> 2,912
	<hr/> <hr/> 2002	<hr/> <hr/> 2001
Net assets	£000	(as restated) £000
United Kingdom and Europe	41,005	38,250
USA	2,501	2,455
	<hr/> 43,506	<hr/> 40,705
Net operating assets		
Group assets – net goodwill	19,542	22,332
Net debt	(6,692)	(8,332)
	<hr/> 56,356	<hr/> 54,705
	<hr/> <hr/>	<hr/> <hr/>

3 Net operating expenses

	Group 2002 £000	Group 2001 £000
Distribution costs	15,969	14,336
Administrative expenses (including £552,000 of exceptional restructuring expenses)	26,229	24,236
Other operating expenses	2,147	2,185
	<hr/> 44,345	<hr/> 40,757
	<hr/> <hr/>	<hr/> <hr/>

The exceptional items in cost of sales (£331,000) and administrative expenses (£552,000) are costs incurred in respect of the closure of two branches of Briggs Roofing and Cladding Limited.

Notes (continued)

4 Net interest payable

	Group 2002 £000	Group 2001 £000
Interest receivable		
Bank interest receivable	372	352
Sundry interest receivable	49	105
	<u>421</u>	<u>457</u>
Interest payable and similar charges		
Interest payable to group undertakings	(280)	(1,200)
On bank loans and overdrafts	(141)	(71)
On other loans	(74)	(12)
Finance lease charges	(7)	(42)
	<u>(502)</u>	<u>(1,325)</u>
Net interest payable	<u>(81)</u>	<u>(868)</u>

5 Profit on ordinary activities before taxation

	Group 2002 £000	Group 2001 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation on tangible fixed assets	3,368	2,848
Amortisation of goodwill	2,763	2,765
Operating leases:		
Hire of plant and machinery	206	281
Hire of other assets	832	948
Auditors' remuneration		
Audit - United Kingdom	99	96
Audit - Overseas	113	41

Fees paid to the auditor and its associate for UK non-audit services amounted to £66,000 (2001: £136,000). The auditor's remuneration in respect of the company was £4,000 (2001: £3,000).

Notes (continued)

6 Employees

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

	Group 2002 Number	Group 2001 Number
UK and Ireland	767	819
Mainland Europe	497	504
USA	53	55
	<u>1,317</u>	<u>1,378</u>

The aggregate employees costs were as follows:

	£000	£000
Wages and salaries	30,255	28,157
Social security costs	5,345	5,646
Other pension costs	1,492	1,606
	<u>37,092</u>	<u>35,409</u>

7 Directors' emoluments

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:

	2002 £000	2001 £000
Remuneration	115	111
Pension contributions	11	11
	<u>126</u>	<u>122</u>

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

	Number of directors
Defined benefit schemes	<u>1</u>

Notes (continued)

8 Taxation

	2002		2001 (as restated)
	£000	£000	£000
<i>(a) Analysis of charge in year</i>			
<i>UK corporation tax</i>			
Current year	263		1,131
Adjustments in respect of prior periods	(197)		20
	<hr/>		<hr/>
		66	1,151
Overseas tax (including £15,000 (2001: £Nil) in respect of prior periods)		1,549	798
		<hr/>	<hr/>
Total current tax		1,615	1,949
<i>Deferred tax (see note 16)</i>			
Origination and reversal of timing differences	(426)		222
Adjustments in respect of previous periods	(64)		600
	<hr/>		<hr/>
		(490)	822
		<hr/>	<hr/>
Tax charge on profit on ordinary activities		1,125	2,771
		<hr/>	<hr/>

(b) Factors affecting the tax charge for the current period

The standard rate of tax for the year based on the UK standard rate of corporation tax is 30% (2001: 30%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation.

	2002	2001
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	1,796	2,038
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	539	611
<i>Effects of:</i>		
Expenses not deductible for tax purposes	176	503
Goodwill amortisation	647	670
Capital allowances for period in excess of depreciation	431	129
Utilisation of tax losses	(108)	(55)
Group relief surrender	-	236
Movement on other timing differences	(279)	(359)
Difference between UK and overseas tax rates	391	194
Adjustments to tax charge in respect of prior periods	(182)	20
	<hr/>	<hr/>
Total current tax charge (see above)	1,615	1,949
	<hr/>	<hr/>

Notes (continued)

8 Taxation (continued)

(c) Impact of prior year adjustment on adoption of FRS19

The group has adopted FRS19 during the year and hence has provided for all liabilities except as otherwise stated in FRS19 and has recognised the deferred tax assets to the extent they are deemed to be recoverable. This has had the following impact on the current and previous year.

	2002 £000	2001 £000
Increase in net assets	47	185
Decrease in profit for the year	138	84

9 Profit/(loss) for the financial period

	Group 2002 £000	Group 2001 (as restated) £000
Dealt with in the financial statements of:		
IKO U.K. Limited	338	(807)
Subsidiary undertakings	998	75
	1,336	(732)

10 Intangible fixed assets

Group

	Goodwill £000	Negative goodwill £000	Total £000
Cost			
At beginning of period	27,631	-	27,631
Additions	-	(27)	(27)
At end of period	27,631	(27)	27,604
Provision for amortisation and impairment			
At beginning of period	5,299	-	5,299
Charge for the period	2,763	-	2,763
At end of period	8,062	-	8,062
Net book value			
At 31 December 2002	19,569	(27)	19,542
At 31 December 2001	22,332	-	22,332

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
<i>Cost</i>			
At beginning of period	18,141	14,833	32,974
Exchange adjustment	388	436	824
Additions	1,296	2,671	3,967
Disposals	(294)	(1,571)	(1,865)
	<hr/>	<hr/>	<hr/>
At end of period	19,531	16,369	35,900
	<hr/>	<hr/>	<hr/>
Gross book value of depreciable assets	18,618	16,369	34,987
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of period	909	4,864	5,773
Exchange adjustment	25	117	142
Charge for the period	529	2,839	3,368
Disposals	(17)	(1,228)	(1,245)
	<hr/>	<hr/>	<hr/>
At end of period	1,446	6,592	8,038
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2002	18,085	9,777	27,862
	<hr/>	<hr/>	<hr/>
At 31 December 2001	17,232	9,969	27,201
	<hr/>	<hr/>	<hr/>

The net book value of assets held under finance leases included in plant, machinery and vehicles amounted to £52,000 (2001: £425,000).

Depreciation charged on these assets during the period amounts to £141,000 (2001: £349,000).

	Group 2002 £000	Group 2001 £000
Net book value of land and buildings comprises:		
Freehold	12,509	11,669
Long leasehold	4,775	4,843
Short leasehold	801	720
	<hr/>	<hr/>
	18,085	17,232
	<hr/>	<hr/>

Notes (continued)

12 Investments

Group

	Interest in associated undertakings £000
At beginning of period	67
Additions – share of net assets	50
	<hr/>
At end of period	117
	<hr/>

On 29 November 2002 BB Dyson resigned as Director of the Specialist Waterproofing Group. The group acquired his 18.75% of the ordinary share capital on this date thus increasing their holding to 43.75% of the ordinary share capital of The Specialist Waterproofing Group Limited, a company in Great Britain and registered in England.

Company

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning and end of period	62,600
	<hr/>

The principal operating companies, which are shown on pages 30 and 31 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 2002 £000	Group 2001 £000
Raw materials	5,078	4,881
Work in progress	-	560
Finished goods and goods for resale	10,310	8,544
	<hr/>	<hr/>
	15,388	13,985
	<hr/>	<hr/>

Notes (continued)

14 Debtors

	Group 2002 £000	Company 2002 £000	Group 2001 (as restated) £000	Company 2001 £000
Amounts falling due within one year				
Trade debtors	30,788	-	33,812	-
Amounts owed by group undertakings	-	236	-	-
Amounts owed by associate undertakings	932	-	1,080	-
Taxation recoverable	901	301	1,161	-
Other debtors	2,023	-	4,245	-
Prepayments and accrued income	1,140	-	988	-
	<u>35,784</u>	<u>537</u>	<u>41,286</u>	<u>-</u>
Amounts falling due after more than one year				
Other debtors	269	-	-	-
	<u>36,053</u>	<u>537</u>	<u>41,286</u>	<u>-</u>

15 Creditors: amounts falling due within one year

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Bank loans and overdrafts	218	-	459	-
Finance leases	83	-	426	-
Group borrowings	21,459	11,143	26,249	14,023
	<u>21,760</u>	<u>11,143</u>	<u>27,134</u>	<u>14,023</u>
Payments received on account	271	-	56	-
Trade creditors	18,333	-	22,679	-
Amounts owed to group undertakings	-	5,709	-	1,937
Corporation tax	287	-	1,089	-
Other tax and social security	3,453	-	4,337	-
Other creditors	5,629	-	4,581	-
Accruals	6,437	10	7,222	705
	<u>56,170</u>	<u>16,862</u>	<u>67,098</u>	<u>16,665</u>

Notes (continued)

16 Provision for liabilities and charges

Group	Deferred taxation £000
At beginning of period (as restated)	1,870
Exchange adjustment	124
Profit and loss account	(490)
	<hr/>
At end of period	1,504
	<hr/> <hr/>

The amounts provided for deferred tax are as follows:

	2002	2001 (as restated)
	£000	£000
Accelerated capital allowances	1,607	1,950
Other timing differences	(103)	(80)
	<hr/>	<hr/>
	1,504	1,870
	<hr/> <hr/>	<hr/> <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 2002 would not be material.

Company

There are no unprovided deferred tax liabilities.

17 Share capital

	Number	£
<i>Authorised:</i>		
Ordinary shares of £1 each	47,537,676	47,537,676
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	47,537,676	47,537,676
	<hr/>	<hr/>

Notes (continued)

18 Reserves

Group	Merger reserve £000	Profit and loss account £000	Total £000
At beginning of period (as previously stated)	4,833	(25)	4,808
Prior year adjustment	-	185	185
	<hr/>	<hr/>	<hr/>
At beginning of period (as restated)	4,833	160	4,993
Exchange adjustment	-	996	996
Retained profit for the financial period	-	1,336	1,336
	<hr/>	<hr/>	<hr/>
At end of period	4,833	2,492	7,325
	<hr/>	<hr/>	<hr/>

	Profit and loss account £000
Company	
At beginning of period	(1,592)
Retained profit for the financial period	338
	<hr/>
At end of period	(1,254)
	<hr/>

19 Minority interests

	Minority Interest £000
At beginning of period	2,175
Exchange adjustment	11
Share of loss after tax for financial period	(692)
	<hr/>
At end of period	1,494
	<hr/>

20 Financial and capital commitments

- (a) Commitments for capital expenditure at the end of the financial period, for which no provision has been made, are as follows:

Group	2002 £000	2001 £000
Contracted	44	3,808
	<hr/>	<hr/>

Company

The company had no capital commitments at 31 December 2002 (2001: £Nil).

Notes (continued)

20 Financial and capital commitments (continued)

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

Group	Land and buildings		Other		Total	
	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000
Annual commitments under operating leases which expire:						
within one year	87	11	64	86	151	97
in second to fifth year	373	250	238	323	611	573
after five years	183	350	-	-	183	350
	<u>643</u>	<u>611</u>	<u>302</u>	<u>409</u>	<u>945</u>	<u>1,020</u>

Company

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 had no contingent liabilities at 31 December 2002 (2001: £Nil).

22 Notes to the cash flow statement

(a) Reconciliation of operating profit to operating cash flow

	2002 £000	2001 £000
Operating profit	1,850	3,680
Amortisation of goodwill	2,763	2,765
Depreciation	3,368	2,848
(Increase)/decrease in stocks	(965)	1,734
Decrease in debtors	6,217	1,609
(Decrease)/increase in creditors	(5,991)	8,777
(Profit)/loss on sale of fixed assets	(44)	6
Net cash flow from operating activities	<u>7,198</u>	<u>21,419</u>

Notes (continued)

22 Notes to the cash flow statement (continued)

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

	2002 £000	2001 £000
Returns on investments and servicing of finance		
Interest received	421	434
Interest paid	(495)	(1,283)
Interest element of finance lease rental payments	(7)	(42)
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	(81)	(891)
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(3,967)	(6,248)
Sale of tangible fixed assets	664	359
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(3,303)	(5,889)
	<hr/>	<hr/>
Acquisitions and disposals		
Part disposal of Houseplan Limited	-	120
Acquisition of 25% issued share capital in The SWG Limited	-	(30)
Acquisition of 18.75% issued share capital in The SWG Limited	(23)	-
	<hr/>	<hr/>
Net cash (outflow)/inflow for acquisitions and disposals	(23)	90
	<hr/>	<hr/>
Financing		
Debt due within a year	(5,150)	(6,989)
Capital element of finance lease rental payments	(343)	(539)
Debt due after one year	-	(407)
	<hr/>	<hr/>
Net cash outflow from financing	(5,493)	(7,935)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

22 Notes to the cash flow statement (continued)

(c) Analysis of net debt

	At beginning of period	Cash flow	Exchange	At 31 December 2002
	£000	£000	£000	£000
Cash	18,802	(4,061)	327	15,068
Overdrafts	(459)	272	(31)	(218)
Debt due within one year	(26,249)	5,150	(360)	(21,459)
Finance leases	(426)	343	-	(83)
Total	(8,332)	1,704	(64)	(6,692)

23 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 £690,000 (2001: £718,000). 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 £802,000 (2001: £888,000), of which £Nil (2001: £70,000) is in respect of special contributions made to the schemes during the year. At 31 December 2002, outstanding pension contributions payable to all the Group's schemes totalled £Nil (2001: £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 Ruberoid PLC Staff Pension Scheme was closed to new members on 6 April 2002. A defined contribution scheme based on the stakeholder arrangement was introduced for staff. The Kingsnorth Scheme was closed to new entrants from 10 March 1999. Pension costs relating to these schemes are assessed in accordance with the advice of an independent qualified actuary.

The Ruberoid PLC Staff Pension Scheme provides benefits based on final pensionable pay. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary. The most recent valuation was at 6 April 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The most recent actuarial valuation showed that the market value of the Ruberoid PLC Staff Pension Scheme's assets was £33,950,000 at 6 April 2002 and that the actuarial value of those assets represented 109% of the benefits that had accrued to members after allowing for expected future increased in earnings. The contributions of the group will be 13.5% (from 1 January 2003), rising to 14.5% (from 1 January 2004) and 15.5% (from 1 January 2005) of earnings respectively. The contributions of the employees will remain at 5% of earnings respectively.

A new contribution schedule was signed in December 2003 for the Ruberoid PLC Staff Pension Scheme. The revised contributions of the group will be 13.5% (from December 2003), rising to 14.8% (from 1 January 2004) and 16.5% (from 1 January 2005) of earnings respectively subject to a minimum of £810,000 per annum. The contributions of the employees will be 5% (from December 2003), rising to 6% (from 1 January 2004) and 7% (from January 2005).

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%.

Notes (continued)

23 Pensions (continued)

SSAP24

At the date of the latest actuarial valuation the actuarial value of the assets of the Kingsnorth Pension Scheme 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.

The pension charge for the year of £43,963 (2001: £115,520) included £Nil (2001: £Nil) in respect of the amortisation of expenses surpluses that are being recognised over the average remaining service lives of employees.

FRS17

In November 2000, the Accounting Standards Board issued FRS17 'Retirement Benefits' replacing SSAP24 'Accounting for Pension Costs'. Full adoption of the FRS is proposed in respect of the year ended 31 December 2005. Until that time companies are required to proceed with the transitional disclosure requirements of FRS17. It should be clearly understood that the FRS17 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 SSAP24, which is still the relevant accounting standard relating to Retirement Benefits at this time.

The full actuarial valuation of the Ruberoid PLC Staff Pension Scheme carried out at 6 April 2002 and the full actuarial valuation of Kingsnorth Pension Scheme carried out at 1 September 2000 were updated to 31 December 2002 in accordance with FRS17 by a qualified independent actuary. For closed schemes under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

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

	As at 31 December 2002		As at 31 December 2001		
	Kingsnorth Scheme	Staff Scheme	Kingsnorth Scheme	Staff Scheme	Executive Scheme
Rate of increase in salaries	3.80%	3.75%	3.90%	4.00%	n/a
Rate of increase to pensions in payments	2.30%	2.25%	2.40%	2.50%	2.50%
Discount rate	5.75%	5.75%	5.80%	5.75%	6.25%
Inflation rate	2.30%	2.25%	2.40%	2.50%	2.50%

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.

Notes (continued)

23 Pensions (continued)

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		Kingsnorth Scheme		Staff Scheme		Executive Scheme	
	Expected long term rates of return	Value at 31 December 2002	Expected long term rates of return	Value at 31 December 2002	Expected long term rates of return	Value at 31 December 2001	Expected long term rates of return	Value at 31 December 2001	Expected long term rates of return	Value at 31 December 2001
Equities	6.10%	2,725	8.00%	22,525	7.30%	3,677	8.00%	27,703	7.75%	150
Bonds	4.10%	610	5.75%	3,315	5.30%	560	6.00%	3,850	-	-
Other	2.85%	152	4.00%	1,486	4.00%	230	4.00%	1,411	4.00%	134
Total market value of assets		3,487		27,326		4,467		32,964		284
Present value of scheme liabilities		(5,026)		(33,604)		(4,485)		(31,831)		(260)
(Deficit)/surplus in the scheme		(1,539)		(6,278)		(18)		1,133		24
Deferred taxation (at 30% of the above)		462		1,883		5		(340)		(7)
Net pension (liability)/asset		(1,077)		(4,395)		(13)		793		17
Movement in surplus/(deficit) during the year										
(Deficit)/surplus in scheme at beginning of year						(18)		1,133		1,115
Movement in year:										
Current service cost						(76)		(879)		(955)
Contributions						-		890		890
Past Service Costs						-		(35)		(35)
Other finance income						44		647		691
Actuarial						(1,489)		(8,034)		(9,523)
Deficit in scheme at end of year						(1,539)		(6,278)		(7,817)

Notes (continued)

23 Pensions (continued)

Analysis of other pension costs charged in arriving at operating profit

	Kingsnorth Scheme Year to 31 December 2002 £000	Staff Scheme Year to 31 December 2002 £000	Total Year to 31 December 2002 £000
Current service cost	76	879	955
Past service cost	-	35	35
Total operating charge	76	914	990

Analysis of amounts included in other finance income/costs

	Kingsnorth Scheme Year to 31 December 2002 £000	Staff Scheme Year to 31 December 2002 £000	Total Year to 31 December 2002 £000
Expected return on pension scheme assets	302	2,522	2,824
Interest on pension scheme liabilities	(258)	(1,875)	(2,133)
Net return	44	647	691

If FRS 17 had been fully adopted in these financial statements the impact on the net assets and profit and loss reserve for the group would have been:

Analysis of net assets

	2002 £000	2001 (as restated) £000
Net assets excluding pension (liability)/asset	56,356	54,705
Pension (liability)/asset	(7,817)	1,139
Deferred tax on pension (liability)/asset	2,345	(342)
Net assets per FRS17 assumptions	50,884	55,502

Notes (continued)

23 Pensions (continued)

Profit and loss reserve

	2002	2001 (as restated)
	£000	£000
Profit and loss reserve excluding pension (liability)/asset	2,492	160
Pension (liability)/asset	(7,817)	1,139
Deferred tax on pension (liability)/asset	2,345	(342)
Profit and loss reserve per FRS17 assumptions	(2,980)	957

Analysis of amount recognised in statement of total recognised gains and losses

	Staff scheme 2002 % of scheme assets/liabilities	2002 £000
Actual return less expected return on scheme assets	(31.7%)	(8,650)
Experience gains and losses arising on scheme liabilities	(2.7%)	(901)
Changes in assumptions underlying the present value of the scheme liabilities		(90)
Actuarial gain/(loss) recognised in statement of total gains and losses	(28.7%)	(9,641)

	Kingsnorth scheme 2002 % of scheme assets/liabilities	2002 £000
Actual return less expected return on scheme assets	(32.0%)	(1,115)
Experience gains and losses arising on scheme liabilities	(7.2%)	(364)
Changes in assumptions underlying the present value of the scheme liabilities		(10)
Actuarial gain/(loss) recognised in statement of total gains and losses	(29.6%)	(1,489)

Notes (continued)

24 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 loan ATAB NV received from IKO Sales International NV has reduced from €3,725,000 on 31 December 2001 to Nil on 31 December 2002. Interest charged by IKO Sales International NV in 2002 amounted to €14,075.

The loans ABSO NV received from IKO Europe NV have reduced from €3,031,042 on 31 December 2001 to €2,100,000 on 31 December 2002. Interest charged by IKO Europe NV in 2002 amounted to €91,949.

The loans Nebi Holdings BV received from IKO Europe NV have reduced from €1,750,000 on 31 December 2001 to Nil on 31 December 2002. Interest charged by IKO Europe NV in 2002 amounted to €8,611.

The loans Nebiprofa BV received from IKO Europe NV have reduced from €3,200,000 on 31 December 2001 to €1,750,000 on 31 December 2002. Interest charged by IKO Europe NV in 2002 amounted to €73,615.

The non-interest bearing loan Ruberoid Plc received from IKO Sales Limited has reduced from €12,700,000 on 31 December 2001 to €12,015,000 on 31 December 2002.

IKO U.K. Limited issued a bond of £14,000,000 to Roofing International Limited, all of which remained outstanding at 31 December 2001. This was repaid during 2002.

IKO U.K. Limited received a non-interest bearing loan from IKO Europe NV of €17,160,000 in 2002, all of which remained outstanding at 31 December 2002.

25 Post balance sheet events

On 12 January 2004 the group acquired 12.5% of the ordinary share capital of The Specialist Waterproofing Group Limited from PP Shields, a former director. This increases the holding of the group in The Specialist Waterproofing Group to 56.25% of the ordinary share capital.

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

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 Matlock

Ruberoid Building Products Limited including Irish Roofing Felts

Unit 3, Carriglea Industrial Estate, Naas Road
Dublin 12, Ireland
Tel 31 456 4288. Fax 31 456 4433
Email: info@ruberoid.ie
<http://www.ruberoid.ie>

Distribution of waterproofing products
Also at Ballyclare, Cork, Letterkenny and Limerick

Briggs Roofing and Cladding Ltd (60%)

Durastic Roofing and Cladding (60%)

Hyflex Roofing (60%)

Ruberoid Contracts Ltd (60%)

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, Glasgow, Hull, Leeds, London
Manchester, Newcastle, Norwich, Plymouth and Southend

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

Wielewaalweg 1, 4791 PD Klundert
The Netherlands
Tel (31) 168 409309. Fax (31) 168 409311
Email: verkoop@nebiprofa.com
<http://www.nebiprofa.com>

Distribution of roofing products

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
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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: membranhq@aol.com http://www.hyload-inc.com	Manufacture of waterproofing products and protective tank linings
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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
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All of the above shareholdings are held indirectly by IKO U.K. Limited.