

Company Registration No. 02446447

IKO HOLDINGS PLC

Annual Report and Financial Statements

For the year ended 31 December 2018



IKO HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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IKO HOLDINGS PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Koschitzky
H M Koschitzky
D P Maginnis
F Hautman
J Koschitzky
A Carlyle (appointed 1 August 2018)
A B Williamson (resigned 23 July 2018)

SECRETARY

TCSS Limited

REGISTERED OFFICE

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

AUDITOR

Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

BANK

BNP Paribas 10 Harewood Avenue
London
NW1 6AA

IKO HOLDINGS PLC

STRATEGIC REPORT

For the year ended 31 December 2018

Introduction

The directors present their strategic report for the year ended 31 December 2018.

Business review

The company is the intermediate holding company of an integrated group of companies engaged principally in the manufacture, distribution and installation of waterproofing and protective coatings located in the UK. The company made a profit for the year in relation to the income received on loans to group undertakings, which is in line with the directors' expectations and considered satisfactory. Results are expected to remain consistent in future years.

Principal risks and uncertainties

Since the company does not trade, the director perceives the main risk facing this business to be a significant downturn in trading of IKO PLC, the company's main trading subsidiary.

The financial performance of IKO PLC supports the carrying value of the company's investment, and IKO PLC also provides support to this company to meet its liabilities as they fall due. The risk is managed through regular oversight by the directors to ensure that the results of the IKO PLC and other subsidiaries are monitored and any variances to budgets are reviewed and investigated.

Details regarding the adoption of the going concern basis of accounting in preparing the financial statements can be found in note 1 to the financial statements.

Financial key performance indicators

The directors consider the company's key performance indicator to be the financial performance of its subsidiary undertakings. The performance of IKO PLC, being the main trading subsidiary is monitored monthly by the directors by way of a comprehensive management report and as the company is, and is expected to continue to be, profitable the director considers the key performance indicator outcome to be satisfactory.

The main key performance indicators of the company itself are distributable reserves which currently total £8,617,000 (2017: £7,356,000) and receipt of interest income from its subsidiaries which for the year ended 31 December 2018 was £1,681,000 (2017: £1,740,000). The performance of the company is deemed to be satisfactory.

Future developments

The company will continue to act as a holding company for the IKO group for the foreseeable future.

Approved by the Board of Directors
and signed on behalf of the Board



A Carlyle
Director

28th June 2019

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

IKO HOLDINGS PLC

DIRECTORS' REPORT

For the year ended 31 December 2018

The directors present their annual report on the affairs of the company, the financial statements and auditor's report for the year ended 31 December 2018. Future developments are included within the Strategic Report on page 2.

Results and dividends

The profit for the year, after taxation, amounted to £1,261,000 (2017: £1,458,000). The directors have not recommended the payment of a dividend (2017: £nil).

Directors

The directors who served during the year and subsequently to the date of this report were:

S Koschitzky
H M Koschitzky
D P Maginnis
F Hautman
J Koschitzky
A Carlyle (appointed 1 August 2018)
A B Williamson (resigned 23 July 2018)

H M Koschitzky is an overseas based director and is not required to notify his interest in group undertakings incorporated outside Great Britain to the company. He has no beneficial interest in the share capital of the group companies in Great Britain. F Hautman is also an overseas based director and has no beneficial interest in the share capital of group companies in Great Britain. None of the directors had any declarable beneficial interest in the share or loan capital of the company's ultimate parent company, IKO Enterprises Limited.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made in prior years and remain in force at the date of this report.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

IKO HOLDINGS PLC

DIRECTORS' REPORT (continued) For the year ended 31 December 2018

Directors' responsibilities statement (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk

The company's cash flow risk is relatively low due to low levels of external finance within the business. Loans due from other group companies are held at a fixed rate ensuring consistent cash flow receipts. The results of the subsidiaries are monitored on a regular basis to ensure that payment of interest income and dividends, as required, to ensure that the group remains well funded.

Credit risk

The company's principal financial assets are cash and intercompany receivables; the risk around receivables being mitigated via the controls in place surrounding the lending of inter-group funds.

Liquidity risk

Liquidity risk at the Company is insignificant as its financial liabilities are mainly with other companies within the IKO U.K. Limited Group. The Group is in a strong profitable and net asset position which mitigates the liquidity risk.

Going concern

The financial statements have been prepared on a going concern basis which assumes the company will have sufficient funds to continue to pay its debts as and when they fall due. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future based on its forecasts and projections. In making their assessment, the directors have considered a period of at least 12 months from the date of signing these financial statements.

Information on future developments has been disclosed in the Strategic Report.

Auditor

In the case of each of the persons who are directors of the company when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in Companies Act 2006) of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Deloitte LLP, have expressed their willingness to continue as auditor of the company.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2018

Approved by the Board of Directors
and signed on behalf of the Board


A Carlyle
Director

28th June 2019

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKO HOLDINGS PLC

Report on the audit of the financial statements

Opinion

- In our opinion the financial statements of IKO Holdings PLC (the 'company') give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKO HOLDINGS PLC (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKO HOLDINGS PLC (continued)

Matters on which we are required to report by exception

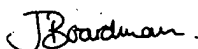
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Jane Boardman BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom

Date: 28th June 2019

IKO HOLDINGS PLC

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Administrative expenses		(431)	(393)
Operating loss	3	(431)	(393)
Profit on disposal of fixed asset investment	8	-	137
Interest receivable and similar income	5	1,692	1,741
Profit before tax		1,261	1,485
Taxation on profit	6	-	(27)
Profit after tax		1,261	1,458

All results were derived from continuing operations.

There were no recognised income or expenses for 2018 or 2017 other than those included in the profit and loss account and accordingly no separate statement of other comprehensive income is presented.

The notes on pages 12 to 22 form part of these financial statements.

IKO HOLDINGS PLC

BALANCE SHEET

As at 31 December 2018

	Note	2018 £'000	2017 £'000
FIXED ASSETS			
Tangible assets	7	17	18
Investments	8	8,603	8,603
		<u>8,620</u>	<u>8,621</u>
CURRENT ASSETS			
Debtors	9	34,677	33,425
Cash at bank		30	-
		<u>34,707</u>	<u>33,425</u>
Creditors: amounts falling due within one year	10	(84)	(64)
NET CURRENT ASSETS		<u>34,623</u>	<u>33,361</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>43,243</u>	<u>41,982</u>
NET ASSETS		<u>43,243</u>	<u>41,982</u>
CAPITAL AND RESERVES			
Called up share capital	12	2,412	2,412
Share premium account	13	32,214	32,214
Profit and loss account	13	8,617	7,356
SHAREHOLDERS' FUNDS		<u>43,243</u>	<u>41,982</u>

The financial statements of IKO Holdings plc (Registration Number 02446447) were approved and authorised for issue by the Board and were signed on its behalf by:



A. Carlyle

Director

28th June 2019

IKO HOLDINGS PLC

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2017	2,412	32,214	5,880	40,506
Profit for the year and total comprehensive income for the year	-	-	1,458	1,458
Capital contribution	-	-	18	18
At 31 December 2017	2,412	32,214	7,356	41,982
Profit for the year and total comprehensive income for the year	-	-	1,261	1,261
At 31 December 2018	2,412	32,214	8,617	43,243

The capital contribution is in relation to a waiver of an intercompany loan with a company within the IKO U.K. Limited Group.

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

The company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered office is Appley Lane North, Appley Bridge, Wigan, WN6 9AB. The company's principal activity is disclosed in the Strategic Report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The functional currency of IKO Holdings plc is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied consistently in the current and prior years.

1.2 Consolidated financial statements

The company is exempt by virtue of the Companies Act 2006 s.400 from the requirement to prepare group financial statements because its results are consolidated into IKO U.K. Limited. These financial statements present information about the company as an individual undertaking and not about its group.

1.3 Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 33 Related Party Disclosures with reference to remuneration of key management personnel;
- the requirements of Section 7 Statement of Cash Flows; and
- the requirements of Section 11 and 12 Financial Instruments.

This information is included in the consolidated financial statements of IKO U.K. Limited as at 31 December 2018 and these financial statements may be obtained from the company's registered office (see note 16 for further details).

1.4 Going concern

The financial statements have been prepared on a going concern basis which assumes the company will have sufficient funds to continue to pay its debts as and when they fall due for a period of at least 12 months from the date of signature of these financial statements. The company only pays dividends to the extent that it has sufficient resources and distributable reserves to enable it to do so. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future based on its forecasts and projections. In making their assessment, the directors have considered a period of at least 12 months from the date of signing these financial statements.

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

1. Accounting policies (continued)

1.5 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit and loss during the period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as noted below.

The estimated useful lives range as follows:

Leasehold land and buildings - 50 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the profit and loss account.

1.7 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

1. Accounting policies (continued)

1.7 Financial instruments (continued)

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in subsidiaries and associates are measured at cost less impairment.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the year ended 31 December 2018**

1. Accounting policies (continued)

1.7 Financial instruments (continued)

Impairment of assets (continued)

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, and loans to and from related parties.

Financial assets that are measured at cost and fair value are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.8 Revenue recognition

Interest income is recognised in the profit and loss account using the effective interest method. Dividend income is recognised when the company's right to receive payment is established.

1.9 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the year ended 31 December 2018**

1. Accounting policies (continued)

1.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

1.11 Pensions

The company participates in a group wide pension scheme providing benefits based on final pensionable pay which is closed to future accrual. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as permitted by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The critical judgements which the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impaired assets, the directors consider both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. Where there are indicators of impairment, assets are written down to their recoverable value with any adjustments recognised in the profit and loss account.

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty in applying the Company's accounting policies

The directors do not consider that the amounts recognised in the financial statements have been significantly affected by any key sources of estimation uncertainty considered in the process of applying the Company's accounting policies.

3. Operating loss

The operating loss is stated after charging:

	2018 £'000	2017 £'000
Auditor's remuneration for audit services	3	3
Depreciation	1	1
Pension contributions	359	327

Non audit fees payable to Deloitte LLP were £8,000 (2017: £5,000) in respect of taxation services.

4. Employees

The company has no employees other than the directors, who received £nil remuneration (2017: £nil) for their services to the company, being remunerated by other group companies and not recharged.

5. Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable on loans to group companies	1,160	1,078
Income from fixed asset investments	521	662
Interest receivable on other loans	11	1
	<u>1,692</u>	<u>1,741</u>

6. Taxation

	2018 £'000	2017 £'000
Corporation tax		
Current tax on profits for the year	-	-
Adjustments in respect of previous years	-	27
Total current tax	-	27
Deferred tax		
Adjustments in respect of previous years	-	-
Total current tax	-	27

Factors affecting current tax charge/(credit) in the year:

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

6. Taxation (continued)

The standard rate of tax for the year is lower than (2017: lower than) the average UK standard rate of corporation tax, of 19.00% (2017: 19.25%). The actual current tax charge (2017: charge) for the current year and the preceding year differs for the reasons set out in the following reconciliation:

	2018 £'000	2017 £'000
Profit before tax	1,261	1,485
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	240	286
Effects of:		
Expenses not deductible for tax purposes	(220)	(208)
Adjustments in respect of previous periods	(1)	27
Non-taxable income	(99)	(154)
Transfer pricing adjustments	80	76
Total tax charge for the year	-	27

Factors that may affect future tax charges

The Finance Act 2016, which was substantively enacted in September 2017 included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was substantively enacted at year end the impact of the rate change is reflected in the tax provisions reported in these accounts. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

7. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Total £'000
Cost			
At 1 January 2018 and 31 December 2018	10	9	19
Depreciation			
At 1 January 2018	-	1	1
Charge for the year	1	-	1
At 31 December 2018	1	1	2
Net book value			
At 31 December 2018	9	8	17
At 31 December 2017	10	8	18

8. Fixed asset investments

	Investments in subsidiary companies £'000	Investments in associates £'000	Total £'000
Cost and net book value			
At 1 January 2018 and 31 December 2018	8,419	184	8,603

Subsidiary undertakings

The company held ordinary share capital in the following UK subsidiary undertakings:

Name	Holding	Principal activity	Registered address
IKO plc	100%	Waterproofing products	Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB
William Briggs & Sons Limited*	76%	Holding company	Amasco House, 101 Powke Lane, Cradley Heath, West Midlands, B64 5PX
Briggs Amasco Limited	76%	Roofing and cladding	Amasco House, 101 Powke Lane, Cradley Heath, West Midlands, B64 5PX

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

Ruberoid International Limited 100%	Holding company	Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB
Pure Asphalt Company Limited**	Manufacturer of Mastic & related products	Appley Lane North, Appley Bridge, Wigan Lancashire, WN6 9AB

*This represents an effective shareholding in these undertakings which is, in part, held via the company's interests in The Specialist Waterproofing Group Limited. The company's indirect shareholding in these undertakings is 60%.

** Held indirectly via the company's interests in IKO plc.

Associates

The company held ordinary share capital in the following UK associates:

Name	Holding	Principal activity	Registered address
The Specialist Waterproofing Group Limited	26%	Holding company	1B, Mount Grace Drive, Poole, BH14 8NB

9. Debtors

	2018 £'000	2017 £'000
Due after more than one year		
Deferred tax asset	5	5
	<u>5</u>	<u>5</u>
Due within one year		
Trade debtors	36	-
Amounts owed by group undertakings	34,250	33,146
Prepayments and accrued income	-	2
Corporation tax	193	35
Other debtors	193	237
	<u>34,672</u>	<u>33,420</u>
Total debtors	<u>34,677</u>	<u>33,425</u>

The amounts owed by group undertakings unsecured and are due to be repaid in instalments by 31 December 2019. The balances attract interest of 3.5% per annum (2017: 3.5%).

Other debtors are due to be repaid within one year and attracts interest of 3% plus LIBOR per annum.

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

10. Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	10	-
Accruals and deferred income	74	64
	<u>84</u>	<u>64</u>

11. Deferred taxation

	Deferred tax £'000
At 1 January 2018 and 31 December 2018	<u>5</u>

The deferred tax asset is made up as follows:

	2018 £'000	2017 £'000
Other timing differences	<u>5</u>	<u>5</u>

12. Share capital

	2018 £'000	2017 £'000
Allotted, called-up and fully paid 48,235,448 Ordinary shares of £0.05 each	<u>2,412</u>	<u>2,412</u>

Ordinary shares have equal voting rights and rank equally on distribution.

13. Reserves

Share premium

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit & loss account

Profit and loss account includes all current and prior year retained profits and losses.

14. Pension commitments

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

As the Ruberoid PLC Staff Pension Scheme is run for the IKO U.K. Limited group as a whole, the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Hence, as permitted by FRS 102, the scheme is accounted for in these financial statements by the company as if the scheme was a defined contribution scheme.

At 31 December 2018, the scheme had a deficit on an FRS 102 basis of £17,433,000 (2017: £19,635,000). Full disclosure is contained within the financial statements of the company's immediate parent company, IKO U.K. Limited.

IKO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

During the year the company contributed £359,000 (2017: £327,000) to the Ruberoid Plc Staff Pension Scheme. Contributions outstanding at 31 December 2018 were £31,000 (2017: £27,000).

Following work performed by the scheme's actuary, the impact of Guaranteed Minimum Pension ('GMP') equalization on the liabilities of the relating pension liability is estimated to be 1.4%. This GMP equalization impact has not been reflected in the pension premiums charged to IKO PLC Limited in 2018 however, will be so in future years.

15. Related party transactions

The company has taken advantage of the exemption under FRS 102 section 33 not to provide information on related party transactions with other undertakings within the IKO U.K. Limited group.

16. Ultimate controlling party

The company's ultimate parent company is IKO Enterprises Limited, a company incorporated in Canada, and its immediate parent company is IKO U.K. Limited (Registered address: (Registered address: Appley Lane North, Appley Bridge, Wigan, Lancashire, WN6 9AB).

IKO U.K. Limited is the parent undertaking of the smallest and largest group of undertakings of which the Company is a member and for which group financial statements are prepared. Copies of these financial statements may be obtained from the Company Secretary at the following address.

Appley Lane North
Appley Bridge
Wigan
Lancashire
WN6 9AB