

# IKO Plc

Registered number: 02678296

## **Directors' report and financial statements**

**For the year ended 31 December 2015**



## **IKO PLC**

### **COMPANY INFORMATION**

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<b>Directors</b>	H M Koschitzky J Koschitzky F Hautman AB Williamson A Carlyle (appointed 5 October 2015)
<b>Company secretary</b>	TCSS Limited
<b>Registered number</b>	02678296
<b>Registered office</b>	Appley Lane North Appley Bridge Wigan Lancashire WN6 9AB
<b>Independent auditors</b>	Mazars LLP Chartered Accountants & Statutory Auditor 14th Floor The Plaza 100 Old Hall Street Liverpool L3 9QJ

# **IKO PLC**

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## **IKO PLC**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **Introduction**

The directors present their Strategic Report for the year ended 31 December 2015.

#### **Business review**

The company is the leading manufacturer and supplier in the UK of waterproofing materials and associated products for the building and construction industry. It exports its products to over 50 countries worldwide.

#### **Principal risks and uncertainties**

Competition on selling prices including the availability of cheap imports from abroad have been, and will continue to be, a challenge to the company. The company's objective is to provide high quality products combined with excellent service levels. The delivery of this objective along with the strong relationships that the company maintains with its key customers has meant that despite increased competition on prices, margins have actually increased during the year.

Although less volatile than in previous years, fluctuations in raw material prices can have an impact on the stability of the company's cost base. As a result raw material prices are continuously monitored to ensure any risk is minimised.

The company operates in a wide variety of markets and as such is exposed to downturns in any one of these areas. However the company's ability to offer a wide range of products across new build and repairs and maintenance activities, helps to mitigate any such downturns in business.

The company is exposed to credit risk through the financial failure of key customers. To mitigate this risk, the company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is underwritten by credit insurance where possible and any uninsured exposure is managed in accordance with group credit policies and procedures.

Staff retention is important to the company. The company seeks to employ high quality, professional and experienced personnel and appreciates that the loss of key personnel could present operational difficulties for the company. The company also believes in the training and development of their employees and operates both an internal management training programme alongside a recognition incentive scheme to reward outstanding employee achievement.

Although the UK economy continued to report growth throughout 2015, this growth was at a much slower pace than what was witnessed during 2014. This slowdown presented some difficult trading conditions throughout the year, which was particularly evident within the RMI market. Looking ahead to 2016, growth is expected to continue at a similar rate. That said, any uncertainty caused by a referendum to decide on the UK's membership of the European Union, alongside a potential increase in interest rates, could drag a little on this growth.

The directors are confident of the operating effectiveness of the company and considers the outlook for the next financial year to be favourable.

**Strategic report (continued)**

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**Financial key performance indicators**

Although the company achieved an overall decrease in turnover of 8% on 2014, continuous efficiency improvements, in particularly within manufacturing, along with strong cost control were the key factors behind a significant increase of 13% in operating profit (excluding exceptionals).

Debtor days reduced on a like for like basis from 65 days in 2014 to 57 days, whilst creditor days reduced to 24 days from 27 days.

Although stock holding days in 2015 increased to 64 days, a considerable focus has been put on reducing obsolete stock levels during the year. As a result obsolete stock levels reduced by 45% in the year.

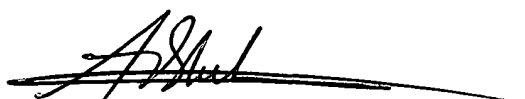
Both equity and asset based ROCE have improved significantly on the prior year due to increased EBIT levels, whilst capital employed has remained consistent. There has also been a significant reduction in long term borrowings during the year.

**Other key performance indicators**

The company uses a variety of non-financial key performance measures, which include measuring On Time In Full deliveries, order fulfilment, customer complaints, warranty claims and number of orders processed.

These measures are reported and reviewed weekly or monthly and most continue to show improvement.

This report was approved by the board and signed on its behalf.



**AB Williamson**  
Director

Date: 27 June 2016

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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The directors present their report and the financial statements for the year ended 31 December 2015.

**Results and dividends**

These are the company's first financial statements prepared under FRS 102. The company's date of transition was 1 January 2014, with the financial statements for the year ended 31 December 2014 being the last financial statements prepared under the previous accounting framework. Comparative figures have been restated in these financial statements in accordance with the requirements of FRS 102. Further detail can be found in note 27.

The profit for the year, after taxation, amounted to £5,663,000 (2014 - £4,376,000).

The directors have not recommended the payment of a dividend (2014: £nil).

**Directors**

The directors who served during the year were:

H M Koschitzky  
J Koschitzky  
F Hautman  
AB Williamson  
A Carlyle (appointed 5 October 2015)

H M Koschitzky is an overseas based director and is not required to notify his interest in group undertakings incorporated outside of Great Britain to the company. He has no beneficial interest in the share capital of any group companies in Great Britain. F Hautman is also an overseas based director and has no beneficial interest in the share capital of any group companies in Great Britain.

None of the directors has an declarable beneficial interest in the shares or loan capital of the company's ultimate parent company, IKO Enterprises Limited.

**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 year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**Political and charitable donations**

Charitable donations in the UK totalled £6,000 (2014: £5,000). No political contributions were made (2014: £nil).

**Going concern**

The company's business activities, together with the factors likely to affect its future development and its key risks are described in this report and the Strategic Report.

The company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and business sectors. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**Research and development activities**

The company seeks to enhance the performance of its products through continuous improvements and quality control in order to meet evolving building design criteria and expected European building standards.

**Employee involvement**

The company 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 the involvement of employees to ensure good relations and the improvement of the company performance and will continue to hold briefings and presentations when required.

**Disabled employees**

It is the company 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.

**Directors' indemnity**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**IKO PLC**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**Post balance sheet events**

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

**Auditors**

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**AB Williamson**  
Director

Date: 27 June 2016

Appley Lane North  
Appley Bridge  
Wigan  
Lancashire  
WN6 9AB



IKO PLC

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IKO PLC**

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We have audited the financial statements of IKO Plc for the year ended 31 December 2015 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

IKO PLC

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IKO PLC

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Gareth Hitchmough (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

14th Floor  
The Plaza  
100 Old Hall Street  
Liverpool  
L3 9QJ

Date: 27 June 2016

**IKO PLC**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Note</b>	<b>2015 £000</b>	<b>2014 £000</b>
Turnover	<b>3</b>	74,701	80,971
Cost of sales		(54,691)	(62,708)
<b>Gross profit</b>		<b>20,010</b>	<b>18,263</b>
Distribution costs		(8,770)	(8,381)
Administrative expenses		(3,990)	(3,451)
Exceptional administrative expenses		590	(47)
<b>Operating profit</b>	<b>5</b>	<b>7,840</b>	<b>6,384</b>
Gains on financial assets at fair value		19	38
Losses on financial liabilities at fair value		(290)	(211)
Interest receivable and similar income	<b>8</b>	360	353
Interest payable and expenses	<b>9</b>	(770)	(823)
<b>Profit before tax</b>		<b>7,159</b>	<b>5,741</b>
Tax on profit	<b>10</b>	(1,496)	(1,365)
<b>Profit after tax</b>		<b>5,663</b>	<b>4,376</b>
Retained earnings at the beginning of the year		24,760	20,384
Profit for the year		5,663	4,376
<b>Retained earnings at the end of the year</b>		<b>30,423</b>	<b>24,760</b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the income statement.

The notes on pages 10 to 27 form part of these financial statements.

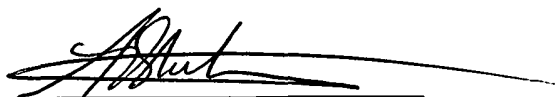
**IKO PLC**

Registered number: 02678296

**BALANCE SHEET****AS AT 31 DECEMBER 2015**

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	11	17,824	19,915
<b>Current assets</b>			
Stocks	13	9,817	8,599
Debtors	14	25,978	27,192
Cash at bank and in hand		9,335	7,119
		<u>45,130</u>	<u>42,910</u>
Creditors: amounts falling due within one year	15	(11,086)	(14,666)
<b>Net current assets</b>		<u>34,044</u>	<u>28,244</u>
<b>Total assets less current liabilities</b>		<u>51,868</u>	<u>48,159</u>
Creditors: amounts falling due after more than one year	16	(19,743)	(21,656)
<b>Provisions for liabilities</b>			
Deferred tax		(702)	(743)
<b>Net assets</b>		<u><u>31,423</u></u>	<u><u>25,760</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	1,000	1,000
Profit and loss account	20	30,423	24,760
		<u><u>31,423</u></u>	<u><u>25,760</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**AB Williamson**  
Director

Date: 27 June 2016

The notes on pages 10 to 27 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

The company is a private limited company, incorporated in the United Kingdom and registered in England. The registered office is Appley Lane North, Appley Bridge, Wigan, WN6 9AB.

The company transitioned from previously extant UK GAAP to FRS102 as 1 January 2014.

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.

Information on the impact of first-time adoption of FRS 102 is given in note 27.

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

The following principal accounting policies have been applied:

**1.2 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 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);

This information is included in the consolidated financial statements of IKO UK Limited as at 31 December 2015 and these financial statements may be obtained from the company's registered office.

**1.3 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 and thus continue to trade. 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.

**1.4 Related party transactions**

As the company is a wholly owned subsidiary of IKO UK Limited, it has taken advantage of the exemption contained within FRS 102 and has therefore not disclosed transactions or balances with entities that form part of the group.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies (continued)**

**1.5 Revenue recognition**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

**Interest income**

Revenue is recognised as interest accrues using the effective interest rate method.

**Dividends**

Revenue is recognised when the company's right to receive payment is established.

**1.6 Government grants**

Capital based government grants are deducted from the cost of the related fixed assets and are released to the Statement of Income and Retained Earnings over the expected useful lives of the relevant assets.

**1.7 Operating leases**

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the period of the lease.

Rentals received under operating leases are recognised in the Statement of Income and Retained Earnings on a straight line basis over the period of the lease.

**1.8 Research and development**

All expenditure is charged to the Statement of Income and Retained Earnings as incurred.

**1.9 Goodwill and acquisition of unincorporated businesses**

Goodwill arising on the acquisition of unincorporated businesses, representing the excess of the fair value of consideration given over the fair value of the separable net assets acquired, is capitalised and amortised over its useful economic life, which is normally set at ten years.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies (continued)**

**1.10 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 or loss during the period in which they are incurred.

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:

Freehold property	- 50 years
Short leasehold property	- 4 to 20 years
Plant, machinery & vehicles	- 3 to 15 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 Statement of Income and Retained Earnings.

**1.11 Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Raw materials, consumables and goods for resale are valued on a purchase cost on a first in, first out basis.

Work in progress and finished goods are valued on the basis of the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

**1.12 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method less any impairment.

**1.13 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies (continued)**

**1.14 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**1.15 Foreign currencies**

The company's functional and presentational currency is GBP.

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.

**1.16 Financial instruments**

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 amortised cost 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 Statement of Income and Retained Earnings.

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.

**1.17 Finance costs**

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest rate 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.

**1.18 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 Statement of Income and Retained Earnings represents the contributions payable to the scheme in respect of the accounting period.

The company also participates in three group-wide defined contribution pension schemes. The assets of the schemes are held separately from those of the company. The amount charged to the Statement of Income and Retained Earnings represents the contributions payable to the schemes in respect of the accounting period.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. Accounting policies (continued)**

**1.19 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, 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.

**1.20 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**2. Judgments in applying accounting policies 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 that 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 have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairment identified during the current financial year.

**Assessing operating lease commitments**

The company has entered into leases as a lessee obtaining the use of land and buildings and other tangible fixed assets. The classification of such leases as operating or finance lease requires management to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Estimating value in use**

Where an indication of impairment exists, the directors will carry out an impairment review to determine the recoverable amount, being the higher of fair value less cost to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

**Recoverability of receivables**

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the ageing of the receivables, past experience of recoverability and the credit profile of individual or groups of customers.

**Determining the stock provision**

The company includes stock provisions for slow moving and obsolete stock. Management undertake an assessment of which stocks are no longer economically feasible, based on seasonal and consumer performance, before allocating the necessary provisions to bring the stock valuation in line with the accounting policy stated above.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**Critical judgements in applying the company's accounting policies (continued)**
**Determining residual values and useful economic lives of tangible fixed assets**

The company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value, management aim to assess the amount that the company would currently obtain for the disposal of the asset if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

**3. Analysis of turnover**

Turnover represents the amounts derived from the provision of goods and services which fall within the company's principal business activities, stated net of value added tax.

Analysis of turnover by country of destination:

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
United Kingdom	69,444	75,203
Rest of Europe	1,236	2,130
Rest of the world	4,021	3,638
	<u>74,701</u>	<u>80,971</u>

**4. Exceptional items**

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
(Profit) / loss on disposal of tangible fixed assets	(590)	47

**5. Operating profit**

The operating profit is stated after charging:

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Depreciation of tangible fixed assets	2,011	2,098
Auditors' remuneration	36	36
Difference on foreign exchange	108	7
Pension contributions	1,453	1,236
Research & development charged as an expense	96	192

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**6. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2015 £000</b>	<b>2014 £000</b>
Wages and salaries	9,887	10,048
Social security costs	984	963
Pension contributions	1,453	1,236
	<u>12,324</u>	<u>12,247</u>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2015 No.</b>	<b>2014 No.</b>
Production	139	143
Selling	103	100
Administration	33	30
	<u>275</u>	<u>273</u>

**7. Directors' remuneration**

	<b>2015 £000</b>	<b>2014 £000</b>
Directors' emoluments	221	151
Company contributions to pension schemes	19	14
	<u>240</u>	<u>165</u>

During the year retirement benefits were accruing to 2 directors (2014 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £182,000 (2014 - £135,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,000 (2014 - £14,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**8. Interest receivable**

	<b>2015 £000</b>	<b>2014 £000</b>
On loans to group undertakings	322	331
Other interest receivable	38	22
	<u>360</u>	<u>353</u>

**9. Interest payable and similar charges**

	<b>2015 £000</b>	<b>2014 £000</b>
On loans from group undertakings	770	821
Other interest payable	-	2
	<u>770</u>	<u>823</u>

**10. Taxation**

	<b>2015 £000</b>	<b>2014 £000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	1,588	1,437
Adjustments in respect of previous periods	(51)	(90)
<b>Total current tax</b>	<u>1,537</u>	<u>1,347</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(69)	(4)
Adjustments in respect of prior periods	28	22
<b>Total deferred tax</b>	<u>(41)</u>	<u>18</u>
<b>Taxation on profit on ordinary activities</b>	<u>1,496</u>	<u>1,365</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**10. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	<b>2015 £000</b>	<b>2014 £000</b>
Profit on ordinary activities before tax	7,159	5,741
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	1,449	1,234
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	203	189
Capital allowances for year in excess of depreciation	(10)	69
Adjustments to tax charge in respect of prior periods	(23)	(68)
Other timing differences leading to an increase in taxation	2	-
Group relief	(37)	(22)
Origination and reversal of timing differences	(69)	(4)
Imputed interest - transfer pricing adjustment	(19)	(33)
<b>Total tax charge for the year</b>	<b>1,496</b>	<b>1,365</b>

**Factors that may affect future tax charges**

Following the Budget in March 2016, the UK corporation tax rates are to remain at 20% from 1 April 2016 followed by a reduction to 19% from 1 April 2017 and a further reduction to 18% from 1 April 2020.

Deferred taxation has been calculated at 18% in accordance with FRS102.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**11. Tangible fixed assets**

	<b>Freehold land and buildings £000</b>	<b>Plant, machinery and vehicles £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 January 2015	11,196	29,857	41,053
Additions	281	1,577	1,858
Disposals	(2,912)	(1,454)	(4,366)
<b>At 31 December 2015</b>	<b>8,565</b>	<b>29,980</b>	<b>38,545</b>
<b>Depreciation</b>			
At 1 January 2015	2,763	18,375	21,138
Charge owned for the period	229	1,782	2,011
Disposals	(991)	(1,437)	(2,428)
<b>At 31 December 2015</b>	<b>2,001</b>	<b>18,720</b>	<b>20,721</b>
<b>At 31 December 2015</b>	<b>6,564</b>	<b>11,260</b>	<b>17,824</b>
At 31 December 2014	8,433	11,482	19,915

Included in freehold land and buildings is £1,048,000 (2014: £1,542,000) of land which is not depreciated.

**12. Fixed asset investments**

IKO Plc owns 50% of the issued ordinary share capital of Ruberoid International Limited, another IKO group company. The carrying value of this investment at 31 December 2015 was £nil (2014: £nil).

**13. Stocks**

	<b>2015 £000</b>	<b>2014 £000</b>
Raw materials and consumables	1,572	1,603
Finished goods and goods for resale	8,245	6,996
	<b>9,817</b>	<b>8,599</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**14. Debtors**

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Due after more than one year</b>		
Amounts owed by group undertakings	9,355	9,204
<b>Due within one year</b>		
Trade debtors	14,404	14,803
Amounts owed by group undertakings	834	1,835
Other debtors	474	4
Prepayments and accrued income	911	1,346
	<u>25,978</u>	<u>27,192</u>

**15. Creditors: Amounts falling due within one year**

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Trade creditors	2,331	3,203
Amounts owed to group undertakings	1,839	2,746
Corporation tax	1,588	1,436
Taxation and social security	1,080	1,078
Other creditors	2,944	5,035
Accruals and deferred income	1,304	1,168
	<u>11,086</u>	<u>14,666</u>

**16. Creditors: Amounts falling due after more than one year**

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Amounts owed to group undertakings	19,743	21,656



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**17. Financial instruments**

	<b>2015 £000</b>	<b>2014 £000</b>
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	25,067	25,846
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(28,161)	(33,808)

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts due from group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and amounts due to group undertakings.

**18. Deferred taxation**

	<b>Deferred tax £000</b>
At 1 January 2015	(743)
Movement in year	41
<b>At 31 December 2015</b>	<b>(702)</b>

The provision for deferred taxation is made up as follows:

	<b>2015 £000</b>	<b>2014 £000</b>
Accelerated capital allowances	(709)	(750)
Other timing differences	7	7
	<b>(702)</b>	<b>(743)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**19. Share capital**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted, called up and fully paid</b>		
1,000,000 Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

**20. Reserves****Profit & loss account**

This reserve represents cumulative profits and losses.

**21. Contingent liabilities**

The company has granted a charge over its premises at Appley Bridge to the Ruberoid PLC Staff Pension Scheme to secure future obligations of its parent company and fellow subsidiaries to the Scheme.

**22. Capital commitments**

At 31 December 2015 the company had capital commitments as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Contracted for but not provided in these financial statements	819	29
	<u>819</u>	<u>29</u>

**23. 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 Holdings 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 2015, the scheme has a deficit on an FRS 102 basis of £14,297,000 (2014: £18,404,000). Full disclosure is contained within the financial statements of the company's intermediate parent company, IKO U.K. Limited.

During the year, the company contributed £507,000 (2014: 380,000) to the Ruberoid PLC Staff Pension Scheme. There were no contributions (2014: £nil) outstanding at the Balance Sheet date.

The company also participates in a defined contribution scheme for employees being the IKO Group Flexible Retirement Plan. During the year the company contributed £946,000 (2014: £856,000) to those schemes. Contributions outstanding at 31 December 2015 were £71,000 (2014: £65,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**24. Commitments under operating leases**

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2015 £000</b>	<b>2014 £000</b>
Not later than 1 year	31	31
Later than 1 year and not later than 5 years	18	50
Later than 5 years	-	30
<b>Total</b>	<u>49</u>	<u>111</u>

Amounts charged to the Statement of Income and Retained Earnings in respect of operating leases totalled £294,000 (2014: £308,000).

**25. Related party transactions**

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

The company has a loan balance with IKO Sales Limited, a fellow subsidiary of IKO Enterprises Limited. The fair value of this loan at 31 December 2015 was £6,314,000 (2014: 6,100,000).

During the year the company traded with IKO Europe NV on normal commercial terms. At the balance sheet date net amounts due to IKO Europe NV totalled £1,458,000 (2014: £2,502,000). In the prior year the company also had a loan of £1,340,000 payable to IKO Europe. This balance was repaid in full during the current year. Interest paid on this loan during the year amounted to £12,000 (2014: £40,000).

During the current and prior year the company paid expenses on behalf of IKO Insulations UK Limited, a member of the wider IKO group. At 31 December 2015 the fair value of the balance due from IKO Insulations UK Limited was £1,369,000 (2014: £1,317,000).

**26. Controlling party**

The company's ultimate parent company is IKO Enterprises Limited, a company incorporated in Canada, and its immediate parent company is IKO Holdings Plc.

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

**27. First time adoption of FRS 102**

These are the company's first financial statements prepared under FRS 102. Transitional adjustments to restate the comparative year opening and closing balance sheet are summarised in the following pages.

IKO PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

27. First time adoption of FRS 102 (continued)

	As previously stated 1 January 2014 £000	Effect of transition 1 January 2014 £000	FRS 102 (as restated) 1 January 2014 £000	As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 102 (as restated) 31 December 2014 £000
Fixed assets	21,105	-	21,105	19,915	-	19,915
Current assets	41,263	(1,716)	39,547	44,268	(1,358)	42,910
Creditors: amounts falling due within one year	(11,930)	(3,568)	(15,498)	(13,326)	(1,340)	(14,666)
<b>Net current assets</b>	<b>29,333</b>	<b>(5,284)</b>	<b>24,049</b>	<b>30,942</b>	<b>(2,698)</b>	<b>28,244</b>
<b>Total assets less current liabilities</b>	<b>50,438</b>	<b>(5,284)</b>	<b>45,154</b>	<b>50,857</b>	<b>(2,698)</b>	<b>48,159</b>
Creditors: amounts falling due after more than one year	(30,800)	7,755	(23,045)	(26,191)	4,535	(21,656)
Provisions for liabilities	(725)	-	(725)	(743)	-	(743)
<b>Net assets</b>	<b>18,913</b>	<b>2,471</b>	<b>21,384</b>	<b>23,923</b>	<b>1,837</b>	<b>25,760</b>
<b>Capital and reserves</b>	<b>18,913</b>	<b>2,471</b>	<b>21,384</b>	<b>23,923</b>	<b>1,837</b>	<b>25,760</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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**27. First time adoption of FRS 102 (continued)**

**Explanation of changes to previously reported equity at 1 January 2014:**

Current assets in the Balance Sheet at 1 January 2014 included amounts due from group undertakings of £10,318,000 which were not previously recognised at fair value due to no interest charge being applied to the loans. These balances have now been restated at fair value in line with the terms and conditions in place for the loans. The result of these adjustments is a reduction in long term debtors and a reduction in equity of £1,716,000 at 1 January 2014.

Creditors due in more than one year in the Balance Sheet at 1 January 2014 included amounts due to group undertakings of £3,568,000 which do not have formal terms and conditions regarding repayment and interest charges, and as such are repayable on demand. These have therefore been reclassified in the financial statements as falling due within one year. The change in classification reduces creditors falling due in more than one year and increases creditors falling due in less than one year by £3,568,000.

Creditors due in more than one year in the Balance Sheet at 1 January 2014 included amounts due to group undertakings of £26,191,000. Amounts totalling £3,568,000 have been transferred to creditors due in less than one year as noted above. The remaining loans were not previously recognised at fair value due to no interest charge being applied to the loans. These balances have now been restated at fair value in line with the terms and conditions in place for the loans. The result of these adjustments is a further reduction in long term creditors of £4,187,000 at 1 January 2014 and an increase in equity of £4,187,000.

The overall impact of all the above adjustments on net assets at 1 January 2014 is an increase of £2,471,000.

**Explanation of changes to previously reported equity at 31 December 2014:**

Current assets in the Balance Sheet at 31 December 2014 included amounts due from group undertakings of £10,505,000 which were not previously recognised at fair value due to no interest charge being applied to the loans. These balances have now been restated at fair value in line with the terms and conditions in place for the loans. The result of these adjustments is a reduction in long term debtors and a reduction in equity of £1,358,000 at 31 December 2014.

Creditors due in more than one year in the Balance Sheet at 31 December 2014 included amounts due to group undertakings of £1,340,000 which do not have formal terms and conditions regarding repayment and interest charges and as such are repayable on demand. These have been reclassified in the financial statements as falling due within one year. The change in classification reduces creditors falling due in more than one year and increases creditors falling due in less than one year by £1,340,000.

Creditors due in more than one year in Balance Sheet at 31 December 2014 included amounts due to group undertakings of £30,800,000. Amounts totalling £1,340,000 have been transferred to creditors due in less than one year as noted above. The remaining loans were not previously recognised at fair value due to no interest charge being applied to the loans. These balances have now been restated at fair value in line with the terms and conditions in place for the loans. The result of these adjustments is a further reduction in long term creditors of £3,195,000 at 31 December 2014 and an increase in equity of £3,195,000.

The overall impact of all the above adjustments on net assets at 31 December 2014 is an increase of £1,837,000.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**27. First time adoption of FRS 102 (continued)**

		As previously stated 31 December 2014 £000	Effect of transition 31 December 2014 £000	FRS 102 (as restated) 31 December 2014 £000
	Note			
Turnover		80,971	-	80,971
Cost of sales		(62,708)	-	(62,708)
		18,263	-	18,263
Distribution expenses		(8,381)	-	(8,381)
Administrative expenses		(3,451)	-	(3,451)
Exceptional expenses		(47)	-	(47)
<b>Operating profit</b>		<b>6,384</b>	<b>-</b>	<b>6,384</b>
		-	-	-
Gains on financial assets at fair value		-	38	38
Losses on financial liabilities at fair value		-	(211)	(211)
Interest receivable and similar income		33	320	353
Interest payable and similar charges		(42)	(781)	(823)
Taxation		(1,365)	-	(1,365)
<b>Profit for the year</b>		<b>5,010</b>	<b>(634)</b>	<b>4,376</b>

**Explanation of changes to previously reported profit at 31 December 2014:**

£320,000 of group interest receivable and a fair value gain of £38,000 have been recognised in the Statement of Income and Retained Earnings for the year ended 31 December 2014 in respect of intercompany loans recognised at fair value.

£781,000 of group interest payable and a fair value loss of £211,000 have been recognised in the Statement of Income and Retained Earnings for the year ended 31 December 2014 in respect of these intercompany loans recognised at fair value.

The overall impact on the profit for the financial year ended 31 December 2014 is a decrease of £634,000, from a profit of £5,010,000 to a profit of £4,376,000 for the year.